

February 3, 2011

Alberta Utilities Commission
Fifth Avenue Place
400, 425 – 1st Street SW
Calgary, Alberta
T2P 3L8

Attention: Darin Lowther
Director, Markets Division

Dear Mr. Lowther

**Re: Bulletin 2011-02 (Errata)
Stakeholder Consultation on Process and Procedure for Objections to Reliability
Standards**

The Alberta Electric System Operator (“AESO”) has reviewed the proposed process, timelines and submissions for proceedings regarding Alberta reliability standards as set out in Bulletin 2011-02 (Errata), dated January 20, 2011, and has the following comments.

The AESO is of the view that the legislative scheme for reliability standards is separate and distinct from ISO rules and therefore different proceeding processes for the two are justified. To that end, the AESO is of the view that the title of Bulletin 2011-02 (Errata) is inappropriate as there is no provision for objections *per se* related to reliability standards in the *Transmission Regulation* (specifically, section 19(6)¹). As such, the AESO proposes the following amendment: “Stakeholder Consultation on Process and Procedure for Reliability Standards Proceedings”.

Development of Reliability Standards

Unlike the ISO rules, which are developed by the AESO in accordance with sections 19 and 20 of the *Electric Utilities Act*, all reliability standards proposed to the Commission for approval or rejection by the

¹ Section 19(6) of the *Transmission Regulation* provides: “The Commission must follow the recommendation of the ISO that the Commission approve or reject the proposed reliability standards, agreements, criteria or directives *unless an interested person satisfies the Commission that the ISO’s recommendation is (a) technically deficient, or(b) not in the public interest.*” [emphasis added]

AESO are based on the reliability standards and definitions developed, or approved, and enforced by the North American Electric Reliability Corporation (“NERC”). NERC was certified as the Electric Reliability Organization or ERO for the United States by the Federal Energy Regulatory Commission (“FERC”) under the US *Energy Policy Act of 2005*. NERC has been granted recognition as the ERO by the Minister of Energy in Alberta pursuant to section 20 of the *Transmission Regulation*.

In accordance with section 19 of the *Transmission Regulation*, the reliability standards that apply in Alberta are those of the ERO or any other reliability standards to the extent that such reliability standards are adopted by the AESO after consultation with market participants and after receipt of Commission approval.

NERC develops and maintains reliability standards, including regional reliability standards, to define the reliability requirements for planning and operating the interconnected electricity grids throughout North America. The regional reliability standards adopted by NERC and that affect Alberta are those of the Western Electricity Coordinating Council (“WECC”), which is responsible for coordinating and promoting the interconnected electricity grids throughout the western interconnection (which comprises of portions of western Canada, northern Mexico and the western United States). Therefore, the reliability standards adopted by the AESO, in accordance with section 19 of the *Transmission Regulation*, maintain the reliable operation of the Alberta interconnected electric system (“AIES”) and contribute to the reliable operation of the western interconnection and the bulk electric system of North America as a whole.

In order to ensure a NERC reliability standard is applicable in Alberta, the AESO reviews and consults on amendments required to align with Alberta’s market and regulatory structure, while also ensuring such amendments do not affect the reliable operation of the AIES, the western interconnection or the North American bulk electric system. This consultation includes review by the Alberta Reliability Standards Committee as well as broader stakeholder consultation process. Following the completion of this consultation process, the AESO forwards the proposed reliability standard to the Commission with a recommendation regarding rejection or approval of the same.

Comparison of Legislative Schemes for ISO Rules and Reliability Standards

In Bulletin 2011-02(Errata), the Commission amended the process, timelines and submissions for objection proceedings for ISO Rules as a result of the differences between section 19 of the *Transmission Regulation* and section 20.4 of the *Electric Utilities Act* (“EUA”).

In the AESO’s view, the fact that section 19 of the *Transmission Regulation* does not include:

- a) the ability of the AESO to expedite a reliability standard (as is the case for an ISO rule pursuant to section 20.6 of the EUA), or

- b) the ability of a market participant to complain about a reliability standard (as is the case for an ISO rule pursuant to section 25 of the EUA), or
- c) a requirement to “file” a reliability standard with the Commission (section 19(4) of the *Transmission Regulation* requires the AESO to “forward” a reliability standard to the Commission with a recommendation to approve or reject); or
- d) any reference to an “objection”, nor specific process for and details concerning an “objection” to a reliability standard² (as is the case for an ISO rule pursuant to section 20.4 of the EUA);

all warrant further amendment to the process as proposed by the Commission in Bulletin 2011-02 (Errata) in order to achieve effectiveness and efficiency specific to the adoption of reliability standards in Alberta.

Effective and Efficient Reliability Standards Process

In the AESO’s opinion, an effective and efficient reliability standards process will involve the following:

- a) the forwarding of a reliability standard to the Commission in accordance with the process as outlined in the *Transmission Regulation* and the AESO’s stakeholder consultation process for reliability standards;
- b) a requirement that any “interested person” that files a submission with regard to an AESO recommendation on a reliability standard that has not participated in the AESO’s reliability standards stakeholder consultation process include, as part of its submission:
 - i. any new facts that were not part of the AESO recommendation; and
 - ii. where the grounds raised in the submission were addressed in the AESO consultation as part of the AESO recommendation, a summary of how the AESO responded to the grounds raised in the submission; and

² See Section 19(6) of the *Transmission Regulation*.

- iii. if the grounds were not raised during the AESO consultation, why they were not raised or are otherwise not found in the AESO recommendation;
- c) consideration by the Commission of an “interested person’s” participation, or lack of participation, in the AESO’s reliability standards consultation process;
- d) A pre-hearing meeting to determine:
 - i. the issues in question;
 - ii. whether the parties would benefit from a settlement meeting to discuss the issues;
 - iii. whether those aspects of the reliability standard not at issue may be approved by the Commission in advance of the completion of any Commission proceeding resulting from issues raised in a submission(s).

For clarity, and for the purposes of providing comments to Bulletin 2011-02 (Errata), the AESO is considering its forwarding of reliability standards to the Commission to be an “application” as defined in AUC Rule 001.

Proposed Process, Timeframes and Submissions

The AESO has attached a blacklined Table A and Table B incorporating the components of an effective and efficient reliability standards process as discussed above.

With the exception of the changes proposed in the attached blacklined Table A and Table B, the AESO agrees that written proceedings may be appropriate for certain reliability standard objection proceedings, and agrees with the general timeline and submissions proposed.

Finally, the AESO requests that the Commission continue this consultation process to determine the appropriate process for determining whether a proceeding regarding a reliability standard is required and, if so, the appropriate process, rather than adopting the same process, timeframes and submissions for ISO rule objection proceedings.

The AESO appreciates the opportunity to comment on the Commission’s proposed process, timelines and submissions, and looks forward to continuing to participate in this consultation process.

Sincerely,

<original signed by>

Heidi Kirrmaier
Vice-President
Regulatory

Table A

The following is a schedule for an oral reliability standard ~~objection~~-proceeding. Items that are in bold are changes from the process communicated by the Commission on November 26, 2009. The schedule is only a guide, as the final determination of any ~~hearing proceeding~~ process will be determined by the Commission on a case-by-case basis.

Process – ~~Objection to a~~ Reliability Standard (Oral Hearing)

	Submission Type	Timeframe	Comment
	ISO files forwards reliability standard with to the Commission	Not applicable	Follows process as outlined in <i>Transmission Regulation, and AUC Rule 017 in general including the ISO's reliability standards consultation process</i>
	Commission issues notice of filing application and notice for objection	Within two weeks of ISO filing with forwarding reliability standard the Commission	Timing not legislated
	Interested person files notice of objections <u>submission</u>	Two weeks following Commission notice of filing and notice for objection <u>application</u>	<p>Timing not legislated</p> <p>Parties should include in their objection submission</p> <p>a) <u>any new facts that were not part of the ISO recommendation; and</u></p> <p>b) <u>where the grounds raised in the submission were addressed in the ISO consultation as part of the ISO recommendation, a summary of how the ISO responded to the grounds raised in the submission; and</u></p> <p>c) <u>if the grounds were not raised during the ISO consultation, why they were not raised or are otherwise not found in the ISO recommendation; and</u></p> <p>a)d) <u>an estimate of the time required to file supplemental evidence (if any)</u></p>
	<u>Commission issues order approving or refusing to approve the reliability standard or</u>	Flexible	<u>Where Commission issues notice of proceeding, Commission to appoint panel and establish process</u>

	Commission issues notice of proceeding		
	Commission issues schedule, including date for preliminary meeting	Flexible	May be combined with Commission notice of proceeding
	All other parties file statement of intent to participate (SIP). Parties intending to file evidence must so indicate in their SIP	10 days from notice of proceeding or as specified in Commission schedule	
	Interested person files supplemental evidence (if any) Parties supporting the interested person file Evidence (if any). No new grounds to be introduced	Two weeks following notice of proceeding or as specified in Commission schedule	
	ISO and parties supporting the ISO (if any) file evidence (if any)	20 days following filing of supplemental evidence, or as specified in Commission schedule	
	Interested person and parties supporting the interested person file rebuttal evidence (if any)	10 days following filing of ISO/ISO supporter(s) evidence, or as specified in Commission schedule	
	Oral hearing	Two weeks following filing of rebuttal evidence (if any) or as specified in Commission schedule	
	Argument and reply argument	Form and timing of argument to be determined by presiding Commission panel.	

Table B

The following is a schedule for a written reliability standard ~~objection~~-proceeding. Items that are in bold are changes from the process communicated by the Commission on November 26, 2009. The schedule is only a guide, as the final determination of any ~~hearing-proceeding~~ process will be determined by the Commission on a case by case basis.

Process – ~~Objection to a~~ Reliability Standard (Written Hearing)

	Submission Type	Timeframe	Comment
	ISO files forwards reliability standard with to the Commission	Not applicable	Follows process as outlined in <u>Transmission Regulation, and AUC Rule 017 in general including the ISO's reliability standards consultation process</u>
	Commission issues notice of filing application and notice for objection	Within two weeks of ISO filing with forwarding reliability standard to the Commission	Timing not legislated
	Interested person files notice of objection submission	Two weeks following Commission notice of filing and notice for objection application	<p>Timing not legislated Parties should include in their objection submission</p> <p>a) <u>any new facts that were not part of the ISO recommendation; and</u></p> <p>b) <u>where the grounds raised in the submission were addressed in the ISO consultation as part of the ISO recommendation, a summary of how the ISO responded to the grounds raised in the submission; and</u></p> <p>c) <u>if the grounds were not raised during the ISO consultation, why they were not raised or are otherwise not found in the ISO recommendation; and</u></p> <p>d) <u>an estimate of the time required to file supplemental evidence (if any)</u></p>
	<u>Commission issues order approving or refusing to approve the reliability standard or</u>	Flexible	<u>Where Commission issues notice of proceeding, Commission to appoint panel and establish process</u>

	Commission issues notice of proceeding		
	Commission issues schedule, including date for preliminary meeting	Flexible	May be combined with Commission notice of proceeding
	All other parties file statement of intent to participate (SIP). Parties intending to file evidence must so indicate in their SIP	10 days from notice of proceeding or as specified in Commission schedule	
	Interested person files supplemental evidence (if any) Parties supporting the interested person file evidence (if any). No new grounds to be introduced	Two weeks following notice of proceeding or as specified in Commission schedule	
	ISO and parties supporting the ISO (if any) file evidence (if any)	20 days following filing of supplemental evidence, or as specified in Commission schedule	
	Interested person and parties supporting the interested person file rebuttal evidence (if any)	10 days following filing of ISO/ISO supporter(s) evidence, or as specified in Commission schedule	
	Written argument	Two weeks following filing of rebuttal evidence (if any) or as specified in Commission schedule	
	Written reply argument	10 days following written argument	