

Waivers and Variances Related Materials



Background and Objectives

A number of ISO rules currently include language that grants the AESO the authority to approve waivers and variances in the functional specifications of a project. However, a variation to the functional specifications is not always an option. As set out in the AESO's *Letter of Notice for Development of a Proposed New ISO Rule – "Waivers and Variances Rule"* dated December 4, 2018 (the "*Letter of Notice*"), the AESO is proposing to develop ISO rule language that would potentially create a more suitable process for the AESO to approve waivers and variances beyond the current authority provided for with respect to the functional specifications.

As part of that proposed development, the AESO has scheduled a consultation session on February 4, 2019. The primary purpose of the consultation session is to solicit feedback from stakeholders regarding the specific objectives outlined in the *Letter of Notice*, challenges and concerns with the current waivers and variances process, and suggestions for improvement.

As a means of assisting stakeholders with their preparation for the consultation session, the AESO has compiled the following reference material.

Scope

For the purposes of this consultation, the AESO proposes that it is appropriate to consider the ISO rules included in Division 502 – Technical Requirements, Section 304.3, *Wind and Solar Power Ramp Up Management* ("Section 304.3") and Section 304.9, *Wind and Solar Aggregated Generating Facility Forecasting* ("Section 304.9") for possible application of any new waivers and variances provisions. The ISO rules in Division 502 are:

Section 502.1 *Wind Aggregated Generating Facilities Technical Requirements*

Section 502.2 *Bulk Transmission Technical Requirements*

Section 502.3 *Interconnected Electric System Protection Requirements*

Section 502.4 *Automated Dispatch and Messaging System and Voice Communication System Requirements*

Section 502.5 *Generating Unit Technical Requirements*

Section 502.6 *Generating Unit Operating Requirements*

NEW - Section 502.7 *Load Facility Technical Requirements**

Section 502.8 *SCADA Technical and Operating Requirements*

Section 502.9 *Synchrophasor Measurement Unit Technical Requirements*

NEW - Section 502.10 *Revenue Metering Technical Requirements**

NEW - Section 502.11 *Substation Technical and Operating Requirements**

Section 502.13 *Battery Energy Storage Facility Technical Requirements*

Section 502.14 *Battery Energy Storage Facility Operating Requirements*

Section 502.15 *Reporting Facility Modelling Data*

Section 502.16 *Aggregated Generating Facilities Operating Requirements*

NEW - Section 502.17 *Voice Communication System Requirements**

(*Note: The ISO rules identified as NEW are currently under development.)

The AESO proposes to limit the scope as identified for the following reasons:

1. The AESO is of the opinion that focusing the scope on a set of ISO rules with similar considerations - namely, technical requirements – will allow for more effective facilitation of consultation, a more manageable number of issues to consider, and quicker implementation of any resulting ISO rules provisions related to waivers and variances.
2. The vast majority of requests for waivers and variances from the requirements of the ISO rules are based on requirements in the ISO rules in Division 502. There have also been a few additional requests based on requirements in Section 304.2 and Section 304.9. The AESO is therefore of the opinion that this scope addresses the bulk of stakeholder concerns related to waivers and variances.
3. The AESO is of the opinion that it is prudent to have some concrete experience with the implementation and administration of any resulting ISO rules provisions related to waivers and variances prior to considering whether a broader application of those provisions is appropriate.

For the reasons stated, the AESO does not intend to include in the scope of this ISO rule development any section of the ISO rules not listed, the Alberta reliability standards, or the ISO Tariff.

Sampling of Current Models across the AESO

The AESO has reviewed current waivers and variances provisions in its authoritative documents and information documents. The AESO is of the opinion that the examples provided in Division 502, Section 304.3, Section 304.9, the CIP reliability standards, and in the ISO Tariff are the best models for forming the basis of the current discussion. The technical feasibility exceptions (TFEs) outlined in *CIP-SUPP-002-AB – Supplemental CIP Alberta Reliability Standard Technical Feasibility Exceptions* are particularly helpful as they deal directly with technical requirements.

For purposes of convenience and comparison, the AESO has organized current waivers and variances material into criteria, content, process, and submission information.

Criteria – ISO rules

Waivers and variances in the ISO rules are generally addressed in subsections related to the functional specifications for the facility. The criteria that allow for the AESO to consider varying a functional specification outlined in those subsections are the “technical, economic, safety, operational, and reliability requirements of the interconnected electric system”. The process for handling requests for waivers and variances, as outlined in Information Document *Requests for Information, Waivers or Variances Regarding Authoritative Documents ID #2017-001 (“Waivers or Variances ID”)*, also suggests that information related to “whether the requested waiver or variance is likely to have a material impact on the fair, efficient and openly competitive operation of the electricity market” will assist the AESO in assessing a request for a waiver or variance.

Criteria – CIP-SUPP-ID

The Information Document *Variance Requests Under CIP-SUPP-001-AB1 ID #2015-005RS (“CIP-SUPP ID”)* sets out the following for consideration when the AESO is assessing a request for a variance under the CIP reliability standards (except TFEs):

- the grounds in support of the variance request must not be frivolous or of little merit;
- the variance must not have a material impact on the reliability of the Alberta interconnected electric system; and
- there must be appropriate mitigation measures available to recover from any impacts to the reliability of the system.

Criteria – TFEs

The Information Document *Technical Feasibility Exceptions ID #2016-005RS (“TFE ID”)* lists the grounds for requesting a TFE as being that the compliance with a requirement of the reliability standard:

- is not technically possible or is precluded by technical limitations;

- is operationally infeasible or could adversely affect reliability of the Alberta interconnected electric system to an extent that outweighs the reliability benefits of compliance with the requirement;
- while technically possible and operationally feasible, cannot be achieved by the date the Responsible Entity is required to comply with the CIP ARS due to factors such as scarce technical resources, limitations on the availability of required equipment or components, or the need to construct, install or modify equipment during planned outages;
- would pose safety risks or issues that outweigh the reliability benefits of compliance with the requirement;
- would conflict with, or cause the Responsible Entity to be non-compliant with, a separate statutory or regulatory requirement applicable to the Responsible Entity, the asset or the related facility that must be complied with and cannot be waived or exempted; or
- would require the incurrence of costs that far exceed the benefits to the reliability of the Alberta interconnected electric system of compliance with the requirement, such as requiring the retirement of existing equipment that is not capable of compliance with the requirement but is far from the end of its useful life and replacement with newer-generation equipment that is capable of compliance, where the incremental risk to the reliable operation of the asset and to the reliable operation of the facility and the Alberta interconnected electric system of continuing to operate with the existing equipment is minimal.

The *TFE ID* also sets out the criteria to approve a TFE request as follows:

- (a) whether, in the determination of the AESO, the grounds relied on by the Responsible Entity for making the TFE request are satisfactory;
- (b) where the grounds relied upon are determined to be satisfactory, whether:
 - (i) the proposed mitigation plan, in the determination of the AESO, would achieve a level of reliability of the Alberta interconnected electric system comparable to or higher than compliance with the requirement; and
 - (ii) the proposed remediation plan to eliminate the TFE, in the determination of the AESO, is satisfactory.

Criteria – ISO Tariff, Section 3 System Access Service Connection Requirements

The ISO Tariff sets out the following waiver considerations:

5(2) The ISO may waive compliance with subsection 2 above if the ISO determines that non-compliance would not have a detrimental effect on system reliability and where the imposition of the technical requirements, obligations or guidelines would create severe hardship or unnecessary costs to an existing market participant.

Waiver and Variance Content

Neither the ISO rules nor the *CIP-SUPP ID* currently specify any required content for a waiver or variance. However, as a matter of practice, the AESO generally states at a minimum an effective date, and any expiration date or conditions if applicable.

Content – TFE ID

Section 6.2 of the *TFE ID* currently provides that the AESO's notice of approval or disapproval of a TFE request may contain the following:

- (a) a statement of approval/disapproval of each TFE request;
- (b) any terms and conditions of the approval;
- (c) the expiration date of the approval;
- (d) the milestones and completion date the Responsible Entity is required to achieve with respect to the implementation of the mitigation plan;

- (e) the milestones the Responsible Entity is required to achieve with respect to the implementation of the remediation plan to achieve compliance with the CIP ARS requirement(s);
- (f) the Responsible Entity's reporting requirements to the AESO regarding the implementation of mitigation and remediation plans; and
- (g) any other requirements or information the AESO has determined to be necessary in the circumstances.

Process

Requests for waivers and variances related to functional specifications are addressed through either the AESO Connection Process or by submitting a request to the AESO as outlined in the *Waivers or Variances ID*. Requests for waivers and variances related to the CIP reliability standards, including TFEs, follow the processes set out in the *CIP-SUPP ID* and the *TFE ID*.

Those processes generally require the market participant to submit a request to the AESO along with supporting information, and for the AESO to then review the request and provide a formal written response to the request.

The *Waiver or Variance ID* provides that the AESO's response to requests for a waiver or variance, including reasons, may be posted to the AESO's website unless the AESO determines that the request should be treated in a confidential manner.

Reliability standard *CIP-SUPP-001-AB1 - Supplemental CIP Alberta Reliability Standard* provides that the AESO must:

- treat variance requests as confidential;
- provide a response in writing; and
- if a variance request is disapproved, provide reasons.

The *TFE ID* provides that:

- the AESO may amend or terminate the TFE;
- the Responsible Entity may transfer a TFE; and
- the Responsible Entity is required to notify the AESO of material changes to the facts underlying the TFE.

Submission Information

The AESO lists a number of types of information that are either required or useful for the assessment of a request for a waiver or variance. The process established in the *Waivers and Variances ID* suggests submitting information related to the following:

- whether the request, accompanying information and AESO decision is confidential, with reasons;
- the proposed effective date for the waiver or variance, if any, along with the rationale;
- a description of the reasons for which the waiver or variance is requested;
- whether the requested waiver or variance is likely to have a material impact on the reliability of the Alberta interconnected electric system;
- whether the requested waiver or variance is likely to have a material impact on the fair, efficient and openly competitive operation of the electricity market; and
- the cost impact if the waiver or variance is approved or disapproved.

The *CIP-SUPP ID* does not list any specific information that is required to be submitted to the AESO in support of a request for a waiver or variance.

The *TFE ID* essentially requires the following to be submitted in support of a request for a TFE:

- the applicable CIP ARS requirement;
- a description of the assets;
- the grounds for the request;

- the proposed expiration date of the TFE;
- written approval of the TFE request by a senior manager;
- a documented mitigation plan associated with the TFE; and
- a documented remediation plan to eliminate the TFE and achieve compliance with the applicable CIP ARS requirement.

In practice, the AESO may request any additional information it considers necessary for a proper assessment of a waiver or variance request.