

Alberta Reliability Standards Compliance Monitoring Program

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1. Introduction

Pursuant to Section 23(1)(b)(c) of the Transmission Regulation (T-Reg), the Independent System Operator (ISO) operating as the Alberta Electric System Operator (AESO) has the mandate to monitor the compliance of electricity market participants¹ with Alberta Reliability Standards² (ARS). This document establishes and sets forth the AESO's Compliance Monitoring Program, which is created to carry out its legal mandate to monitor compliance with ARS, including the tools to be used and an overview of the process and rules for each tool. The CMP is developed to align with Section 103.12³ of the **ISO Rule**. In the event of a discrepancy between **ISO Rule(s)** or other applicable legislation(s), the **ISO Rule(s)** and legislation(s) shall prevail.

2. Purpose

This document defines the framework for carrying out the compliance monitoring function for adopted reliability standards. It does not create any additional regulatory requirement in Alberta.

3. Applicability

The AESO's CMP, as defined by this document, is applicable to the compliance monitoring of approved and in effect **reliability standards** within Alberta for all "electricity market participants⁴", which will be refer to as "**market participants**" henceforth.

4. Definitions

Bold terms used in this document have the meanings as set out in the *Consolidated Authoritative Document Glossary*.

5. Registration

Market participants are required to register with the AESO their applicable functional entities in accordance with the "Alberta Reliability Standard Functional Model and Criteria for Registration" guide and update such registration when there are changes to their functional models. Regardless of registration status, **market participants** are required to be in compliance with all applicable Alberta **reliability standards**, which is based on their actual functional model and when such standards become effective in the province.

For additional information on Registration, please see the *Alberta Reliability Standard Functional Model and Criteria for Registration guide* and the *Alberta Reliability Standard Registration guide*.

¹ As defined by the *Electric Utilities Act*, SA 2003, c E-5.1

² As defined by the Transmission Regulation, Alta Reg 86/2007, s 19

³ ISO rule 12 describes the overall process and guiding principles for the AESO to monitor registered market participants for both ISO rules and Alberta reliability standards.

⁴ *Supra* note 1

6. Compliance Monitoring Overview

The Compliance Monitoring Program (CMP) is an integral part of a broader compliance and enforcement structure in Alberta. As the compliance monitor, the AESO has the role of verifying if a **market participant** is in compliance with applicable Alberta **reliability standards** and making referral(s) to the enforcement authority⁵ if there is any suspected contravention. The fundamental goal of the CMP is to increase the reliability of the AIES⁶ through the monitoring of Alberta **reliability standards**. The regular periodic application of compliance monitoring processes promotes **market participants** to change behaviors or practices that are contrary to Alberta **reliability standards**, which will negatively impact AIES reliability.

The framework of the Compliance Monitoring Program includes the following six (6) components:

- **Registration:** provides the AESO with information on the functional role(s) of each **market participant** and its impact on the reliability of the AIES through the applicability of Alberta **reliability standards**.
- **Scheduled audits:** provide assurance to the electricity industry and to Albertans that mandatory requirements as defined by Alberta **reliability standards** are being followed, system risks are adequately mitigated, and deficiencies or opportunities to improve reliability are identified so that they are addressed and implemented.
- **Spot audits:** are intended to address specific concerns between scheduled audits, which if left unaddressed, may lead to unacceptable risk or decreased reliability of the AIES. Spot audits are also intended to give the AESO the ability to address urgent issues outside of scheduled audits.
- **Self-Certifications:** are an annual process intended to ensure the continuous internal monitoring of compliance between scheduled audits by all market participants so that they do not lose sight of the actions required to maintain the reliable operation of the AIES. Through the self-certification process and the required internal due diligence, **market participants** may identify deficiencies that lead to self-reports and correction behaviors, which will further improve the AIES's reliability.
- **Advanced Self-Certifications:** provide **market participants** with an early assessment of their implementation of new standards and helps **market participants** to identify any deficiencies early in the compliance process. The early identification of potential implementation deficiencies supports a higher level of AIES reliability.
- **Referrals:** the AESO must make referrals of suspected or potential contraventions to the MSA where it is identified, in accordance with Section 21.1 of the *Electric Utilities Act*⁷.
- **Area of Concerns and Observations Report:** the AESO provides **market participants** with suggested areas of potential improvement in implementing or complying with reliability standards for consideration in Area of Concerns and Observations Report. The intent of the report is to help **market participants** to improve their internal compliance process and to improve the reliability of the AIES.

⁵ The Market Surveillance Administrator (MSA) is the enforcement authority as defined by the Division 2 of the *Alberta Utilities Commission Act*.

⁶ Alberta Interconnected Electric System

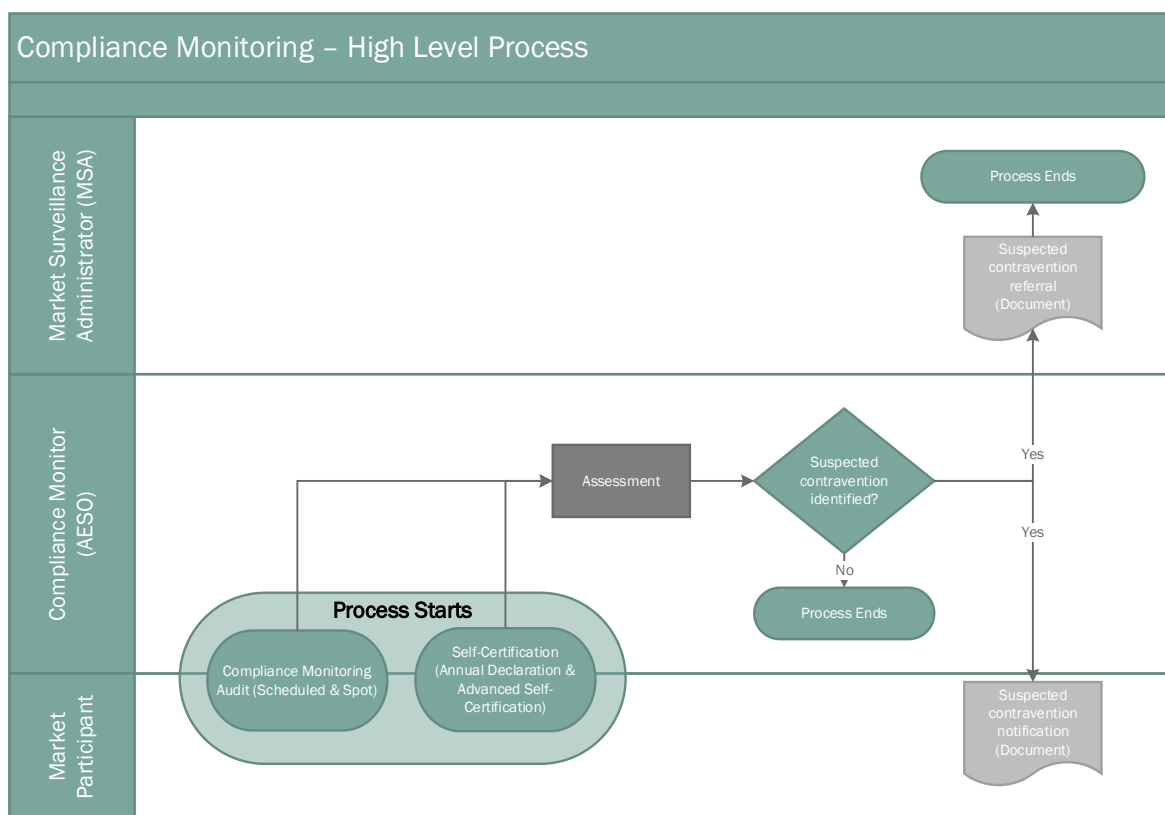
⁷ *Electric Utilities Act*, SA 2003, c E-5.1, s 21.1

The Compliance Monitoring Program is composed of three stakeholders:

- **Market participants** are as defined by the *Electric Utilities Act*⁸ and in the capacity of the program are being monitored by the AESO.
- The AESO in its capacity as defined by Section 23(1)(b)(c) of the Transmission Regulation is the compliance monitor and, in the context of the program, monitors the market for contravention to Alberta **reliability standards**.
- Market Surveillance Administrator (MSA) as defined by Division 2 of the *Alberta Utilities Commission Act*, is the enforcement authority and, in the context of the program, receives suspected contravention referrals from the AESO.

The following process map provides a high-level overview of the functional roles of parties involved in this process:

Figure 6.1 - Compliance Monitoring Overview



⁸ *Supra* note 1

7. Monitoring Tools

This section of the CMP describes the scope, application, and process of the monitoring tools that are used to monitor compliance with **reliability standards** by **market participants** in Alberta. The monitoring tools are consistent with Section 103.12 of the **ISO rule**.

Compliance monitoring, with respect to **reliability standards**, is carried out through one or a combination of the tools listed as followed:

- Audit (**compliance monitoring audit**)
 - Scheduled
 - Spot-audit.
- Self-Certification.

7.1 Compliance Monitoring Audit

7.1.1 Audit types

Through the compliance monitoring audit, the AESO will systematically examine **market participant's** compliance with applicable **reliability standards** pertaining to each **market participant's** legal responsibility(ies). There are two types of compliance monitoring audits.

Scheduled Audit

Scheduled audits are carried out by review and assessment of evidence submitted by the audited **market participant**, which is completed offsite and is not done at the operating premises/office of the audited entity except under the circumstances as described in the *Audit Guideline*.

Scheduled audits will be carried out on a scheduled basis and will follow a regular three-year cycle.

Spot Audit

Spot audits are carried out by review and assessment of evidence submitted by the audited **market participant**. The audit may be performed offsite or at the audited entity's operating premises/offices at the AESO's discretion.

Spot audits are not scheduled and are generally limited in scope. Spot audits are generally driven by events and may be initiated by the AESO to:

- Verify self-certification and assessment(s);
- Perform ad-hoc assessments of compliance with **reliability standards** or requirements such as newly implemented **reliability standards**;
- Perform assessment in response to events as described in the **reliability standard(s)**;
- Perform assessment in response to a request of the Market Surveillance Administrator, the Commission or other referral (ie. The Crown) made to the Independent System Operator (ISO);
- Perform assessment in response to a complaint, or
- Perform assessment in response to a disturbance event on the interconnected electric system or an operating problem.

The scope of the **compliance monitoring audits** will not extend beyond the bounds of compliance monitoring relative to **reliability standards**.

Compliance monitoring audits, either Scheduled or Spot, will be used to monitor the compliance status of all adopted **reliability standards** that are applicable to **market participants** in Alberta, excluding the AESO.

The AESO may conduct or appoint an auditor to conduct this audit (e.g. other audit firms), and/or may engage external subject matter experts to assist in the audit process.

7.1.2 Compliance Monitoring Audit Process

Notification of the pending audit will be provided to the registered **market participant** as set forth by the *AESO Alberta Reliability Standard Market Participant Audit Guide*.

Market participants are responsible to demonstrate compliance including the gathering and provision of the evidence in support of the Alberta **reliability standard(s)** that are listed in the audit notification.

During all audits, the AESO will assess the evidence provided by the **market participant** to identify any suspected contravention during the audit period.

The AESO will produce a draft audit report in accordance with Section 103.12 of the **ISO rule** and will provide the draft audit report to the **market participant** for its comment(s). The AESO will finalize the report in accordance with the procedure as set forth by the *AESO Alberta Reliability Standard Market Participant Audit Guide*.

Where a suspected contravention to an Alberta **reliability standard** has been identified, the AESO will refer the suspected contravention along with the audit report to the **MSA** in accordance with Section 103.12 of the **ISO rule**⁹. Notification of the referral will be made to the registered **market participant**.

7.1.3 Process Map

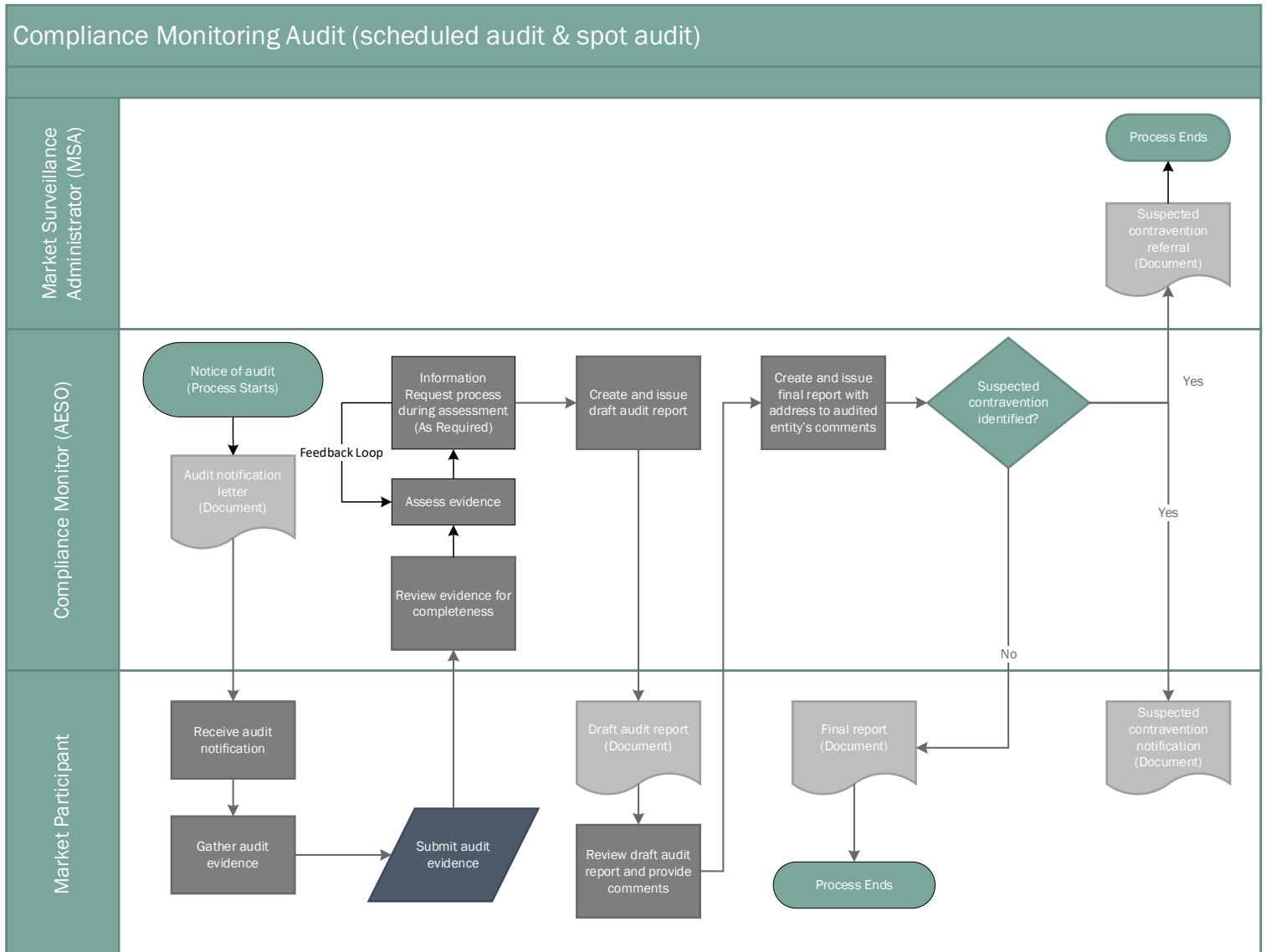
A high-level process map identifying the functional roles of parties involved in this process is shown in Figure 7.1.1.

7.1.4 References

For additional information, please see the *AESO Alberta Reliability Standard Market Participant Audit Guide*.

⁹ Subsection 9(4)

Figure 7.1.1: Compliance Monitoring Audit Process



7.2 Self-Certification

Self-certification is a declaration provided by a **market participant** to the AESO to certify compliance with the applicable Alberta **reliability standards** requirements pertaining to its functional entities for a specific period and, if not compliant, to provide disclosure.

Self-certification is required for each **market participant**, including all functional entities that apply. In some instances, a *Designation of Documentation Provider (DDP) Document* may exist to formalize a single legal entity to be subject to compliance activities under the CMP.

All **market participants** are required to certify the compliance status with the applicable Alberta **reliability standards** requirement pertaining to its functional entities as defined by the AESO *Registration Guideline* exclusively through a declaration statement signed by its company officer.

Advanced Self-Certification

Under advanced self-certification (ASC), interested **market participants** voluntarily submit evidence and the AESO reviews and assesses such evidence against the **market participants'** compliance status claims. The review of evidence is conducted at the AESO's premise.

ASC is available only for new and major revisions of Alberta **reliability standards**. It is only available for the first self-certification cycle of each **market participant** after the effective date of a considered standard or requirement. The AESO will announce which standards and requirements are available for ASC on its website.

The AESO may conduct or appoint an external entity to conduct the assessment and/or may engage external subject matter experts to assist in the assessment.

7.2.1 Self-Certification Process

The AESO will issue notification to self-certify for a specified self-certification period, submittal period and completion deadline. **Market participants** are required to provide a declaration statement that is signed by its company officer and include the compliance status for all Alberta **reliability standards** and requirements applicable to the **market participant** for the entire self-certification period.

The AESO will conduct an administrative and technical review as defined by the AESO *Self-Certification Guide*.

Advanced Self-Certification

To participate in ASC, a **market participant** is required to declare its intention to participate, including which standards and requirements selected from the published ASC scope available for the self-certification period, by submitting evidence¹⁰ in support of their compliance status claim(s), together with their signed declaration statement¹¹ for self-certification.

The AESO will review and assess the presented evidence against the **market participants'** compliance status claims. The Information Request (IR) process will be used to clarify and request any additional data and information needed to complete the assessment. Upon completion of the analysis, if a suspected contravention is identified, the AESO will issue a notification to the **market participants** and they will be given the opportunity to comment on the AESO's findings. All suspected contraventions will be reported to the **MSA** in accordance

¹⁰ As defined by the respective Reliability Standard Audit Worksheets (RSAWS)

¹¹ "Declaration Statement" refers to the same document provided for self-certification. Advanced Self-Certification does not require an additional declaration statement.

with Section 103.12 of the **ISO rule**¹² and a notification of the referral will be made to the registered **market participant**. If no suspected contraventions are identified, a notification of self-certification closure is issued to the **market participant**.

7.2.2 Process Map

A process map identifying the functional roles of parties involved in this process is shown in Figure 7.2.1 for self-certification and Figure 7.2.2 for Advanced Self-Certification.

7.2.3 References

For additional information on Self-Certification, please see the *Self-Certification Guideline*.

¹² Subsection 4(4)

Figure 7.2.1: Self-Certification Process without ASC

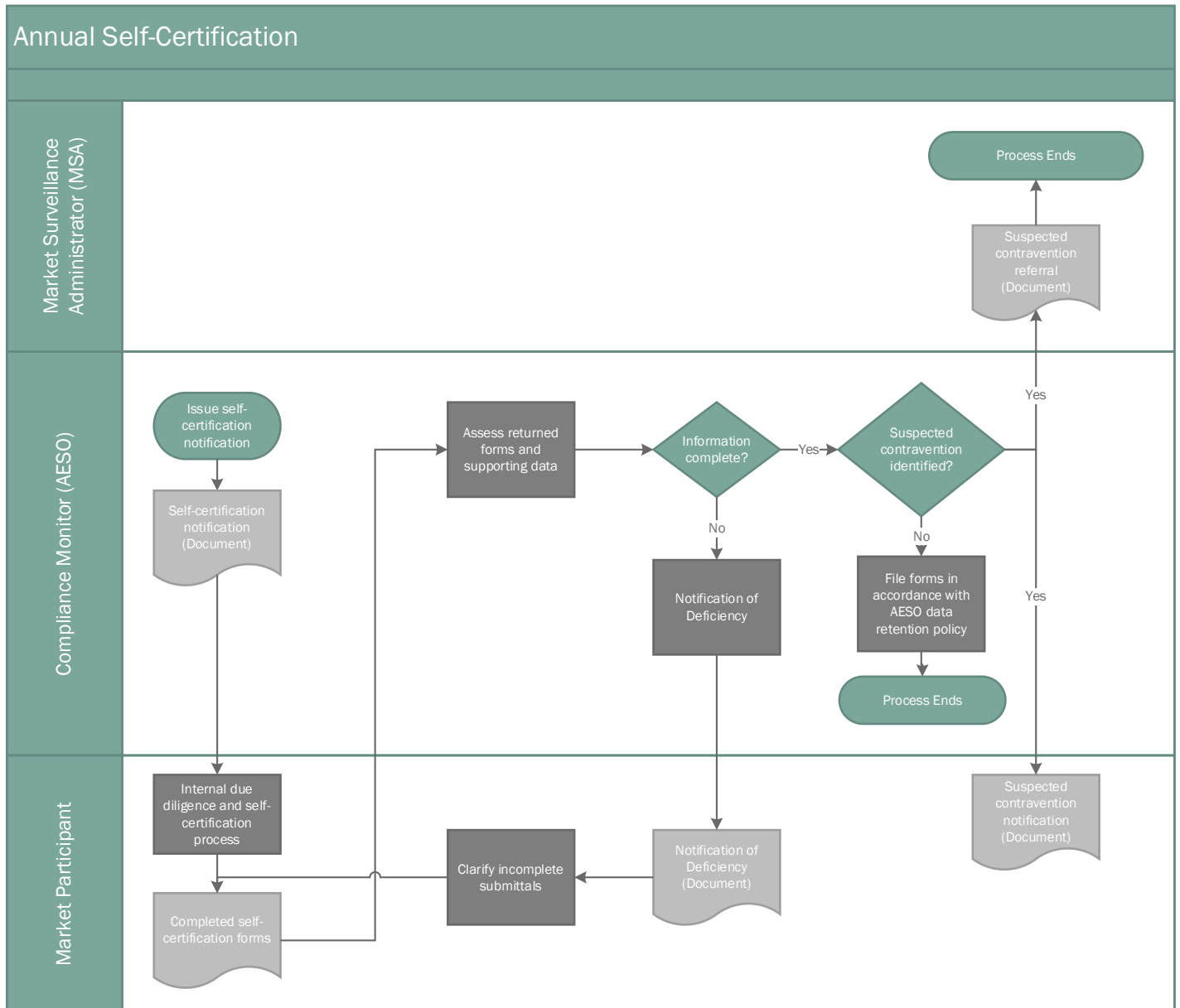
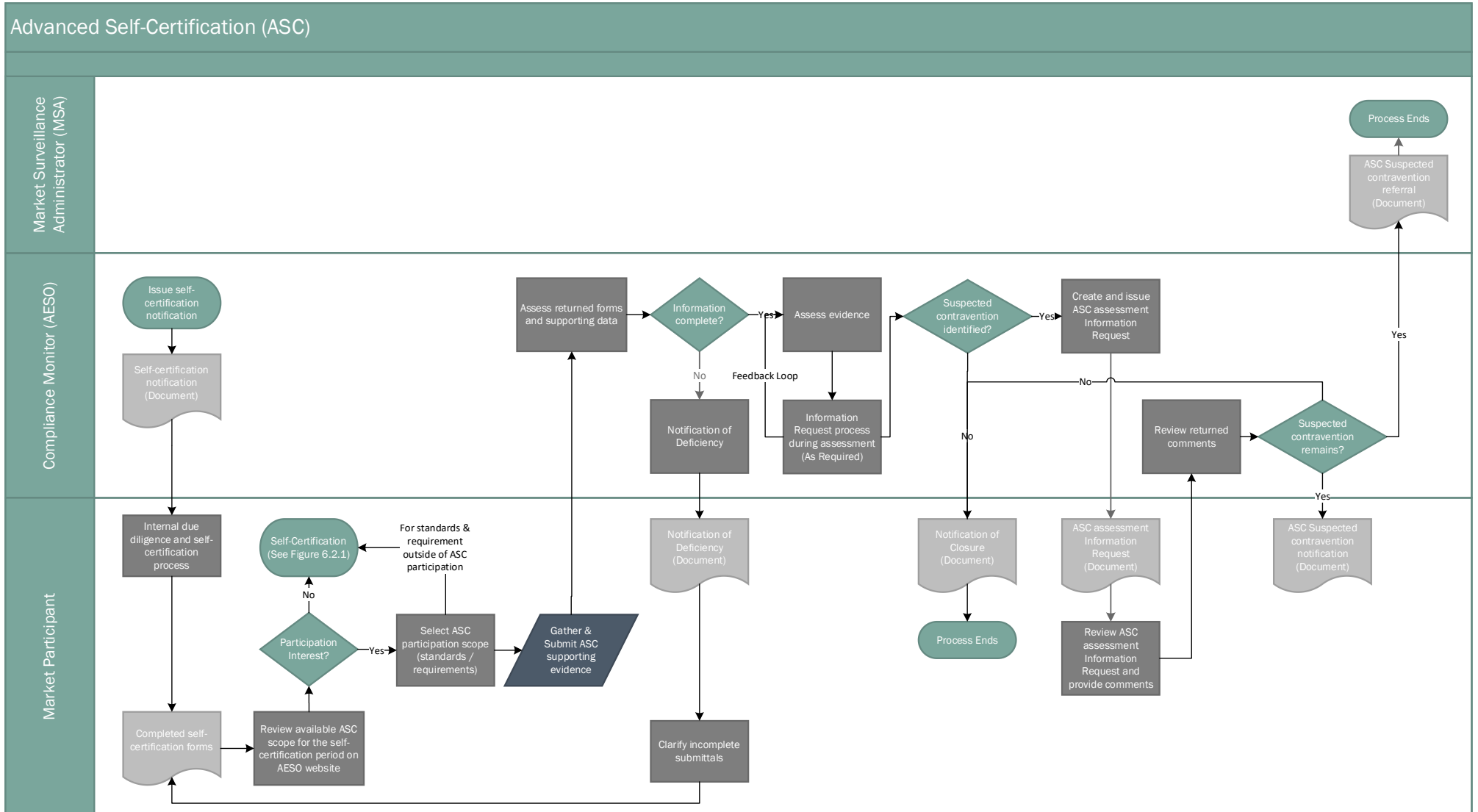


Figure 7.2.2: Self-Certification Process with Advanced Self-Certification



8. Area of Concern and Observation Report

Pursuant to Section 17(m) of the *Electric Utilities Act*, the AESO may “perform any other function or engage in any activity [it] considers necessary or advisable to exercise its powers and carry out its duties, responsibilities and functions.”¹³ Under such authority, the AESO has introduced, and formalized through this document, “Area of Concern (AOC) and Observation (OB) Report.” The purpose of the Area of Concern and Observation Report is to bring to the attention of **market participants** the AOC identified, and OB made by the AESO during Advanced Self-Certification and audit. While AOC and OB do not constitute suspected contraventions under the context of which they are identified, the AESO believes they are of significant values to future compliance and system adversity; hence they are made known to the market participants that are involved.

9. Revision History

This document is an AESO information document and not an AESO authoritative document. Revisions to this document may be made from time to time by the AESO’s Compliance Department. Registered **market participants** will be notified of revisions through the stakeholder update process.

Revision	Effective Date	Description/Details
Version 1.0	March 1, 2009	Published on AESO website
Version 1.1	January 14, 2011	Update of document for the following: <ul style="list-style-type: none"> • Transition of Authoritative Documents (TOAD) formatting (i.e. <i>italics</i> to bold presentation of defined terms) • Inclusion of new ISO Consolidated Authoritative Document Glossary terms used in reliability standards under development • Detail steps within high level compliance monitoring tools have been moved to the associated Guideline document Inclusion of the WECC as a compliance monitor and the authority it operates under.
Version 2	October 2021	Major revision – removal of periodic reporting and exemption reporting, addition of advanced self-certification.

¹³ *Electric Utilities Act*, SA 2003, c E-5.1, s 17(m)