

Stakeholder comments on suggested updates to AUC Rule 027 penalty table
(Bulletin 2020-14, April 14, 2020)

(Stakeholders: AltaLink Management Ltd, ATCO Electric Ltd., Capital Power Corporation, ENMAX Corporation, Epcor Distribution and Transmission, TransCanada Energy Ltd.)

Stakeholder	Comment	AUC Response
<p>AltaLink Management Ltd.</p>	<p>AltaLink believes that the classification of PRC-005-AB1-6 (R1, R2, and R5) in category 2 and the classification of PRC-005-AB-6 (R3 and R4) in category 3 of the penalty table included in AUC Rule 027: Specified Penalties for Contravention of Reliability Standards is not appropriate. AltaLink believes that PRC-005-AB1-6 (R1, R2, and R5) should be placed in category 1 of the penalty table and PRC-005-AB-6 (R3 and R4) should be placed in category 2 of the penalty table.</p> <p>PRC-005-AB1-6 (R1, R2, and R5) are administrative requirements and contravention of these requirements do not have a direct impact on the bulk electric system (BES).</p> <p>The scope of PRC-005-AB-6 (R3 and R4) is broad and covers thousands of in-scope assets. Compliance with these requirements is complex, involving multiple steps, and any minor deviation from the complex procedures necessary to comply with these requirements could cause a contravention, each of which may result in a specified penalty. By placing PRC-005-AB-6 (R3 and R4) in category 3 of the penalty table, AltaLink believes there is potential that minor contraventions of complex processes could lead to unduly punitive penalties.</p> <p>While AltaLink appreciates the importance of these requirements to ensure the reliability of the BES, the exposure faced by legal owners of in-scope assets should correspond with the burden of ensuring compliance with these requirements. AltaLink believes that a classification of PRC-005-AB1-6 (R1, R2, and R5) in category 1 and PRC-005-AB-6 (R3 and R4) in category 2 of the penalty table is an appropriate balance of exposure and the burden of compliance.</p> <p>AltaLink would also like to note that there have been very few, if any, reliability events or impacts on the power system related to a contravention of the Alberta Reliability Standards by AltaLink.</p>	<p>Upon further review of the requirements for PRC-005-AB1-6, and based upon concerns raised by multiple stakeholders, the Commission agrees with AltaLink's assessment. While the importance of complying with these standards is not in question, the highly detailed nature of requirements R3 and R4, in particular, does raise the possibility of minor, unintentional oversights leading to not insignificant penalties. The purpose of the penalty table is to ensure compliance with the reliability standards, not to be unduly punitive.</p> <p>Therefore, the following changes have been made to the penalty table:</p> <ul style="list-style-type: none"> • PRC-005-AB1-6 (R1, R2, R5) moved to category 1 • PRC-005-AB1-6 (R3, R4) moved to category 2

	<p>AltaLink's history of operating practices in Alberta – and the governing processes, rules, and penalties that have been in place for years – have effectively addressed risks to the reliability and safe operation of the BES. Given this pattern of appropriate and reliable behavior, there is no need to impose excessive penalties for contraventions of these standards.</p> <p>"</p>	
<p>ATCO Electric Ltd.</p>	<p>ATCO Utilities (ATCO) have completed a review of the proposed new Alberta Reliability Standards placement within the penalty table of AUC Rule 027. We believe the majority of placements within the categories are adequate and logical. The only concern that ATCO has is regarding the proposed category placement of PRC-005-AB1-6 in categories 2 & 3. ATCO believes that a more appropriate placement should be in categories 1 & 2.</p> <p>PRC-005-AB1-6 requires a large amount of documentation to prove compliance which could lead to inadvertent administrative errors or omissions. The spirit of Rule 027 should be to promote reliability of the grid – penalizing Market Participants at a Category 2 & 3 level for administrative tasks is not the right focus of the penalization. ATCO believes that penalizing Market Participants at the higher category values does not improve the reliability of the grid and thus recommends categories 1&2 be chosen respectively.</p> <p>"</p>	<p>The Commission agrees with ATCO Utilities' comments. Please see the response to AltaLink above.</p>
<p>Capital Power Corporation</p>	<p>In response to the AUC Bulletin 2020-014 Capital Power has prepared comments specific to the new reliability standards and their placement in the penalty table for consideration; however, it is important to note that we do this reluctantly, preferring instead that the AUC and MSA approach this topic from a holistic perspective and, as described in Capital Power's response to AUC Bulletin 2020-03, engage Market Participants in a comprehensive consultation on the Alberta Reliability Standards framework in its entirety, including standard adoption, compliance monitoring, enforcement and alignment with other reliability regulators (i.e. Ontario IESO, NERC, BCUC).</p> <p>Capital Power focused our review of the new Alberta Reliability Standards and their placement into the penalty table to only those standards and requirements (FAC-008 and PRC-005) that have a higher risk of impact to Capital Power, as an Owner / Operator of generating units.</p> <p>The proposed categorization of both FAC-008 and PRC-005 is consistent with other regions; however, the categorization must not be considered in isolation. Unlike other regions, the Alberta reliability compliance monitoring and enforcement program is not based on risk and does not allow for the potential of 100% forbearance for low risk and/or self-reported compliance violations. To address this gap, Capital Power recommends that all categories be adjusted such that the minimum penalty is \$0. This adjustment would more closely align Alberta with the risk-based principles</p>	<p>With regard to PRC-005-AB1-6, the Commission agrees with Capital Power's comments. Please see the response to AltaLink above.</p> <p>The Commission has relied upon the NERC classifications for the requirements of FAC-008-AB-3. In the absence of a compelling reason for altering the judgement of the NERC, and considering that other stakeholders have not raised issues with the classification of FAC-008-AB-3 (R2), the Commission will leave R2 in category 2.</p> <p>The consideration of including a \$0 penalty minimum in the penalty table is out of scope for the current consultation. This matter will be discussed with the MSA and the AESO.</p>

practiced in other regions and would accommodate for low risk compliance violations and/or self-reports while still offering the MSA discretion.

Capital Power recommends the following:

1. PRC-005-AB1-6 (R1, R2) should be in category 1.

These requirements are largely administrative and documentation based. In the absence of a \$0 minimum penalty, these requirements should be included in category 1. If the AUC would consider a \$0 minimum for each category, Capital Power would support the inclusion of these requirements in category 2.

2. PRC-005-AB1-6 (R3, R4) should be in category 2.

Compliance with these requirements is critical to the reliability of the grid and should be reflected in the penalty. It is also quite robust and offers entities ample opportunity for low-impact / low-risk compliance. For example, a 2-day delay in a 4-month maintenance and testing activity that takes an entity from one calendar month into another (i.e. March 30th vs. April 1st) poses little risk to the reliability and security of a grid and may not warrant a \$5,000 (Category 3) or \$3,000 (Category 2) fine. In the absence of a \$0 minimum penalty to accommodate for these low-impact violations, Capital Power submits that these requirements should be included in category 2. If the AUC would consider a \$0 minimum for each category, Capital Power would support the inclusion of these requirements in category 3.

In absence of a more fulsome consultation, Capital Power submits the following recommendations related to FAC-008-AB-3 and its placement in the penalty table:

1. FAC-008-AB-3 (R1 and R2) should be in category 1.

The facility ratings of generators do not pose a significant risk to the grid. These requirements are largely administrative, documentation based, and do not require an entity to supply the ISO with the calculated facility rating or methodology.

2. FAC-008-AB-3 (R66) category 2 supported.

Capital Power looks forward to continued engagement and encourages discussions on a holistic approach to review and align the Alberta Reliability Standards program with NERC Reliability Standards. Should you have any questions on this submission, please contact the undersigned at sferdinand@capitalpower.com or (780) 392-5442.

<p>ENMAX Corporation</p>	<ol style="list-style-type: none"> 1. This submission provides ENMAX’s response to Bulletin 2020-14, issued on April 14, 2020. In this bulletin, the AUC continued a stakeholder consultation regarding Rule 027 that was initiated via Bulletin 2020-03. 2. The AUC asked for submissions on the placement of new and revised reliability standards in the penalty table of Rule 027 as set out in Bulletin 2020-14. 3. Assuming no changes to the regulatory framework or Rule 027, ENMAX does not oppose the AUC’s proposed placement of the new and revised reliability standards in the penalty tables as set out in Bulletin 2020-14. 4. However, if the regulatory framework or Rule 027 were to change as proposed by the MSA, then ENMAX would have concerns with the changes currently proposed by the AUC in Bulletin 2020-14. Accordingly, ENMAX reserves the right to provide additional submissions as the consultation on Rule 027 continues. 5. ENMAX remains concerned that there are issues with the current compliance regime that need to be addressed. Lacking guidance from the AESO or the MSA, market participants have each employed their best-efforts to develop their own interpretation of the compliance requirements of the reliability standards in Alberta. They have designed and invested in compliance programs based on those interpretations and are only finding out through specified penalties that the AESO or the MSA may have a different interpretation of what is required to be compliant with the reliability standards. 6. ENMAX is concerned that: <ol style="list-style-type: none"> i) the AESO has acknowledged that there can be multiple interpretations of the requirements of the reliability standards. In light of this, the AESO should be providing more guidance on their interpretation of reliability standards and compliance expectations, and providing updates in the event their interpretation changes; ii) when a possible contravention or concern is identified during AESO audits, in some instances the AESO does not provide detailed guidance about what or how to change in order to become compliant; iii) the MSA’s process for issuing a specified penalty based on suspected contraventions may not include an investigation and instead may solely rely on the AESO’s referral; and iv) the penalty tables in Rule 027 do not include a category for contraventions with “No Impact” and the MSA does not have the ability to issue no financial penalty. 	<p>The consideration of the AESO and MSA’s role in interpreting the requirements of compliance with reliability standards, as well as results of audits, investigations, and subsequent issuance of penalties, are not in the scope of the current consultation. The matters raised will be discussed with the MSA and the AESO.</p>
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<p>Epcor Distribution & Transmission Inc</p>	<p>EPCOR Distribution & Transmission Inc. (EDTI) suggests that PRC-005-AB1-6 category 2 and 3 penalties should be reduced to category 1 and 2. These requirements require large amounts of evidence which are administratively burdensome and can result in inadvertent errors in documentation that will likely not warrant minimum penalties of \$3000 and up. EDTI does not believe that increasing the category of these penalties will improve grid reliability.</p> <p>EDTI views the remainder of the proposed ARS category placements to be appropriate relative to the placement of existing standards.</p>	<p>The Commission agrees with EPCOR Distribution and Transmission Inc.'s comments. Please see the response to AltaLink's comments above.</p>
<p>TransCanada Energy Ltd.</p>	<p>TransCanada Energy Limited (TCE) has reviewed the placement of the reliability standard requirements within the penalty tables that are applicable to TCE. Based on this review, TCE finds the category assignments within the penalty tables to be reasonable and the requirements to be appropriately placed relative to the other standards.</p>	