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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER R-33-13**

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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

September 16, 2013

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. 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 pursuant to section 125.2(1) of the *Utilities Commission Act* (UCA), which defines a reliability standard as follows:

"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";
- C. Pursuant to section 125.2(2) of the UCA, 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. Sections 125.2(6) and (7) of the UCA provide that the Commission must adopt the reliability standards presented in British Columbia Hydro and Power Authority'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;
- E. Sections 125.2(8) and (9) of the UCA provide 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 UCA;

- F. The *Mandatory Reliability Standards Regulation* (BC Reg 32/2009, Ministerial Order M039) (*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;
- G. Pursuant to section 125.2(10) of the UCA which provides for the administration of adopted reliability standards, the Commission by 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;
- H. The Commission 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;
- I. Following the Commission's adoption of the August 4, 2011 *NERC Glossary* for the BC MRS Program, NERC 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 its proposed new BES definition;
- J. In its Notice of Proposed Rulemaking (NOPR) issued on June 22, 2012 the U.S. Federal Energy Regulatory Commission (FERC) indicated that it proposed to approve NERC's recommendations for the new BES definition and exception process following extensive development work at NERC and detailed stakeholder and regulatory consideration;
- K. NERC's proposed new BES definition embodied a process that would not be fully consistent with the definition of bulk power system embedded in the *MRS Regulation* in British Columbia;
- L. The UCA and the *MRS Regulation* do not provide for a Commission exception process as part of the BC MRS Program;
- M. Part 8.1 of the UCA and the *Administrative Penalties Regulation* (BC Reg 316/2012, OIC No. 731) empowers the Commission to impose administrative penalties and set financial limits for contraventions of BC Reliability Standards;
- N. On October 9, 2012, the Commission issued Order R-72-12, establishing 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;
- O. The process for the Inquiry included an Information Workshop, the circulation of "Straw-Dog" drafts of proposed changes to the *BC Rules of Procedure*, written comments on the drafts, information requests and final submissions;
- P. The Commission posted three Straw-Dog drafts of proposed changes to the *BC Rules of Procedure* on December 20, 2012, with a request for Interveners to submit comments on the drafts by January 31, 2013;

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- Q. Comments on the staff Straw-Dogs were received from seven Interveners. Information Requests were delivered by Commission staff and certain Interveners and responded to. Final Submissions were received from six Interveners;
- R. By FERC Order No. 773 issued December 20, 2012, FERC approved the new NERC BES Definition. By FERC Order 773A issued April 18, 2013, FERC reaffirmed the new NERC BES Definition.
- S. The new NERC BES Definition and NERC Rules of Procedure exception process are to become effective July 1, 2014;
- T. The Commission Panel has considered the evidence and submissions filed.

NOW THEREFORE for the reasons set out in the Report issued concurrently with this Order, the Commission orders as follows:

- 1. Subject to the *Mandatory Reliability Standards Regulation* (and the *Utilities Commission Act*, if necessary) being amended to allow for the adoption in British Columbia of the new NERC BES Definition and an exception process, the *BC Rules of Procedure* will be revised to provide for the exception process described in the Report unless the legislative amendments provide otherwise.
- 2. The *BC Rules of Procedure* will be revised to provide for:
 - (a) the implementation of a process consistent with the North American Electric Reliability Corporation's (NERC) Find, Fix, Track process; and
 - (b) the adoption of NERC's Violation Risk Factors and Violation Severity Levels as Compliance Provisions and for the incorporation of penalty ranges consistent with the NERC penalty ranges in the BC Penalty Matrix.
- 3. The revisions to the *BC Rules of Procedure* will not provide for a Technical Advisory Committee.
- 4. All other minor revisions to the *BC Rules of Procedure* described in the Report will be made.
- 5. The revised *BC Rules of Procedure* will be made available for review and comment for a period of 30 days from the date that the revisions are made publically available.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of September 2013.

BY ORDER

Original signed by:

D.M. Morton
Commissioner

Attachment