

# Rule 027

## Specified Penalties for Contravention of Reliability Standards

This rule as amended was approved by the Alberta Utilities Commission on February 14, 2017 and is effective on March 1, 2017.

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## 1 Application

These rules apply to the contravention of a reliability standard or a requirement within a reliability standard.

## 2 Definitions

In these rules:

- (a) “asset” means pool asset or transmission facility as defined in the Alberta Electric System Operator’s *Consolidated Authoritative Document Glossary*.
- (b) “Commission” means the Alberta Utilities Commission;
- (c) “ISO” means the Independent System Operator established under the *Electric Utilities Act*;
- (d) “reliability standards” means reliability standards as defined in the *Transmission Regulation*.

## 3 Notice of specified penalty

**3.1** The Market Surveillance Administrator may issue a notice of specified penalty under Section 52 of the *Alberta Utilities Commission Act* for the contravention of a reliability standard listed in the [penalty table](#) on pages 7 to 10 of this rule.

**3.2** A notice of specified penalty must state:

- (a) The name of the market participant or the ISO who is required to pay the specified penalty.
- (b) ISO identifier of the asset related to the contravention, if applicable.
- (c) The date or dates of the contravention.
- (d) The reliability standard or a requirement within a reliability standard that was contravened.
- (e) A description of the conduct of the market participant or the ISO, its officers, personnel, or agents, the activity or the omission of the market participant named or the ISO, which resulted in the contravention and any other particulars relating to the contravention.
- (f) A description of the facts on which the Market Surveillance Administrator relied on to conclude that a contravention had taken place.
- (g) The amount of the specified penalty for the contravention.
- (h) Whether any adjustment to the specified penalty was made due to the self-disclosure of the contravention by the market participant or the ISO.
- (i) Whether any adjustment to the specified penalty was made due to the filing of a mitigation plan by the market participant or the ISO which was accepted by the Market Surveillance Administrator.
- (j) The date, at least 30 days from the date of issuance, on which the payment of the specified penalty is due.

- (k) That failure to pay the specified penalty will result in a hearing or other proceeding before the Commission.
- (l) That if the market participant named or the ISO disputes the issuance of the notice, to inform the Market Surveillance Administrator of the dispute and that a hearing or other proceeding before the Commission will result.

**3.3** The Market Surveillance Administrator shall send the notice of specified penalty to the person in the position identified in the [penalty table](#).

**3.4** The Market Surveillance Administrator must issue a notice of specified penalty under this section within the following:

- (a) Two years after the date on which the Market Surveillance Administrator first knew, or in the circumstances ought to have known of the contravention; or
- (b) Four years after the date on which the contravention occurred,

whichever period expires first.

## **4 Penalty assessment**

**4.1** Where the Market Surveillance Administrator is satisfied that a market participant or the ISO has contravened a reliability standard, the amount of the specified penalty shall be determined in accordance with this section and the penalty table.

**4.2** For contraventions of the reliability standards listed in category 1, 2 or 3 of the penalty table, the Market Surveillance Administrator shall determine the amount of the specified penalty for a contravention at the severity level in the penalty table, in accordance with the following:

- (a) Low severity level means that the impact, the risk or the scope of the contravention of a reliability standard on the safe, reliable and economic operation of the interconnected electric system is considered by the Market Surveillance Administrator to be low.
- (b) Moderate severity level means that the impact, the risk or the scope of the contravention of a reliability standard on the safe, reliable and economic operation of the interconnected electric system is considered by the Market Surveillance Administrator to be moderate.
- (c) High severity level means that the impact, the risk or the scope of the contravention of a reliability standard on the safe, reliable and economic operation of the interconnected electric system is considered by the Market Surveillance Administrator to be high.
- (d) Severe severity level means that the impact, the risk or the scope of the contravention of reliability standard on the safe, reliable and economic operation of the interconnected electric system is considered by the Market Surveillance Administrator to be severe.

- 4.3** For contraventions of the reliability standards listed in Category 4 of the penalty table, the Market Surveillance Administrator shall determine the amount of the specified penalty at the severity level in the penalty table, in accordance with the following, where control performance standard 1 (CPS1) and control performance standard 2 (CPS2) are calculated in accordance with BAL-001-AB-0a:

<b>Severity level</b>	<b>CPS1</b>	<b>CPS2</b>
Low	$95\% \leq \text{CPS1} < 100\%$	$85\% \leq \text{CPS2} < 90\%$
Moderate	$90\% \leq \text{CPS1} < 95\%$	$80\% \leq \text{CPS2} < 85\%$
High	$85\% \leq \text{CPS1} < 90\%$	$75\% \leq \text{CPS2} < 80\%$
Severe	$\text{CPS1} < 85\%$	$\text{CPS2} < 75\%$

- 4.4** For contraventions of the reliability standards listed in category 5, 6, 7, 8 or 9 of the penalty table, the Market Surveillance Administrator shall determine the amount of the specified penalty at the level in the penalty table.
- 4.5** In the case where a market participant or the ISO self-discloses facts which satisfy the Market Surveillance Administrator that a contravention of a reliability standard listed in the penalty table has occurred, the Market Surveillance Administrator shall determine the amount of the specified penalty in accordance with this section and the penalty table and reduce the amount of the specified penalty by 25 per cent.
- 4.6** In the case where a market participant or the ISO provides a mitigation plan with respect to a reliability standard listed in the penalty table to the Market Surveillance Administrator, the Market Surveillance Administrator, if it accepts the mitigation plan, shall determine the amount of the specified penalty in accordance with this section and the penalty table and reduce the amount of the specified penalty by 25 per cent.
- 4.7** For greater clarity, where subsections 4(5) and 4(6) apply, the Market Surveillance Administrator shall determine the amount of the specified penalty in accordance with this section and the penalty table and reduce the amount of the specified penalty by 50 per cent.

- 4.8** A self-disclosure statement referred to in Section 4.5 must meet the following criteria:
- (a) Be made in writing to the Market Surveillance Administrator prior to the ISO or the Market Surveillance Administrator contacting the market participant about the contravention or in the case of the ISO prior to the Market Surveillance Administrator contacting the ISO.
  - (b) Include the name, address, telephone number and email address of the market participant or the ISO.
  - (c) Describe in detail the contravention, including the reliability standard or a requirement within a reliability standard that was breached, the date, time and duration of the contravention of the reliability standard or a requirement within a reliability standard.
  - (d) Any other information the market participant or the ISO considers to be relevant to the events that took place.

**4.9** The Market Surveillance Administrator may accept a mitigation plan referred to in this section if the plan meets the following criteria:

- (a) Is made in writing to the Market Surveillance Administrator.
- (b) Includes the name, address, telephone number and email address of the market participant or the ISO.
- (c) Includes a detailed action plan to prevent the occurrence of the contravention of a reliability standard or to correct the contravention of a reliability standard and prevent re-occurrence of the contravention of a reliability standard.
- (d) Includes a commencement date, milestone dates, if applicable, and a planned completion date by which the plan to remedy, prevent the occurrence or re-occurrence of the contravention of a reliability standard listed in the penalty table.

**4.10** When accepting a mitigation plan, the Market Surveillance Administrator may request the views of other persons, including the ISO on a plan submitted by a market participant.

## **5 Posting of notice of specified penalty**

**5.1** The Market Surveillance Administrator shall make public any notice of specified penalty issued for a contravention of a reliability standard under Section 52 of the *Alberta Utilities Commission Act*, no earlier than the receipt of confirmation of payment from the Commission and no later than 45 days after the notice of specified penalty is issued and post the notice on the Market Surveillance Administrator website.

- 5.2** Where a market participant or the ISO has failed to pay the specified penalty or disputes the notice of specified penalty and the notice of specified penalty is posted, the Market Surveillance Administrator shall perform the following:
- (a) indicate on its website that the specified penalty has not been paid or that the notice of specified penalty is being disputed; and
  - (b) once the Commission has rendered a decision with respect to the specified penalty, post on its website the link to the decision of the Commission respecting the specified penalty.

## Penalty Table

Nature of contravention	Severity level			
	Lower	Moderate	High	Severe
<p><b>Category 1</b></p> <p>Failure to comply with the following reliability standards or the specific requirement of a reliability standard set out below:</p> <p>CIP-002-AB-5.1 (R2)*  CIP-003-AB-5*  CIP-008-AB-5 (R2-R3)*  CIP-009-AB-5 (R2-R3)*  CIP-011-AB-1 (R2)*  CIP-SUPP-001-AB  INT-001-AB-3  INT-003-AB-2  INT-006-AB-2  INT-009-AB-1  INT-010-AB-1  IRO-010-AB-1a  IRO-014-AB-1  IRO-015-AB-1  IRO-016-AB-1  PRC-004-AB1-1 (R2, R3)  PRC-004-WECC-AB1-1 (R2-R4)  PRC-018-AB-1  PRC-021-AB1-1  PRC-022-AB-1  TPL-001-AB-0 (R3)  TPL-002-AB-0 (R3)  TPL-003-AB-0 (R3)  TPL-004-AB-0 (R2)</p>	<p>A specified penalty of \$500</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$1,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$1,500</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$2,500</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>

## Penalty Table

Nature of contravention	Severity level			
	Lower	Moderate	High	Severe
<p><b>Category 2</b></p> <p>Failure to comply with the following reliability standards or the specific requirement of a reliability standard set out below:</p> <p>BAL-004-AB-0 (R3)            BAL-004-WECC-AB1-1            CIP-004-AB-5.1*            CIP-005-AB-5 (R2)*            CIP-006-AB-5*            CIP-007-AB-5*            CIP-009-AB-5 (R1)*            CIP-010-AB-1 (R1, R3)*            COM-001-AB1-1.1 (R3 -R7)            EOP-004-AB-2            EOP-006-AB-2            IRO-001-AB1-1.1            IRO-002-AB-2            IRO-005-AB-3.1a (R1)            MOD-010&amp;012-AB-0            MOD-017-AB-0.1            MOD-018-AB-0            PRC-009-AB-0            PRC-010-AB-0            PRC-023-AB-2 (R3-R5)            TPL-001-AB-0 (R2)            TPL-002-AB-0 (R2)            TPL-003-AB-0 (R2)            TPL-004-AB-0 (R1)            VAR-001-AB-4 (R5)            VAR-002-WECC-AB-1            VAR-501-WECC-AB-1</p>	<p>A specified penalty of \$3,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$5,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$7,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$10,000</p> <p>Notice of specified penalty to the most senior executive of the market participant or the ISO (i.e. president, chief executive officer) or its parent company if the market participant is a wholly-owned subsidiary or affiliate, or chief compliance officer, if applicable</p>



## Penalty Table

Nature of contravention	Severity level			
	Lower	Moderate	High	Severe
<p><b>Category 3</b></p> <p>Failure to comply with the following reliability standards or the specific requirement of a reliability standard set out below:</p> <p>BAL-002-AB-1 (R2-R6)            BAL-002-WECC-AB1-2            BAL-005-AB2-0.2b            CIP-002-AB-5.1 (R1)*            COM-001-AB1-1.1(R1, R2)            COM-002-AB-2a            EOP-001-AB1-2.1b (R2-R10)            IRO-005-AB-3.1a (R2-R11)            IRO-008-AB-1 (R1, R2)            PRC-001-AB2-1            PRC-004-AB1-1 (R1)            PRC-004-WECC-AB1-1 (R1)            TOP-007-AB-0 (R2)            TPL-001-AB-0 (R1)            TPL-002-AB-0 (R1)            TPL-003-AB-0 (R1)</p>	<p>A specified penalty of \$5,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$10,000</p> <p>Notice of specified penalty to the most senior executive of the market participant or the ISO (i.e. president, chief executive officer) or its parent company if the market participant is a wholly-owned subsidiary or affiliate, or chief compliance officer, if applicable</p>	<p>A specified penalty of \$15,000</p> <p>Notice of specified penalty to the most senior executive of the market participant or the ISO (i.e. president, chief executive officer) or its parent company if the market participant is a wholly-owned subsidiary or affiliate, or chief compliance officer, if applicable</p>	<p>A specified penalty of \$25,000</p> <p>Notice of specified penalty to the most senior executive of the market participant or the ISO (i.e. president, chief executive officer) or its parent company if the market participant is a wholly-owned subsidiary or affiliate, or chief compliance officer, if applicable</p>
<p><b>Category 4</b></p> <p>Failure to comply with the following reliability standard:</p> <p>BAL-001-AB-0a</p>	<p>A specified penalty of \$3,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$5,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$7,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>	<p>A specified penalty of \$10,000</p> <p>Notice of specified penalty to the most senior executive of the market participant or the ISO (i.e. president, chief executive officer) or its parent company if the market participant is a wholly-owned subsidiary or affiliate, or chief compliance officer, if applicable</p>

## Penalty Table

Nature of contravention	All instances
<p><b>Category 5</b></p> <p>Failure to comply with the following reliability standards or the specific requirement of a reliability standard set out below:</p> <p>CIP-008-AB-5 (R1)*  EOP-002-AB-2 (R9)  FAC-003-AB1-1 (R3, R4)  IRO-003-AB-2  MOD-016-AB-1.1  PER-001-AB-0.2  TOP-005-AB3-1  VAR-001-AB-4 (R4, R6)  VAR-002-AB-3 (R5, R6)</p>	<p>A specified penalty of \$2,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>
<p><b>Category 6</b></p> <p>Failure to comply with the following reliability standards or the specific requirement of a reliability standard set out below:</p> <p>FAC-001-AB-0  FAC-002-AB-0  FAC-010-AB1-2.1 (R1, R3-R6)  FAC-011-AB-2 (R1, R3, R4)  FAC-014-AB1-2  FAC-501-WECC-AB2-1  IRO-008-AB-1 (R3)  IRO-009-AB-1 (R1, R2)  MOD-019-AB-0  PER-004-AB-2</p>	<p>A specified penalty of \$5,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>
<p><b>Category 7</b></p> <p>Failure to comply with the following reliability standard or the specific requirement of a reliability standard set out below:</p> <p>BAL-004-AB-0 (R4)  BAL-006-AB-1  IRO-006-WECC-AB-2  IRO-009-AB-1 (R3-R5)</p>	<p>A specified penalty of \$7,000</p> <p>Notice of specified penalty to the senior executive of the business unit of the market participant involved in the contravention or the vice-president, regulatory in cases where the ISO is the contravener</p>

## Penalty Table

Nature of contravention	All instances
<p><b>Category 8</b></p> <p>Failure to comply with the following reliability standards or the specific requirement of a reliability standard set out below:</p> <p>BAL-003-AB-0a            CIP-005-AB-5 (R1)*            CIP-010-AB-1 (2)*            CIP-011-AB-1 (R1)*            FAC-010-AB1-2.1 (R2)            FAC-011-AB-2 (R2)            IRO-006-AB-5            VAR-001-AB-4 (R1-R3)            VAR-002-AB-3 (R1-R4)</p>	<p>A specified penalty of \$10,000</p> <p>Notice of specified penalty to the most senior executive of the market participant or the ISO (i.e. president, chief executive officer) or its parent company if the market participant is a wholly-owned subsidiary or affiliate, or chief compliance officer, if applicable</p>
<p><b>Category 9</b></p> <p>Failure to comply with the following reliability standards or the specific requirement of a reliability standard set out below:</p> <p>BAL-002-AB-1 (R1)            EOP-001-AB1-2.1b (R1)            EOP-002-AB-2 (except R9)            EOP-003-AB1-1            FAC-003-AB1-1 (R1, R2)            PRC-023-AB-2 (R1, R2, R6)            TOP-007-AB-0 (R3)            TOP-007-WECC-AB1-1</p>	<p>A specified penalty of \$25,000</p> <p>Notice of specified penalty to the most senior executive of the market participant or the ISO (i.e. president, chief executive officer) or its parent company if the market participant is a wholly-owned subsidiary or affiliate, or chief compliance officer, if applicable</p>

**R** refers to a requirement identified in a reliability standard listed. For example, TPL-003-AB-0 (R1) refers to requirement 1 of reliability standard TPL-003-AB-0.

\*The effective date of these standards is October 1, 2017, with the exception of Requirement 2 of CIP-003-AB-5: *Security Management Controls*, which will come into effect October 1, 2018.

Current reliability standards can be found on the AESO's webpage by visiting its "Rules & Standards" page and clicking "Alberta Reliability Standards" followed by "Current Standards."