

**Revisions to AUC Rule 019: Specified Penalties for Contravention of ISO Rules**

**Stakeholder Comments and AUC Responses Matrix**

**Comment Period – October 1, 2014 to October 17, 2014**

Issue / Topic	AUC Response
<p><b>Issue 1: Proposal to move ISO rules 3.6.2, 3.6.3 and ISO rules Section 203.3 from Category 2 to Category 3</b></p>	
<p><b>Alberta Electric System Operator</b> The AESO supports the Commission’s proposals described in the Bulletin.</p> <p><b>ATCO Power Canada Ltd.</b> The AUC proposes to move ISO Rule 3.6.2 and 3.6.3 from Category 2 to Category 3 based upon the view that these rules overlap with ISO Rule Section 203.3, which is found in Category 3. ATCO Power does have a concern with the proposed re-categorizations of ISO Rules 3.6.2 and 3.6.3.</p> <p>The AESO is currently consulting on changes to the operating reserves rules, which will require ISO Rule 3.6.2 and 3.6.3 to be removed and replaced by ISO Rule Sections 205.2, 205.3, 205.4, 205.5, and 205.6. The proposed changes include substantive amendments to the directive performance requirements for operating reserves. ATCO Power is concerned that the proposed recategorization of ISO Rule 3.6.2 and 3.6.3 will expose operating reserve market participants to higher penalties that they have no experience with.</p> <p><b>Capital Power Corporation</b> While the difficulty of assigning penalty to contravention of rules that are in separate categories is acknowledged, Capital Power believes that the proposed move of the identified rules from Category 2 to Category 3 is not an effective solution.</p>	<p><b>ISO rules Section 203.6</b></p> <p>ISO rules Section 203.6 was added to Category 3 of the penalty table as part of the most recent amendments to AUC Rule 019. That process began on August 26, 2013, when the MSA requested that ISO rules Section 203.6 be added to the AUC Rule 019 penalty table as a replacement for ISO rule 6.3.3 in Category 2. On October 3, 2013, the Commission issued Bulletin 2013-20 which invited stakeholder comment on several proposed amendments which included adding ISO rules Section 203.6 to Category 3.</p> <p>The Commission subsequently issued Bulletin 2013-22 on November 15, 2013, and published the corresponding comment response matrix which specifically addressed the placement of ISO rules Section 203.6 in Category 3. The Commission found that Category 3 better reflected the potential impact of a contravention of the rule and aligned Alberta penalty amounts with sanctions imposed in other jurisdictions. Below is a quote from the comment response matrix:</p> <p><i>The Commission noted that penalties imposed in Ontario regarding scheduling energy across an intertie have ranged between \$1,645 and \$24,216. Penalties for failure to update NERC tags, also known as e-tags, have ranged between \$1,500 and \$5,000. The Commission considers that the move to Category 3 will better reflect the potential impact of a contravention of the rule and align Alberta penalty amounts with sanctions imposed in other jurisdictions by imposing a penalty of \$1,500 for the first contravention. In Decision 2012-182 the Commission noted the impact of non-compliance with then ISO rule 6.3.3, of which the authoritative content was moved</i></p>

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<p>Capital Power submits that ISO Rules 3.6.2: 'Ancillary Service Provider Declaration' (3.6.2), 3.6.3: 'Restatements' (3.6.3) and 203.3 'Energy Restatements' (203.3) should remain within Category 2 of the penalty table as there are more similarities among these and the remaining rules in Category 2 than with the ISO Rules found in Category 3.</p> <p>The AUC observes an apparent overlap between ISO Rules 203.3 and 203.6 in that both contain a subsection dealing with the requirement to restate available capacity. In 203.6, subsection 5 requires statements and restatements of available capacity related to interchange transactions whereas 203.3 specifies the requirements when restating the available capacity information of a pool participant, which not only includes intertie transactions but also megawatts, minimum stable generation and price restatements for energy. This subsection appears to be the focal point of the raised concern.</p> <p><b>The Market Surveillance Administrator</b></p> <p>In respect of the Commission's views noted in Bulletin 2014-13 relating to the penalty treatment of ISO rule sections 203.3 and 203.6, the MSA supports the positioning of these rules within the same specified penalty category to avoid difficulties when assigning penalties. For example, a common manner of contravention of ISO rule section 203.6 is the failure to restate a submitted offer on a timely basis, typically following the curtailment of a scheduled intertie flow. In this case, a market participant transacting on the interconnections is exposed to a greater specified penalty than would arise out of a similar restatement failure by a generator under ISO rule 203.3. Related ISO rules 3.6.2 and 3.6.3 contain similar restatement provisions applicable to ancillary service providers; hence, there is a basis for these two rules to reside within the same penalty category as 203.3 and 203.6. That being said, the MSA is not aware of the initial basis for category 3 placement of ISO rule section 203.6 given that its precursor, ISO rule 6.3.3, was positioned in category 2 prior to its removal, therefore, the MSA suggests the desired common treatment for this set of rules could also be achieved by realigning 203.6 with rules 203.3, 3.6.2, and 3.6.3 within their current Category 2 placement.</p>	<p><i>to ISO rules Section 203.6, and the potential impact that the improper submission or lack of submission of e-tags can have on the market.</i></p> <p>The Commission continues to hold the view that ISO rules Section 203.6 should remain in Category 3.</p> <p><b>ISO rules Section 203.3</b></p> <p>ISO rules Section 203.3 relates to energy restatements and indicates that a pool participant must submit an available capability restatement if there is a change to the availability of the source asset as a result of an acceptable operational reason. ISO rules Section 203.6 relates to available transfer capability and transfer path management and indicates that if transmission service is curtailed by any transmission provider or the ISO, then the pool participant must submit an available capability restatement.</p> <p>Powerex Corporation, NorthPoint Energy Solutions Inc. and TransAlta Corporation reference section 6(4) in ISO rules Section 203.6, however the issue which the Commission is addressing is in section 5(3), as noted by Capital Power Corporation.</p> <p>The MSA supports the positioning of ISO rules Section 203.3 and 203.6 within the same specified penalty category in order to avoid difficulties when assigning penalties. The Commission agrees that since the contravention of failing to submit an available capability restatement are similar in each rule, the same specified penalty amount should be imposed as the result of a contravention of each rule. The Commission remains persuaded to move ISO rules Section 203.3 into Category 3.</p> <p><b>ISO rules 3.6.2 and 3.6.3</b></p> <p>ISO rules 3.6.2 and 3.6.3 require ancillary service providers to restate changes in the capability of an asset in certain circumstances. ATCO Power notes that the AESO is currently consulting on changes to operating reserve rules which will require these rules will be replaced in the near future, and suggests that the Commission delay any changes in regarding ISO rules 3.6.2 and 3.6.3.</p> <p>The Commission notes that ISO rules 3.6.2 and 3.6.3 rules have been in place for some time. The Commission is seeking to align the specified penalties for failure to submit the</p>

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<p><b>Powerex Corporation, NorthPoint Energy Solutions Inc. and TransAlta Corporation</b></p> <p>Our understanding from <i>AUC Bulletin 2014-13</i> is that the Commission’s rationale for moving ISO rules Section 203.3 <i>Energy Restatements</i> from Category 2 to Category 3 in the AUC Rule 019 penalty table is to address the difficulties when assigning penalties related to conduct that is found in both ISO rules section 203.3 and 203.6. This overlap appears to be limited to the following:</p> <p><i>Section 203.6 Available Transfer Capability and Transfer Path Management Submission of E-tags by Pool Participants</i></p> <p>6(4) If:</p> <ul style="list-style-type: none"> <li>(a) the pool participant is unable to procure transmission service, or the transmission service is curtailed by any transmission provider or the ISO, as referenced under subsection 5(3); or</li> <li>(b) there is any other change in the available capability for the sink asset or the source asset, as applicable;</li> </ul> <p>then the pool participant must submit, as applicable:</p> <ul style="list-style-type: none"> <li>(i) an energy restatement in accordance with either subsection 3.5.3.2 or subsection 3.5.4.2 of the ISO rules, Mandatory Energy Restatements; or</li> <li>(ii) an ancillary services restatement in accordance with subsection 3.6.3 of the ISO rules, Restatements;</li> </ul> <p><i>Section 203.3 Energy Restatements Available Capability Restatements for Offers</i></p> <p>2(2) A pool participant that submits an offer must, if there is a change to the available capability of the source asset as a result of any of the circumstances outlined in subsections 2(1)(a), (b) or (c), submit an available capability restatement revising the available capability of the applicable hours, as soon as reasonably practicable.</p> <p>(3) A pool participant must submit the reason or reasons for submitting an available capability for a source asset.</p>	<p>change in available capability of a unit in both the energy and ancillary services markets. To the extent that the AESO revises its rules and ISO rules 3.6.2 and 3.6.3 are removed, the Commission will consider the applicable category for the new rules after they come into effect. In the meantime, the MSA has authority to forbear on any non-compliance if it determines that circumstances warrant. The Commission will move ISO rules 3.6.2 and 3.6.3 to Category 3 and revisit their placement when the new operating reserve rules are submitted.</p>

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<p>Moving Section 203.3 from Category 2 to Category 3 in the AUC penalty table would have the consequence of doubling (on average) the specified penalties for violations of these restatement requirements. The Commission has not provided any reasons to support this significant increase in the penalties associated with conduct that is not already a Category 3 contravention by virtue of that conduct being contained in Sections 203.6 or 203.4 (which are already Category 3 contraventions).</p> <p><i>Lower Impact on Reliability compared to Energy Delivery Violations</i></p> <p>Thirdly, the Commission’s proposed changes will increase the specified penalties for restatement failures of a generating source asset (Section 203.3 2(b), 2(c), 3, 4 and 5) to the same level as violations energy delivery requirements under Section 203.4; and yet, restatement failures do not have the same impact on reliability as energy delivery failures. Furthermore, the restatement requirements do not incorporate a tolerance band for the performance of a generating source asset as provided under Section 203.4 (e.g. +/- 5 MW). As such, we believe the proposed changes to be unwarranted and unfair in view of the penalty regime for other violations specific to generating source assets.</p> <p>In conclusion, we believe that the proposed revisions to AUC Rule 019 would have the unintended consequence of going against the founding principles under which the specified penalties framework was based, namely that, market participants would incur increasing penalties when violations increased in frequency, or when violations had an increasing reliability impact to the AESO grid. We also wish to clarify that the above-noted comments on energy restatements (Section 203.3) also apply to ancillary service restatements (ISO rules 3.6.2 and 3.6.3).</p> <p><b>TransCanada Energy Ltd.</b></p> <p>TCE understands that the Commission is proposing to move ISO rules 3.6.2, 3.6.3 and Section 203.3 from Category 2 to Category 3 to align with ISO rules Section 203.6. While TCE understands that there is some overlap between certain portions of these rules/Sections, TCE submits that this is insufficient justification to raise the</p>	

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entire rules/Sections to Category 3. When these rules were placed in the Penalty Table they were consciously put into the Categories believed to best correspond with each rule.	
<b>Issue 2: Proposal to add ISO rules Section 306.4 to Category 1 and ISO rules Section 306.5 to Category 2</b>	
<p><b>The Market Surveillance Administrator</b></p> <p>The MSA supports the proposed revisions concerning ISO rules 306.4 (Transmission Planned Outage Reporting and Coordination) and 306.5 (Generation Outage Reporting and Coordination) to reflect recent ISO rule changes. While the relevant precursor rules in this case were positioned in different penalty categories, the MSA suggests that the successor rule sections 306.4 and 306.5 are more related and therefore there is a basis to position them within the same penalty category.</p>	<p>In its April 11, 2014 application to create new ISO rules Section 306.4, the AESO indicated that it had redrafted and relocated the authoritative content relating to transmission outages from ISO Operating Policies and Procedures 601: <i>Transmission Outages and Limit Changes</i> (OPP 601) into new ISO rules Section 306.4. The content from the previous version of OPP 601, which was in Category 1, is now in ISO rules Section 306.4. The Commission will add ISO rules Section 306.4 to Category 1 of the AUC Rule 019 penalty table.</p> <p>ISO rules Section 306.5 became effective on July 2, 2014 as a replacement for ISO rule 5.2. While ISO rule 5.2 was originally in Category 2, ISO rules Section 306.4 and 306.5 both deal with outage reporting and coordination, and the Commission accepts the MSA's submission that these rules are related and belong in the same category. The Commission will add ISO rules Section 306.5 to Category 1.</p>
<b>Issue 3: Proposal to add 306.3 and 306.6 to the penalty table</b>	
<p><b>Alberta Electric System Operator</b></p> <p>Additionally, the AESO proposes that the Commission consider including section 306.6 of the ISO rules in the AUC Rule 019 penalty table. This section of the ISO rules assists in maintaining the reliability of the interconnected electric system, as it includes reporting requirements that facilitate the detection and correction of instances in which either the automatic voltage regulator or the power system stabilizer was not in service when it should have been.</p> <p><b>The Market Surveillance Administrator</b></p> <p>The MSA further suggests that for congruence, related outage reporting rule sections</p>	<p>ISO rules Sections 306.3 and 306.6 both deal with outage reporting and are not currently in the AUC Rule 019 penalty table. The Commission accepts the AESO's submission that ISO rules Section 306.6 should be added to the penalty table. The Commission further accepts the MSA's submission that ISO rules Section 306.3 and 306.6 should be in the same category as ISO rules Section 306.4 and 306.5, as all four rules deal with related outage reporting requirements. The Commission will add ISO rules 306.3 and 306.6 to Category 1 of the AUC Rule 019 penalty table.</p>

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306.3 and 306.6 be considered for inclusion along with 306.4 and 306.5.	
<b>Issue 4: Proposal to postpone the consultation to include pending operating reserve rules</b>	
<p><b>Alberta Electric System Operator</b></p> <p>The AESO is currently consulting on the new ISO operating reserve rules (Sections 205.1, 205.2, 205.3, 205.4, 205.5 and 205.6) and expects that these rules will be filed with the AUC before the end of 2014. The new operating reserve rules will replace existing ISO rules already included in the AUC Rule 019 penalty tables, which have historically been the source of numerous referrals to the Market Surveillance Administrator (“MSA”). Accordingly, the AESO proposes that the AUC consider delaying any proposed revision to AUC Rule 019 until such time as revisions relating to the new operating reserve rules can be included.</p> <p>The AESO proposes the above changes in order to:</p> <ul style="list-style-type: none"> <li>a) address ISO rules that have been and are expected to be the focus of AESO compliance screening and referral to the MSA;</li> <li>b) allow for the efficient handling of referrals regarding these ISO rules to the MSA; and</li> <li>c) provide effective incentive for behavioral change.</li> </ul> <p><b>ATCO Power Canada Ltd.</b></p> <p>ATCO Power requests the AUC delay the changes in Categories for ISO Rule 3.6.2 and 3.6.3 until such time that the new operating reserve rules are put in place and market participants are provided some time to adapt their practices and procedures to the new rule requirements.</p>	<p>The Commission has discretion to amend AUC Rule 019 whenever it determines that an update is required, and the Commission has typically done so at least once per year since AUC Rule 019 first came into effect in 2008.</p> <p>As AUC Rule 019 is updated on a regular basis, the Commission is not persuaded to delay its consultation and current amendments to AUC Rule 019 in anticipation of further rules yet to be filed by the AESO. If warranted, any additional rules filed by the AESO, including the operating reserve rules, may be included in a subsequent amendment to AUC Rule 019.</p>

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<p><b>The Market Surveillance Administrator</b></p> <p>The MSA notes that the AESO, in its most recent authoritative documents development schedule, has indicated the intent to file new operating reserve rules before the Commission on or about November 17, 2014. The MSA believes it is important to reflect these ISO rule changes in Rule 019 at an early juncture. In this regard, the MSA presumes it will be difficult for the Commission to accommodate further consultation on Rule 019 this year for this purpose and therefore suggests it may be practical to extend the current consultation to allow consideration of these near-term ISO rule changes.</p>	
<p><b>Issue 5: Proposal to cite specific subsections of each rule</b></p>	
<p><b>Capital Power Corporation</b></p> <p>Capital Power submits that the most effective solution to the problem the AUC is facing may be to cite the specific subsection of the ISO Rule in the appropriate category, in this case subsection 5 of ISO Rule 203.6, much like it does with AUC Rule 27—Specified Penalties for Contravention of Reliability Standards rather than moving the rule in its entirety.</p>	<p>The Commission notes that a similar proposal was made during the previous consultation on AUC Rule 019 and the Commission at that time was not convinced that the different requirements of ISO rules Section 203.6 should be separated into different penalty table categories.</p> <p>The Commission is not persuaded that breaking ISO rules into their subsections and allocating those individual subsections into different categories provides a net improvement to AUC Rule 019.</p>
<p><b>Issue 6: Proposal to review categories to clarify the distinction</b></p>	
<p><b>Capital Power Corporation</b></p> <p>The distinction between the three penalty categories is unclear as there are no guidelines provided in AUC Rule 019 itself. As a result, the applicable rules do not readily fall into discrete categories. The rules contained in Category 2, including ISO Rules 203.3, 3.6.2 and 3.6.3 largely deal with market participant information statements or changes to statements, while those in Category 3 deal more specifically with the delivery of a product or service. Rule 203.6 exists primarily to govern the delivery of energy through the provincial interconnections and is similar in nature with ISO Rule 203.4 that governs the delivery requirements for energy,</p>	<p>The Commission has proposed the establishment of specified penalties categories and the identification of which specific ISO rules are to be placed in each category through a series of consultations with stakeholders and interested parties. The Commission has publicly shared the input provided by stakeholders and provided responses to these comments. All of these comments and responses by the AUC are available on the AUC website. The Commission has taken this approach rather than establishing and publishing a series of guidelines and including those guidelines within AUC Rule 019.</p>

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<p>both belonging in Category 3.</p> <p>In addition, Capital Power suggests that a review of the categories to clarify the distinction between them may be helpful.</p>	
<b>Issue 7: Proposal for the AESO revise the rules to eliminate overlap</b>	
<p><b>Powerex Corporation, NorthPoint Energy Solutions Inc. and TransAlta Corporation</b></p> <p><i>Unresolved Concerns regarding Interchange Restatements</i></p> <p>Firstly, we question the appropriateness of increasing the specified penalties for failure to restate an interchange asset following an e-tag curtailment (or reload), when the ISO practices and rules demonstrate that interchanges restatements do not affect market participants’ requirements to physically perform on their binding T-2 import offer or export bid for which an e-tag(s) must be submitted to the ISO. In practice, the ISO does not issue ADaMS dispatches for any intertie assets, as announced by the ISO to market participants on December 6, 2013<sup>1</sup>. Moreover, ISO rules, Section 203.6 8(4) requires that the ISO “<i>treat the energy component of a scheduled interchange transaction as a dispatch in accordance with the applicable energy market merit order</i>”.</p> <p>As a result, the requirement for market participants to restate their interchange offers/bids in the ISO’s Energy Trading System (“ETS”) has been rendered redundant since the ISO System Controller relies on the e-tag, rather than ETS offer/bid restatements, as the dispatch for intertie assets. We therefore question the fairness of penalizing market participants for failure to submit duplicative information in ETS, particularly since there is no ability for a market participant to manipulate or otherwise negatively affect the AESO market by failing to restate an interchange transaction following an e-tag curtailment.</p> <p>The signatories of this letter formally communicated these concerns to the AESO via</p>	<p>The purpose of this consultation is to address proposed changes to AUC Rule 019. The Commission is of the view that comments and suggestions related to the AESO redrafting various ISO rules is beyond the scope of this consultation, and may be taken under advisement by the AESO in future ISO rule amendments.</p>

<sup>1</sup> [http://www.aeso.ca/downloads/Participant\\_Communication\\_-\\_FINAL.pdf](http://www.aeso.ca/downloads/Participant_Communication_-_FINAL.pdf).

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<p>letter dated August 6, 2014. In this letter, we requested that the ISO make it a priority to explore creation of an IT application to perform necessary ETS updating resulting from e-tag changes. This would preclude any need for market participants to restate their interchange bids/offers following an e-tag curtailment, and eliminate the risk of market participants incurring -specified penalties for inadvertent failure to fully respond to the actions of the transmission provider(s).</p> <p>Given that these concerns regarding interchange restatements are pending resolution by the ISO, it would be inappropriate for the Commission to exacerbate an existing problem by increasing the specified penalties for violations of these restatement requirements, which we believe are unnecessary and can be eliminated with the implementation of an IT solution.</p> <p><i>Revision of ISO Rules to Address Overlap in Sections 203.3 &amp; 203.6</i></p> <p>Secondly, we suggest that the overlap of conduct described in Sections 203.3 and 203.6 is more appropriately addressed through a revision of the specified subsections of ISO rules, rather than through revision of AUC Rule 019, which would have larger and likely unintended consequences for violations of requirements that are unrelated to interchange transactions and fall outside of the rules governing energy delivery requirements.</p> <p>Specifically, Section 203.3 describes several requirements that are separate and independent from the requirements described in Section 203.6 and Section 203.4:</p> <ul style="list-style-type: none"> <li>• subsection 2(1) describes the limited circumstances where pool participants are permitted to submit an available capability (AC) restatement of a source asset;</li> <li>• subsection 5 describes the requirements for restating the minimum stable generation for a source asset;</li> <li>• subsections 3 and 6 require that pool participants may only submit a price restatement for an offer/bid prior to T-2; and</li> <li>• subsections 4 and 7 describe the requirements for pool participants when submitting a MW restatement for an offer/bid.</li> </ul>	

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<p><b>TransCanada Energy Ltd.</b></p> <p>TCE disagrees with these proposed changes and suggests the appropriate resolution to the overlapping of these rules/Sections is for the AESO to revise the rules to eliminate the overlap. Market Participants have long been concerned about a single action leading to sanctions under more than one rule/Section (incorrectly, but commonly, referred to as “double jeopardy”) and raised this issue with the AESO on numerous occasions. TCE suggests that the Commission could alert the AESO to this situation. As well TCE will work with other Market Participants to raise this issue with the AESO so that it can be appropriately addressed.</p>	