

July 31, 2018

To: Alberta Utilities Commission (“AUC” or “Commission”)

Re: Forwarding Notice – New Alberta Reliability Standard CIP-014-AB-2, *Physical Security* (“new CIP-014-AB-2”)

The Alberta Electric System Operator (“AESO”) recommends that the Commission approve the proposed new CIP-014-AB-2, pursuant to Section 19 of the *Transmission Regulation*.

Overview

The AESO is forwarding the following two letters concurrently:

- this Forwarding Letter regarding proposed new CIP-014-AB-2; and
- a Notice of Filing regarding the proposed removal of existing Section 501.2 of the ISO rules, *Security of Critical Facilities* (“existing Section 501.2”).

The combined purpose of these letters is to propose the adoption of the physical security requirements of North American Electric Reliability Corporation (“NERC”) CIP-014-2, *Physical Security* (“NERC CIP-014-2”), in Alberta through proposed new CIP-014-AB-2, and the removal of current security measures for critical facilities as required under existing Section 501.2.

Background

The purpose of proposed new CIP-014-AB-2 is to identify and protect transmission substations and their associated primary control centres that, if rendered inoperable or damaged as a result of a physical attack, could result in instability, uncontrolled separation, or cascading within an interconnection. Proposed new CIP-014-AB-2 is being adopted to replace the requirements within existing Section 501.2.

Existing Section 501.2 came into effect on January 1, 2013 and was based on requirements previously contained within the *Security Management Regulation*.¹ Existing Section 501.2 addresses the establishment and implementation of security measures for critical facilities.

The AESO anticipates that the adoption of proposed new CIP-014-AB-2 and the removal of existing Section 501.2 will result in the following:

- (a) The physical security requirements for certain facilities that are currently named in the critical infrastructure list established under the Alberta Counter-Terrorism Crisis Management Plan will no longer be included in an AESO authoritative document. The AESO has determined that ensuring the physical security of these facilities does not fall within the AESO’s mandate. The AESO has advised the Department of Energy and Justice, and the Solicitor General that such facilities may need to be reviewed for inclusion in the mandate of another agency or government department.
- (b) The requirement to have a corporate emergency response plan, as described in subsection 6 of existing Section 501.2, will no longer be required under an AESO authoritative document. The

¹ Alta Reg. 253/2007.

AESO has determined that, since other authoritative documents such as the *Operational Health and Safety Regulation* and Directive 071, *Emergency Preparedness and Response Requirements for the Petroleum Industry* require emergency response plans to be developed for critical facilities, this requirement is not necessary for the substation assets covered under proposed new CIP-014-AB-2.

- (c) The current requirement in subsection 7 of existing Section 501.2 for the AESO to inform legal owners of the threat of terrorist activity is not included in the proposed new CIP-014-AB-2. The AESO has determined that as this requirement only imposes an obligation on the AESO, it hinders efficient information sharing during an event since it does not require or encourage legal owners to actively seek information regarding the threat of terrorist activity. Proposed new CIP-014-AB-2 will encourage individual entities to establish direct relationships with the AESO and with law enforcement agencies, and to be notified regarding terrorist threat activity directly from these agencies.

Summary of Proposed Changes

In developing the proposed new CIP-014-AB-2, the AESO determined that certain Alberta variances and administrative amendments were required in order to ensure that NERC CIP-014-2 is capable of being applied in Alberta and does not require a material change in the framework for the market for electric energy. A summary of these Alberta variances and administrative amendments is as follows:

Alberta variances:

- requirement R5 has been amended to address market participants' concerns related to their ability to develop physical security plans within a 120 day time frame, and their related concern that the requirement to have a third party review the plan within 90 days of the end of the 120 day time frame creates a challenge, due to the limited availability of resources qualified to complete the review, which is further compounded by the initially short period. The AESO has determined that reliability will not be significantly impacted by a moderate extension of the 120 day time frame and has amended the provision accordingly to provide for 180 days.

Administrative amendments:

- NERC CIP-014-2 is structured such that the standard applies to the legal owner of certain listed transmission facilities, and then requirement R1 requires the legal owner to perform a risk assessment of related substations. The AESO has amended the "Applicability" section and requirement R1 in proposed new CIP-014-AB-2 to reflect that the AESO will have an obligation to identify transmission facilities that meet the listed criteria, and to then perform risk assessments of related substations in accordance with requirement R1.
- requirement R1 has been amended to remove the portion of NERC CIP-014-2 requirement R1.1 which requires the responsible entity to conduct subsequent risk assessments every 60 months, where transmission substations have not been identified in the previous risk assessment. Since the AESO is conducting risk assessments for the entire interconnected electric system, it will always identify at least one transmission substation in its previous risk assessment, and therefore, the conditions outlined in requirement R1.1 in relation to performing subsequent risk assessments every 60 months will never occur.
- requirement R2 has been amended as follows:
 - (a) to remove the requirement for a third party to verify the AESO's risk assessment. The AESO has determined that the intention of that provision was to have risk assessments verified by an independent party in cases where the risk assessments are initially performed by the party that owns the transmission substations. The AESO does not own

transmission substations and, therefore, does not require independent third party verification of its risk assessments; and

- (b) to require the AESO to notify the legal owner of the transmission facility of any substations identified from the risk assessments performed in requirement R1, and of any substations removed from a previous identification. Since the AESO is performing the risk assessments, rather than the legal owner, notification from the AESO is the only way for the legal owner to know that it owns facilities that will make it subject to other requirements under the proposed new CIP-014-AB-2, and also for the legal owner to learn whether a facility no longer makes the legal owner subject to requirements.
- requirement R4.3 has been amended to update the reference from the “Electricity Sector Information Sharing and Analysis Center” to the “Electricity Information Sharing and Analysis Center” as the name of the organization changed after the Federal Energy Regulatory Commission’s adoption of NERC CIP-014-2.
- requirement R1.2 was intended to be deleted but the text “Intentionally left blank” was unintentionally omitted during consultation. The text “Intentionally left blank” was reinstated.

In addition, the AESO made amendments to ensure consistent use of defined terms as included in the AESO’s [Consolidated Authoritative Document Glossary](#) (“CADG”). Administrative changes, such as formatting and grammatical corrections, have also been made in the proposed new CIP-014-AB-2.

Summary of AESO Consultation

On May 31, 2018, the AESO posted a [Consultation Letter](#) on its website requesting written comments from market participants and other interested parties with respect to the proposed new CIP-014-AB-2, and notified market participants in the AESO Stakeholder Newsletter.

On June 19, 2018 the AESO posted the written comments received from market participants and other interested parties, in response to the Consultation Letter, on its website and notified market participants in the AESO Stakeholder Newsletter. Please see the [Market Participant Comments on Consultation Letter](#) for a summary of written comments received.

On July 17, 2018, the AESO posted its replies to market participant comments, including the proposed new CIP-014-AB-2, on its website and notified market participants in the AESO Stakeholder Newsletter. Please see the [AESO Reply to Market Participant Comments Letter](#) for a summary of replies to written comments received, including the rationale or basis for the position of the AESO that explains why certain positions were rejected or accepted.

Attachments to Forwarding Notice

The following documents are attached to this Forwarding Notice:

1. May 31, 2018, Consultation Letter;
2. June 19, 2018, Market Participant Comments on Consultation Letter;
3. July 17, 2018, AESO Reply to Market Participant Comments Letter; and
4. Blackline and clean copies of proposed new CIP-014-AB-2.

Proposed Effective Date

The AESO recommends that the Commission approve the proposed new CIP-014-AB-2 to become effective on the first day of the calendar quarter (January 1, April 1, July 1 or October 1) that follows 6 full calendar quarters after approval by the Commission.

The AESO submits that the proposed new CIP-014-AB-2 complies with the requirements of the *Transmission Regulation*, is not technically deficient, and is in the public interest.

If you have any questions, please contact the undersigned.

Sincerely,

"Melissa Mitchell-Moisson"

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Attachments