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Compliance Oversight Plan Process

Alberta Risk Based Compliance Monitoring Program

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1. Purpose

This document describes how the Alberta Electric System Operator (AESO) develops, issues, and reviews an entity’s Compliance Oversight Plan (COP) including the assessment criteria to prioritize monitoring of entities that pose the highest reliability and security risk to the interconnected electric system (IES).

2. Compliance Oversight Plan (COP)

2.1 Definition of a COP

An entity’s COP is a customized document produced by the AESO for each entity that describes how often and with what tools the AESO intends to monitor each entity for compliance with the Alberta Reliability Standards (ARS) based on the entity’s risk to the IES.

2.2 Contents of a COP

Each COP includes the following 4 components:

Component	High Level Description
Entity Impact Potential (EIP)	Quantifies the potential impact of an entity on the reliability of the IES due to its facilities, capabilities, and the ancillary services it provides.
Entity Compliance Profile (ECP)	Quantifies the maturity of an entity’s compliance program, its compliance culture, and its historical compliance performance.
Entity Risk Rating (ERR)	The determination of an entity’s risk to the IES based on its impact potential (EIP) and compliance profile (ECP).
Compliance Oversight Strategy (COS)	How often and with what tools the AESO will monitor an entity’s ARS compliance, based on its overall risk to the IES (ERR).

2.3 Revisions to a COP

The AESO will issue one COP to each registered entity and may update an entity’s COP at any time, including after any:

- material changes to one or more of the entity’s assets, capabilities, or ancillary services it provides.

- changes in the entity's ownership.
- requests by the entity for a review of any part of its COP.
- changes to the ARCMP program or any of the assessment criteria (e.g. EIP or ECP).
- the completion of any compliance monitoring activities.
- changes to risks to the IES.

2.4 Providing the COP

The AESO will provide an entity with its COP through the ARS Compliance Monitoring Portal (the Portal). Only the entity's users who are registered within the Portal may view and download the COP.

3. Entity Impact Potential (EIP)

3.1 Overview

The Entity Impact Potential (EIP) quantifies the overall impact of a specific entity on the reliability of the IES. An entity's impact on the IES is primarily a result of its footprint (i.e., the number and size of its facilities), and the services it provides to the IES (i.e. Remedial Action Schemes, blackstart, etc.).

The AESO determines an entity's EIP by evaluating the entity against each of the Alberta Entity Risk Factor Criteria¹ and then assigns the entity an overall EIP rating of:

- Minor
- Moderate
- Significant

3.2 Alberta Risk Factors

Each Alberta Risk Factor describes an aspect of an entity's footprint, service or possible risk to the IES and the criteria or thresholds for determining the relative impact of the entity in the area represented by the Alberta Risk Factor rating (e.g., N/A, Low, Medium, High). The AESO may prioritize some risk factors in the overall determination of the entity's impact potential.

The AESO may update the Alberta Entity Risk Factors Criteria periodically in response to changes to the underlying inputs. The AESO may review an entity's EIP as a result.

3.3 Evaluation Process

The AESO determines the EIP by:

- Evaluating the entity against the assessment criteria for each Alberta Risk Factor and assign the entity a rating for each factor (e.g., N/A, Low, Medium, High).

¹ The latest version of the Alberta Risk Factor Criteria can be found at [ARS Compliance Monitoring » AESO](#)

- Using the rating and prioritization of each Alberta Risk Factor, to assign an overall EIP rating of Minor, Moderate or Significant to the entity.

The AESO uses information held by the AESO to assess the EIP. However, in some cases the AESO may solicit information directly from the entity for its assessment. It is the entity’s responsibility to ensure that they inform the AESO of any material changes that could impact its EIP or affect the evaluation to the Alberta Risk Factors.

3.4 Providing the EIP

The AESO provides the EIP, including an explanation and rating for each Alberta Risk Factor, to the entity as part of its COP.

4. Entity Compliance Profile (ECP)

4.1 Overview

The ECP is an assessment of an entity’s risk to reliability and security of the IES based on the maturity of its internal compliance program, compliance culture, and historical compliance performance.

The AESO determines an entity’s ECP using professional judgement and considers the entity’s maturity against each ECP Category. The AESO may consider other information or criteria beyond the ECP categories in determining an entity’s ECP, and will document any additional information used in the entity’s COP.

Table 1 Entity Compliance Profile Classifications

ECP Rating	Description
Developing	<p>The entity has not demonstrated that it has an ARS internal compliance program that includes preventative, detective, and corrective controls to comply with the ARS.</p> <p>OR</p> <p>The entity’s ARS internal compliance program has not been assessed by the AESO.</p>
Capable	<p>The entity has implemented an ARS internal compliance program, but the AESO continues to identify suspected contraventions that have not been self-reported and/or observes ongoing gaps in knowledge or internal controls related to applicable ARS requirements.</p> <p>OR</p>

ECP Rating	Description
	The entity has implemented a consistent and demonstrably effective ARS internal compliance program with good preventative, detective and corrective controls in place. The entity has performed well in previous compliance monitoring activities, but the AESO requires evidence of a sustained program for at least 2 scheduled compliance monitoring audits before upgrading the entity to proficient.
Proficient	<p>The entity has implemented a consistent, sustained and demonstrably effective ARS internal compliance program. The entity has good preventative, detective, and corrective controls in place and has performed well in previous compliance monitoring activities.</p> <p>The AESO is confident that extending the monitoring intervals for the entity will not negatively affect the reliability of the IES.</p>

The AESO reviews the ECP Rating categories and assessment criteria on an ongoing basis and may modify, add, or remove the categories at its discretion. The AESO may review an entity’s ECP as a result.

4.2 Evaluation

The AESO determines the ECP by:

- Assessing the entity’s maturity against the assessment criteria for each ECP category and assigning the entity a maturity level for each category.
- Assigning an overall ECP rating using the maturity rating of each category, and professional judgement. The AESO may consider other information beyond the ECP categories in determining an entity’s ECP and will document this information in the entity’s COP.

The AESO may solicit additional information from the entity to support its assessment. The provision of this information is voluntary but may impact the entity’s overall ECP classification.

Where the AESO does not have sufficient information for its assessment of a category the AESO will note that category as “unassessed”.

4.3 ECP Categories

The AESO assesses an entity’s maturity in each of the following categories:

- Suspected contraventions
- Areas of concern
- Self-reported contraventions
- Internal assurance of ARS
- ARS roles and responsibilities

- Management of ARS processes
- Quality of submitted information

These categories are guideposts for entities in developing and improving their internal compliance processes and programs. They are not exhaustive indicators of a robust internal compliance program.

The maturity level determination for each category is at the AESO’s discretion but the AESO will provide the entity with a determination rationale for each category as part of its COP.

A detailed description of each Category, including how the AESO assesses it is below.

4.3.1 Suspected Contraventions

The quantity and correlated Alberta Risk Rating (ARR) of suspected contraventions are among the primary indicators of an effective internal compliance program.

The AESO considers the quantity and recurrence of suspected contraventions with an ARR of medium or higher that it has identified over the greater of:

- the last six years, or
- two previous compliance monitoring audits.

At its discretion, the AESO may include suspected contraventions outside of this timeframe or those with an ARR of low.

The AESO does not consider the Market Surveillance Administrator’s (MSA) determination of contravention’s severity or risk to the IES in its evaluation. Nor does the AESO consider suspected contraventions that were previously self-reported to the MSA.

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
Suspected Contraventions	<p>AESO identified 4 or more suspected contraventions for entities with a EIP of Significant.</p> <p>OR</p> <p>AESO identified 3 or more suspected contraventions for entities with a EIP of Minor or Moderate.</p> <p>OR</p>	<p>AESO identified less than 4 suspected contraventions for entities with a EIP of Significant.</p> <p>OR</p> <p>AESO identified less than 3 suspected contraventions for entities with a EIP of Minor or Moderate.</p>	<p>AESO did not identify any suspected contraventions.</p>

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
	AESO identified recurring suspected contraventions of the same ARS requirements.		

4.3.2 Areas of Concern

An Area of Concern (AOC) is an issue identified by the AESO during a compliance monitoring activity that if unaddressed could result in a suspected contravention of one or more ARS.

While the nature of each AOC can provide insight into the effectiveness of an entity’s compliance processes and controls, the entity’s resolution of each AOC is also an indicator of the maturity of the entity’s compliance program. While an entity is not required to resolve AOC, the AOC are still indicative of gaps in processes and controls which could lead to future suspected contraventions if unaddressed.

The AESO considers the entity’s resolution of each AOC over the greater of:

- the last six years, or
- two previous compliance monitoring audits.

At its discretion the AESO may include an AOC outside of this timeframe.

To demonstrate its maturity for this category, the AESO may request the entity to provide evidence that each AOC has been addressed. While the AESO does not assess the effectiveness of an entity’s remedial measures, it expects the entity to show that suitable measures were taken to address each AOC.

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
Areas of Concern (AOC)	Entity has <u>not</u> addressed the majority of its AOC within a reasonable timeframe, or it has not documented its rationale for not doing so.	Entity has addressed the majority of its AOC in a reasonable timeframe.	Entity has addressed each AOCs in a reasonable timeframe and demonstrates continual improvement to its internal controls.

4.3.3 Self-Reported Contraventions

Timely identification and self-reporting of contraventions of the ARS are a good indication of the effectiveness of an entity’s detective controls.

While the AESO considers an entity’s self-reporting activity to evaluate the effectiveness of an entity’s compliance program, the absence of self-reports must also be supported by the absence of suspected contraventions identified by the AESO.

The AESO considers the quantity, duration, and detection method of self-reports over the greater of:

- the last six years, or
- two previous compliance monitoring audits.

At its discretion the AESO may include self-reports outside of this timeframe.

The AESO only considers self-reports that the entity provides it.

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
Self-reported Contraventions	Entity does not self-report contraventions. AND The AESO identified at least 2 suspected contraventions during compliance monitoring activities that were not previously self-reported by the entity.	Entity does not self-report contraventions within 30 days of the start of the contravention. OR Entity identified and self-reported contraventions after receiving notification of a compliance monitoring activity.	Entity self-reported contraventions within 30 days of the start of the contravention unless the entity has provided a reasonable reason for the delay.

4.3.4 Internal Assurance of ARS

ARS internal assurance activities help an entity to monitor both the effectiveness of its overall compliance program but also its adherence to individual ARS requirements.

These activities could include:

- Internal audits
- External or mock audits
- Internal evidence reviews

The AESO does not consider periodic or ad-hoc activities required by the ARS, or compliance monitoring or enforcement activities performed by the AESO, MSA, WECC, or other regulatory bodies as part of an entity’s internal assurance program.

In addition to documenting the outcomes of internal assurance activities, a mature entity should have evidence that it has considered and acted upon any actions arising from its internal assurance activities.

To demonstrate its maturity for this category the AESO may request the entity to provide evidence of its internal assurance activities, including any resulting actions.

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
Internal Assurance of ARS	Entity cannot demonstrate internal assurance of ARS obligations. OR Entity can demonstrate internal assurance of ARS but cannot demonstrate that actions identified during internal assurance activities are completed.	Entity can demonstrate ad-hoc/infrequent internal assurance of ARS. AND Entity can demonstrate that actions identified during internal assurance activities are completed.	Entity can demonstrate regular internal assurance of ARS. AND Entity can demonstrate that actions identified during internal assurance activities are completed.

4.3.5 ARS Roles & Responsibilities

It is important for an entity to establish clear roles and responsibilities for both implementation and governance of a compliance program.

The AESO reviews the entity’s structure, including the management of compliance obligations, and how these responsibilities are recorded. Fully dedicated compliance positions are not mandatory unless specified in an ARS; however, staff compliance duties should be specified and documented.

The AESO considers a mature internal compliance program to be one in which compliance tasks are independently managed, with the compliance roles providing oversight, advice and governance rather than directly handling compliance with ARS obligations.

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
ARS Roles & Responsibilities	Entity's compliance roles and responsibilities are unclear/not well defined.	Entity has defined and documented compliance roles and responsibilities. AND	Entity’s oversight and governance of its compliance program is managed independently from individual ARS

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
	OR Entity's compliance roles and responsibilities are not documented.	Entity lacks independent oversight and governance of its compliance program.	compliance responsibilities.

4.3.6 Management of ARS Processes

The maturity in how an entity manages its ARS compliance processes provides some indication on the longevity or sustainment of its compliance program.

The AESO considers how an entity has implemented its ARS process and controls and any compliance, controls, or process gaps which could arise from the entity's implementation methods.

Generally, the AESO considers documented processes or embedded technical controls to manage ARS obligations to be more mature than managing the ARS obligations through individual knowledge or in an ad-hoc fashion. For mature internal compliance programs, the AESO expects to see evidence that the ARS program is sustained over multiple audit periods and can survive the departure of key personnel.

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
Management of ARS Processes	Entity manages compliance with the ARS ad-hoc with few documented processes. Individuals manage compliance obligations using their own expertise and knowledge.	Entity has written processes and documentation for some ARS, but it is not systemic and relies on individual knowledge for sustainment.	Entity has institutionalized ARS compliance through written processes, documentation, and evidence of awareness, education, and training. AND Entity has demonstrated the ongoing execution and sustainment of its program.

4.3.7 Quality of Submitted Information

An entity's timeliness and quality of response to the AESO's compliance monitoring requests, or ARS information submittals is an indicator of the maturity of its compliance program.

The AESO will use its professional judgement on the quality of information the entity provides in response to various compliance monitoring activities, information requests, or other ARS information submittals. This could include:

- Entity registration information packages or changes to registration.
- Information submittals required by the ARS.
- Responses to Information Requests from the AESO.
- Audit and self-certification evidence submissions.

The AESO does not consider the quality of information in the entity’s self-reports or mitigation plans.

Category	Maturity Level 1	Maturity Level 2	Maturity Level 3
Quality of Submitted Information	<p>Entity is late in submitting information, responding to information requests or completing periodic ARS submittals.</p> <p>AND/OR</p> <p>Entity responses and/or evidence submittals are consistently poor quality and lack the necessary information.</p>	<p>Entity submits evidence or responds to information requests on time but does not always provide the required information or conform to the evidence submission guidelines.</p>	<p>Entity submits evidence or responds to information requests on time.</p> <p>AND</p> <p>Entity’s responses and submittals are high quality, well organized, and contain all the required information.</p>

4.4 Providing the ECP

The AESO provides the ECP, including the maturity level and corresponding explanation for each ECP assessment category, to the entity as part of the its COP.

5. Entity Risk Rating (ERR)

The entity risk rating is the determination of the entity’s risk to the IES based on both its EIP and ECP using the matrix in Table 2.

To maintain the reliability of the IES and optimize the AESO’s compliance monitoring activities, the AESO typically conducts compliance monitoring activities for higher risk entities more frequently and often with larger scopes than lower risk entities.

Figure 1 - Entity Risk Rating

		Entity Impact Potential		
		Minor	Moderate	Significant
Entity Compliance Profile	Developing	Low (4)	High (2)	Very High (1)
	Capable	Very Low (5)	Medium (3)	High (2)
	Proficient	Very Low (5)	Low (4)	Medium (3)

6. Entity Compliance Oversight Strategy (COS)

6.1 Overview

The Compliance Oversight Strategy (COS) provides the approximate frequency and which compliance monitoring tools the AESO intends to use to monitor the entity. Generally, entities with a higher ERR will be subject to more frequent compliance monitoring activities and larger scopes for those activities.

The AESO determines an entity’s COS using the entity’s ERR and the monitoring tools and frequencies in Table 3.

While the COP defines a compliance monitoring strategy for each entity, the COP does not limit the AESO’s authority to conduct any compliance monitoring activities it determines appropriate, pursuant to Section 23(1)(b)(c) of the *Transmission Regulation*.

6.2 Oversight Tools and Frequency

Table 3 is a list of scheduled monitoring tools and their targeted frequencies for each entity based on the ERR. The AESO may use other unscheduled compliance monitoring tools such as Information Requests and spot audits to monitor an entity’s compliance.

The AESO uses professional judgement to select the exact timing of each monitoring tool from the ranges in Table 3 considering the:

- time since the entity’s last audit or self-certification.
- number and ARR of ARS requirements applicable to the entity.
- AESO’s anticipated resource availability.

The AESO will generally not use multiple scheduled monitoring tools in the same year (i.e. an entity will not be subject to both an audit and self-certification in the same calendar year) but reserves the right to monitor the entity at any point using any monitoring tool.

Table 2 Monitoring Tool Frequency

Entity Risk Rating	Monitoring Tool	Target Frequency
Very High	Audit	2 – 3 years
	Self-Certification	1 year
High	Audit	2 – 4 years
	Self-Certification	1 – 2 years
Medium	Audit	3 – 5 years
	Self-Certification	1 – 3 years
Low	Audit	4 – 5 years
	Self-Certification	2 – 3 years
Very Low	Audit	Nil
	Self-Certification	2 – 3 years

6.3 Monitoring Activity Scope

The AESO will communicate the scope for each monitoring activity at the start of the activity.

The AESO determines the scope of each compliance monitoring activity through a combination of ARR, emerging reliability risks, ERR, compliance monitoring trends, and ARS applicable to each entity. Further information on each compliance monitoring process is on the AESO’s compliance monitoring webpage.

7. Monitoring Schedule

The AESO will provide each entity with a monitoring schedule for its scheduled compliance monitoring activities and will notify each entity of upcoming scheduled monitoring activities in accordance with the AESO’s established compliance monitoring processes.

This monitoring schedule is subject to change at the AESO’s discretion.

8. Entity's Duty to Comply With ARS

Pursuant to Section 20.8(b) of the *Electric Utilities Act*, an entity is required to comply with all applicable ARS in effect and the COP does not exempt an entity from its obligation to comply with all applicable ARS requirements.