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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER R-72-12**

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Inquiry into potential adjustments for the
British Columbia Mandatory Reliability Standards Program,
to consider (a) changes to the *BC Rules of Procedure* for a possible exception process,
and (b) processes for assessing severity and risk for violations

BEFORE: D.M. Morton, Commissioner

October 9, 2012

O R D E R

WHEREAS:

- A. The Government of British Columbia's 2007 "BC Energy Plan: A Vision for Clean Energy Leadership" included Policy Action No. 14, to "ensure that the province remains consistent with North American transmission reliability standards";
- B. Pursuant to subsection 125.2(1) of the *Utilities Commission Act* (the *Act*),

"reliability standard" means a reliability standard, rule or code established by a standard-making body for the purpose of being a mandatory reliability standard for planning and operating the North American bulk power system, and includes any substantial change to any of those standards, rule or codes",

and the North American Electric Reliability Corporation (NERC) and Western Electricity Coordinating Council (WECC) are recognized as standard-making bodies for purposes of the reliability standards;
- C. Pursuant to subsection 125.2(2) of the *Act*, the British Columbia Utilities Commission (Commission) has exclusive jurisdiction to determine whether a reliability standard is in the public interest and should be adopted in British Columbia;
- D. The *Act* in subsection 125.2(3) requires the British Columbia Power Authority (BC Hydro) to review each reliability standard and provide the Commission with a report assessing:
 - i. Any adverse impact of the reliability standard on the reliability of electricity transmission in British Columbia if the reliability standard were adopted in British Columbia;

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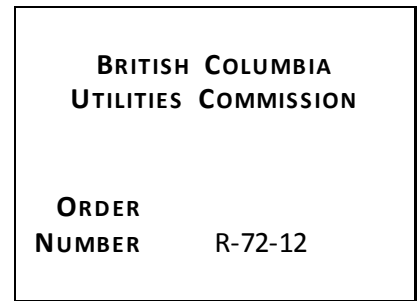
- ii. The suitability of the reliability standard for British Columbia;
 - iii. The potential cost of the reliability standard if it were adopted and
 - iv. Any other matter prescribed by regulation or identified by order of the Commission.
- E. The *Act* provides in subsections 125.2(6) and (7) that the Commission must adopt the reliability standards presented in BC Hydro's assessment report in order to maintain or achieve consistency between British Columbia and other jurisdictions that have adopted mandatory reliability standards, unless the Commission concludes after a hearing that it is not in the public interest to do so;
- F. Pursuant to Commission Orders G-67-09, G-167-10, G-162-11 and G-175-11, after receiving no negative submissions in response to the postings of BC Hydro's first four MRS Assessment Reports, the Commission adopted each of the reliability standards and revisions to reliability standards presented in BC Hydro's first four MRS Assessment Reports;
- G. On September 13, 2012, Commission Order R-54-12 established a process for public comment and review of BC Hydro's MRS Assessment Report No. 5 with additional reliability standards;
- H. The *Act* provides with subsections 125.2(8) and (9) that the reliability standards adopted by the Commission apply to every "(a) prescribed owner, operator and direct user of the bulk power system, and (b) prescribed generator and distributor of electricity", despite any exemptions under other sections of the *Act*;
- I. The *Mandatory Reliability Standards Regulation (BC Reg 32/2009, Ministerial Order M039)* (the *MRS Regulation*) defines the bulk power system and other terms related to the BC MRS Program and prescribes the entities that are subject to reliability standards in British Columbia;
- J. Further to subsection 125.2(10) of the *Act* providing for the administration of adopted reliability standards, the Commission in Order G-123-09 adopted *Rules of Procedure for Reliability Standards in BC* (the *BC Rules of Procedure*), including a *Registration Manual* and a *Compliance Monitoring Program* for the BC MRS Program, which are similar but not identical to NERC Rules of Procedure, Statement of Compliance Registry Criteria and Compliance Monitoring and Enforcement Programs that are not part of the BC MRS Program;
- K. The Commission has also adopted various iterations of the *NERC Glossary of Terms Used in Reliability Standards*, most recently the August 4, 2011 version of the *NERC Glossary* adopted on October 21, 2011 in Commission Order G-162-11;
- L. Since the August 4, 2011 NERC Glossary was adopted for the BC MRS Program, NERC has recommended significant changes to the definition of Bulk Electric System (BES) and revisions to the NERC Rules of Procedure to provide an exception process to be used in conjunction with the proposed new BES definition;

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- M. The U.S. Federal Energy Regulatory Commission (FERC) has indicated in its Notice of Proposed Rulemaking (NOPR) issued June 22, 2012 that it proposes to approve NERC's recommendations for new BES definition and exception process following extensive development work at NERC and detailed stakeholder and regulatory consideration;
- N. NERC's new BES definition embodies a process that would not be fully consistent with the definition of bulk power system embedded in the *MRS Regulation* in British Columbia;
- O. The *Act* and the *MRS Regulation* do not provide for a Commission exception process as part of the BC MRS Program;
- P. If NERC's recommended new BES definition is adopted for use in the U.S., the Commission may recommend changes to the *MRS Regulation* to provide for adoption of the same definition and an exception process in BC;
- Q. If NERC's recommended new BES definition is not adopted in a reasonably timely manner, the Commission may recommend changes to the *MRS Regulation* to provide for Commission authority to grant exceptions in the BC MRS Program;
- R. Monitoring for compliance with the reliability standards and other requirements of the BC MRS Program is undertaken in accordance with the *BC Rules of Procedure*, including the *Compliance Monitoring Program* and annual *Implementation Plans* approved by the Commission;
- S. *Bill 30 -2012, the Energy and Mines Statutes Amendment Act –2012*, provides for the Commission to impose administrative penalties for violations of Commission BC MRS Program requirements;
- T. Previous to *Bill 30 -2012* being passed, matters related to the assessment of severity and risk levels for violations under the BC MRS Program were addressed in Commission Order L-56-11 and considered further in a March 27, 2012 Workshop;
- U. The assessment of severity and risk levels for violations under the BC MRS Program has been identified as an area where specific input from BC MRS Program participants and stakeholders may be helpful for the Commission at this time;
- V. The Commission has determined that an Inquiry into potential adjustments for the BC MRS Program is warranted to consider (a) changes to the *BC Rules of Procedure* to provide for a possible exception process, and (b) a process for assessing severity and risk for violations.



NOW THEREFORE pursuant to section 82 of the Act, the Commission orders as follows:

1. The Commission establishes an Inquiry into potential adjustments to the BC MRS Program to consider (a) changes to the *BC Rules of Procedure* to provide for a possible exception process, and (b) a process for assessing severity and risk for violations.
2. The Inquiry will proceed in accordance with the Regulatory Timetable attached as Appendix A to this Order.
3. The Inquiry will commence with an Information Workshop as provided for in the Notice of Inquiry and Invitation to Information Workshop attached as Appendix B to this Order.
4. The Commission will post the Notice of Inquiry and Invitation to Information Workshop and Regulatory Timetable on its website and will distribute these by fax or email to all Registered Entities in the BC MRS Program.
5. BC Hydro and FortisBC must distribute the Notice of Inquiry and Invitation to Information Workshop and Regulatory Timetable by fax or email to all transmission service customers, other industrial customers and generating entities in their respective areas by October 16, 2012.
6. Registered Entities in the BC MRS Program, Interveners and Interested Parties are to confirm their attendance at the Information Workshop and register with the Commission, in writing or by electronic submission via the Commission's website by November 13, 2012. Interveners are to state the nature of their interest in the proceeding.

DATED at the City of Vancouver, in the Province of British Columbia, this 9th day of October 2012.

BY ORDER

Original signed by:

D.M. Morton
Commissioner

Attachments

An Inquiry into potential adjustments for the
British Columbia Mandatory Reliability Standards Program,
to consider (a) changes to the *BC Rules of Procedure* for a possible exception process,
and (b) processes for assessing severity and risk for violations

REGULATORY TIMETABLE

Action	Date (2012/2013)
Commission posting and distribution of Order R-72-12 with Notice of Inquiry and Invitation to Information Workshop and Regulatory Timetable	Tuesday, October 9
BC Hydro and FortisBC to distribute Order R-72-12 with Notice of Inquiry and Invitation to Information Workshop and Regulatory Timetable	Tuesday, October 16
Registration of Interested Parties	Tuesday, November 13
Information Workshop	Wednesday, November 21
"Straw-dog" drafts of proposed changes to BC Rules of Procedure, with Commission Staff questions and request for comment to be distributed to Registered Parties	Friday, December 21
Written Submissions from Registered Parties	Thursday, January 31
Information Requests from Registered Parties and Commission staff on written submissions	Thursday, February 28
Response to Information Request 1	Friday, March 29
Final Written Submissions from Registered Parties	Tuesday, April 30

PUBLIC NOTICE

BRITISH COLUMBIA UTILITIES COMMISSION

OCTOBER 9, 2012



An Inquiry into potential adjustments for the
British Columbia Mandatory Reliability Standards Program

NOTICE OF INQUIRY AND INVITATION TO INFORMATION WORKSHOP

The British Columbia Utilities Commission (Commission) has established an Inquiry into specific elements of the BC Mandatory Reliability Standard (MRS) Program as described in Commission Order R-72-12.

Order R-72-12 establishes a Regulatory Timetable for the Inquiry, including an Information Workshop to be held on November 21, 2012 from 10:00 a.m. to 3:00 p.m. at the Commission Hearing Room located on the 12th Floor at 1125 Howe Street, Vancouver, BC V6Z 2K8.

All current and potential participants in the BC MRS Program and other interested parties are invited to register to participate in the Inquiry and to attend the Information Workshop.

To encourage broad participation in this Inquiry British Columbia Power Authority and FortisBC Inc. are directed to fax or email Order R-72-12 with this Notice of Inquiry and Invitation to Information Workshop to all transmission service customers, other industrial customers and generating entities in their respective areas.

PURPOSE AND SCOPE OF THE INQUIRY

The Commission and BC entities have gained experience working with the BC MRS Program over the three years since the BC MRS Program became operational in 2009.

The Commission has determined that it is appropriate to conduct an Inquiry to obtain input and perspective from stakeholders to assist the Commission in considering two potential adjustments for the BC MRS Program:

Potential Adjustment #1:

Changes to the *Rules of Procedure for Reliability Standards in British Columbia* (the *BC Rules of Procedure*) to provide for a possible exception process under the BC MRS Program.

Potential Adjustment #2:

Processes for assessing severity and risk for violations under the BC MRS Program.

The scope of the BC MRS Inquiry will be limited to the two potential adjustments noted as items #1 and #2 above.

BACKGROUND FOR THE INQUIRY

The provisions of section 125.2 of the *Utilities Commission Act* (the *Act*) and the *Mandatory Reliability Standards Regulation* (the *MRS Regulation*) establish the framework for the BC MRS Program. The Commission administers the BC MRS Program using the Commission-established *BC Rules of Procedure*. The Commission has engaged the Western Electricity Coordinating Council (WECC) to assist the Commission pursuant to an *Administration Agreement*.

Since the BC MRS Program became operational in 2009, MRS programs have continued to evolve in other North American jurisdictions and the Commission's role has continued to evolve in BC.

Two items of particular significance are:

1. A new Bulk Electric System (BES) definition has been recommended by the North American Electric Reliability Corporation (NERC), together with an exception process to be provided for in the NERC Rules of Procedure, and following extensive development work at NERC and detailed stakeholder and regulatory consideration, both are expected to be approved in the U.S. within a reasonable period of time.
 - If NERC's recommended new BES definition is adopted for use in the U.S., the Commission may recommend changes to the *MRS Regulation* to provide for adoption of the same definition and an exception process in BC.
 - If NERC's recommended new BES definition is not adopted in a timely manner, the Commission may recommend changes to the *MRS Regulation* in any event to provide for Commission authority to grant exceptions in the BC MRS Program.
2. *Bill 30 – 2012, the Energy and Mines Statutes Amendment Act – 2012*, provides for the Commission to impose administrative penalties for violations of Commission requirements.
 - Assessments of severity and risk levels for violations under the BC MRS Program may be relevant for potential administrative penalties.
 - This has been identified as an area where specific input from BC MRS Program participants and stakeholders may be helpful for the Commission at this time.

THE REGULATORY PROCESS

The Inquiry will commence with an Information Workshop. BC MRS Program current and potential participants and stakeholders will be encouraged to attend the Workshop to obtain further information about the Inquiry,

the BC MRS Program, and recommended changes to NERC's BES definition and related NERC Rules of Procedure adjustments, to facilitate informed and effective participation in the Inquiry.

As the Inquiry proceeds, Commission Staff will provide "straw-dog" proposals and questions to facilitate consideration of alternatives and encourage entities to submit focused contributions. Among other things, the "straw-dog" proposals and questions will solicit input on how a Technical Advisory Committee of knowledgeable participants with significant interest, stake and experience in reliability and operational matters might be constituted and deployed to provide input for the Commission as BC MRS Program matters are considered on an ongoing basis. An outline of the Inquiry process is set out below. At the conclusion of the Inquiry, a Commission Report to BC entities, stakeholders and government is anticipated.

INQUIRY PROCESS OUTLINE

- Commission Order with Notice of Inquiry and Invitation to Information Workshop and attached Regulatory Timetable:
 - a. For posting on the Commission website, and distribution by fax or email to BC entities currently registered with respect to the BC MRS program
 - b. Instructing BC Hydro and FortisBC to fax or email copies to transmission service customers, other industrial customers and generating entities in their areas
 - c. Parties to register for the Inquiry in writing with the Commission Secretary
- Information Workshop:
 - a. In person and videoconference access to materials
- "Straw-dog" drafts of proposed changes to BC Rules of Procedures:
 - a. Accompanied by specific Commission staff questions and requests for comment
 - b. For posting on the Commission website and distribution by fax or email to parties registered for the Inquiry
- Written Submission from Registered Parties
- Information Requests from Registered Parties and Commission staff
- Response to Information Request 1
- Final written Submission from Registered Parties

REGISTERING TO PARTICIPATE

Persons who wish to participate actively in this proceeding should register as Interveners with the Commission via the Commission's website or in writing with the Commission Secretary. Once registered, Interveners are expected to copy all other participants with their correspondence and any filed documents relating to this Inquiry. Filings and submissions by email are preferred; an email address should be provided if possible. Participant funding is not envisioned.

Persons who do not wish to participate actively, but who have an interest in the proceeding, should register as Interested Parties via the Commission's website or register in writing with the Commission Secretary, providing an email address if possible. Once registered, Interested Parties will receive a copy of the Commission's Decision or Report on the Inquiry when it is issued.

PUBLIC DOCUMENTS

Core materials related to the BC MRS Program and links to additional information are made available for public viewing on the Commission's website. A page of the Commission's website focusing on the BC MRS Program is located at <http://www.bcuc.com/mrs.aspx>

All submissions and/or correspondence received from active participants or the general public relating to the Inquiry will be placed on the public record and posted to the Commission website. The documents will also be available for public inspection at: Sixth Floor, 900 Howe Street, Vancouver, BC V6Z 2N3.

FURTHER INFORMATION

For further information, any questions regarding the Inquiry or Information Workshop should be directed to Ms. Erica Hamilton, Commission Secretary, by telephone at 604-660-4700 or BC Toll Free at 1-800-663-1385; by fax at 604-660-1102; by email at Commission.Secretary@bcuc.com or by mail at: Sixth Floor, 900 Howe Street, Box 250 Vancouver, BC V6Z 2N3.