



LETTER L-8-14

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, BC CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 46424

ERICA HAMILTON
COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

VIA EMAIL

rkulka@vereseninc.com
kedwards@vereseninc.com

January 30, 2014

Mr. Robert Kulka
Operations Manager
Clowhom Power L.P.
650-669 Howe Street
Vancouver, BC V6C 0B4

Mr. Kyle Edwards
Operations Engineer
Veresen Inc.
650-669 Howe Street
Vancouver, BC V6C 0B4

Dear Mr. Kulka and Mr. Edwards:

Re: Clowhom Power L.P.
Request for Exemption from
British Columbia Mandatory Reliability Standards Compliance Audit

The British Columbia Utilities Commission (Commission) writes in response to the Clowhom Power L.P. (Clowhom) January 10, 2014 request for exemption (Request) from the 2014 Mandatory Reliability Standards Compliance Audit scheduled for April 7 to 9, 2014 (2014 Audit). The Commission does not exempt Clowhom from the 2014 Audit as requested.

In the Request, Clowhom requests exemption from the 2014 Audit based on the deferred implementation of the new Bulk Electric System definition (BES Definition). The rationale for Clowhom's Request primarily rests on Clowhom's view that its facilities would be excluded under Exclusion E1 of the BES Definition and that the Clowhom facilities do not fall under any Inclusions. Clowhom notes further, that if the North American Electric Reliability Corporation (NERC) BES Definition implementation date remained as originally scheduled (i.e. July 1, 2013) Clowhom would likely not have been required to comply with the British Columbia Mandatory Reliability Standards Program (BC MRS Program) at the time of the 2014 Audit. In addition, Clowhom states the 2014 Audit is an inefficient use of resources which the Western Electricity Coordinating Council (WECC) and Clowhom could utilize elsewhere.

The Commission is not persuaded by the rationale provided by Clowhom in support of its Request from the 2014 Audit. Compliance Audits are a required component of the Compliance Monitoring Program, approved by Commission Order G-67-09, and assure compliance with reliability standards applicable to registered entities in the BC MRS Program. As stated in section 2.1.1 of the Compliance Monitoring Program, "All Applicable Entities are subject to Compliance Audits for all applicable Reliability Standards."

In accordance with section 3.1.1 of the Compliance Monitoring Program, WECC submits an Implementation Plan for Commission approval on November 1 of each year, which includes schedules for Compliance Audits and

other compliance monitoring activities foreseen for the following calendar year. Each Implementation Plan approved by the Commission since inception of the BC MRS Program states that WECC will conduct a Compliance Audit of every Applicable Entity registered as Transmission Operator (TOP) every three years. The Commission approved the 2014 Implementation Plan by Commission Order R-39-13 on November 21, 2013, which scheduled Clowhom for audit in April, 2014.

Clowhom is currently registered as a TOP and has not been audited since it assumed compliance responsibility for the Hydromax assets on February 8, 2011. As such, Clowhom is scheduled for audit on April 7 to 9, 2014 in accordance with the three year audit cycle for TOPs. By exempting Clowhom from the 2014 Compliance Audit, the Commission would be deviating from the established audit cycle for all TOPs.

Although the Commission previously indicated its intent to submit a recommendation to the Government of BC to adopt the BES Definition, the MRS Regulation does not currently define the BES or allow for the related exception process. The BES Definition is not in effect in BC. Regardless, even if it were, Applicable Entities would remain responsible for compliance with all reliability standards and requirements in effect for their applicable function(s) until such a time as an Exception was granted.

Despite Clowhom's statement that the 2014 Audit is an inefficient use of resources, the Commission considers the scheduled audit a worthwhile investment for the reason that the audit may provide evidence which could assist WECC and Clowhom in determining whether or not Clowhom meets the BES Exclusion(s) or Inclusions. At such a time as the BES Definition is adopted in BC, such evidence could have the potential to be used by Clowhom in support of a future Application for exception from the BES Definition.

The Commission is aware of and sympathetic to the resources and effort required by Clowhom, and all Applicable Entities, to demonstrate and maintain compliance with reliability standards. However, the Commission does not exempt Clowhom from the Compliance Audit in April, 2014 as requested.

Yours truly,

Original Signed By:

Erica Hamilton

CAS/nd

cc: Mr. Jim Hinrichs
Veresen Inc.
jhinrichs@vereseninc.com