

# External Compliance Monitoring Program ISO Rules V1.0

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# 1 Introduction

The mandate of the ISO rules External Compliance Monitoring function at the AESO (Compliance) and its corresponding Compliance Monitoring Program (CMP) is in response to the requirements of the Electric Utilities Act (EUA) which establishes the Alberta Electric System Operator (AESO) as the compliance monitoring entity for the ISO rules and its assigned duty to monitor compliance. This document outlines the CMP currently being executed by Compliance in monitoring for market participant compliance with ISO rules. The document summarizes the current approach to monitoring, the relevant legislation, the Compliance Monitoring ISO rule and the relationship with the Market Surveillance Administrator (MSA) and interface to their compliance enforcement activities.

## 2 Purpose

This document is intended to summarize the AESO's approach to monitoring compliance of market participants with the ISO rules.

## 3 Mandate to Monitor Market Participant Compliance

### 3.1 Relevant Legislation

The requirement for and process by which compliance monitoring is carried out is founded in provincial legislation. The EUA establishes the AESO as the compliance monitoring entity for the ISO rules and assigns it a duty to monitor that compliance (s. 17). It also requires market participants to comply with ISO rules (s. 20.8) and requires the AESO to refer compliance matters to the MSA if the AESO suspects that a market participant has contravened an ISO rule (s. 21.1).

### 3.2 Section 103.12 of the ISO Rules, *Compliance Monitoring*

The CMP is defined and implemented in accordance with Section 103.12 of the ISO rules, *Compliance Monitoring* (Section 103.12), which describes the process and guiding principles by which the AESO monitors and investigates the compliance of market participants with applicable ISO rules.

Section 103.12 defines the Information Request (IR) process by which a market participant is invited to provide relevant information with respect to a potential contravention. It also:

- Indicates the AESO's commitment with respect to confidentiality when investigating cases of potential non-compliance
- Describes the process by which a market participant can allege a contravention of an ISO rule by another market participant and the AESO's commitment to review any such allegations
- Defines at a high level the audit process that the AESO may use when reviewing market participant behavior
- Describes how the AESO will refer suspected contraventions of ISO rules to the MSA, and
- Describes certain situations where the apparent contravention of an ISO rule will not be considered a suspected contravention.

## 4 Suspected Contravention

The EUA states that when the ISO suspects that an ISO rule has been contravened, it must refer the suspected contravention to the MSA. The application of this duty in the legislation is fundamental to the role of Compliance. The “suspects” threshold may be realized once the AESO has reviewed all relevant records and information available to it, and has provided an opportunity for the market participant to explain any other relevant factors with respect to the behavior or action being reviewed. If after reviewing all of this information, the AESO believes that the evidence supports a determination that an ISO rule has been contravened; the AESO will then refer the suspected contravention including all the relevant details to the MSA.

## 5 MSA Role

When Compliance reaches a determination that it suspects that an ISO rule has been contravened, event details are referred to the MSA in accordance with Section 103.12. If the MSA is satisfied that there has been a contravention of an ISO rules, the MSA may issue a notice of specified penalty as per Alberta Utilities Commission (AUC) Rule 019 or may request an administrative proceeding before the AUC.

Once a referral has been made by the AESO, the MSA will have sole carriage of the matter. Accordingly, if a market participant who is subject to a referral has relevant information or comments beyond those already provided to the AESO they may contact the MSA. The MSA’s compliance process including its interface to the AESO’s compliance monitoring role is outlined in the document *MSA Compliance Process* on the MSA website.

## 6 ISO Rules Monitoring Process

The intent of the compliance monitoring function is to determine whether market participants demonstrate compliance with ISO rules, and to identify instances of suspected contraventions with those rules. The regular application of this monitoring process in combination with enforcement agency (MSA) actions is intended to promote and motivate market participant behaviors and practices that align with the requirements of ISO rules.

Figure 1 along with commentary below provides a high level overview of the ISO rules compliance monitoring process and components involved.

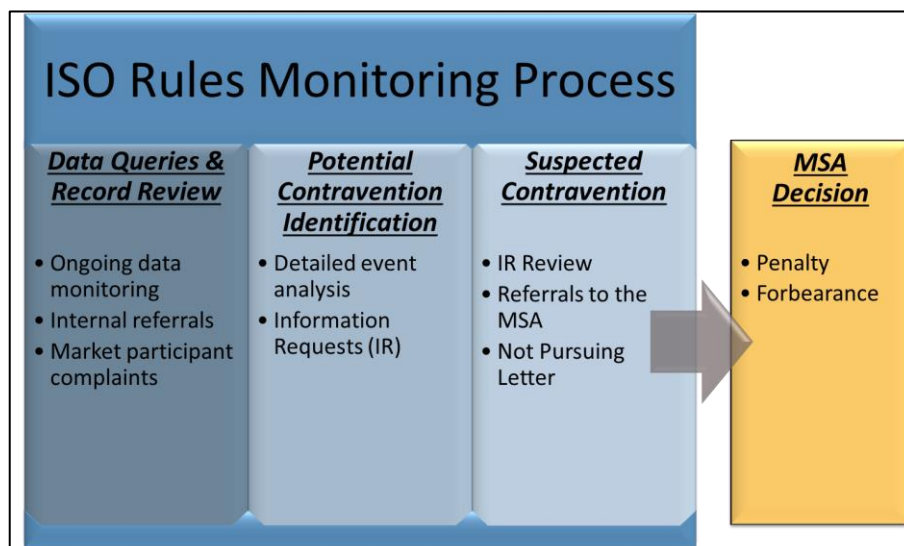


Figure 1

## 6.1 Data & Event Screening

### 6.1.1 Data Queries and Record Review

The majority of the events are identified through monitoring activities in which Compliance reviews various data sources and records and flags events which warrant further review.

### 6.1.2 Internal and Referrals

Potential events are also identified via referrals from other groups within the AESO which may come across as possible events of non-compliance in the execution of their day to day activities. Occasionally possible events are referred by individuals or entities outside the AESO.

### 6.1.3 Market Participant Complaints

If one market participant feels that another market participant may have contravened an ISO rule, they can bring it to the attention of the AESO. Compliance will perform analysis on the identified event(s) and determine if the event should be further investigated as a potential contravention. Section 103.12 outlines the process for filing such a complaint with the AESO. Details regarding the complaint and a complaint form have been made available on the AESO website and within ID #2019-055, *AESO Compliance Compliant Information*.

## 6.2 Potential Contravention Identification

The following process map (Figure 2) provides a high level overview of the functional roles of parties involved in the Potential Contravention Identification and Suspected Contravention Decision steps of the program.

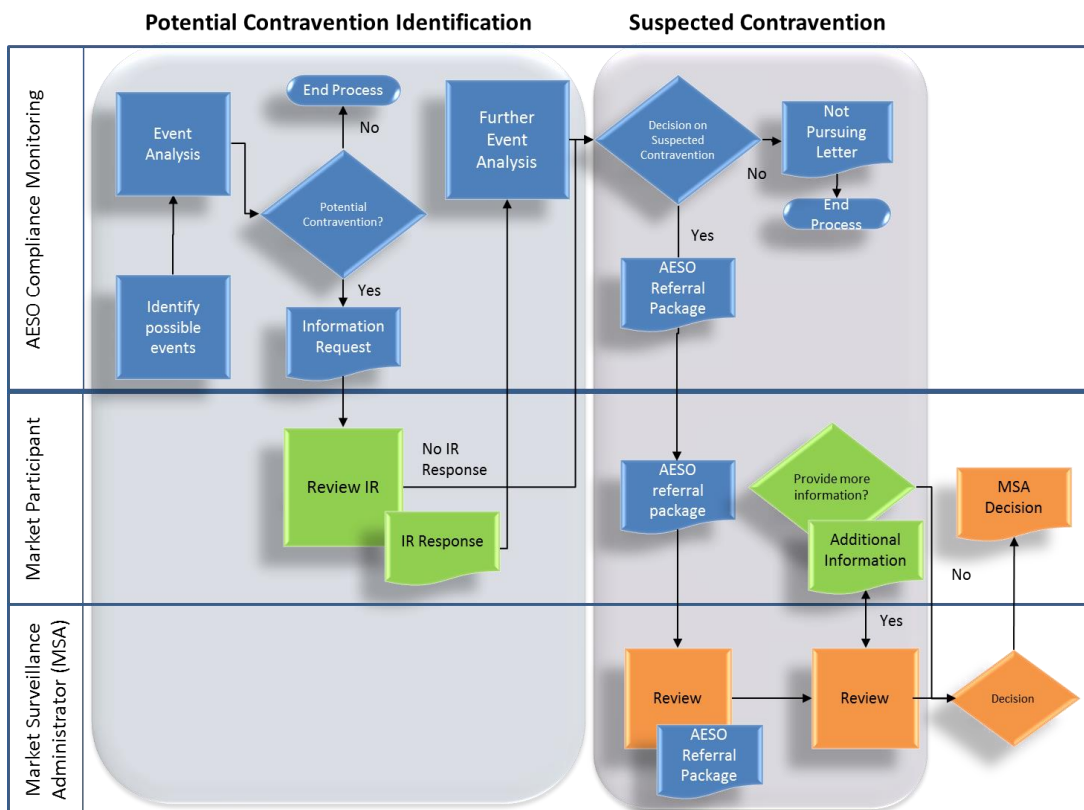


Figure 2

### **6.2.1 Detailed Event Analysis**

A detailed assessment involves an iterative review process of relevant data and information pertaining to an event. In this assessment, information available such as phone calls to the System Controller (SC), SC logs, AESO IT system logs, SCADA and other data is reviewed.

Assessments generally do not commence until at least 30 days after the date of the event to facilitate a cleaner interface with the MSA's compliance process which allows market participants the 30 days to self-report events of non-compliance.

### **6.2.2 Information Request (IR)**

If information available to the AESO suggests a potential contravention of an ISO rule, Compliance sends an IR to the market participant via email. The IR presents the relevant ISO rule requirement(s) and provides information related to the event which led to the potential contravention of the ISO rule. The IR invites the market participant to provide any additional information not available to the AESO and relevant to the assessment of the event. A deadline (typically two weeks) for the market participant to provide a response is indicated in the IR. Failure to respond to the IR will still lead to Compliance performing an analysis on whether an ISO rule contravention is suspected.

## **6.3 Suspected Contravention**

### **6.3.1 IR Response Analysis & Suspected Contravention Decision**

Once the IR response is received from the market participant, the information is then reviewed with a reexamination of the data already available. Compliance then makes a determination as to whether or not it suspects that an ISO rule was contravened.

### **6.3.2 MSA Referral**

If Compliance determines that it suspects a contravention of an ISO rule, a referral letter addressed to the market participant is created. This referral letter outlines the relevant ISO rule, the evidence and argument provided by the market participant in their IR response and an explanation as to why the AESO suspects an ISO rule was contravened. The MSA referral letter is sent to the market participant with a copy provided to the MSA. Once the referral has been sent, any further handling of the event is led by the MSA. The MSA may request additional information from the AESO, but the AESO will have no further contact with the market participant regarding the event.

### **6.3.3 Not Pursuing Letter**

If upon the review of the IR response, Compliance makes a determination that it does not suspect an ISO rule was contravened, a not pursuing letter is sent to the market participant indicating that the AESO will not be proceeding any further.

## **6.4 MSA Decision**

Upon receiving a referral from the AESO, the MSA will review the referral and make its own determination if a penalty (specified or administrative) should be issued for contravention. The MSA may follow up with Compliance before making their determination to seek additional information in support of their assessment. The MSA compliance process is detailed on the MSA website.

## 7 Compliance Monitoring Public Reporting

On a quarterly basis, Compliance prepares public reports to provide greater transparency to stakeholders on the activities of the External Compliance Monitoring groups (ISO rules, Alberta Reliability Standards and Alberta Utilities Commission Rule 021, *Settlement System Code Rules*) at the AESO. The reports include information such as: number of files opened/closed in the reporting period, files opened per ISO rule, files opened per masked market participant, and insight into events outcome including counts of the dropped status and MSA referrals.

## 8 Dispatch Variance Notification Tool

Dispatch Variance Notifications (DVN) is functionality implemented within the Automatic Dispatch and Messaging System (ADaMS) that can assist market participants with maintaining compliance with certain ISO rule requirements. A market participant with an ADaMS account may request the DVN functionality for its asset by submitting the applicable form to the AESO. Once DVN is enabled, the market participant can elect which functions to enable and choose the configuration of the various parameters. A detailed guide explaining DVN and its features, and the process for requesting access to DVN is available on the AESO website. The DVN guide is additionally available on the User Guides selection within ADaMS.

## 9 Confidentiality

Compliance conducts its processes while maintaining appropriate confidentiality. Detailed event information, event analysis, external referrals and referrals to the MSA are treated as confidential as per the requirements of Section 103.1 of the ISO rules, *Confidentiality*. Compliance also strives for the appropriate level of confidentiality in its work within the AESO to facilitate the integrity of the CMP.

## 10 Related Compliance Programs

### 10.1 Unique ISO rules

ISO rules which are sufficiently unique may have a separate CMP developed. These are described in brief in the following and detailed further on the AESO website.

#### 10.1.1 Section 9 Transmission

Section 9 of the ISO rules, *Transmission* (Section 9) outlines obligations for Transmission Facility Owners when carrying out transmission projects. Monitoring Section 9 has its own process within Compliance and involves the following activities:

- Monitoring of events that were internally/externally referred to Compliance; and
- Compliance Monitoring Audits

Project procurement audits are generally scheduled to be carried out each year, and Compliance also may receive internal or external referrals of possible contraventions of Section 9 obligations. The CMP for this process is detailed in a separate document.

#### 10.1.2 Section 501.2 Security of Critical Facilities

In 2015, a separate CMP was developed for monitoring compliance with Section 501.2 of the ISO rules, *Security of Critical Facilities*. This rule pertains to physical security of certain 'critical assets' within the Alberta electrical industry. The AESO works closely with the Energy Security Unit of the Justice and Solicitor General branch of the Government of Alberta with respect to this program.

## 10.2 Ancillary Service Compliance

Compliance also executes processes applied to Operating Reserve and Load Shed Service for imports contractual provisions. The details of the assessment processes for monitoring performance to the contracts can be found in the relevant contracts or on the applicable Operating Reserve and Load Shed Service for imports sections of the Ancillary Service Market portion of the AESO website.

## 11 Revision History

This document is not an AESO authoritative document. Revisions to this document may be made from time to time by the Compliance. Market participants will be notified of revisions through the stakeholder update process.

Revision	Effective Date	Description / Details
1.0	January 16, 2020	Published to AESO website