



**ORDER NUMBER
R-50-23**

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Tolko Industries Limited
Notice of Penalty for the Contravention of
Mandatory Reliability Standards Identified as:
PRC-005-1 Requirement 1 - Violation ID: BCUC2019000710
PRC-005-1a Requirement 2 - Violation ID: BCUC2019000711
PRC-019-2 Requirement 1 - Violation ID: BCUC2019000712
PRC-024-2 Requirement 1 - Violation ID: BCUC2019000713
PRC-024-2 Requirement 2 - Violation ID: BCUC2019000714

BEFORE:

E. B. Lockhart, Panel Chair
M. Kresivo, KC, Commissioner
B. A. Magnan, Commissioner

on October 10, 2023

ORDER

WHEREAS:

- A. By Order R-41-23 dated July 31, 2023, the British Columbia Utilities Commission (BCUC) issued Confidential Reasons for Decision to Tolko Industries Limited (Tolko) for contraventions of the following Protection and Control (PRC) Reliability Standards (Confidential Order with Reasons);

Violation 1	PRC-005-1 R1	Violation ID BCUC2019000710
Violation 2	PRC-005-1a R2	Violation ID BCUC2019000711
Violation 3	PRC-019-2 R1	Violation ID BCUC2019000712
Violation 4	PRC-024-2 R1	Violation ID BCUC2019000713
Violation 5	PRC-024-2 R2	Violation ID BCUC2019000714

- B. On August 20, 2021, Western Electricity Coordinating Council (WECC) issued Noticed of Alleged Violation (NOAV) CF1923 citing alleged violations of the five PRC Reliability Standards noted above;
- C. By confidential orders R-42-22, R-43-22, R-44-22, R-45-22, and R-13-23, the BCUC confirmed Tolko's contravention of the five PRC Reliability Standards;
- D. In the Confidential Order with Reasons, the BCUC directed Tolko to file written submissions with respect to the confidentiality of the Confidential Order with Reasons and other materials filed during that proceeding.

The BCUC also directed Tolko to provide reasons for the proposed confidential treatment, including proposed redactions, if any, that Tolko seeks;

- E. On September 12, 2023, Tolko filed its submission with respect to the public disclosure of Confidential Order R-41-23, stating that Tolko does not consider the disclosure of Order R-41-23 to jeopardize the security of the Bulk Electric System and has no redactions to Order R-41-23;
- F. On September 13, 2023, Tolko rescinded its submission with respect to the public disclosure of Confidential Order R-41-23, stating that Tolko has redacted sections containing details on its equipment and procedures that it considers confidential; and
- G. Following review of Tolko's submissions, the Panel determines that release to the general public of the Confidential Order with Reasons is warranted and in the public interest.

NOW THEREFORE pursuant to section 125.2(10), Part 8.1 of the *Utilities Commission Act* and for the reasons attached as Appendix A, the BCUC orders the following:

- 1. Orders R-42-22, R-43-22, R-44-22, R-45-22, and R-13-23 are to be made public, as attached in Appendix B.
- 2. Order R-41-23 with Confidential Reasons for Decision is to be made public, as attached in Appendix C.
- 3. NOAV CF1923 dated August 20, 2021, as filed by WECC, is to be made public, as attached as Appendix D.
- 4. All other materials filed in this proceeding will remain confidential, unless otherwise ordered by the BCUC.

DATED at the City of Vancouver, in the Province of British Columbia, this 10th day of October 2023.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner

Attachment

Tolko Industries Limited
Notice of Penalty for the Contravention of
Mandatory Reliability Standards Identified as:
PRC-005-1 Requirement 1 - Violation ID: BCUC2019000710
PRC-005-1a Requirement 2 - Violation ID: BCUC2019000711
PRC-019-2 Requirement 1 - Violation ID: BCUC2019000712
PRC-024-2 Requirement 1 - Violation ID: BCUC2019000713
PRC-024-2 Requirement 2 - Violation ID: BCUC2019000714

REASONS FOR DECISION

1.0 Introduction

By Order R-41-23 dated July 31, 2023 (Confidential Order with Reasons), the British Columbia Utilities Commission (BCUC) issued a Notice of Penalty and Confidential Reasons for Decision to Tolko Industries Limited (Tolko) for contraventions of five Protection and Control (PRC) Reliability Standards (PRC Violations).

Directive No. 5 of the Confidential Order with Reasons directed Tolko to file written submissions with respect to the confidentiality of the following materials (collectively, Compliance Materials):

- Notice of Alleged Violation (NOAV) CF1923, as filed by the Western Electricity Coordinating Council;
- Confidential orders R-42-22, R-43-22, R-44-22 and R-45-22 dated December 20, 2022 and Confidential Order R-13-23 dated April 26, 2023 confirming the five PRC Reliability Standard violations (Confirmation Orders); and
- Confidential Order with Reasons, including the Notice of Penalty.

1.1 Rules of Procedure for Reliability Standards in British Columbia

Section 6.2 of the Rules of Procedure for Reliability Standards in British Columbia states:

All Information submitted to the Commission for the purposes of a Hearing ... will be held in confidence pursuant to the Commission's Rules of Practice and Procedure, Part IV (Order G-1-16), as amended from time to time, governing the handling of Confidential Information filed with the Commission.

Section 4.3.1 of the Compliance Monitoring Program for British Columbia Mandatory Reliability Standards (Compliance Monitoring Program) states:

[...] A Notice of Alleged Violation will be treated as confidential unless and until the Commission confirms the Alleged Violation and the Commission considers that disclosure would not relate to a cybersecurity incident or otherwise jeopardize the security of the bulk power system.

1.2 BCUC Rules of Practice and Procedure

Part IV of the BCUC's Rules of Practice and Procedure (Rules) outline the provisions for requests for confidentiality and the filing of confidential documents.

Section 20.01 outlines the considerations for the BCUC with respect to determinations on confidential information:

In determining whether the nature of the information or documents require a confidentiality direction, the BCUC will have regard to matters that it considers relevant, including:

- (a) whether the disclosure of the information could reasonably be expected to result in:
 - i. undue material financial loss or gain to a person;
 - ii. significant harm or prejudice to that person's competitive or negotiating position; or
 - iii. harm to individual or public safety or to the environment;
- (b) whether the information is personal, financial, commercial, scientific, labour relations or technical information that is confidential and consistently treated as confidential by the person;
- (c) whether the person's interest in confidentiality outweighs the public interest in the disclosure of the information or documents in the hearing;
- (d) whether the person submitting the document has any legal obligation to maintain confidentiality; and
- (e) whether it is practicable to hold the hearing in a manner that is open to the public.

With respect to documents not accepted as confidential, Section 22.01 states:

If a document is filed confidentially and the request for confidentiality is denied, the BCUC may allow the person that submitted the documents an opportunity to make submissions as to what should be done with the document, such as withdrawing the document.

2.0 Tolko Submission

On September 12, 2023, Tolko submitted that it does not consider the disclosure of the materials outlined in confidential Order R-41-23 to jeopardize the security of the Bulk Electric System and had no redactions to the order. Further, Tolko stated that it does not require Order R-41-23 to remain confidential.

On September 13, 2023, Tolko rescinded its initial submission with respect to the disclosure of confidential Order R-41-23 and submitted redacted sections containing details on Tolko's equipment and procedures that it considers confidential.

Panel Determination

The Panel determines that the Compliance Materials should be released because the disclosure does not relate to a cybersecurity incident and would not jeopardize the security of the bulk power system. Further, the disclosure of the Compliance Materials is in the public interest.

Section 4.3.1 of the Compliance Monitoring Program states that a NOAV will be treated as confidential unless and until the BCUC confirms the Alleged Violation and the BCUC considers that disclosure would not relate to a cybersecurity incident or otherwise jeopardize the security of the bulk power system. Given the BCUC has confirmed the PRC Violations and the penalty process has concluded, the Panel finds that lifting the confidential treatment of NOAV CF1923 is warranted and in the public interest. There is no evidence that the contents of

NOAV CF1923 is related to a cybersecurity incident or poses a risk to the security of the bulk power system. While Tolko proposes that certain sections of the Confidential Order with Reasons and NOAV CF1923 should remain confidential as it pertains to Tolko's equipment and procedures, the Panel notes the information that Tolko proposes for redaction, comprising basic facts and information regarding previous contraventions, is available in other parts of the Confidential Order with Reasons and NOAV CF1923. Tolko has not asked for that information to be kept confidential.



bcuc
British Columbia
Utilities Commission

Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

CONFIDENTIAL
ORDER NUMBER
R-42-22

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Tolko Industries Limited
Confirmation of Alleged Violation of Mandatory Reliability Standard:
PRC-005-1 Requirement 1 – Violation ID: BCUC2019000710

BEFORE:

E. B. Lockhart, Panel Chair
W. M. Everett, KC, Commissioner
B. A. Magnan, Commissioner

on December 20, 2022

ORDER

WHEREAS:

- A. On August 20, 2021, the Western Electricity Coordinating Council (WECC), acting as the Administrator for the British Columbia Mandatory Reliability Standards Program (BC MRS Program), issued Notice of Alleged Violation (NOAV) CF1923 to Tolko Limited Industries (Tolko) citing Alleged Violation of PRC-005-1 R1, identified as Violation ID: BCUC2019000710 (Alleged Violation);
- B. The British Columbia Utilities Commission (BCUC) by Order G-123-09 approved the Compliance Monitoring Program (CMP) Section 4 of which provides the process for proceeding with alleged violations to Mandatory Reliability Standards adopted by the BCUC. The most recent revisions to the CMP were approved by Order R-40-17;
- C. The Alleged Violation was identified by way of a Compliance Audit conducted by WECC between October 21, 2019 and October 25, 2019;
- D. NOAV CF1923 describes the facts and circumstances that allegedly demonstrate or constitute the Alleged Violation together with additional information, including a proposed penalty amount, pursuant to Section 4.3.2 of the CMP;
- E. Pursuant to Section 4.4.2 of the CMP, Tolko had to elect one of three options for its response to the Alleged Violation and pursuant to Section 4.4.1, to submit its response within 30 days to the Administrator;
- F. By letter dated September 14, 2021, Tolko submitted its response, in accordance with Section 4.4.2, stating that it does not contest the Alleged Violation (Tolko Response);

Order R-42-22

- G. Pursuant to Section 5.1.2 of the CMP, Tolko is not required to, but may, prepare a Mitigation Plan (MP) for an Alleged Violation at any time;
- H. On September 15, 2021, Tolko submitted an MP, with a proposed completion date of December 3, 2021, regarding the Alleged Violation. The BCUC accepted the MP by Order R-18-22 dated May 12, 2022; and
- I. The BCUC has reviewed the information regarding the Alleged Violation in NOAV CF1923 and the Tolko Response and considers confirmation of the Alleged Violation is warranted. Any Confirmed Violations are deemed contraventions of the *Utilities Commission Act* (UCA) and may be subject to penalty by the BCUC.

NOW THEREFORE pursuant to section 125.2(10) of the UCA and in accordance with the CMP, the BCUC makes the following orders:

- 1. Tolko has contravened Reliability Standard PRC-005-1 Requirement 1, as set out in NOAV CF1923 issued to Tolko on August 20, 2021.
- 2. Alleged Violation PRC-005-1 R1, identified as Violation ID: BCUC2019000710 is confirmed.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of December 2022.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner



Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

CONFIDENTIAL
ORDER NUMBER
R-43-22

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Tolko Industries Limited
Confirmation of Alleged Violation of Mandatory Reliability Standard:
PRC-019-2 Requirement 1 – Violation ID: BCUC2019000712

BEFORE:

E. B. Lockhart, Panel Chair
W. M. Everett, KC, Commissioner
B. A. Magnan, Commissioner

on December 20, 2022

ORDER

WHEREAS:

- A. On August 20, 2021, the Western Electricity Coordinating Council (WECC), acting as the Administrator for the British Columbia Mandatory Reliability Standards Program (BC MRS Program), issued Notice of Alleged Violation (NOAV) CF1923 to Tolko Limited Industries (Tolko) citing Alleged Violation of PRC-019-2 R1, identified as Violation ID: BCUC2019000712 (Alleged Violation);
- B. The British Columbia Utilities Commission (BCUC) by Order G-123-09 approved the Compliance Monitoring Program (CMP) Section 4 which provides the process for proceeding with alleged violations to Mandatory Reliability Standards adopted by the BCUC. The most recent revisions to the CMP were approved by Order R-40-17;
- C. The Alleged Violation was identified by way of a Compliance Audit conducted by WECC between October 21, 2019 and October 25, 2019;
- D. NOAV CF1923 describes the facts and circumstances that allegedly demonstrate or constitute the Alleged Violation together with additional information, including a proposed penalty amount, pursuant to Section 4.3.2 of the CMP;
- E. Pursuant to Section 4.4.2 of the CMP, Tolko had to elect one of three options for its response to the Alleged Violation and pursuant to section 4.4.1, to submit its response within 30 days to the Administrator;
- F. By letter dated September 14, 2021, Tolko submitted its response, in accordance with Section 4.4.2, stating that it does not contest the Alleged Violation (Tolko Response);

Order R-43-22

- G. Pursuant to Section 5.1.2 of the CMP, Tolko is not required to, but may, prepare a Mitigation Plan (MP) for an Alleged Violation at any time;
- H. On September 14, 2021, Tolko submitted an MP, with a proposed completion date of November 5, 2021, regarding the Alleged Violation. The BCUC accepted the MP by Order R-6-22 dated February 14, 2022; and
- I. The BCUC has reviewed the information regarding the Alleged Violation in NOAV CF1923 and the Tolko Response and considers confirmation of the Alleged Violation is warranted. Any Confirmed Violations are deemed contraventions of the *Utilities Commission Act* (UCA) and may be subject to penalty by the BCUC.

NOW THEREFORE pursuant to section 125.2(10) of the UCA and in accordance with the CMP, the BCUC makes the following orders:

- 1. Tolko has contravened Reliability Standard PRC-019-2 Requirement 1, as set out in NOAV CF1923 issued to Tolko on August 20, 2021.
- 2. Alleged Violation PRC-019-2 R1, identified as Violation ID: BCUC2019000712 is confirmed.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of December 2022.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner



Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

CONFIDENTIAL
ORDER NUMBER
R-44-22

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Tolko Industries Limited
Confirmation of Alleged Violation of Mandatory Reliability Standard:
PRC-024-2 Requirement 1 – Violation ID: BCUC2019000713

BEFORE:

E. B. Lockhart, Panel Chair
W. M. Everett, KC, Commissioner
B. A. Magnan, Commissioner

on December 20, 2022

ORDER

WHEREAS:

- A. On August 20, 2021, the Western Electricity Coordinating Council (WECC), acting as the Administrator for the British Columbia Mandatory Reliability Standards Program (BC MRS Program), issued Notice of Alleged Violation (NOAV) CF1923 to Tolko Limited Industries (Tolko) citing Alleged Violation of PRC-024-2 R1, identified as Violation ID: BCUC2019000713 (Alleged Violation);
- B. The British Columbia Utilities Commission (BCUC) by Order G-123-09 approved the Compliance Monitoring Program (CMP) Section 4 which provides the process for proceeding with alleged violations to Mandatory Reliability Standards adopted by the BCUC. The most recent revisions to the CMP were approved by Order R-40-17;
- C. The Alleged Violation was identified by way of a Compliance Audit conducted by WECC between October 21, 2019 and October 25, 2019;
- D. NOAV CF1923 describes the facts and circumstances that allegedly demonstrate or constitute the Alleged Violation together with additional information, including a proposed penalty amount, pursuant to Section 4.3.2 of the CMP;
- E. Pursuant to Section 4.4.2 of the CMP, Tolko had to elect one of three options for its response to the Alleged Violation and pursuant to section 4.4.1, to submit its response within 30 days to the Administrator;
- F. By letter dated September 14, 2021, Tolko submitted its response, in accordance with Section 4.4.2, stating that it does not contest the Alleged Violation (Tolko Response);

Order R-44-22

- G. Pursuant to Section 5.1.2 of the CMP, Tolko is not required to, but may, prepare a Mitigation Plan (MP) for an Alleged Violation at any time;
- H. On September 14, 2021, Tolko submitted an MP, with a proposed completion date of October 31, 2021, regarding the Alleged Violation. The BCUC accepted the MP by Order R-19-22 dated May 12, 2022; and
- I. The BCUC has reviewed the information regarding the Alleged Violation in NOAV CF1923 and the Tolko Response and considers confirmation of the Alleged Violation is warranted. Any Confirmed Violations are deemed contraventions of the *Utilities Commission Act* (UCA) and may be subject to penalty by the BCUC.

NOW THEREFORE pursuant to section 125.2(10) of the UCA and in accordance with the CMP, the BCUC makes the following orders:

- 1. Tolko has contravened Reliability Standard PRC-024-2 Requirement 1, as set out in NOAV CF1923 issued to Tolko on August 20, 2021.
- 2. Alleged Violation PRC-024-2 R1, identified as Violation ID: BCUC2019000713 is confirmed.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of December 2022.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner



Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

CONFIDENTIAL
ORDER NUMBER
R-45-22

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Tolko Industries Limited
Confirmation of Alleged Violation of Mandatory Reliability Standard:
PRC-024-2 Requirement 2 – Violation ID: BCUC2019000714

BEFORE:

E. B. Lockhart, Panel Chair
W. M. Everett, KC, Commissioner
B. A. Magnan, Commissioner

on December 20, 2022

ORDER

WHEREAS:

- A. On August 20, 2021, the Western Electricity Coordinating Council (WECC), acting as the Administrator for the British Columbia Mandatory Reliability Standards Program (BC MRS Program), issued Notice of Alleged Violation (NOAV) CF1923 to Tolko Limited Industries (Tolko) citing Alleged Violation of PRC-024-2 R2, identified as Violation ID: BCUC2019000714 (Alleged Violation);
- B. The British Columbia Utilities Commission (BCUC) by Order G-123-09 approved the Compliance Monitoring Program (CMP) Section 4 which provides the process for proceeding with alleged violations to Mandatory Reliability Standards adopted by the BCUC. The most recent revisions to the CMP were approved by Order R-40-17;
- C. The Alleged Violation was identified by way of a Compliance Audit conducted by WECC between October 21, 2019 and October 25, 2019;
- D. NOAV CF1923 describes the facts and circumstances that allegedly demonstrate or constitute the Alleged Violation together with additional information, including a proposed penalty amount, pursuant to Section 4.3.2 of the CMP;
- E. Pursuant to Section 4.4.2 of the CMP, Tolko had to elect one of three options for its response to the Alleged Violation and pursuant to section 4.4.1, to submit its response within 30 days to the Administrator;
- F. By letter dated September 14, 2021, Tolko submitted its response, in accordance with Section 4.4.2, stating that it does not contest the Alleged Violation (Tolko Response);

Order R-45-22

- G. Pursuant to Section 5.1.2 of the CMP, Tolko is not required to, but may, prepare a Mitigation Plan (MP) for an Alleged Violation at any time;
- H. On September 14, 2021, Tolko submitted an MP, with a proposed completion date of October 31, 2021, regarding the Alleged Violation. The BCUC accepted the MP by Order R-19-22 dated May 12, 2022; and
- I. The BCUC has reviewed the information regarding the Alleged Violation in NOAV CF1923 issued to Tolko and the Tolko Response and considers confirmation of the Alleged Violation is warranted. Any Confirmed Violations are deemed contraventions of the *Utilities Commission Act* (UCA) and may be subject to penalty by the BCUC.

NOW THEREFORE pursuant to section 125.2(10) of the UCA and in accordance with the CMP, the BCUC makes the following orders:

- 1. Tolko has contravened Reliability Standard PRC-024-2 Requirement 2, as set out in NOAV CF1923 issued to Tolko on August 20, 2021.
- 2. Alleged Violation PRC-024-2 R2, identified as Violation ID: BCUC2019000714 is confirmed.

DATED at the City of Vancouver, in the Province of British Columbia, this 20th day of December 2022.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner



Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

CONFIDENTIAL
ORDER NUMBER
R-13-23

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Tolko Industries Limited
Confirmation of Alleged Violation of Mandatory Reliability Standard:
PRC-005-1a Requirement 2 – Violation ID: BCUC2019000711

BEFORE:

E. B. Lockhart, Panel Chair
W. M. Everett, KC, Commissioner
B. A. Magnan, Commissioner

on April 26, 2023

ORDER

WHEREAS:

- A. On August 20, 2021, the Western Electricity Coordinating Council (WECC), acting as the Administrator for the British Columbia Mandatory Reliability Standards Program (BC MRS Program), issued Notice of Alleged Violation (NOAV) CF1923 to Tolko Limited Industries (Tolko) citing Alleged Violation of PRC-005-1a R2, identified as Violation ID: BCUC2019000711 (Alleged Violation);
- B. By Order G-123-09, the British Columbia Utilities Commission (BCUC) approved the Compliance Monitoring Program (CMP) Section 4 of which provides the process for proceeding with alleged violations to Mandatory Reliability Standards adopted by the BCUC. The most recent revisions to the CMP were approved by Order R-40-17;
- C. The Alleged Violation was identified by way of a Compliance Audit conducted by WECC between October 21, 2019 and October 25, 2019;
- D. NOAV CF1923 describes the facts and circumstances that allegedly demonstrate or constitute the Alleged Violation together with additional information, including a proposed penalty amount, pursuant to Section 4.3.2 of the CMP;
- E. Pursuant to Section 4.4.2 of the CMP, Tolko had to elect one of three options for its response to the Alleged Violation and pursuant to Section 4.4.1, to submit its response within 30 days to the Administrator;
- F. By letter dated September 14, 2021, Tolko submitted its response, in accordance with Section 4.4.2, stating that it disagrees with the Alleged Violation (Tolko Response);

Order R-13-23

- G. On November 15, 2021, WECC replied to the Tolko Response affirming that it had sufficient evidence to support NOAV CF1923;
- H. By Order R-1-23 dated January 6, 2023 and Order R-7-23 dated March 6, 2023, the BCUC established regulatory timetables for a confidential written proceeding for the review of the Alleged Violation; and
- I. The BCUC has reviewed all the information regarding the Alleged Violation in NOAV CF1923 and considers confirmation of the Alleged Violation is warranted. Any Confirmed Violations are deemed contraventions of the *Utilities Commission Act* (UCA) and may be subject to penalty by the BCUC.

NOW THEREFORE pursuant to sections 109.1(1) and 125.2(10) of the UCA and in accordance with the CMP, the BCUC makes the following orders:

- 1. Tolko has contravened Reliability Standard PRC-005-1a Requirement 2, as set out in NOAV CF1923 issued to Tolko on August 20, 2021.
- 2. Alleged Violation PRC-005-1a R2, identified as Violation ID: BCUC2019000711 is confirmed.
- 3. All compliance materials relating to Tolko's confirmed violation of PRC-005-1a R2 and all related material filled in this proceeding will be held confidential until the BCUC determines otherwise.

DATED at the City of Vancouver, in the Province of British Columbia, this 26th day of April 2023.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner



Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3
bcuc.com

P: 604.660.4700
TF: 1.800.663.1385
F: 604.660.1102

CONFIDENTIAL
ORDER NUMBER
R-41-23

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

Tolko Industries Limited
Notice of Penalty for the Contravention of
Mandatory Reliability Standards Identified as:
PRC-005-1 Requirement 1 - Violation ID: BCUC2019000710
PRC-005-1a Requirement 2 - Violation ID: BCUC2019000711
PRC-019-2 Requirement 1 - Violation ID: BCUC2019000712
PRC-024-2 Requirement 1 - Violation ID: BCUC2019000713
PRC-024-2 Requirement 2 - Violation ID: BCUC2019000714

BEFORE:
E. B. Lockhart, Panel Chair
M. Kresivo, KC, Commissioner
B. A. Magnan, Commissioner

on July 31, 2023

ORDER

WHEREAS:

- A. On August 20, 2021, the Western Electric Coordinating Council (WECC), acting as the Administrator for the British Columbia Mandatory Reliability Standards Program (BC MRS Program), issued Notice of Alleged Violation (NOAV) CF1923 to Tolko Industries Limited (Tolko) citing the Alleged Violations of standards and requirements under the Protection and Control (PRC) Mandatory Reliability Standards noted above. NOAV CF1923 described the facts and circumstances that allegedly demonstrate or constitute the Alleged Violation together with additional information, including proposed penalty amounts, pursuant to Section 4.3.2 of the Compliance Monitoring Plan (CMP);
- B. On September 14, 2021, Tolko responded to NOAV CF1923 (Tolko Response), in accordance with Section 4.4.2 of the CMP, stating that it agrees with four of the five PRC Alleged Violations but did not agree with the proposed penalty amounts, specifically Tolko agreed with the following violations:
 - 1. BCUC Violation ID BCUC2019000710, which is a violation of PRC-005-1 R1
 - 2. BCUC Violation ID BCUC2019000712, which is a violation of PRC-019-2 R1
 - 3. BCUC Violation ID BCUC2019000713, which is a violation of PRC-024-2 R1
 - 4. BCUC Violation ID BCUC2019000714, which is a violation of PRC-024-2 R2;

Order R-41-23

- C. In the Tolko Response, it also submitted that it disagreed with WECC's Alleged Violation of PRC-005-1a R2 (Contested Violation);
- D. By confidential orders R-42-22, R-43-22, R-44-22, and R-45-22 dated December 20, 2022, the British Columbia Utilities Commission (BCUC) confirmed Tolko's Alleged Violations listed above as issued by WECC through NOAV CF1923 (Confirmed Violations), finding the Confirmed Violations to be contraventions of the *Utilities Commission Act* (UCA);
- E. By confidential Order R-13-23 dated April 26, 2023, the BCUC confirmed the Contested Violation, finding it to be a contravention of the UCA;
- F. By Order R-14-23 dated April 27, 2023, the BCUC established a regulatory timetable for review of the violations confirmed by Orders R-42-22, R-43-22, R-44-22, R-45-22 and R-13-23 (Confirmed Violations) for the purposes of penalty determination. The regulatory timetable included Tolko's submissions with respect to the factors listed in (a) to (l) of section 109.2(3) of the UCA; and
- G. The BCUC has considered all the evidence and submissions in this proceeding and finds the following determinations are warranted.

NOW THEREFORE pursuant to section 125.2(10) and Part 8.1 of the UCA, and in accordance with the CMP, and for the Reasons for Decision attached to this order, the BCUC orders the following:

- 1. The BCUC imposes on Tolko an administrative penalty for Tolko's contravention of the following adopted reliability standards identified as (i) BCUC2019000710; (ii) BCUC2019000711; (iii) BCUC2019000712; (iv) BCUC2019000713; and (v) BCUC2019000714.
- 2. Tolko is directed to make full payment of the penalty amounts stipulated in the Notice of Penalty accompanying this order within 30 days of receipt.
- 3. Tolko is directed, in a compliance filing, to provide confirmation of payment of the penalty stipulated in the Notice of Penalty accompanying this order within 15 days of making such payment.
- 4. This confidential Order with Reasons for Decision and all related materials filed in this proceeding will be held confidential until the BCUC determines otherwise.
- 5. Tolko is directed to file written submissions, within 30 days of the issuance of this order with respect to confidentiality, as set out in Section 6 of the Reasons for Decision.

DATED at the City of Vancouver, in the Province of British Columbia, this 31st day of July 2023.

BY ORDER

Original signed by:

E. B. Lockhart
Commissioner

Attachment

~~CONFIDENTIAL~~
NOTICE OF PENALTY

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473
and

Tolko Industries Limited
Notice of Penalty for the Contravention of
Mandatory Reliability Standards Identified as:
PRC-005-1 Requirement 1 - Violation ID: BCUC2019000710
PRC-005-1a Requirement 2 - Violation ID: BCUC2019000711
PRC-019-2 Requirement 1 - Violation ID: BCUC2019000712
PRC-024-2 Requirement 1 - Violation ID: BCUC2019000713
PRC-024-2 Requirement 2 - Violation ID: BCUC2019000714

Pursuant to section 125.2(10) and Part 8.1 of the *Utilities Commission Act* (UCA) and in accordance with the British Columbia Utilities Commission's (BCUC) Compliance Monitoring Program, and for the Reasons for Decision attached as Appendix B of Order R-41-23 dated July 31, 2023, the BCUC hereby notifies Tolko Industries Limited (Tolko) that:

The following administrative penalties have been levied against Tolko for its contravention of the following adopted reliability standards:

- Violation BCUC2019000710 – \$9,000;
- Violation BCUC2019000711– \$500;
- Violation BCUC2019000712– \$3,750;
- Violation BCUC2019000713– \$3,750; and
- Violation BCUC2019000714– \$4,000

Tolko is ordered to make full payment of the penalty amounts stipulated in this Notice of Penalty within 30 days of receipt to the Provincial Government Consolidated Revenue Fund, as administered by the Minister of Finance. The BCUC further directs Tolko, in a compliance filing, to provide confirmation of payment of this penalty amount within 15 days of making such payment.

Tolko may appeal this Notice of Penalty under section 101 of the UCA or apply for a reconsideration in writing under section 99 of the UCA addressed to the attention of Commission Secretary at:

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Tolko Industries Limited

**Penalties for the Confirmed Violations
of Mandatory Reliability Standards:
BCUC2019000710, BCUC2019000711,
BCUC2019000712, BCUC2019000713,
and BCUC2019000714**

~~Confidential~~ Reasons for Decision

July 31, 2023

Before:

E. B. Lockhart, Panel Chair
M. Kresivo, KC, Commissioner
B. A. Magnan, Commissioner

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Executive Summary

This proceeding concerns five violations (Violations) by Tolko Industries Limited (Tolko) of Mandatory Reliability Standard (MRS) Protection and Control (PRC) Reliability Standards:

Violation	MRS Reliability Standard	Title of Reliability Standard	Violation ID
Violation 1	PRC-005-1 R1	Transmission and Generation Protection System Maintenance and Testing	BCUC2019000710
Violation 2	PRC-005-1a R2	Transmission and Generation Protection System Maintenance and Testing	BCUC2020000711
Violation 3	PRC-019-2 R1	Coordination of Generating Unit or Plant Capabilities, Voltage Regulating Controls, and Protection	BCUC2020000712
Violation 4	PRC-024-2 R1	Generator Frequency and Voltage Protective Relay Settings	BCUC2020000713
Violation 5	PRC-024-2 R2	Generator Frequency and Voltage Protective Relay Settings	BCUC2020000714

The Violations were submitted to the British Columbia Utilities Commission (BCUC) by the Administrator of its MRS program in BC, the Western Electricity Coordinating Council (WECC), as Notice of Alleged Violation (NOAV) CF1923 on August 20, 2021. The Violations resulted from a compliance audit that WECC conducted in October 2019.

Tolko did not contest four of the five Alleged Violations (Uncontested Violations) but stated that it disagreed with the Alleged Violation of PRC-005-1a R2 (Violation 2) (Contested Violation). The BCUC confirmed the Uncontested Violations, by BCUC confidential orders R-42-22, R-43-22, R-44-22 and R-45-22 dated December 20, 2022 (together, the Confirmed Violations), finding the Confirmed Violations to be contraventions of the *Utilities Commission Act* (UCA).

The BCUC established a confidential proceeding to review the Contested Violation and determine whether to confirm the Violation. By Order R-13-23 dated April 26, 2023, the BCUC confirmed the Contested Violation, and the violation regarding PRC-005-1a R2 became a Confirmed Violation.

The Panel finds that the penalty amounts for the five Confirmed Violations are as follows.

Violation 1

Violation 1 described in NOAV CF1923 is a contravention involving one instance of Violation of Reliability Standard PRC-005-1 R1, which sets out the requirements an entity must meet with regards to Transmission and Generation Protection System Maintenance and Testing.

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The purpose of this Reliability Standard is to ensure that all generation Protection Systems affecting the reliability of the Bulk Electric System (BES) are maintained and tested. This Reliability Standard has two Requirements, the first of which is the subject of Violation 1. PRC-005-1 R1 requires each applicable Transmission Owner and Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System to have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The program shall include:

- PRC-005-1 R1.1 - Maintenance and testing intervals and their basis, and
- PRC-005-1 R1.2 - Summary of maintenance and testing procedures.

The Violation Risk Factor (VRF) for this Requirement of the Reliability Standard is High.

The evidence in this Violation demonstrates that while Tolko had a Protection System maintenance and test program, the program was inadequate and did not meet the requirements of PRC-005-1 R1. The Violation Severity Level (VSL) for this Violation is Severe because Tolko had neither an adequate testing nor maintenance program. The Base Penalty Range for the Violation, as set out in the Penalty Guidelines for British Columbia MRS, is \$0 to \$1,000,000, based on the VRF of High for MRS Requirement PRC-005-1 R1 and the VSL of Severe.

The Panel takes into account that the Violation posed no risk to the BES and Tolko has been working with WECC over the years to improve its compliance program and provided a Mitigation Plan that the BCUC accepted. The Panel recognizes that it would not fall within the spirit of the BC MRS Program to impose a penalty for a Violation that posed no risk to the BES, but which could potentially have a significant impact on the financial viability of the Tolko operations. The Panel determines that WECC's suggested penalty, \$18,750, is reasonable when considering all the factors save financial hardship, and appropriately reflects the minimal risk to the BES posed by this Violation. Considering the added factor of financial hardship, the Panel determines the penalty should be \$9,000.

Violation 2

Violation 2 described in NOAV CF1923 is a contravention involving one instance of Violation of Reliability Standard PRC-005-1a R2, which sets out the requirements an entity must meet with regards to Transmission and Generation Protection System Maintenance and Testing.

The purpose of this Reliability Standard is to ensure that all generation Protection Systems affecting the reliability of the BES are maintained and tested. This Reliability Standard has two Requirements, the second of which is the subject of Violation 2. PRC-005-1a R2 requires each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System to provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days).

Specifically, PRC-005-1a R2 requires an Entity to include in the documentation of its program implementation:

- R2.1 - Evidence Protection System devices were maintained and tested within the defined intervals
- R2.2 - The date each Protection System device was last tested/maintained.

The VRF for this Requirement of the Reliability Standard is Lower.

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The evidence in this Violation demonstrates that Tolko failed to have documentation of its Protection System maintenance and testing program including evidence the Protection System devices were maintained and tested within the defined intervals and the date that each Protection System device was last tested or maintained, as required by PRC-005-1a R2.1 and R2.2. The VSL for this Violation is Lower because Tolko provided the documentation to WECC during the 2019 Compliance Audit within the prescribed timeframe designated for the Lower severity level. The Base Penalty Range for the Violation is \$0 to \$3,000, based on the Violation Risk Factor of Lower for MRS Requirement PRC-005-1a R2 and the Violation Severity Level of Lower.

The Panel takes into account the fact that the contravention caused minimal risk to the BES, and that Tolko has filed a Mitigation Plan. In addition, the Panel acknowledges that Tolko has worked with WECC on its compliance program and received recognition for its attempts to improve. Taking into account Tolko's submission regarding financial hardship, the Panel finds that the penalty for Violation 2 should be \$500.

Violation 3

Violation 3 described in NOAV CF1923 is a contravention involving one instance of Violation of Reliability Standard PRC-019-2, which sets out the requirements an entity must meet with regards to Coordination of Generating Unit or Plant Capabilities, Voltage Regulating Controls, and Protection.

The purpose of Reliability Standard PRC-019-2 is to verify coordination of generating unit Facility or synchronous condenser voltage regulating controls, limit functions, equipment capabilities and Protection System settings. This Reliability Standard has two Requirements, the first of which is the subject of Violation 3. PRC-019-2 R1 requires, at a maximum of every five calendar years, each Generator Owner and Transmission Owner with applicable Facilities to coordinate the voltage regulating system controls, (including in-service limiters and protection functions) with the applicable equipment capabilities and settings of the applicable Protection System devices and functions.

Specifically, PRC-019-2 R1 requires an Entity to:

R1.1 Assuming the normal automatic voltage regulator control loop and steady-state system operating conditions, verify the following coordination items for each applicable Facility:

R1.1.1 The in-service limiters are set to operate before the Protection System of the applicable Facility in order to avoid disconnecting the generator unnecessarily.

R1.1.2 The applicable in-service Protection System devices are set to operate to isolate or deenergize equipment in order to limit the extent of damage when operating conditions exceed equipment capabilities or stability limits.

The VRF for this Requirement of the Reliability Standard is Medium.

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The evidence in this Violation demonstrates that, during the 2019 Compliance Audit, Tolko could not produce evidence that it coordinated 40 percent of its voltage regulating system controls with the applicable equipment capabilities and settings of the applicable Protection System devices by the date required by the PRC-019-2 Implementation Plan, October 1, 2017, for its 24 megavolt-ampere (MVA) generator. The VSL for this Violation is Severe because Tolko had not coordinated equipment capabilities, limiters, and protection specified in Requirement R1 within 5 calendar years plus 12 months after the previous coordination. The Base Penalty Range for the Violation is \$0 to \$335,000 per day, based on the Violation Risk Factor of Medium for MRS Requirement PRC-019-2 R1 and the Violation Severity Level of Severe.

The Panel takes into account the fact that this Violation posed a low risk to the BES because there were no changes made to Tolko's facility and that the potential loss of generation would have no impact on the BES. Further, Tolko has filed a Mitigation Plan and worked with WECC on its compliance program and received recognition for its efforts. The Panel considers that the penalty should be at the low end of the range. Taking into account Tolko's submission regarding financial hardship, the Panel finds that the penalty should be \$3,750.

Violation 4

Violation 4 described in NOAV CF1923 is a contravention involving one instance of Violation of Reliability Standard PRC-024-2, which sets out the requirements an entity must meet with regards to Coordination of Generating Unit or Plant Capabilities, Voltage Regulating Controls, and Protection.

The purpose of Reliability Standard PRC-024-2 is to ensure Generator Owners set their generator protective relays such that generating units remain connected during defined frequency and voltage excursions. This Reliability Standard has two Requirements, the first of which is the subject of Violation 4. PRC-024-2 R1 requires that Each Generator Owner, subject to certain exceptions, that has generator frequency protective relaying activated to trip its applicable generating unit(s) shall set its protective relaying such that the generator frequency protective relaying does not trip the applicable generating unit(s) within the "no trip zone" of PRC-024 Attachment 1.

The VRF for this Requirement of the Reliability Standard is Medium.

The evidence demonstrates that Tolko did not set its generator frequency protective relaying protecting its single 24 MVA generator such that it would not trip the generating unit within the "no trip zone" of PRC-024-2 R1 Attachment 1. The only VSL available for contravention of this Requirement is Severe. The Base Penalty Range for the Violation is \$0 to \$335,000, based on the Violation Risk Factor of Medium for MRS Requirement PRC-024-2 R1 and the Violation Severity Level of Severe.

The Panel notes that although Tolko did not have the settings required by PRC-024-2 R1, it did have generator trip settings, albeit obsolete. Tolko has addressed the cause of the oversight, that it was out of compliance because notification of changes to standards only went to one employee, which it acknowledges was inadequate. The Panel takes into account the fact that there was no risk to the BES and Tolko has filed a Mitigation Plan and worked with WECC on its compliance program and received recognition for its attempts to improve. The Panel considers the penalty should be at the low end of the range. Taking into account Tolko's submission regarding financial hardship, the Panel finds that the penalty should be \$3,750.

Violation 5

Violation 5 described in NOAV CF1923 is a contravention involving one instance of Violation of Reliability Standard PRC-024-2, which sets out the requirements an entity must meet with regards to Coordination of Generating Unit or Plant Capabilities, Voltage Regulating Controls, and Protection.

The purpose of Reliability Standard PRC-024-2 is to ensure Generator Owners set their generator protective relays such that generating units remain connected during defined frequency and voltage excursions. This Reliability Standard has two Requirements, the second of which is the subject of Violation 5. PRC-024-2 R2 requires that each Generator Owner, subject to certain exceptions, that has generator voltage protective relaying activated to trip its applicable generating unit(s) shall set its protective relaying such that the generator voltage protective relaying does not trip the applicable generating unit(s) as a result of a voltage excursion (at the point of interconnection) caused by an event on the transmission system external to the generating plant that remains within the “no trip zone” of PRC-024 Attachment 2. If the Transmission Planner allows less stringent voltage relay settings than those required to meet PRC-024 Attachment 2, then the Generator Owner shall set its protective relaying within the voltage recovery characteristics of a location-specific Transmission Planner’s study.

The VRF for this Requirement of the Reliability Standard is Medium.

The evidence demonstrates that Tolko did not set three generator voltage protective relays protecting its single 24 MVA generator such that they would not trip Tolko’s generating unit within the “no trip zone” of PRC-024-2 R2, Attachment 2. The only VSL available for contravention of this Requirement is Severe. The Base Penalty Range for the Violation is \$0 to \$335,000, based on the Violation Risk Factor of Medium for MRS Requirement PRC-024-2 R2 and the Violation Severity Level of Severe.

The Panel notes that although Tolko did not have the settings required by PRC-024-2 R2, it did have generator trip settings, albeit obsolete. Tolko has addressed the cause of the oversight, that it was out of compliance because notification of changes to standards only went to one employee, which it acknowledges was inadequate. The Panel takes into account the fact that there was no risk to the BES and Tolko has filed a Mitigation Plan and worked with WECC on its compliance program and received recognition for its attempts to improve. The Panel considers the penalty should be at the low end of the range. Taking into account Tolko’s submission regarding financial hardship, the Panel determines that the penalty should be \$4,000.

1.0 Introduction

This proceeding concerns the appropriate administrative penalties, if any, to be assessed against Tolko Industries Limited (Tolko) under the British Columbia Mandatory Reliability Standards Program (BC MRS Program) for Violations of certain reliability standards and associated requirements (Requirements) adopted by the British Columbia Utilities Commission (BCUC) that apply to Tolko with respect to the reliability of the Bulk Electric System (BES).

In this Reasons for Decision, the Panel addresses the following matters:

- the legislative framework for the BCUC's jurisdiction to levy administrative penalties;
- the MRS Program in British Columbia (BC);
- the background to this penalty proceeding;
- the assessment of specific administrative penalties; and
- confidentiality of the penalty Decision.

2.0 Legislative Framework

2.1 Reliability Standards

Section 125.2 (2) of the *Utilities Commission Act* (UCA) provides the BCUC with exclusive jurisdiction to determine whether a "reliability standard," as defined in the UCA, is in the public interest and should be adopted in British Columbia.

The term "reliability standard" is defined in section 125.2 (1) of the UCA as:

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 electric system, and includes any substantial change to any of those standards, rules or codes.

Section 125.2 (6) of the UCA states that the BCUC must, by order, adopt the reliability standards addressed in the report¹ if the BCUC considers that the reliability standards are required to maintain or achieve consistency in BC with other jurisdictions that have adopted the reliability standards.

Section 8 of the UCA authorizes the BCUC to appoint or engage persons who have special or technical knowledge necessary to assist the BCUC in carrying out its functions. By Order G-123-09 dated October 15, 2009, the BCUC appointed the Western Electricity Coordinating Council (WECC) as the BCUC's Administrator to assist in carrying out functions related to Reliability Standards as described in the Administration Agreement established between the BCUC and WECC.

¹ Report subject to Section 125.2 (3) of the UCA.

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Order G-123-09 approved the Rules of Procedure for Reliability Standards in British Columbia (Rules) including a compliance monitoring program (Compliance Monitoring Program, or CMP).² Section 2.2 of the Rules defines a Reliability Standard as follows:

A Reliability Standard as defined in section 125.2(1) of the *Utilities Commission Act* (UCA) that has been adopted by the Commission under section 125.2(6) of the UCA for application in British Columbia. A Reliability Standard normally consists of the following components: (i) Introduction; (ii) Requirements; and (iii) Measures. A Reliability Standard does not include Compliance Provisions.

Henceforth in the Reasons for Decision, references to Reliability Standard are to the term as defined in the Rules.

2.2 Administrative Penalties

Section 109.1 (1) of the UCA provides that the BCUC may find that a person has contravened a reliability standard adopted by the BCUC.

Pursuant to section 109.2 (1) of the UCA, if the BCUC finds that a person has contravened a reliability standard, the BCUC may impose an administrative penalty on that person in an amount that does not exceed the prescribed limit.

Pursuant to section 3(4) of the Administrative Penalties Regulation³, the prescribed penalty limit is \$1,000,000 for corporations contravening a reliability standard adopted by the BCUC. Section 109.2 (2) of the UCA gives the BCUC discretion to impose separate administrative penalties, each not exceeding the prescribed limit, for each day the contravention continues.

Section 109.2(3) of the UCA requires that, before the BCUC imposes an administrative penalty on a person, the BCUC, in addition to considering anything else the BCUC considers relevant, must consider the following factors:⁴

- (a) previous contraventions by, administrative penalties imposed on and orders issued to the following: (i) the person [...];
- (b) the gravity and magnitude of the contravention;
- (c) the extent of the harm to others resulting from the contravention;
- (d) whether the contravention was repeated or continuous;
- (e) whether the contravention was deliberate;
- (f) any economic benefit derived by the person from the contravention;
- (g) the person's efforts to prevent and correct the contravention;
- (h) the cost of compliance with the provision contravened;
- (i) whether the person self-reported the contravention;
- (j) the degree and quality of cooperation during the commission's investigation;
- (k) any undue hardship that might arise from the amount of the penalty; and

² BCUC Order G-123-09 approved the Rules of Procedure for Reliability Standards in British Columbia (Rules).

³ The Administrative Penalties Regulation was enacted by Order in Council No. 731 issued November 8, 2012.

⁴ Section 109.2 (3) of the UCA.

(l) any other matters prescribed by the Lieutenant Governor in Council.

These factors (a) through (l) above are collectively referred to as UCA Factors throughout the Decision.

Furthermore, section 109.2(3) of the UCA provides that in addition to being required to consider the UCA Factors, the Panel may consider anything else it considers relevant before imposing an administrative penalty. Such additional considerations are referred to in the Decision as Additional Factors.

2.3 Timeline for Issuing Penalties

Pursuant to section 109.8(1) of the UCA, the time limit for giving an entity registered in the MRS Program (Entity) notice under section 109.3 imposing an administrative penalty is two years after the date on which the act or omission alleged to constitute the contravention first came to the attention of the Chair of the BCUC.

Pursuant to Section 2.1 of the Penalty Guidelines, the date on which the act or omission alleged to constitute the contravention first came to the attention of the BCUC Chair is the date that a Notice of Alleged Violation (NOAV) is issued to an Entity, with a copy to the BCUC.⁵

2.4 MRS Compliance Processes

All Entities are required to comply with Reliability Standards. The CMP provides processes for dealing with compliance with Reliability Standards adopted by the BCUC.

2.4.1 Find, Fix, Track

Pursuant to section 4.2 of the CMP, WECC will perform a find, fix, track (FFT) review on a possible Violation (Possible Violation) prior to considering the alleged Violation (Alleged Violation) process (FFT Process). The FFT Process is defined as “[a] process described in the Rules of Procedure for assessing and reporting Possible Violations that appear to the Administrator to pose a lesser risk to the bulk power system and/or Bulk Electric System.”⁶ WECC is required to consider the following factors in its FFT review:

- 1) The underlying facts and circumstances (i.e., what happened, how, why, where and when);
- 2) The specific Reliability Standard(s) possibly violated;
- 3) Whether the Entity has mitigated or begun mitigation of the Possible Violation;
- 4) The Administrator’s assessment of potential and actual level of risk to reliability, including mitigating factors during the period of noncompliance;
- 5) Information that the Administrator may have about the perceived strength of the Entity’s compliance program, including preventive and corrective processes and procedures, internal controls and culture of compliance;
- 6) Information that the Administrator may have about the Entity’s compliance record; and
- 7) Whether aggravating factors are present.

⁵ BCUC, Penalty Guidelines for British Columbia Mandatory Reliability Standards, Section 2.1, p. 1.

⁶ Rules of Procedure for Reliability Standards in British Columbia, by Order R-40-17 dated September 1, 2017, p. 2.

2.4.2 Notice of Alleged Violation

Pursuant to section 4.3 of the CMP, WECC may issue a NOAV to the Entity, with a copy to the BCUC, once a Possible Violation is identified as an Alleged Violation. A NOAV may list one or more Alleged Violations pertaining to Reliability Standards and a Violation of each requirement associated with a Reliability Standard is considered a separate Violation. In accordance with the CMP, a NOAV also specifies the North American Electric Reliability Corporation (NERC) Violation Risk Factor (VRF) and Violation Severity Level (VSL) associated with each Alleged Violation which establish the base penalty range for the Violation.

3.0 MRS Program

Pursuant to the legislative framework set out above, this section provides background information on the BC MRS Program.

Unless otherwise specifically defined in these Reasons for Decision, capitalized terms used herein bear the same meanings as set out in the NERC Glossary of Terms, adopted by the BCUC from time to time.

3.1 Role of WECC and the Adoption of Compliance Provisions

By Order G-123-09, pursuant to section 8 of the UCA, the BCUC appointed WECC as its Administrator for the MRS Program. The BCUC and WECC entered into an administration agreement (Administration Agreement) dated October 8, 2009 (which was renewed in October 2014 and again in July 2019) whereby the BCUC granted WECC the authority to assist the BCUC with respect to functional registration of BC Entities and monitoring compliance with Reliability Standards adopted in BC. This grant of authority is restricted to the actions and obligations specified in the Administration Agreement as reflected in the Rules. Section 3 of the Administration Agreement provides that “WECC shall make recommendations to the BCUC regarding a Violation(s) of the Reliability Standard(s) but shall not determine the disposition of the BCUC-approved Reliability Standards.” It goes on to state that “[n]othing in this Agreement delegates any of the BCUC’s statutory jurisdiction to WECC.”

Pursuant to Section 4.3.2(5) of the CMP, as the BCUC’s Administrator for the MRS Program, when WECC provides a NOAV to a BC Entity, it includes WECC’s risk assessment of each Alleged Violation based on the facts and evidence.

WECC considers various factors in its review of Possible and Alleged Violations. These factors include, but are not limited to⁷:

- (1) VRF;
- (2) VSL;
- (3) risk to the reliability of the BES, including the seriousness of the violation;
- (4) Violation Time Horizon;
- (5) the violation’s duration;
- (6) the Entity’s compliance history;
- (7) the Entity’s self-reports and voluntary corrective action;

⁷ Exhibit A2-9, p. 21.

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- (8) the degree and quality of cooperation by the Entity in an audit or investigation process, and in any remedial action;
- (9) the quality of the Entity's compliance program;
- (10) any attempt by the Entity to conceal the violation or any related information;
- (11) whether the violation was intentional; and
- (12) any other relevant information or extenuating circumstances.

On September 16, 2013, the BCUC issued Order R-33-13 which ordered, amongst other things, that the Rules be revised to provide for the adoption of two NERC indicators, namely, VRF and VSL as compliance provisions and for the incorporation of penalty ranges. Subsequently, by Order R-34-15, dated June 3, 2015, the BCUC adopted the NERC VRF and VSL indicators as compliance provisions for Reliability Standards adopted in BC. These compliance provisions, included in Section D of each Reliability Standard or published separately by NERC, are considered in the assessment of penalties.

3.2 Assessment of Administrative Penalties

The factors governing the BCUC's determination of a penalty following confirmation of a Violation are set out in section 109.2 of the UCA. In assessing the appropriate penalty, if any, the BCUC may also be guided but is not bound by the provisions of the Penalty Guidelines for BC MRS (Penalty Guidelines) which were approved by Order R-28-16, dated June 23, 2016. The most recent revision of the Penalty Guidelines was approved by Order R-40-17, dated September 1, 2017.

The Penalty Guidelines include the BC penalty matrices (Penalty Matrix) setting out recommended minimum and maximum penalties (Base Penalty Range) consistent with section 3(4) of the Administrative Penalties Regulation.⁸ The Penalty Guidelines set out one Penalty Matrix for corporations and another for a director, officer or agent of a corporation. The recommended Base Penalty Range for a Violation is determined by the combination of VRF and VSL of that Violation. Section 2.5 of the Penalty Guidelines states that BCUC's administrator (i.e., WECC) will consider the BC Penalty Matrix and identify in the NOAV the Base Penalty Range that represents the seriousness of the Violation.

In a report regarding an inquiry into potential adjustments to the MRS Program, the BCUC states that "[r]egardless of any matrix or listing of factors, the Commission retains the discretion to determine that an administrative penalty is not appropriate despite the finding of a contravention or to impose an amount of an administrative penalty to the maximum limit provided in the *Administrative Penalties Regulation*. In imposing a penalty, however, it must take into account the factors set out in section 109.2(3) of the UCA."⁹

The Penalty Matrix for corporations is set out in Table 1 below.

⁸ Administrative Penalties Regulation, BC Reg 316/2012.

⁹ Order R-33-13 dated September 16, 2013, Report, p. 14.

Table 1: BC Penalty Matrix for a Corporation¹⁰

Violation Risk Factor	Violation Severity Level							
	Lower		Moderate		High		Severe	
	Range Limits		Range Limits		Range Limits		Range Limits	
	Low	High	Low	High	Low	High	Low	High
Lower	\$0	\$3,000	\$0	\$7,500	\$0	\$15,000	\$0	\$25,000
Medium	\$0	\$30,000	\$0	\$100,000	\$0	\$200,000	\$0	\$335,000
High	\$0	\$125,000	\$0	\$300,000	\$0	\$625,000	\$0	\$1,000,000

As stated in section 2.3 of the Penalty Guidelines, the NERC VRF and VSL that accompany each Reliability Standard adopted in BC are used as compliance provisions in the MRS Program to consider the Base Penalty Range.

Each Reliability Standard Requirement has been assigned a VRF based on the expected or potential impact of the Violation to the reliability of the Bulk Power System.¹¹ One of the three defined levels of VRF is assigned to each Reliability Standard Requirement¹²:

- **High:** “A requirement that, if violated, could directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly cause or contribute to bulk electric system instability, separation, or a cascading sequence of failures, or could place the bulk electric system at an unacceptable risk of instability, separation, or cascading failures, or could hinder restoration to a normal condition.”
- **Medium:** “A requirement that, if violated, could directly affect the electrical state or the capability of the bulk electric system, or the ability to effectively monitor and control the bulk electric system. However, violation of a medium risk requirement is unlikely to lead to bulk electric system instability, separation, or cascading failures; or, a requirement in a planning time frame that, if violated, could, under emergency, abnormal, or restorative conditions anticipated by the preparations, directly and adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor, control, or restore the bulk electric system. However, violation of a medium risk requirement is unlikely, under emergency, abnormal, or restoration conditions anticipated by the preparations, to lead to bulk electric system instability, separation, or cascading failures, nor to hinder restoration to a normal condition.”
- **Lower:** “A requirement that is administrative in nature and a requirement that, if violated, would not be expected to adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor and control the bulk electric system; or, a requirement that is administrative in nature and a requirement in a planning time frame that, if violated, would not, under the emergency, abnormal, or restorative conditions anticipated by the preparations, be expected to adversely affect the electrical state or capability of the bulk electric system, or the ability to effectively monitor, control, or restore the bulk electric system. A planning requirement that is administrative in nature.”

¹⁰ Amounts may be imposed for each day the contravention continues, per Utilities Commission Act, RSBC 1996, Chapter 473, section 109.2(2).

¹¹ NERC Rules of Procedure, Appendix 4B Sanction Guidelines, effective January 19, 2021, p. 7.

¹² NERC Violation Risk Factors, p. 1.

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VSLs are defined levels of the degree to which a Requirement of a Reliability Standard was violated. Whereas VRFs are determined pre-violation and indicate the relative potential impacts that violations of each Reliability Standard could pose to the reliability of the Bulk Power System, VSLs are assessed post-violation and are an indicator of the severity of the actual violation of the Reliability Standard(s) Requirement(s) in question.¹³ VSLs have designations as described below:¹⁴

Lower VSL	Moderate VSL	High VSL	Severe VSL
The performance or product measured did not meet a minor aspect of the requirement.	The performance or product measured did not meet a significant aspect of the requirement, but the majority of the requirement was met.	The performance or product measured did not meet a majority of the requirement, but did meet a significant aspect of the requirement.	The responsible entity failed to meet the performance of the requirement.

4.0 Background to this Proceeding

4.1 Prior to the filing of Notice of Alleged Violation CF1923

WECC conducted a Compliance Audit of Tolko in December 2013 and assessed compliance with applicable Reliability Standards for the audit period of November 1, 2010 through December 11, 2013 (2013 Compliance Audit).

WECC conducted a Compliance Audit of Tolko from October 21, 2019 to October 25, 2019 (2019 Compliance Audit). During the 2019 Compliance Audit, WECC evaluated Tolko's compliance with various BC Reliability Standards for the period of September 10, 2013 to July 22, 2019. WECC explains that Tolko submitted evidence for the compliance team's evaluation of compliance with requirements. The team reviewed and evaluated all evidence provided to assess compliance with the applicable BC Reliability Standards. WECC provided a Final Audit Report dated January 13, 2020 to Tolko and the BCUC. WECC determined that Tolko was potentially noncompliant with the following Protection and Control (PRC) reliability standards: PRC-005-1 R1, PRC-005-1a R2, PRC-019-2 R1, PRC-024-2 R1, and PRC-024-2 R2.

WECC describes Tolko as a family-owned manufacturer of wood products headquartered in BC, with operations in BC, Alberta, Saskatchewan and Manitoba. Ontario, Québec, the U.S. and Asia are important markets for the company, although Tolko sells wood products to more than 20 countries in total. Tolko produces a range of forest products, although lumber represents the majority of the company's sales. Tolko also owns and operates biomass energy facilities that produce heat or biogas from wood residues for the company's operations. Two of those facilities are combined heat and power plants producing electricity sold to British Columbia Hydro and Power Authority (BC Hydro) and other power utilities and Tolko owns an onsite Cogeneration plant rated at 12kV, 3 phase, 60 hertz, 20,400kW, and 24MVA, connected to the BES through a 12kV-138kV step up transformer to the BC Hydro 138kV circuit 1L218. The Tolko system is essentially a radial system off the BC Hydro 138kV system. Any generation that is not used by the plywood and lumber mills is sold as green energy per agreement to BC Hydro.¹⁵

¹³ NERC Rules of Procedure, Appendix 4B Sanction Guidelines, effective January 19, 2021, p. 7.

¹⁴ NERC Violation Severity Level Guidelines, p. 2.

¹⁵ Exhibit A2-6, p. 6.

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4.2 Filing of Notice of Alleged Violation CF1923

As a result of the 2019 Compliance Audit, WECC issued NOAV CF1923 on August 20, 2021 to Tolko, citing five Alleged Violations of standards and requirements under the PRC MRS.

By letter dated September 14, 2021, Tolko responded to NOAV CF1923, in accordance with Section 4.4.2 of the CMP, stating that it agrees with four of the five PRC Alleged Violations but did not agree with the proposed penalty amounts (Uncontested Violations). Specifically, Tolko agreed with the following Violations identified below:

Violation 1	PRC-005-1 R1	Protection and Control	Violation ID BCUC2019000710
Violation 3	PRC-019-2 R1	Protection and Control	Violation ID BCUC2019000712
Violation 4	PRC-024-2 R1	Protection and Control	Violation ID BCUC2019000713
Violation 5	PRC-024-2 R2	Protection and Control	Violation ID BCUC2019000714

In addition, Tolko submitted that while it did not contest four of the five Alleged Violations, it disagreed with PRC-005-1a R2 (Violation 2) (Contested Violation).¹⁶ Tolko stated that it worked with WECC to improve its Protection System Maintenance Plan (PSMP).¹⁷

On November 15, 2021, WECC filed a submission stating it has sufficient evidence to support the five Violations in NOAV CF1923 and believed the proposed penalty recommendations are appropriate.¹⁸

Additionally, WECC submits that the Contested Violation was a mandatory and enforceable standard that was retired and replaced with PRC-005-6. While Tolko was in Violation of the older standard at the time of noncompliance, WECC states that mitigating to the current standard is the best practice and determined that it would not revise NOAV CF1923.¹⁹

The BCUC confirmed the Uncontested Violations listed above as issued by WECC through NOAV CF1923 (Confirmed Violations), finding the Confirmed Violations to be contraventions of the UCA.

4.3 Confirmation of PRC-005-1a R2

By Order R-1-23 dated January 6, 2023, the BCUC established a confidential proceeding to review the Contested Violation to determine whether confirmation of the Violation was warranted.

On January 23, 2023, Tolko filed its response regarding why it disagrees with the Contested Violation, stating that it used Patrick Van Guilder from WECC to improve Tolko's PSMP and was advised to use PRC-005-6 when setting maintenance intervals.²⁰

By letter dated February 9, 2023, WECC reaffirmed that it has sufficient evidence to support the Contested Violation, as described in NOAV CF1923. The BCUC did not receive a reply submission from Tolko with respect to WECC's letter.

¹⁶ Exhibit A2-2, p. 1.

¹⁷ Ibid.

¹⁸ Exhibit A2-3, p. 1.

¹⁹ Exhibit A2-2, p. 1.

²⁰ Exhibit A2-5, p. 1.

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By Order R-7-23 dated March 7, 2023, the BCUC amended the regulatory timetable for Tolko to file evidence and additional information regarding the nature and timeline of Patrick Van Guilder's involvement with Alleged Violation PRC-005-1a R2. On April 4, 2023, Tolko filed its evidence, and on April 12, 2023, WECC filed its response stating that it continues to affirm that WECC has sufficient evidence to support the Contested Violation, as described in NOAV CF1923.²¹

By Order R-13-23 dated April 26, 2023, the BCUC confirmed the Contested Violation, and the Violation regarding PRC-005-1a R2 became a Confirmed Violation.

4.4 Process in this Proceeding

By Order R-14-23 dated April 27, 2023, the BCUC established a regulatory timetable for the determination of any penalties for the five Confirmed Violations. The regulatory timetable required Tolko's submissions on each Confirmed Violation in NOAV CF1923 and proposed penalty amount.

On May 16, 2023, Tolko filed a submission in response to the penalties for the Confirmed Violations.²²

5.0 Confirmed Violation Penalty Assessments

In this section, the Panel addresses the five Confirmed Violations that were first reported to the BCUC in NOAV CF1923 dated August 20, 2021.

5.1 Violation 1: BCUC2019000710 – PRC-005-1 R1 – Notice of Alleged Violation CF1923

5.1.1 Summary of Reliability Standard

The purpose of Reliability Standard PRC-005-1, titled Transmission and Generation Protection System Maintenance and Testing, is to "ensure all transmission and generation Protection Systems affecting the reliability of the [BES] are maintained and tested."²³ This Reliability Standard has two Requirements, the first of which is the subject of Violation 1 described in NOAV CF1923.²⁴

PRC-005-1 R1 requires each applicable Transmission Owner and Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System to have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES.²⁵ The program shall include:

- PRC-005-1 R1.1 - Maintenance and testing intervals and their basis, and
- PRC-005-1 R1.2 - Summary of maintenance and testing procedures.

Reliability Standard Requirement PRC-005-1 R1 has a VRF of High.

²¹ Exhibit A2-4, p. 2.

²² Exhibit B-1.

²³ WECC, Reliability Standard PRC-005-1, retrieved from <https://www.wecc.org/Reliability/PRC-005-1%20BC.pdf>.

²⁴ Exhibit A2-1, PDF p. 1.

²⁵ Exhibit A2-1, PDF p. 1.

5.1.2 Basic Facts of Violation 1

The basic facts of Violation 1 are summarized in Table 2.

Table 2: Basic Facts of Violation 1

Reference	MRS Reliability Standard and Requirement	Violation Discovery Date	Violation Start date	Violation Risk Factor	Base Penalty Range ²⁶
BCUC2020000710	PRC-005-1 R1	October 1, 2019	November 1, 2010	High ²⁷	\$0 to \$1,000,000

Violation 1 Facts

During a Compliance Audit that began on October 21, 2019 and ended on October 25, 2019, WECC determined that Tolko was potentially noncompliant with PRC-005-1 R1.²⁸

WECC states that Tolko did not have a Protection System maintenance and testing program for Protection Systems for its single 24 megavolt-ampere (MVA) generator. WECC states that Tolko used a 2007 International Electrical Testing Association manual (2007 NETA Manual) to create a Protection System maintenance and testing procedure and the 2007 NETA Manual's list of components did not include Communications systems or pieces of control circuitry that are Protection System Devices. The 2007 NETA Manual also used multiplication factors to modify baseline testing, and Tolko could not provide the multiplication intervals it used to determine maintenance and testing intervals. As a result, the basis of the maintenance and testing intervals was inadequate and did not fulfill the requirements of PRC-005-1 R1.1. Further, WECC submits that Tolko's maintenance and testing program did not include a summary of maintenance and testing procedures as required by PRC-005-1 R1.2.²⁹

On September 15, 2021, Tolko submitted a Mitigation Plan for Violation 1 with a proposed completion date of December 3, 2021. In consideration of the November 1, 2010 start date for Violation 1 and the proposed completion date submitted in the Mitigation Plan, the Violation period is approximately 11 years.

Tolko made no submissions disputing the facts presented by WECC.

²⁶ BCUC Penalty Guidelines for British Columbia Mandatory Reliability Standards, p. 2.

²⁷ Exhibit A2-1, PDF p. 21.

²⁸ Exhibit A2-1, Attachment 1, PDF p. 5.

²⁹ Exhibit A2-1, Attachment 1, PDF p. 6.

5.1.3 Consideration of Violation 1 under UCA Factors

(a) Previous Contraventions, Administrative Penalties Imposed and Orders Issued

Section 109.2(3)(a) of the UCA requires the Panel to consider the history of previous contraventions, administrative penalties and orders issued to Tolko.

WECC notes that Tolko has one previous instance of noncompliance with PRC-005-1 R1 (Violation ID BCUC2016000594).³⁰ On September 8, 2016, Tolko submitted a Self-Report stating that it failed to have a PSMP for Protection Systems that affect the reliability of the BES. On May 5, 2017, Tolko submitted a Mitigation Plan to address its noncompliance, and on June 7, 2017, WECC accepted Tolko's Mitigation Plan. Following an assessment of the facts and circumstances, WECC noted that Violation ID BCUC2016000594 qualified under the FFT Process. By letter dated January 10, 2018, the BCUC acknowledged WECC's assessment and considered that no further enforcement action would follow.³¹

As noted above in Section 4.1, WECC conducted the 2013 Compliance Audit. At that time, WECC noted that Tolko had self-reported a Violation of PRC-005-1 R1 on June 30, 2010, which WECC accepted on August 19, 2010. WECC stated that Tolko submitted a Mitigation Plan on June 30, 2010 with an expected completion date of September 29, 2010; however, the Mitigation Plan had not been completed at the time of the 2013 Compliance Audit. WECC instructed Tolko to submit a new self report and a new Mitigation Plan, and this became Violation ID BCUC2016000594 noted in the preceding paragraph.

Tolko made no submissions regarding previous contraventions.

Panel Determination

This UCA Factor requires the Panel to consider Tolko's compliance history with respect to this Reliability Standard. There are two aspects to compliance history. The first is whether Tolko has previously contravened Reliability Standard PRC-005-1. According to section 2 of the Rules, a Confirmed Violation is a contravention of a reliability standard adopted by the BCUC. The Panel finds that there is no evidence that Tolko has previously contravened PRC-005-1.

In addition to considering previous contraventions, the Panel may also consider, pursuant to section 4.2.4 of the CMP, whether there are previous Possible Violations that were resolved through the FFT Process. Possible Violations that are processed under the FFT Process do not become Confirmed Violations and are not classified as a contravention under the UCA. These instances, however, do form part of the compliance history that the BCUC may consider when determining penalties for other contraventions by Tolko.

The Panel finds that the prior instance of noncompliance with this reliability standard, which resulted in an FFT, is sufficiently dated and is not relevant to our determination of an administrative penalty for this Violation.

There is no relevant contravention history for Violation 1. The Panel finds this is neither an aggravating nor a mitigating factor.

³⁰ Exhibit A2-1, PDF p. 23.

³¹ BCUC Order R-36-17 dated June 20, 2017.

(b) Gravity and Magnitude of Contravention

The VSL designations for PRC-005-1 R1 are below:³²

	Lower	Moderate	High	Severe
R1	N/A	N/A	The responsible entity that owned a transmission Protection System or Generator Owner that owned a generation Protection System failed to have either a Protection System maintenance program or a Protection System testing program for Protection Systems that affects the reliability of the BES.	The responsible entity that owned a transmission Protection System or Generator Owner that owned a generation Protection System failed to have a Protection System maintenance program and a Protection System testing program for Protection Systems that affects the reliability of the BES.

Based on the available VSL for PRC-005-1 R1, WECC assigned a Severe VSL for Violation 1. In this instance, Tolko failed to have a failed to have a PSMP and a Protection System testing program for Protection Systems that affect the reliability of the BES, in this case its 24 MVA generating unit.³³

However, WECC concluded that Violation 1 did not pose a serious or substantial risk to the reliability of the BES.

WECC explains that failure to have a Protection System maintenance and testing program with the required components could have resulted in device malfunction, premature or undetected device failure, and Protection System Misoperation. Protection System Misoperation could have also resulted in equipment damage, system instability, or loss of load generation. However, Tolko's affected generating unit was radial, having only one connection to the BES. Because other systems or transmission networks did not rely on Tolko for reliability functions or services, WECC states that the potential impact to the BES was reduced. Additionally, given the size of the generating unit, the loss of generation would have no impact on the BES. Tolko uses a percentage of the energy produced to operate its generating unit, and the remaining generation sent to the BES is negligible.³⁴

Tolko submits that it maintains a relatively insignificant 20 megawatt-hour (MWh) export into the BC Hydro system of approximately 115,000 MWh on an annual basis. While the effect on the BES is minimal, Tolko states that it is has been fully committed to following MRS that have been set out. BC Hydro and Tolko have maintained an excellent working relationship since Tolko started exporting power in 2000. During this time, Tolko states BC Hydro has not raised any concerns regarding the effectiveness of Tolko's equipment.³⁵

³² NERC, VRF and VSL Matrix, PRC-005-1 Reliability Standard.

³³ Exhibit A2-1, PDF p. 6.

³⁴ Exhibit A2-1, PDF p. 6.

³⁵ Exhibit B-2, p. 3.

Panel Determination

The Panel notes that, although WECC assigned a Severe VSL to Violation 1, both WECC and Tolko submit this Violation posed a low risk to the BES. In fact, WECC states the potential loss of generation would have no impact on the BES. Therefore, the Panel finds that the gravity and magnitude of this Violation were minimal. The Panel finds this is neither an aggravating nor a mitigating factor.

(c) Extent of Harm to Others Resulting from the Contravention

WECC states that no harm is known to have occurred due to Tolko's lack of a Protection System maintenance and testing program.³⁶

Tolko did not provide any submissions regarding the extent of harm caused by Violation 1.

Panel Determination

There is no evidence that Violation 1 resulted in harm to others. The Panel finds this is a mitigating factor.

(d) Whether the Contravention was Repeated or Continuous

WECC states that Tolko did not have an adequate Protection System maintenance and testing program by November 1, 2010, when PRC-005-1 became mandatory and enforceable. Further, the issue had not been remediated as of the date the NOAV was issued on August 20, 2021.³⁷

Tolko did not provide any submissions whether Violation 1 was repeated or continuous.

Panel Determination

Violation 1 commenced on November 1, 2010 and continued until at least December 3, 2021. The Panel finds the fact that this Violation continued for approximately 11 years is an aggravating factor.

(e) Whether the Contravention was Deliberate

WECC submits that there was no evidence that Violation 1 was intentional.³⁸

Tolko makes no submission regarding whether Violation 1 was deliberate.

Panel Determination

There is no evidence that Tolko deliberately committed Violation 1. The Panel finds this is neither an aggravating nor a mitigating factor.

(f) Any Economic Benefit Derived from the Contravention

WECC makes no submission regarding any economic benefit.

Tolko submits that no benefit or gain has been noted as a result of Violation 1.³⁹

³⁶ Exhibit A2-1, PDF p. 6.

³⁷ Exhibit A2-1, PDF p. 6.

³⁸ Exhibit A2-1, PDF p. 23.

³⁹ Exhibit B-1, p. 3.

Panel Determination

There is no evidence that Tolko derived any economic benefit from Violation 1. The Panel finds this is neither an aggravating nor a mitigating factor.

(g) Efforts to Prevent and Correct the Contravention

WECC states that the cause of this issue was that Tolko lacked the means to assure procedures and documents were of adequate quality and up to date as a result of the absence of a formal compliance program.⁴⁰

At the time NOAV CF1923 was issued, WECC states that Tolko had not submitted a Mitigation Plan for Violation 1.⁴¹ By Order R-18-22 dated May 12, 2022, the BCUC accepted Tolko's Mitigation Plan for Violation 1. In the Mitigation Plan, Tolko submitted that it would update all required Protection System devices and that the testing intervals would be reviewed and performed according to the required standards. Further, testing results would be updated in the PSMP documents and be ready and available for review.

For Violation 1, Tolko states that the 2019 Compliance Audit found that the standard Tolko was using had been superseded. Tolko states that it has since made improvements to its PSMP in accordance with its consulting engineers. Tolko is actively engaged to ensure all intervals and testing are completed.⁴²

Panel Determination

The Panel notes that Tolko has addressed the issues underlying Violation 1 and submitted a Mitigation Plan that the BCUC accepted. The Panel considers this as evidence of Tolko's efforts to correct the violation. However, the Panel also accepts WECC's evidence that Tolko did not have a formal compliance program and therefore it was unable to ensure that it had adequate procedures in place to prevent the violation from occurring. **Therefore, the Panel finds that Tolko took insufficient steps to prevent the contravention, which is an aggravating factor.**

(h) Cost of Compliance with the Provision Contravened

No submissions were made by WECC or Tolko regarding cost of compliance.

Panel Determination

There is no evidence that the cost of compliance was a consideration for Tolko. The Panel finds this is neither an aggravating nor a mitigating factor.

(i) Whether the Contravention was Self-Reported

Both WECC and Tolko agree that Violation 1 was discovered during the 2019 Compliance Audit and not self-reported by Tolko.

Panel Determination

Violation 1 was not self-reported, and the Panel finds this is neither an aggravating nor a mitigating factor.

⁴⁰ Exhibit A2-1, PDF p. 6.

⁴¹ Exhibit A2-1, PDF p. 22.

⁴² Exhibit B-1, p. 2.

(j) Degree and Quality of Cooperation during the BCUC's Investigation

WECC submits that there was no evidence of any attempt by Tolko to conceal Violation 1.⁴³ WECC states that it provided Tolko with a Compliance Audit notification package to commence the Compliance Audit and that Tolko provided evidence at the time requested, or as agreed upon, by WECC.⁴⁴

Panel Determination

The Panel notes that Tolko provided evidence as requested during WECC's investigation and that WECC has not raised any concerns regarding the degree or quality of Tolko's cooperation during the investigation. The Panel finds this to be a mitigating factor.

(k) Undue Hardship that Might Arise from the Amount of the Penalty

No submission was provided by WECC regarding undue hardship arising from the amount of penalty.

Tolko submits that penalties will certainly impact the viability of the Tolko operation. The Armstrong Cogeneration facility is a standalone asset in Tolko's portfolio. Exported power pricing is below breakeven cost at this time for Tolko. The main reason for continued operation is disposal of biomass fuel. According to Tolko, the entire wood manufacturing industry in BC is currently faced with high log costs and weak market conditions, impacting several operations' ability to remain financially viable.⁴⁵

Panel Determination

The Panel is concerned that imposing a significant penalty may cause undue hardship on Tolko. The Panel finds this to be a mitigating factor, which influences the size of penalty to be imposed. The Panel notes that a penalty is not supposed to go unnoticed in an entity's bottom line; however, we are also mindful of the potential impact of any penalty on the financial viability of Tolko's operations. This is a factor mitigating against a larger penalty.

(l) Other Matters Prescribed by the Lieutenant Governor in Council

Not applicable.

5.1.4 Summary of UCA Factors Pertaining to Violation 1

The Panel summarizes its findings relating to the UCA Factors pertaining to Violation 1 in Table 3.

Table 3: Summary of Findings pertaining to Violation 1

	Factors as per the UCA	Aggravating or Mitigating
a)	Previous contraventions, administrative penalties imposed, and orders issued	Neither
b)	Gravity and magnitude of contravention	Neither
c)	Extent of harm resulting from the contravention	Mitigating

⁴³ Exhibit A2-1, PDF p. 23.

⁴⁴ Exhibit A2-6, p. 5.

⁴⁵ Exhibit B-1, p. 3.

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	Factors as per the UCA	Aggravating or Mitigating
d)	Whether the contravention was repeated or continuous	Aggravating
e)	Whether contravention was deliberate	Neither
f)	Any economic benefit derived from the contravention	Neither
g)	Efforts to prevent and correct contravention	Aggravating
h)	Cost of compliance with the provision contravened	Neither
i)	Whether contravention was self-reported	Neither
j)	Degree and quality of cooperation during BCUC's investigation	Mitigating
k)	Undue hardship that might arise from Penalty the amount of penalty	Mitigating
l)	Any other matters prescribed by the Lieutenant Governor in Council	N/A

5.1.5 Violation 1: Additional Factors

Pursuant to section 109.2(3) of the UCA, the Panel may also consider anything else it considers relevant in determining whether Violation 1 warrants an administrative penalty.

Neither WECC nor Tolko made any submissions regarding additional factors that the Panel should consider.

5.1.6 Penalty Consideration for Violation 1

WECC submits that the penalty for Violation 1 should be \$18,750.

Tolko submits that the penalty proposed for Violation 1 is excessive and unwarranted for the following reasons: (i) Tolko has been working with WECC over the years on its compliance program and has received recognition for improvements to the documentation during previous audits; and (ii) WECC has maintained communication with Tolko and at no time did WECC bring forward any cause for concern during many discussions, through both verbal and email correspondence.⁴⁶

Panel Determination

According to the BC Penalty Matrix for a Corporation, the penalty range for a Violation with VRF (High) VSL (Severe) characteristics is \$0 to \$1,000,000. WECC submits that the penalty for Violation 1 should be \$18,750.

The Panel notes that the purpose of this Reliability Standard is to ensure that all generation Protection Systems affecting the reliability of the BES are maintained and tested. The evidence in this Violation demonstrates that while Tolko did have a Protection System maintenance and test program, the program was inadequate and did not meet the requirements of PRC-005-1. The Panel accepts that the VSL for this Violation is severe because Tolko had neither an adequate testing nor maintenance program.

⁴⁶ Exhibit B-1, p. 2.

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The Panel also takes into account that the Violation posed no risk to the BES and Tolko has been working with WECC over the years to improve its compliance program and provided a Mitigation Plan that the BCUC accepted. The Panel recognizes that it would not fall within the spirit of the BC MRS Program to impose a penalty for a Violation that posed no risk to the BES, but which could potentially have a significant impact on the financial viability of the Tolko operations. **The Panel determines that WECC's suggested penalty, \$18,750, is reasonable when considering all the factors save financial hardship, and appropriately reflects the minimal risk to the BES posed by this Violation. Considering the added factor of financial hardship, the Panel determines the penalty should be \$9,000.**

5.2 Violation 2: BCUC2019000711 – PRC-005-1a R2 – Notice of Alleged Violation CF1923

5.2.1 Summary of Reliability Standard

The purpose of Reliability Standard PRC-005-1a, titled Transmission and Generation Protection System Maintenance and Testing, is to “ensure all transmission and generation Protection Systems affecting the reliability of the [BES] are maintained and tested.”⁴⁷ This Reliability Standard has two Requirements, the second of which is the subject of Violation 2 described in NOAV CF1923.⁴⁸

PRC-005-1a R2 requires each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System to provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days).

Specifically, PRC-005-1a R2 requires an Entity to include in the documentation of its program implementation:

- R2.1 - Evidence Protection System devices were maintained and tested within the defined intervals
- R2.2 - The date each Protection System device was last tested/maintained.

Reliability Standard Requirement PRC-005-1a R2 has a VRF of Lower.

5.2.2 Basic Facts of Violation 2

Table 4: Basic Facts of Violation 2

Reference	MRS Reliability Standard and Requirement	Violation Discovery Date	Violation Start Date	Violation Risk Factor	Base Penalty Range ⁴⁹
BCUC2019000711	PRC-005-1a R2	October 17, 2019	December 7, 2013	Lower ⁵⁰	\$0 to \$3,000

⁴⁷ WECC, Reliability Standard PRC-005-1a, retrieved from <https://www.wecc.org/Reliability/PRC-005-1a%20BC.pdf>.

⁴⁸ Exhibit A2-1, PDF p. 11.

⁴⁹ BCUC Penalty Guidelines for British Columbia Mandatory Reliability Standards, p. 2.

⁵⁰ Exhibit A2-1, PDF p. 21.

Violation 2 Facts

During the 2019 Compliance Audit, WECC determined that Tolko was potentially noncompliant with PRC-005-1a R2.⁵¹

WECC states that Tolko failed to have documentation of its Protection System maintenance and testing program including evidence the Protection System devices were maintained and tested within the defined intervals and the date that each Protection System device was last tested or maintained, as required by PRC-005-1a R2.1 and R2.2.⁵²

On September 15, 2021, Tolko submitted a Mitigation Plan for Violation 2 with a proposed completion date of November 19, 2021. In consideration of the December 7, 2013 start date for Violation 2 and the proposed completion date submitted in the Mitigation Plan, the Violation period is approximately eight years.

Tolko made no submissions disputing the facts presented by WECC.

5.2.3 Consideration of Violation 2 under UCA Factors

(a) Previous Contraventions, Administrative Penalties Imposed and Orders Issued

Section 109.2(3)(a) of the UCA requires the Panel to consider the history of previous contraventions, administrative penalties and orders issued with respect to Tolko. As defined in section 2 of the Rules, for the purpose of section 109.1 of the UCA, a Confirmed Violation is a contravention of a Reliability Standard adopted by the BCUC.⁵³

WECC notes that Tolko has one previous instance of noncompliance with this Reliability Standard.⁵⁴ On September 8, 2016, Tolko submitted a Self-Report stating that it failed to include ten current transformers in its PSMP, and therefore, failed to complete Protection System maintenance and testing for these Protection System devices. On May 5, 2017, Tolko submitted a Mitigation Plan to address its noncompliance, and on June 7, 2017, WECC accepted Tolko's Mitigation Plan. Following an assessment of the facts and circumstances, WECC noted that Violation ID BCUC2016000595 qualified under the FFT Process. By letter dated January 10, 2018, the BCUC acknowledged WECC's assessment and considered that no further enforcement action would follow.

In consideration of Tolko's compliance history, WECC notes that Tolko has one previous instance of noncompliance with Violation 2 (Violation ID BCUC2016000595). The BCUC notes that Violation ID BCUC2016000595 was not a Confirmed Violation and resulted in an FFT.⁵⁵

Tolko made no submissions regarding previous contraventions.

⁵¹ Exhibit A2-1, p. 11.

⁵² Exhibit A2-1, PDF p. 12.

⁵³ Rules, p. 3.

⁵⁴ Exhibit A2-1, PDF p. 23.

⁵⁵ BCUC Order R-36-17 dated June 20, 2017.

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Panel Determination

This UCA Factor requires the Panel to consider Tolko's compliance history with respect to this Reliability Standard. There are two aspects to compliance history. The first is whether Tolko has previously contravened Reliability Standard PRC-005-1a. According to section 2 of the Rules, a Confirmed Violation is a contravention of a reliability standard adopted by the BCUC. The Panel finds that there is no evidence that Tolko has previously contravened PRC-005-1a.

In addition to considering previous contraventions, the Panel may also consider, pursuant to Section 4.2.4 of the CMP, whether there are earlier Possible Violations that were resolved through the FFT Process. Possible Violations that are processed under the FFT Process do not become Confirmed Violations and are not classified as a contravention under the UCA. These instances, however, do form part of the compliance history that the BCUC may consider when determining penalties for other contraventions by Tolko.

The Panel finds that the prior instance of noncompliance with this Reliability Standard, which resulted in an FFT, is sufficiently dated and is not relevant to our determination of an administrative penalty for this Violation.

There is no relevant contravention history for Violation 2. The Panel also finds this is neither an aggravating nor a mitigating factor.

(b) Gravity and Magnitude of Contravention

The VSL designations for PRC-005-1a R2 are below:⁵⁶

	Lower	Moderate	High	Severe
R2	The responsible entity provided documentation of its Protection System maintenance and testing program for more than 30 but less than or equal to 40 days following a request from its Regional Reliability Organization and/or NERC.	The responsible entity provided documentation of its Protection System maintenance and testing program for more than 40 but less than or equal to 50 days following a request from its Regional Reliability Organization and/or NERC.	The responsible entity provided documentation of its Protection System maintenance and testing program for more than 50 but less than or equal to 60 days following a request from its Regional Reliability Organization and/or NERC.	The responsible entity did not provide documentation of its Protection System maintenance and testing program for more than 60 days following a request from its Regional Reliability Organization and/or NERC.

Based on the available VSL for PRC-005-1a R2, WECC assigned a Lower VSL for Violation 2 because Tolko provided the documentation to WECC within the prescribed timeframe designated for the Lower severity level during the 2019 Compliance Audit.⁵⁷

⁵⁶ NERC, VRF and VSL Matrix, PRC-005-1a Reliability Standard.

⁵⁷ Exhibit A2-1, PDF p. 21.

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In this instance, Tolko failed to provide evidence the Protection System devices were maintained and tested within the defined intervals and the date that each Protection System device was last tested or maintained, as required by PRC-005-1a R2.1 and R2.2.⁵⁸ WECC concluded that Violation 2 did not pose a serious or substantial risk to the reliability of the BES.

Panel Determination

The Panel notes that WECC assigned a Lower VSL to Violation 2. Both WECC and Tolko submit this Violation posed a low risk to the BES. Therefore, the Panel finds that the gravity and magnitude of this Violation were minimal. The Panel finds this is neither an aggravating nor a mitigating factor.

(c) Extent of Harm to Others Resulting from the Contravention

No submissions were made by WECC or Tolko regarding the extent of harm to others caused by Violation 2.

Panel Determination

There is no evidence that Violation 2 resulted in harm to others. The Panel finds this is a mitigating factor.

(d) Whether the Contravention was Repeated or Continuous

WECC assessed that the Violation began on December 7, 2013 and was ongoing as at the date of the NOAV.⁵⁹

Tolko did not provide any submissions whether Violation 2 was repeated or continuous.

Panel Determination

Violation 2 commenced on December 7, 2013 and continued until at least November 19, 2021. The Panel finds the fact that this Violation continued for approximately eight years is an aggravating factor.

(e) Whether the Contravention was Deliberate

WECC submits that there was no evidence that Violation 2 was intentional.⁶⁰

Tolko makes no submission regarding whether Violation 2 was deliberate.

Panel Determination

There is no evidence that Tolko deliberately committed Violation 2. The Panel finds this is neither an aggravating nor a mitigating factor.

(f) Any Economic Benefit Derived from the Contravention

WECC makes no submission regarding any economic benefit.

Tolko submits that no benefit or gain has been noted as a result of Violation 2.⁶¹

⁵⁸ Exhibit A2-1, PDF p. 12.

⁵⁹ Exhibit A2-1, PDF p. 11.

⁶⁰ Exhibit A2-1, PDF p. 23.

⁶¹ Exhibit B-1, p. 3.

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Panel Determination

There is no evidence that Tolko derived any economic benefit from Violation 2. The Panel finds this is neither an aggravating nor a mitigating factor.

(g) Efforts to Prevent and Correct the Contravention

WECC submits that the cause of this issue was, similar to Violation 1, that Tolko used a 2007 NETA manual to create its PSMP and testing procedure manual. The manual used multiplication factors to select maintenance intervals. WECC has determined the intervals to be incorrect.⁶²

At the time NOAV CF1923 was issued, WECC states that Tolko had not submitted a Mitigation Plan for Violation 2. By Order R-25-21 dated November 2, 2021, the BCUC accepted Tolko's Mitigation Plan for Violation 2.⁶³ In the Mitigation Plan, Tolko stated that it would update its PSMP including evidence the Protection System devices were maintained and tested within the defined testing intervals and the date each Protection System device was last tested.

Tolko states that the 2019 Compliance Audit found that the standard Tolko was using had been superseded. Tolko states that it has since made improvements to its PSMP in accordance with its consulting engineers and that it is actively engaged to ensure all intervals and testing are completed.⁶⁴

Panel Determination

The Panel notes that Tolko has addressed the issues underlying Violation 2 and submitted a Mitigation Plan that the BCUC accepted. The Panel considers this as evidence of Tolko's efforts to correct the Violation. However, the Panel also accepts WECC's evidence that Tolko did not have a formal compliance program and therefore it was unable to ensure that it had adequate procedures in place to prevent the Violation from occurring. Therefore, the Panel finds that Tolko took insufficient steps to prevent the contravention, which is an aggravating factor.

(h) Cost of Compliance with the Provision Contravened

No submissions were made by WECC or Tolko regarding the cost of compliance.

Panel Determination

There is no evidence that the cost of compliance was a consideration for Tolko. The Panel finds this is neither an aggravating nor a mitigating factor.

(i) Whether the Contravention was Self-Reported

Both WECC and Tolko agree that Violation 2 was discovered during the 2019 Compliance Audit and not self-reported by Tolko.

Panel Determination

Violation 2 was not self-reported, and the Panel finds this is neither an aggravating nor a mitigating factor.

⁶² Exhibit A2-1, PDF p. 12.

⁶³ BCUC Order R-25-21 dated November 2, 2021.

⁶⁴ Exhibit B-1, p. 2.

(j) Degree and Quality of Cooperation during the BCUC's Investigation

WECC submits that there was no evidence of any attempt by Tolko to conceal Violation 2.⁶⁵ WECC states that it provided Tolko with a Compliance Audit notification package to commence the Compliance Audit and that Tolko provided evidence at the time requested, or as agreed upon, by WECC.⁶⁶

Panel Determination

The Panel notes that Tolko provided evidence as requested during WECC's investigation and that WECC has not raised any concerns regarding the degree or quality of Tolko's cooperation during the investigation. The Panel finds this to be a mitigating factor.

(k) Undue Hardship that Might Arise from the Amount of the Penalty

No submission was provided by WECC regarding undue hardship arising from the amount of penalty.

Tolko submits that penalties will certainly impact the viability of the Tolko operation. The Armstrong Cogeneration is a standalone asset in Tolko's portfolio. Exported power pricing is below breakeven cost at this time for Tolko. The main reason for continued operation is disposal of biomass fuel. According to Tolko, the entire wood manufacturing industry in BC is currently faced with high log costs and weak market conditions, impacting several operations' ability to remain financially viable.⁶⁷

Panel Determination

The Panel is concerned that imposing a significant penalty may cause undue hardship on Tolko. The Panel finds this to be a mitigating factor, which influences the size of penalty to be imposed. The Panel notes that a penalty is not supposed to go unnoticed in an entity's bottom line; however, we are also mindful of the potential impact of any penalty on the financial viability of Tolko's operations. This is a factor mitigating against a larger penalty.

(l) Other Matters Prescribed by the Lieutenant Governor in Council

Not applicable.

5.2.4 Summary of UCA Factors Pertaining to Violation 2

The Panel summarizes its findings relating to the UCA Factors pertaining to Violation 2 in Table 5.

⁶⁵ Exhibit A2-1, PDF p. 23.

⁶⁶ Exhibit A2-6, p. 5.

⁶⁷ Exhibit B-1, p. 3.

Table 5: Summary of Findings pertaining to Violation 2

	Factors as per the UCA	Aggravating or Mitigating
a)	Previous contraventions, administrative penalties imposed, and orders issued	Neither
b)	Gravity and magnitude of contravention	Neither
c)	Extent of harm resulting from the contravention	Mitigating
d)	Whether the contravention was repeated or continuous	Aggravating
e)	Whether contravention was deliberate	Neither
f)	Any economic benefit derived from the contravention	Neither
g)	Efforts to prevent and correct contravention	Aggravating
h)	Cost of compliance with the provision contravened	Neither
i)	Whether contravention was self-reported	Neither
j)	Degree and quality of cooperation during BCUC's investigation	Mitigating
k)	Undue hardship that might arise from Penalty the amount of penalty	Mitigating
l)	Any other matters prescribed by the Lieutenant Governor in Council	N/A

5.2.5 Violation 2: Additional Factors

Pursuant to section 109.2(3) of the UCA, the Panel may also consider anything else it considers relevant in determining whether Violation 2 warrants an administrative penalty. The Panel considers that there are no other relevant considerations.

5.2.6 Penalty Consideration for Violation 2

WECC submits that the penalty for Violation 2 should be \$10,664.

Tolko views the administration of penalty pertaining to Violation 2 is excessive and unwarranted for the following reasons: (i) Tolko has been working with WECC over the years on its compliance program and has received recognition for improvements to the documentation during previous audits; and (ii) WECC has maintained communication with Tolko and at no time did WECC bring forward any cause for concern during many discussions, through both verbal and email correspondence.⁶⁸

Panel Determination

According to the BC Penalty Matrix for a Corporation, the penalty range for a Violation with VRF (Lower) VSL (Lower) characteristics is \$0 to \$3,000. WECC submits the penalty for Violation 2 should be \$10,664; however, it does not explain how it arrived at this amount, or why it considers a penalty more than three times the upper end of the range in the BC Penalty Matrix is warranted.

⁶⁸ Exhibit B-1, p. 2.

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The Panel takes into account the fact that the contravention caused minimal risk to the BES, and that Tolko has filed a Mitigation Plan. In addition, the Panel acknowledges that Tolko has worked with WECC on its compliance program and received recognition for its attempts to improve.

The Panel is persuaded that, given all the circumstances of Violation 2, the penalty should be at the low end of the range. Taking into account Tolko's submission regarding financial hardship, the Panel finds that the penalty for Violation 2 should be \$500.

5.3 Violation 3: BCUC2019000712 – PRC-019-2 R1 – Notice of Alleged Violation CF1923

5.3.1 Summary of Reliability Standard

The purpose of Reliability Standard PRC-019-2, titled Coordination of Generating Unit or Plant Capabilities, Voltage Regulating Controls, and Protection, is to “verify coordination of generating unit Facility or synchronous condenser voltage regulating controls, limit functions, equipment capabilities and Protection System settings.”⁶⁹ This Reliability Standard has two Requirements, the first of which is the subject of Violation 3, described in NOAV CF1923.

PRC-019-2 R1 requires, at a maximum of every five calendar years, each Generator Owner and Transmission Owner with applicable Facilities to coordinate the voltage regulating system controls, (including in-service limiters and protection functions) with the applicable equipment capabilities and settings of the applicable Protection System devices and functions.

Specifically, PRC-019-2 R1 requires an Entity to:

R1.1 Assuming the normal automatic voltage regulator control loop and steady-state system operating conditions, verify the following coordination items for each applicable Facility:

R1.1.1 The in-service limiters are set to operate before the Protection System of the applicable Facility in order to avoid disconnecting the generator unnecessarily; and

R1.1.2 The applicable in-service Protection System devices are set to operate to isolate or deenergize equipment in order to limit the extent of damage when operating conditions exceed equipment capabilities or stability limits.

The requirements of PRC-019-2 were implemented in accordance with a schedule (PRC-019-2 Implementation Plan). The PRC-019-2 Implementation Plan required an applicable Entity to coordinate its voltage regulating system controls with the applicable equipment capabilities and settings of the applicable Protection System devices and to meet compliance by the following implementation schedule: 40 percent by October 1, 2017; 60 percent by October 1, 2018; 80 percent by October 1, 2019; and 100 percent by October 1, 2020.⁷⁰

Reliability Standard Requirement PRC-019-2 R1 has a VRF of Medium.

⁶⁹ WECC, Reliability Standard PRC-019-2, retrieved from <https://www.wecc.org/Reliability/PRC-019-2%20BC.pdf>.

⁷⁰ Order R-32-16A dated November 9, 2016, Attachment A, p. 4.

5.3.2 Basic Facts of Violation 3

Table 6: Basic Facts of Violation 3

Reference	MRS Reliability Standard and Requirement	Violation Discovery Date	Violation Start Date	Violation Risk Factor	Base Penalty Range ⁷¹
BCUC2019000712	PRC-019-2 R1	October 23, 2019	October 1, 2017	Medium ⁷²	\$0 to \$335,000

Violation 3 Facts

During the 2019 Compliance Audit, WECC determined that Tolko was potentially noncompliant with PRC-019-2 R1.⁷³

Tolko could not produce evidence that it coordinated 40 percent of its voltage regulating system controls with the applicable equipment capabilities and settings of the applicable Protection System devices by the date required by the PRC-019-2 Implementation Plan, October 1, 2017, for its 24 MVA generator, with four applicable voltage regulating system controllers.⁷⁴

WECC states that prior to the 2019 Compliance Audit, Tolko had only performed the coordination of voltage regulating controls when significant upgrade(s) were made to the facility, and that no upgrades had been made in the five years prior to the audit.

WECC assessed that the Violation began on October 1, 2017, when the PRC-019-2 R1 Implementation Plan required 40 percent of Tolko's voltage regulating system controls to be set in accordance with PRC-019-2 R1. WECC states that the cause of this issue was Tolko's lack of a formal compliance program and insufficient knowledge of BCUC Reliability Standards and leading to a lack of an acceptable process to set its voltage regulating system controllers in accordance with PRC-019-2 R1.1.⁷⁵

On September 14, 2021, Tolko submitted a Mitigation Plan for Violation 3 with a proposed completion date of November 5, 2021. In consideration of the October 1, 2017 start date for Violation 3 and the actual completion date submitted in Tolko's Attestation of Mitigation Plan Completion for Violation 3 of May 14, 2023, the Violation period is more than six years.

Tolko made no submissions disputing the facts presented by WECC.

⁷¹ BCUC Penalty Guidelines for British Columbia Mandatory Reliability Standards, p. 2.

⁷² Exhibit A2-1, PDF p. 18.

⁷³ Exhibit A2-1, PDF p. 11.

⁷⁴ Exhibit A2-1, PDF p. 19.

⁷⁵ Exhibit A2-1, PDF p. 19.

5.3.3 Consideration of Violation 3 under UCA Factors

(a) Previous Contraventions, Administrative Penalties Imposed and Orders Issued

Section 109.2(3)(a) of the UCA requires the Panel to consider the history of previous contraventions, administrative penalties and orders issued with respect to Tolko. As defined in section 2 of the Rules, for the purpose of section 109.1 of the UCA, a Confirmed Violation is a contravention of a Reliability Standard adopted by the BCUC.⁷⁶

NOAV CF1923 does not specify any previous instances of noncompliance with PRC-019-2 R1.

Panel Determination

This UCA Factor requires the Panel to consider Tolko's compliance history with respect to this Reliability Standard. There are two aspects to compliance history. The first is whether Tolko has previously contravened Reliability Standard PRC-019-2 R1. According to section 2 of the Rules, a Confirmed Violation is a contravention of a reliability standard adopted by the BCUC. The Panel finds that there is no evidence that Tolko has previously contravened PRC-019-2 R1.

In addition to considering previous contraventions, the Panel may also consider, pursuant to Section 4.2.4 of the CMP, whether there are earlier Possible Violations that were resolved through the FFT Process. Possible Violations that are processed under the FFT Process do not become Confirmed Violations and are not classified as a contravention under the UCA. These instances, however, do form part of the compliance history that the BCUC may consider when determining penalties for other contraventions by Tolko.

There is no contravention history for Violation 3. The Panel finds this is neither an aggravating nor a mitigating factor.

(b) Gravity and Magnitude of Contravention

The VSL designations for PRC-019-2 R1 are below:⁷⁷

	Lower	Moderate	High	Severe
R1	The Generator Owner or Transmission Owner coordinated equipment capabilities, limiters, and protection specified in Requirement R1 more than 5 calendar years but less than or equal to 5 calendar years plus 4 months after the previous coordination.	The Generator Owner or Transmission Owner coordinated equipment capabilities, limiters, and protection specified in Requirement R1 more than 5 calendar years plus 4 months but less than or equal to 5 calendar years plus 8 months after the previous coordination.	The Generator Owner or Transmission Owner coordinated equipment capabilities, limiters, and protection specified in Requirement R1 more than 5 calendar years plus 8 months but less than or equal to 5 calendar years plus 12 months after the previous coordination.	The Generator Owner or Transmission Owner failed to coordinate equipment capabilities, limiters, and protection specified in Requirement R1 within 5 calendar years plus 12 months after the previous coordination.

⁷⁶ Rules, p. 3.

⁷⁷ NERC, VRF and VSL Matrix, PRC-019-2 R1 Reliability Standard.

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Based on the available VSL for PRC-019-2 R1, WECC assigned a Severe VSL for Violation 3. In this instance, Tolko failed to provide evidence of coordinating 40 percent of its voltage regulating system controls by October 1, 2017, as required by the PRC-019-2 Implementation Plan.⁷⁸

However, WECC concluded that Violation 3 did not pose a serious or substantial risk to the reliability of the BES.⁷⁹

WECC states that failure to coordinate a generator's voltage controllers with its Protection System devices could have reasonably resulted in unnecessarily tripping the generator during a voltage excursion causing an impaired system response or failing to trip the generator when necessary. This could have caused equipment damage or system instability. However, Tolko's affected generating unit was radial with only one connection to the BES. Because other systems or transmission networks did not rely on Tolko for reliability functions or services, the potential impact to the BES was reduced. Additionally, given the size of the facility, the loss of generation would cause a negligible impact to the BES.⁸⁰

Tolko submits that it maintains a relatively insignificant 20 MWh export into the BC Hydro system of approximately 115,000 MWh annually. While the effect on the BES is minimal, Tolko states that it has always been fully committed to following MRS that have been set out. BC Hydro and Tolko have maintained an excellent working relationship since it started exporting power in 2000. During this time, BC Hydro has not raised any concerns regarding the effectiveness of Tolko's equipment.⁸¹

Panel Determination

The Panel notes that, although WECC assigned a Severe VSL to Violation 3, both WECC and Tolko submit this Violation posed a low risk to the BES. In fact, WECC states, the potential loss of generation would cause a negligible impact to the BES. Therefore, the Panel finds that the gravity and magnitude of this Violation were minimal. The Panel finds this is neither an aggravating nor a mitigating factor.

(c) Extent of Harm to Others Resulting from the Contravention

No submissions were made by WECC or Tolko regarding the extent of harm to others caused by Violation 3.

Panel Determination

There is no evidence that Violation 3 resulted in harm to others. The Panel finds this is a mitigating factor.

(d) Whether the Contravention was Repeated or Continuous

WECC states that Violation 3 began on October 1, 2017, when the PRC-019-2 R1 Implementation Plan required 40 percent of Tolko's voltage regulating system controls to be set in accordance with PRC-019-2 R1. Further, the issue was ongoing and had not been remediated as of the date the NOAV was issued.⁸²

Tolko did not provide any submissions whether Violation 3 was repeated or continuous.

⁷⁸ Exhibit A2-1, PDF p. 19.

⁷⁹ Exhibit A2-1, PDF p. 19.

⁸⁰ Exhibit A2-1, PDF p. 19.

⁸¹ Exhibit B-1, p. 3.

⁸² Exhibit A2-1, PDF p. 19.

Panel Determination

Violation 3 commenced on October 1, 2017 and continued until at least May 14, 2023. The Panel finds the fact that this Violation continued for more than six years is an aggravating factor.

(e) Whether the Contravention was Deliberate

WECC submits that there was no evidence that Violation 3 was intentional.⁸³

Tolko makes no submission regarding whether Violation 3 was deliberate.

Panel Determination

There is no evidence that Tolko deliberately committed Violation 3. The Panel finds this is neither an aggravating nor a mitigating factor.

(f) Any Economic Benefit Derived from the Contravention

WECC makes no submission regarding any economic benefit.

Tolko submits that no benefit or gain has been noted as a result of Violation 3.⁸⁴

Panel Determination

There is no evidence that Tolko derived any economic benefit from Violation 3. The Panel finds this is neither an aggravating nor a mitigating factor.

(g) Efforts to Prevent and Correct the Contravention

WECC submits that the cause of this issue was Tolko's lack of a formal compliance program and insufficient knowledge of BCUC Reliability Standards and leading to a lack of an acceptable process to set its voltage regulating system controllers.

At the time NOAV CF1923 was issued, WECC states that Tolko had not submitted a Mitigation Plan for Violation 3. By Order R-6-22 dated February 14, 2022, the BCUC accepted Tolko's Mitigation Plan for Violation 3. Tolko states in the Mitigation Plan for Violation 3 that it will perform the required coordination of the voltage regulating system controls with the applicable equipment capabilities and protective devices settings and implement a process for coordinating the voltage regulating system controls every five years. Tolko acknowledged the cause of the Violation was an inadequate process for tracking the implementation of new and updated Reliability Standards.⁸⁵

Tolko states prior to the 2019 Compliance Audit, it only performed the coordination activities when significant upgrade(s) were made to the facility and that it had not made significant upgrades in the past five years. The settings for its voltage regulating system controls were originally engineered to match equipment capabilities. Tolko submits that over time, this has been proven to function acceptably. Tolko's consulting engineers have

⁸³ Exhibit A2-1, PDF p. 23.

⁸⁴ Exhibit B-1, p. 3.

⁸⁵ Exhibit A2-9, p. 6.

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since verified plant capabilities and limiters and Tolko has implemented the required coordinating of its voltage regulating control equipment.⁸⁶

Panel Determination

The Panel notes that Tolko has addressed the issues underlying Violation 3 and submitted a Mitigation Plan that the BCUC accepted. The Panel considers this as evidence of Tolko's efforts to correct the Violation. However, the Panel also accepts WECC's evidence that Tolko did not have a formal compliance program and therefore it was unable to ensure that it had adequate procedures in place to prevent the Violation from occurring. Therefore, the Panel finds that Tolko took insufficient steps to prevent the contravention, which is an aggravating factor.

(h) Cost of Compliance with the Provision Contravened

No submissions were made by WECC or Tolko regarding cost of compliance.

Panel Determination

There is no evidence that the cost of compliance was a consideration for Tolko. The Panel finds this is neither an aggravating nor a mitigating factor.

(i) Whether the Contravention was Self-Reported

Both WECC and Tolko agree that Violation 3 was discovered during the 2019 Compliance Audit and not self-reported by Tolko.

Panel Determination

Violation 3 was not self-reported, and the Panel finds this is neither an aggravating nor a mitigating factor.

(j) Degree and Quality of Cooperation during the BCUC's Investigation

WECC submits that there was no evidence of any attempt by Tolko to conceal Violation 3.⁸⁷ WECC states that it provided Tolko with a Compliance Audit notification package to commence the Compliance Audit and that Tolko provided evidence at the time requested, or as agreed upon, by WECC.⁸⁸

Panel Determination

The Panel notes that Tolko provided evidence as requested during WECC's investigation and that WECC has not raised any concerns regarding the degree or quality of Tolko's cooperation during the investigation. The Panel finds this to be a mitigating factor.

(k) Undue Hardship that Might Arise from the Amount of the Penalty

No submission was provided by WECC regarding undue hardship arising from the amount of penalty.

⁸⁶ Exhibit B-1, p. 2.

⁸⁷ Exhibit A2-1, PDF p. 23.

⁸⁸ Exhibit A2-6, p. 5.

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Tolko submits that penalties will certainly impact the viability of the Tolko operation. The Armstrong Cogeneration facility is a standalone asset in Tolko's portfolio. Exported power pricing is below breakeven cost at this time for Tolko. The main reason for continued operation is disposal of biomass fuel. According to Tolko, the entire wood manufacturing industry in BC is currently faced with high log costs and weak market conditions, impacting several operations' ability to remain financially viable.⁸⁹

Panel Determination

The Panel is concerned that imposing a significant penalty may cause undue hardship on Tolko. The Panel finds this to be a mitigating factor, which influences the size of penalty to be imposed. The Panel notes that a penalty is not supposed to go unnoticed in an entity's bottom line; however, we are also mindful of the potential impact of any penalty on the financial viability of Tolko's operations. This is a factor mitigating against a larger penalty.

(l) Other Matters Prescribed by the Lieutenant Governor in Council

Not applicable.

5.3.4 Summary of UCA Factors Pertaining to Violation 3

The Panel summarizes its findings relating to the UCA Factors pertaining to Violation 3 in Table 7.

Table 7: Summary of Findings Pertaining to Violation 3

	Factors as per the UCA	Aggravating or Mitigating
a)	Previous contraventions, administrative penalties imposed, and orders issued	Neither
b)	Gravity and magnitude of contravention	Neither
c)	Extent of harm resulting from the contravention	Mitigating
d)	Whether the contravention was repeated or continuous	Aggravating
e)	Whether contravention was deliberate	Neither
f)	Any economic benefit derived from the contravention	Neither
g)	Efforts to prevent and correct contravention	Aggravating
h)	Cost of compliance with the provision contravened	Neither
i)	Whether contravention was self-reported	Neither
j)	Degree and quality of cooperation during BCUC's investigation	Mitigating
k)	Undue hardship that might arise from Penalty the amount of penalty	Mitigating
l)	Any other matters prescribed by the Lieutenant Governor in Council	N/A

⁸⁹ Exhibit B-1, p. 3.

5.3.5 Violation 3: Additional Factors

Pursuant to section 109.2 (3) of the UCA, the Panel may also consider anything else the Panel considers relevant in determining whether Violation 3 warrants an administrative penalty. The Panel considers that there are no other relevant considerations.

5.3.6 Penalty Consideration for Violation 3

WECC submits that the penalty for Violation 3 should be \$7,500.

Tolko states that the proposed penalty amount is too severe: “the coordination process is essentially a check box for [Tolko] since the systems are not changing year after year. If a material change were to occur, then the coordination study makes sense.”⁹⁰

Panel Determination

According to the BC Penalty Matrix for a Corporation, the penalty range for a Violation with VRF (Medium) VSL (Severe) characteristics is \$0 to \$335,000. In WECC’s view, the penalty for Violation 3 should be \$7,500.

The Panel notes that the purpose of this Reliability Standard is to ensure that the controls, limit functions, capabilities of the generating unit Facility or voltage regulating controls, and Protection System settings are properly coordinated and verified. The evidence in this Violation demonstrates that Tolko did not coordinate the voltage regulating system controls with the applicable equipment capabilities and protective devices settings at least once every five years, as required by the Reliability Standard. Instead, Tolko performed the above coordination only when it made significant upgrades to its facility. This ad hoc approach does not meet the criteria of PRC-019-2. The Panel accepts that the VSL for this Violation is severe because Tolko failed to coordinate equipment capabilities, limiters, and protection specified in Requirement R1 within six years after the previous coordination.

Nevertheless, the Panel takes into account the fact that this Violation posed a low risk to the BES because there were no changes made to Tolko’s facility and that the potential loss of generation would have no impact on the BES. Further, Tolko has filed a Mitigation Plan and worked with WECC on its compliance program and received recognition for its efforts. **The Panel considers that the penalty should be at the low end of the range. Taking into account Tolko’s submission regarding financial hardship, the Panel finds that the penalty should be \$3,750.**

5.4 Violation 4: BCUC2019000713 – PRC-024-2 R1 – Notice of Alleged Violation CF1923

5.4.1 Summary of Reliability Standard

The purpose of Reliability Standard PRC-024-2, titled Generator Frequency and Voltage Protective Relay Settings, is to ensure “Generator Owners set their generator protective relays such that generating units remain connected during defined frequency and voltage excursions.”⁹¹ This Reliability Standard has two Requirements, the first of which is the subject of Violation 4, described in NOAV CF1923.

⁹⁰ Exhibit A2-7, p. 1.

⁹¹ WECC, Reliability Standard PRC-024-2, retrieved from https://www.wecc.org/Reliability/PRC-024-2_BC.pdf.

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PRC-024-2 R1 requires each Generator Owner, subject to certain exceptions, that has generator frequency protective relaying activated to trip its applicable generating unit(s) shall set its protective relaying such that the generator frequency protective relaying does not trip the applicable generating unit(s) within the “no trip zone” of PRC-024 Attachment 1.⁹²

Reliability Standard Requirement PRC-024-2 R1 has a VRF of Medium.

5.4.2 Basic Facts of Violation 4

Table 8: Basic Facts of Violation 4

Reference	MRS Reliability Standard and Requirement	Violation Discovery Date	Violation Start Date	Violation Risk Factor	Base Penalty Range ⁹³
BCUC2019000713	PRC-024-2 R1	October 23, 2019	October 1, 2017	Medium ⁹⁴	\$0 to \$335,000

Violation 4 Facts

During 2019 Compliance Audit, WECC determined that Tolko was potentially noncompliant with PRC-024-2 R1.⁹⁵

Specifically, Tolko did not set its generator frequency protective relaying protecting its single 24 MVA generator such that it would not trip the generating unit within the “no trip zone” of PRC-024-2 R1 Attachment 1. The cause of this issue was attributed to Tolko’s lack of a formal compliance program and insufficient knowledge of the BCUC’s MRS. WECC submits that the engineer responsible for the generator frequency protective relay settings had less than one year of experience in the area working for Tolko and had insufficient understanding of the requirements of PRC-024-2.

This issue began on October 1, 2017, when PRC-024-2 became mandatory and enforceable. It replaced PRC-024-1 and adopted new generator frequency protective relaying settings. WECC states that the issue was ongoing and has not yet been remediated as of the date of the NOAV.⁹⁶

On September 14, 2021, Tolko submitted a Mitigation Plan for Violation 4 with a proposed completion date of October 31, 2021. In consideration of the October 1, 2017 start date for Violation 4 and the proposed completion date submitted in the Mitigation Plan, the Violation period is approximately four years.

Tolko made no submissions disputing the facts presented by WECC. Tolko states, however, that it never received a notification from the BCUC of the change and so it had not updated its generator frequency protective relaying settings to meet the requirements of the new standard.

⁹² Exhibit A2-1, PDF p. 29.

⁹³ BCUC Penalty Guidelines for British Columbia Mandatory Reliability Standards, p. 2.

⁹⁴ Exhibit A2-1, PDF p. 18.

⁹⁵ Exhibit A2-1, PDF p. 37.

⁹⁶ Exhibit A2-1, PDF p. 30.

5.4.3 Consideration of Violation 4 under UCA Factors

(a) Previous Contraventions, Administrative Penalties Imposed and Orders Issued

Section 109.2(3)(a) of the UCA requires the Panel to consider the history of previous contraventions, administrative penalties and orders issued with respect to Tolko. As defined in section 2 of the Rules, for the purpose of section 109.1 of the UCA, a Confirmed Violation is a contravention of a Reliability Standard adopted by the BCUC.⁹⁷

NOAV CF1923 does not specify any previous instances of noncompliance with PRC-024-2 R1.

Panel Determination

This UCA Factor requires the Panel to consider Tolko's compliance history with respect to this Reliability Standard. There are two aspects to compliance history. The first is whether Tolko has previously contravened Reliability Standard PRC-024-2 R1. According to section 2 of the Rules, a Confirmed Violation is a contravention of a reliability standard adopted by the BCUC. The Panel finds that there is no evidence that Tolko has previously contravened PRC-024-2 R1.

In addition to considering previous contraventions, the Panel may also consider, pursuant to section 4.2.4 of the CMP, whether there are earlier Possible Violations that were resolved through the FFT Process. Possible Violations that are processed under the FFT Process do not become Confirmed Violations and are not classified as a contravention under the UCA. These instances, however, do form part of the compliance history that the BCUC may consider when determining penalties for other contraventions by Tolko.

There is no contravention history for Violation 4. The Panel finds this is neither an aggravating nor a mitigating factor.

(b) Gravity and Magnitude of Contravention

The VSL designations for PRC-024-2 R1 are below:⁹⁸

	Lower	Moderate	High	Severe
R1	N/A	N/A	N/A	The Generator Owner that has frequency protection activated to trip a generating unit, failed to set its generator frequency protective relaying so that it does not trip within the criteria listed in Requirement R1 unless there is a documented and communicated regulatory or equipment limitation per Requirement R3.

Based on the available VSL for PRC-024-2 R1, Violation 4 has a Severe VSL. In this instance, Tolko failed to have its three-generator voltage protective relays activated to trip its 24 MVA generating unit set such that the generator frequency protective relaying did not trip the unit within the "no trip zone" of PRC-024-2, Attachment 1.⁹⁹

However, WECC concluded that Violation 4 did not pose a serious or substantial risk to the reliability of the BES.

⁹⁷ Rules, p. 3.

⁹⁸ NERC, VRF and VSL Matrix, PRC-024-2 R1 Reliability Standard.

⁹⁹ Exhibit A2-1, PDF p. 30.

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WECC explains that failure to set voltage protective relaying not to trip within the “no trip zone” of PRC-024-2 Attachment 1 could have caused a deteriorated system response following a voltage excursion, which could have resulted in equipment damage, cascading outages, system instability, or system separation. However, Tolko’s generating unit was radial, with only one connection to the BES. Because other systems or transmission networks did not rely on Tolko for reliability functions or services, the potential impact to the BES is reduced. Additionally, given the size of the generating unit, the loss of generation would cause a negligible impact to the BES.¹⁰⁰

Tolko submits that it maintains a relatively insignificant 20 MWh export into the BC Hydro system of approximately 115,000 MWh annually. While the effect on the BES is minimal, Tolko states that it has always been fully committed to following MRS that have been set out. BC Hydro and Tolko have maintained an excellent working relationship since it started exporting power in 2000. During this time, there have not been any concerns raised by BC Hydro regarding the effectiveness of Tolko’s equipment.¹⁰¹

Panel Determination

The Panel notes that, although WECC assigned a Severe VSL to Violation 4, both WECC and Tolko submit this Violation posed a low risk to the BES. In fact, WECC states, the potential loss of generation would cause a negligible impact to the BES. Therefore, the Panel finds that the gravity and magnitude of this Violation were minimal. The Panel finds this is neither an aggravating nor a mitigating factor.

(c) Extent of Harm to Others Resulting from the Contravention

No submissions were made by WECC or Tolko regarding the extent of harm to others caused by Violation 4.

Panel Determination

There is no evidence that Violation 4 resulted in harm to others. The Panel finds this is a mitigating factor.

(d) Whether the Contravention was Repeated or Continuous

WECC states that Violation 4 began on October 1, 2017, when PRC-024-2 became mandatory and enforceable. The issue was ongoing and had not been remediated as of the date the NOAV was issued.¹⁰²

Tolko did not provide any submissions whether Violation 4 was repeated or continuous.

Panel Determination

Violation 4 commenced on October 1, 2017 and continued until at least October 31, 2021. The Panel finds the fact that this Violation continued for approximately four years is an aggravating factor.

(e) Whether the Contravention was Deliberate

WECC submits that there was no evidence that Violation 4 was intentional.¹⁰³

Tolko makes no submission regarding whether Violation 4 was deliberate.

¹⁰⁰ Exhibit A2-1, PDF p. 30.

¹⁰¹ Exhibit B-1, p. 3.

¹⁰² Exhibit A2-1, PDF p. 30.

¹⁰³ Exhibit A2-1, PDF p. 23.

Panel Determination

There is no evidence that Tolko deliberately committed Violation 4. The Panel finds this is neither an aggravating nor a mitigating factor.

(f) Any Economic Benefit Derived from the Contravention

WECC makes no submission regarding any economic benefit.

Tolko submits that no benefit or gain has been noted as a result of Violation 4.¹⁰⁴

Panel Determination

There is no evidence that Tolko derived any economic benefit from Violation 4. The Panel finds this is neither an aggravating nor a mitigating factor.

(g) Efforts to Prevent and Correct the Contravention

WECC submits that, prior to the 2019 Compliance Audit, Tolko was unaware of the transition from PRC-024-1 to PRC-024-2 and had not updated its generator frequency protective relaying settings to meet the requirements of the new standard.

At the time NOAV CF1923 was issued, WECC submits that a Mitigation Plan had not been submitted by Tolko for Violation 4. By Order R-19-22 dated May 12, 2022, the BCUC accepted Tolko's Mitigation Plan for Violation 4. In the Mitigation Plan Tolko states that it will implement the required generator frequency protective relaying settings in accordance with the Reliability Standard and provide the updated settings to the Planning Coordinator or Transmission Coordinator within 60 calendar days pursuant to the requirements.

Tolko acknowledges that the cause of the Violation was an inadequate process for tracking the implementation of new and updated Reliability Standards. It states that the generator trip settings did not comply with the updated version of the standard, which it says it did not receive. Tolko explains that the email notifying it of the new standard may have been received by an employee off on sick leave who was in the process of overseeing the compliance program development but had not shared this new program with the broader compliance group at Tolko. This oversight of allowing MRS updates to go to one employee has been corrected. The latest version of the standard has been reviewed for compliance by Tolko's consulting engineers.¹⁰⁵ Tolko also states its engineering consultants had confirmed that the generator trip settings were outside the "no trip zone", and in compliance with the previous version of the Reliability Standard.

Panel Determination

The Panel notes that Tolko has addressed the issues underlying Violation 4 and submitted a Mitigation Plan that the BCUC accepted. The Panel considers this as evidence of Tolko's efforts to correct the Violation. However, the Panel also accepts the evidence, from both WECC and Tolko, that Tolko did not have an adequate process for tracking the implementation of new and updated Reliability Standards. For example, Tolko indicated that it did not receive an email from the BCUC notifying it of the updated standard, but it is Tolko's responsibility to ensure it knows about and complies with MRS requirements. **Therefore, the Panel finds that Tolko took insufficient steps to prevent the contravention, which is an aggravating factor.**

¹⁰⁴ Exhibit B-1, p. 3.

¹⁰⁵ Exhibit B-1, p. 2.

(h) Cost of Compliance with the Provision Contravened

No submissions were made by WECC or Tolko regarding cost of compliance.

Panel Determination

There is no evidence that the cost of compliance was a consideration for Tolko. The Panel finds this is neither an aggravating nor mitigating factor.

(i) Whether the Contravention was Self-Reported

Both WECC and Tolko agree that Violation 4 was discovered during the 2019 Compliance Audit and not self-reported by Tolko.

Panel Determination

Violation 4 was not self-reported, and the Panel finds this is neither an aggravating nor a mitigating factor.

(j) Degree and Quality of Cooperation during the BCUC's Investigation

WECC submits that there was no evidence of any attempt by Tolko to conceal Violation 4.¹⁰⁶ WECC states that it provided Tolko with a Compliance Audit notification package to commence the Compliance Audit and that Tolko provided evidence at the time requested, or as agreed upon, by WECC.¹⁰⁷

Panel Determination

The Panel notes that Tolko provided evidence as requested during WECC's investigation and that WECC has not raised any concerns regarding the degree or quality of Tolko's cooperation during the investigation. The Panel finds this to be a mitigating factor.

(k) Undue Hardship that Might Arise from the Amount of the Penalty

No submission was provided by WECC regarding undue hardship arising from the amount of penalty.

Tolko submits that penalties will certainly impact the viability of the Tolko operation. The Armstrong Cogeneration facility is a standalone asset in Tolko's portfolio. Exported power pricing is below breakeven cost at this time for Tolko. The main reason for continued operation is disposal of biomass fuel. The entire wood manufacturing industry in British Columbia is currently faced with high log costs and weak market conditions, impacting several operations' ability to remain financially viable.¹⁰⁸

Panel Determination

The Panel is concerned that imposing a significant penalty may cause undue hardship on Tolko. The Panel finds this to be a mitigating factor, which influences the size of penalty to be imposed. The Panel notes that a penalty is not supposed to go unnoticed in an entity's bottom line; however, we are also mindful of the potential impact of any penalty on the financial viability of Tolko's operations. This is a factor mitigating against a larger penalty.

¹⁰⁶ Exhibit A2-1 PDF p. 23.

¹⁰⁷ Exhibit A2-6, p. 5.

¹⁰⁸ Exhibit B-1, p. 3.

(l) Other Matters Prescribed by the Lieutenant Governor in Council

Not applicable.

5.4.4 Summary of UCA Factors Pertaining to Violation 4

The Panel summarizes its findings relating to the UCA Factors pertaining to Violation 4 in Table 9.

Table 9: Summary of Findings Pertaining to Violation 4

	Factors as per the UCA	Aggravating or Mitigating
a)	Previous contraventions, administrative penalties imposed, and orders issued	Neither
b)	Gravity and magnitude of contravention	Neither
c)	Extent of harm resulting from the contravention	Mitigating
d)	Whether the contravention was repeated or continuous	Aggravating
e)	Whether contravention was deliberate	Neither
f)	Any economic benefit derived from the contravention	Neither
g)	Efforts to prevent and correct contravention	Aggravating
h)	Cost of compliance with the provision contravened	Neither
i)	Whether contravention was self-reported	Neither
j)	Degree and quality of cooperation during BCUC's investigation	Mitigating
k)	Undue hardship that might arise from Penalty the amount of penalty	Mitigating
l)	Any other matters prescribed by the Lieutenant Governor in Council	N/A

5.4.5 Violation 4: Additional Factors

Pursuant to section 109.2 (3) of the UCA, the Panel may also consider anything else the Panel considers relevant in determining whether Violation 4 warrants an administrative penalty. The Panel considers that there are no other relevant considerations.

5.4.6 Penalty Consideration for Violation 4

WECC submits that the penalty for Violation 4 should be \$7,500.

Tolko views the proposed penalty for Violation 4 to be excessive and unwarranted for the following reasons: (i) Tolko has been working with WECC over the years on its compliance program and has received recognition for improvements to the documentation during previous audits; and (ii) WECC has maintained communication with Tolko and at no time did WECC bring forward any cause for concern during many discussions, through both verbal and email correspondence.¹⁰⁹

¹⁰⁹ Exhibit B-1, p. 2.

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Tolko submits that the proposed penalty is severe. It was not aware of the transition from PRC-024-1 to PRC-024-2, and therefore did not update its generator frequency protective relaying settings to meet the requirements of the new standard. Further, Tolko states that the “no trip zone for the [Tolko] generator has negligible or in fact zero chance of impacting the BES reliability.”¹¹⁰

Panel Determination

According to the BC Penalty Matrix for a Corporation, the penalty range for a Violation with VRF (Medium) VSL (Severe) characteristics is \$0 to \$335,000. In WECC’s submission, the penalty for Violation 4 should be \$7,500.

The Panel notes that the purpose of this Reliability Standard is to ensure that Generator Owners have the appropriate generator frequency protective relaying settings. Although Tolko did not have the updated settings, it did have generator trip settings, albeit obsolete. Tolko has addressed the cause of the oversight, that it was out of compliance because notification of changes to standards only went to one employee, which it acknowledges was inadequate.

The Panel takes into account the fact that there was no risk to the BES and Tolko has filed a Mitigation Plan and worked with WECC on its compliance program and received recognition for its attempts to improve. The Panel considers the penalty should be at the low end of the range. Taking into account Tolko’s submission regarding financial hardship, the Panel finds that the penalty should be \$3,750.

5.5 Violation 5: BCUC2019000714 – PRC-024-2 R2 – Notice of Alleged Violation CF1923

5.5.1 Summary of Reliability Standard

The purpose of Reliability Standard PRC-024-2, titled Generator Frequency and Voltage Protective Relay Settings, is to ensure “Generator Owners set their generator protective relays such that generating units remain connected during defined frequency and voltage excursions.”¹¹¹ This Reliability Standard has two Requirements, the second of which is the subject of Violation 5, described in NOAV CF1923.

PRC-024-2 R2 requires each Generator Owner, subject to certain exceptions, that has generator voltage protective relaying activated to trip its applicable generating unit(s) shall set its protective relaying such that the generator voltage protective relaying does not trip the applicable generating unit(s) as a result of a voltage excursion (at the point of interconnection) caused by an event on the transmission system external to the generating plant that remains within the “no trip zone” of PRC-024 Attachment 2. If the Transmission Planner allows less stringent voltage relay settings than those required to meet PRC-024 Attachment 2, then the Generator Owner shall set its protective relaying within the voltage recovery characteristics of a location-specific Transmission Planner’s study.

Reliability Standard Requirement PRC-024-2 R2 has a VRF of Medium.

¹¹⁰ Exhibit A2-8, p. 1.

¹¹¹ WECC, Reliability Standard PRC-024-2, retrieved from https://www.wecc.org/Reliability/PRC-024-2_BC.pdf.

5.5.2 Basic Facts of Violation 5

Table 10: Basic Facts of Violation 5

Reference	MRS Reliability Standard and Requirement	Violation Discovery Date	Violation Start Date	Violation Risk Factor	Base Penalty Range ¹¹²
BCUC2019000714	PRC-024-2 R2	October 23, 2019	October 1, 2017	Medium ¹¹³	\$0 to \$335,000

Violation 5 Facts

During the 2019 Compliance Audit, WECC determined that Tolko was potentially noncompliant with PRC-024-2 R2.¹¹⁴

WECC submits that Tolko did not set three generator voltage protective relays protecting its single 24 MVA generator such that they would not trip Tolko's generating unit within the "no trip zone" of PRC-024-2 R2, Attachment 2. The cause of this issue was attributed to Tolko's lack of a formal compliance program and insufficient knowledge of BCUC Reliability Standards, and therefore did not have an acceptable process to set its generator voltage protective relaying in accordance with PRC-024-2 R2. WECC submits that the engineer responsible for the generator voltage protective relay settings had less than one year of experience in the area working for Tolko and may have had insufficient understanding of the requirements of PRC-024-2. This issue began on October 1, 2017, when PRC-024-2 became mandatory and effective. WECC stated that the issue was ongoing and has not been yet remediated as at the date of the NOAV.¹¹⁵

On September 14, 2021, Tolko submitted a Mitigation Plan for Violation 5 with a proposed completion date of October 31, 2021. In consideration of the October 1, 2017 start date for Violation 5 and the proposed completion date submitted in the Mitigation Plan, the Violation period is approximately four years.

Tolko made no submissions disputing the facts presented by WECC.

5.5.3 Consideration of Violation 5 under UCA Factors

(a) Previous Contraventions, Administrative Penalties Imposed and Orders Issued

Section 109.2(3)(a) of the UCA requires the Panel to consider the history of previous contraventions, administrative penalties and orders issued with respect to Tolko. As defined in section 2 of the Rules, for the purpose of section 109.1 of the UCA, a Confirmed Violation is a contravention of a Reliability Standard adopted by the BCUC.¹¹⁶

¹¹² BCUC Penalty Guidelines for British Columbia Mandatory Reliability Standards, p. 2.

¹¹³ Exhibit A2-1 PDF p. 22.

¹¹⁴ Exhibit A2-1, PDF p. 30.

¹¹⁵ Exhibit A2-1, PDF p. 37.

¹¹⁶ Rules, p. 3.

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NOAV CF1923 does not specify any previous instances of noncompliance with PRC-024-2 R2.

Panel Determination

This UCA Factor requires the Panel to consider Tolko’s compliance history with respect to this Reliability Standard. There are two aspects to compliance history. The first is whether Tolko has previously contravened Reliability Standard PRC-024-2 R2. According to section 2 of the Rules, a Confirmed Violation is a contravention of a reliability standard adopted by the BCUC. The Panel finds that there is no evidence that Tolko has previously contravened PRC-024-2 R2.

In addition to considering previous contraventions, the Panel may also consider, pursuant to Section 4.2.4 of the CMP, whether there are earlier Possible Violations that were resolved through the FFT Process. Possible Violations that are processed under the FFT Process do not become Confirmed Violations and are not classified as a contravention under the UCA. These instances, however, do form part of the compliance history that the BCUC may consider when determining penalties for other contraventions by Tolko.

There is no contravention history for Violation 5. The Panel finds this is neither an aggravating nor a mitigating factor.

(b) Gravity and Magnitude of Contravention

The VSL designations for PRC-024-2 R2 are below:¹¹⁷

	Lower	Moderate	High	Severe
R2	N/A	N/A	N/A	The Generator Owner with voltage protective relaying activated to trip a generating unit, failed to set its voltage protective relaying so that it does not trip as a result of a voltage excursion at the point of interconnection, caused by an event external to the plant per the criteria specified in Requirement R2 unless there is a documented and communicated regulatory or equipment limitation per Requirement R3.

Based on the available VSL for PRC-024-2 R2, Violation 5 has a Severe VSL. In this instance, Tolko failed to have its three-generator voltage protective relays activated to trip its 24 MVA generating unit set such that the generator frequency protective relaying did not trip the unit within the “no trip zone” of PRC-024-2 R2, Attachment 2.¹¹⁸

However, WECC concluded that Violation 5 did not pose a serious or substantial risk to the reliability of the BES.

WECC explains that failure to set voltage protective relaying not to trip within the “no trip zone” of PRC-024-2 Attachment 2 could have caused a deteriorated system response following a voltage excursion, which could have resulted in equipment damage, cascading outages, system instability, or system separation. However, Tolko’s generating unit was radial, with only one connection to the BES. Because other systems or transmission networks did not rely on Tolko for reliability functions or services, the potential impact to the BES is reduced. Additionally, given the size of the generating unit, the loss of generation would cause a negligible impact to the BES.¹¹⁹

¹¹⁷ NERC, VRF and VSL Matrix, PRC-024-2 R2 Reliability Standard.

¹¹⁸ Exhibit A2-1, PDF p. 37.

¹¹⁹ Ibid.

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Tolko submits that it maintains a relatively insignificant 20 MWh export into the BC Hydro system of approximately 115,000 MWh annually. While the effect on the BES is minimal, Tolko states that it has always been fully committed to following MRS that have been set out. BC Hydro and Tolko have maintained an excellent working relationship since it started exporting power in 2000. During this time, there have not been any concerns raised by BC Hydro regarding the effectiveness of Tolko's equipment.¹²⁰

Panel Determination

The Panel notes that, although WECC assigned a Severe VSL to Violation 5, both WECC and Tolko submit this Violation posed a low risk to the BES. In fact, WECC states, the potential loss of generation would cause a negligible impact to the BES. Therefore, the Panel finds that the gravity and magnitude of this Violation were minimal. The Panel finds this is neither an aggravating nor a mitigating factor.

(c) Extent of Harm to Others Resulting from the Contravention

No submissions were made by WECC or Tolko regarding the extent of harm to others caused by Violation 5.

Panel Determination

There is no evidence that Violation 5 resulted in harm to others. The Panel finds this is a mitigating factor.

(d) Whether the Contravention was Repeated or Continuous

WECC states that Violation 5 began on October 1, 2017, when PRC-024-2 became mandatory and effective. The issue was ongoing and had not been remediated as of the date the NOAV was issued.¹²¹

Tolko did not provide any submissions whether Violation 5 was repeated or continuous.

Panel Determination

Violation 5 commenced on October 1, 2017 and continued until at least October 31, 2021. The Panel finds the fact that this Violation continued for approximately four years is an aggravating factor.

(e) Whether the Contravention was Deliberate

WECC submits that there was no evidence that Violation 5 was intentional.¹²²

Tolko makes no submission regarding whether Violation 5 was deliberate.

Panel Determination

There is no evidence that Tolko deliberately committed Violation 5. The Panel finds this is neither an aggravating nor a mitigating factor.

(f) Any Economic Benefit Derived from the Contravention

WECC makes no submission regarding any economic benefit.

¹²⁰ Exhibit B-1, p. 3.

¹²¹ Exhibit A2-1, PDF p. 37.

¹²² Exhibit A2-1 PDF p. 23.

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Tolko submits that no benefit or gain has been noted as a result of Violation 5.¹²³

Panel Determination

There is no evidence that Tolko derived any economic benefit from Violation 5. The Panel finds this is neither an aggravating nor a mitigating factor.

(g) Efforts to Prevent and Correct the Contravention

At the time NOAV CF1923 was issued, WECC submits that a Mitigation Plan had not been submitted by Tolko for Violation 5. By Order R-19-22 dated May 12, 2022, the BCUC accepted Tolko's Mitigation Plan for Violation 5.

Tolko acknowledges that the generator trip settings did not comply with the updated version of the standard, which it says it did not receive. Tolko explains that the email notifying it of the new standard may have been received by an employee off on sick leave who was in the process of overseeing the compliance program development but had not shared this new program with the broader compliance group at Tolko. This oversight of allowing MRS updates to go to one employee has been corrected. The latest version of the standard has been reviewed for compliance by Tolko's engineering consultants.¹²⁴ Tolko also states its engineering consultants had confirmed that the generator trip settings were outside the "no trip zone", and in compliance with the previous version of the Reliability Standard.

Panel Determination

The Panel notes that Tolko has addressed the issues underlying Violation 5 and submitted a Mitigation Plan that the BCUC accepted. The Panel considers this as evidence of Tolko's efforts to correct the Violation. However, the Panel also accepts the evidence, from both WECC and Tolko, that Tolko did not have an adequate process for tracking the implementation of new and updated Reliability Standards. Therefore, the Panel finds that Tolko took insufficient steps to prevent the contravention, which is an aggravating factor.

(h) Cost of Compliance with the Provision Contravened

No submissions were made by WECC or Tolko regarding cost of compliance.

Panel Determination

There is no evidence that the cost of compliance was a consideration for Tolko. The Panel finds this is neither an aggravating nor a mitigating factor.

(i) Whether the Contravention was Self-Reported

Both WECC and Tolko agree that Violation 5 was discovered during the 2019 Compliance Audit and not self-reported by Tolko.

Panel Determination

Violation 5 was not self-reported, and the Panel finds this is neither an aggravating nor a mitigating factor.

¹²³ Exhibit B-1, p. 3.

¹²⁴ Exhibit B-1, p. 2.

(j) Degree and Quality of Cooperation during the BCUC's Investigation

WECC submits that there was no evidence of any attempt by Tolko to conceal Violation 5.¹²⁵ WECC states that it provided Tolko with a Compliance Audit notification package to commence the Compliance Audit and that Tolko provided evidence at the time requested, or as agreed upon, by WECC.¹²⁶

Panel Determination

The Panel notes that Tolko provided evidence as requested during WECC's investigation and that WECC has not raised any concerns regarding the degree or quality of Tolko's cooperation during the investigation. The Panel finds this to be a mitigating factor.

(k) Undue Hardship that Might Arise from the Amount of the Penalty

No submission was provided by WECC regarding undue hardship arising from the amount of penalty.

Tolko submits that penalties will certainly impact the viability of the Tolko operation. The Armstrong Cogeneration facility is a standalone asset in Tolko's portfolio. Exported power pricing is below breakeven cost at this time for Tolko. The main reason for continued operation is disposal of biomass fuel. The entire wood manufacturing industry in British Columbia is currently faced with high log costs and weak market conditions, impacting several operations' ability to remain financially viable.¹²⁷

Panel Determination

The Panel is concerned that imposing a significant penalty may cause undue hardship on Tolko. The Panel finds this to be a mitigating factor, which influences the size of penalty to be imposed. The Panel notes that a penalty is not supposed to go unnoticed in an entity's bottom line; however, we are also mindful of the potential impact of any penalty on the financial viability of Tolko's operations. This is a factor mitigating against a larger penalty.

(l) Other Matters Prescribed by the Lieutenant Governor in Council

Not applicable.

5.5.4 Summary of UCA Factors Pertaining to Violation 5

The Panel summarizes its findings relating to the UCA Factors pertaining to Violation 5 in Table 11.

¹²⁵ Exhibit A2-1 PDF p. 23.

¹²⁶ Exhibit A2-6, p. 5.

¹²⁷ Exhibit B-1, p. 3.

Table 11: Summary of Findings Pertaining to Violation 5

	Factors as per the UCA	Aggravating or Mitigating
a)	Previous contraventions, administrative penalties imposed, and orders issued	Neither
b)	Gravity and magnitude of contravention	Neither
c)	Extent of harm resulting from the contravention	Mitigating
d)	Whether the contravention was repeated or continuous	Aggravating
e)	Whether contravention was deliberate	Neither
f)	Any economic benefit derived from the contravention	Neither
g)	Efforts to prevent and correct contravention	Aggravating
h)	Cost of compliance with the provision contravened	Neither
i)	Whether contravention was self-reported	Neither
j)	Degree and quality of cooperation during BCUC's investigation	Mitigating
k)	Undue hardship that might arise from Penalty the amount of penalty	Mitigating
l)	Any other matters prescribed by the Lieutenant Governor in Council	N/A

5.5.5 Violation 5: Additional Factors

Pursuant to section 109.2 (3) of the UCA, the Panel may also consider anything else the Panel considers relevant in determining whether Violation 5 warrants an administrative penalty. The Panel considers that there are no other relevant considerations.

5.5.6 Penalty Consideration for Violation 5

WECC submits that the proposed penalty for Violation 5 should be \$7,500.

Tolko views the administration of penalty pertaining to Violation 5 is excessive and unwarranted for the following reasons: (i) Tolko has been working with WECC over the years on its compliance program and has received recognition for improvements to the documentation during previous audits; and (ii) WECC has maintained communication with Tolko and at no time did WECC bring forward any cause for concern during many discussions, through both verbal and email correspondence.¹²⁸

Tolko submits that the proposed penalty is severe. It was not aware of the transition from PRC-024-1 to PRC-024-2, and therefore did not update its generator frequency protective relaying settings to meet the requirements of the new standard. Further, Tolko states that the "no trip zone for the [Tolko] generator has negligible or in fact zero chance of impacting the BES reliability."¹²⁹

¹²⁸ Exhibit B-1, p. 2.

¹²⁹ Exhibit A2-8, p. 1.

Panel Determination

According to the BC Penalty Matrix for a Corporation, the penalty range for a Violation with VRF (Medium) VSL (Severe) characteristics is \$0 to \$335,000. In WECC's view, the penalty for Violation 5 should be \$7,500.

The Panel notes that the purpose of this Reliability Standard is to ensure that Generator Owners have the appropriate generator frequency protective relaying such that it does not trip the generating unit(s) caused by voltage excursions external to an Entity's generating plant. Although Tolko did not have the updated settings, it did have generator trip settings, albeit obsolete. Tolko has addressed the cause of the oversight, that it was out of compliance because notification of changes to standards only went to one employee.

The Panel takes into account the fact that there was no risk to the BES and Tolko has filed a Mitigation Plan and worked with WECC on its compliance program and received recognition for its attempts to improve. The Panel considers that the penalty should be at the low end of the range. Taking into account Tolko's submission regarding financial hardship, the Panel determines that the penalty should be \$4,000.

6.0 Confidentiality

Pursuant to the CMP, a NOAV will be treated as confidential unless or until the BCUC confirms the Alleged Violation(s) and the BCUC considers that disclosure would not [...] otherwise jeopardize the security of the Bulk Power System.¹³⁰

The Penalty Guidelines state: "The Commission may treat as confidential any Notice of Penalty [...] or other incidents which could otherwise jeopardize the security of the bulk power system."¹³¹

Section 109.3(2) of the UCA provides:

If the commission imposes an administrative penalty on a person, the commission may make public the reasons for and the amount of the penalty.

Accordingly, Tolko is directed to make a submission to the BCUC, within 30 days of the issuance of this Reasons for Decision, on whether any of the materials listed below should remain confidential (including how long), and why (Confidential Materials):

- NOAV CF1923;
- Confidential Orders R-42-22, R-43-22, R-44-22 and R-45-22 dated December 20, 2022 and Confidential Order R-13-23 dated April 26, 2023 confirming the Violations;
- The Notice of Penalty for the Confirmed Violations;
- This Order R-41-23; and
- These Reasons for Decision.

¹³⁰ Compliance Monitoring Program, by Order R-40-17 dated September 1, 2017, pp. 14-15.

¹³¹ Rules of Procedure for Reliability Standards in British Columbia, Appendix 3: Penalty Guidelines for British Columbia Mandatory Reliability Standards, by Order R-40-17 dated September 1, 2017, p. 9.

Tolko is further directed to provide in its submission:

- **Reasons for the proposed confidential treatment, if any, and in particular whether it considers that disclosure of the Confidential Materials would jeopardize the security of the BES; and**
- **Any proposed redactions that it considers should be made to the Confidential Materials before they are made public.**



~~CONFIDENTIAL~~
Heather M. Laws
Director, Enforcement and Mitigation
801-819-7642 • hlaws@wecc.org

August 20, 2021

Via webCDMS Document Repository

Amon Hazlehurst,
Cogen Superintendent
Tolko Industries Limited

Subject: Notice of Alleged Violation

Amon Hazlehurst,

I. Introduction

In accordance with Section 4.3.1 of the British Columbia Utilities Commission (BCUC) Compliance Monitoring Program (CMP), the Western Electricity Coordinating Council (WECC) hereby notifies Tolko Industries Limited (TIL) (WCR0022) of an Alleged Violation of the BCUC Reliability Standard identified below and in Attachment 1.

Reliability Standard, Requirement	WECC Tracking Identification Number
PRC-005-1 R1	BCUC 2019000710

II. Procedures for Response to this Notice

WECC is notifying TIL of its rights under Section 4.4 of the CMP, TIL has thirty (30) days to respond to this Notice of Alleged Violation. This response shall be submitted to the BCUC and WECC. If TIL fails to respond within 30 days, the BCUC may consider the Alleged Violation] in the absence of a submission from TIL.

TIL has three (3) options in responding to this Notice of Alleged Violation:

1. For each Alleged Violation, TIL may agree with the Alleged Violation and make no submission on the proposed penalty amount, and agree to submit and implement a Mitigation Plan to correct the Alleged Violation and its underlying causes, in accordance with Section 5.0 of the CMP; or

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Notice of Alleged Violations

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2. TIL may agree with the Alleged Violation and make a submission on points relevant to the proposed penalty amount, provide an explanation of its position, and include any supporting information; or
3. TIL may contest the Alleged Violation, provide an explanation of its position, and include any supporting information.

If TIL elects Option 1, the Commission will issue an Order confirming the Alleged Violation and follow the penalty process approved by the Commission for determination regarding the proposed penalty amount.

If TIL elects Option 2, the Commission will review the explanation of TIL's position regarding the proposed penalty amount and issue an order confirming the Alleged Violation and make a determination regarding the proposed penalty amount.

If TIL elects Option 3, the Administrator will review the explanation of TIL's position, and:

- If the Administrator agrees with or does not object to TIL's position on some or all of the contested violation(s), within sixty (60) Days of receiving the response to the Notice of Alleged Violation the Administrator will withdraw the original Notice of Alleged Violation and may issue a Revised Notice of Alleged Violation, or
- If the Administrator disagrees with or objects to TIL's position on all of the contested violation(s), the Administrator will, within sixty (60) Days, issue a letter to the Commission and TIL affirming the Notice of Alleged Violation.

TIL has thirty (30) Days to respond to the Revised Notice of Alleged Violation. Responses are to be submitted to the Commission and the Administrator. If TIL fails to respond within thirty (30) Days, the Commission may consider the Alleged Violation in the absence of a submission from TIL.

If TIL agrees with the Revised Notice of Alleged Violation] and agrees to submit and implement a Mitigation Plan to correct the Alleged Violation and related underlying cause(s) in accordance with Section 5.0, the Commission will issue an Order confirming the Alleged Violation.



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Where TIL contests the Revised Notice of Alleged Violation, it may provide an explanation of its position and any supporting documentation.

If TIL contests the Revised Notice of Alleged Violation, or the Administrator affirms the Notice of Alleged Violation, the Commission will hold a Hearing.

III. Submission of a Mitigation Plan

WECC is notifying TIL of its rights under Section 5.1.2 of the CMP, TIL may elect to prepare a Mitigation Plan while contesting an Alleged Violation. The preparation, submission or implementation of a Mitigation Plan will not be an admission of the Alleged Violation. In the event the BCUC dismisses the Alleged Violation, TIL is not required to continue to prepare or implement the Mitigation Plan.

IV. Confidentiality

Pursuant to Section 4.3.1 of the CMP, a Notice of Alleged Violation will be treated as confidential unless and until the Commission confirms the Alleged Violation as a Confirmed Violation and the Commission considers that disclosure would not relate to a cyber-security incident or otherwise jeopardize the security of the Bulk Electric System (BES).

V. Conclusion

WECC is sending a copy of this Notice of Alleged Violation to the BCUC. Please direct any questions regarding this Notice to Ari Barusch, Associate Enforcement and Mitigation Attorney, at 801-883-6845 or abarusch@wecc.org.. In any correspondence, please provide the name and contact information of a TIL representative who is authorized to address the above-listed Alleged Violation and the relevant WECC Violation Tracking Identification Number.



Notice of Alleged Violations

Tolko Industries Limited

CF1923

August 20, 2021

Respectfully submitted,



Heather M. Laws

Director, Enforcement and Mitigation

cc: Nicole Manalili, Regulatory Analyst and Mandatory Reliability Standards
Patrick Wruck, BCUC Commission Secretary



Attachment 1: Information Supporting the Alleged Violation(s)

Table 1	
Tolko Industries Limited (TIL)	
Registered as: Generation Owner, Distribution Provider	
BCUC Compliance Registry ID #: WCR0022	
WECC Violation #: BCUC2019000710	
Reliability Standard Violated	PRC-005-1
Requirement Violated	R1
Date of Discovery	10/01/2019
Discovery Method	Audit
Period of Violation	November 1, 2010 and is ongoing
Facts and Evidence of the Act or Practice Resulting in the Alleged Violation	
<p>PRC-005-1 R1: <i>Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall have a Protection System maintenance and testing program for Protection Systems that affect the reliability of the BES. The program shall include:</i></p> <p style="margin-left: 40px;"><i>R1.1 Maintenance and testing intervals and their basis.</i></p> <p style="margin-left: 40px;"><i>R1.2 Summary of maintenance and testing procedures</i></p> <p>Background:</p> <p>On June 7, 2010, the British Columbia Utilities Commission (“BCUC”) issued Order G-95-10a. In G-95-10a, the BCUC ordered registration for Tolko Industries Limited as a Distribution Provider, Generator Operator, Generator Owner, and Load Serving Entity. In a subsequent Order, R-14-17, issued February 23, 2017, the BCUC deregistered TIL as a Load Serving Entity. This Standard applies to Generation Owners and Distribution Providers. Therefore, TIL is subject to this Reliability Standard.</p> <p>Violation Facts:</p> <p>WECC determined TIL was potentially noncompliant with PRC-005-1 R 1 during a Compliance Audit that began on October 21, 2019 and ended on October 25, 2019.</p> <p>Specifically, TIL did not have a Protection System maintenance and testing program for Protection Systems for its single 24 MVA generator. TIL used a 2007 International Electrical Testing Association manual to create a Protection System maintenance and testing procedure. The manual’s list of components did not include Communications systems nor pieces of control circuitry which are</p>	



Protection System devices. The manual also used multiplication factors to modify baseline testing, and TIL could not provide the multiplication intervals it used to determine maintenance and testing intervals. As a result, the basis of the maintenance and testing intervals was inadequate and did not fulfill the requirement of PRC-005-1 R1.1. TIL's maintenance and testing program also did not include a summary of maintenance and testing procedures as required by PRC-005-1 R1.2. TIL did not have an adequate Protection System maintenance and testing program by November 1, 2010, when PRC-005-1 became mandatory and enforceable and has not yet been remediated.

The cause of this issue was attributed to TIL lacking the means to assure procedures and documents were of adequate quality and up to date as a result of the absence of a formal compliance program.

Reliability Impact and Severity Evaluation:

This issue posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BES. In this instance, TIL failed to have a Protection System maintenance and testing program for its 24 MVA generating unit that included maintenance and testing intervals and their basis, and a summary of maintenance and testing procedures required by PRC-005-1 R1.1 and R1.2.

Failure to have a Protection System maintenance and testing program with the required components could have resulted in device malfunction, premature or undetected device failure, and Protection System Misoperation. Protection System Misoperation could have also resulted in equipment damage, system instability, or loss of load generation. However, TIL's affected generating unit was radial, having only one connection to the BES. Because other systems or transmission networks did not rely on TIL for reliability functions or services, the potential impact to the BES was reduced. Additionally, given the size of the generating unit, the loss of generation would have no impact on the BES. TIL uses a percentage of the energy produced to operate its generating unit, and the remaining generation sent to the BES is negligible. No harm is known to have occurred.

Mitigation Plan Description:

TIL has not submitted a mitigation plan. TIL will submit a Mitigation Plan within thirty (30) days of this notice with a proposed completion date within ninety (90) days, or within the time period accepted by the BCUC for this Reliability Standard Requirement.





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Heather M. Laws
Director, Enforcement and Mitigation
801-819-7642 • hlaws@wecc.org

August 20, 2021

Via webCDMS Document Repository

Amon Hazlehurst,
Cogen Superintendent
Tolko Industries Limited

Subject: Notice of Alleged Violation

Amon Hazlehurst,

I. Introduction

In accordance with Section 4.3.1 of the British Columbia Utilities Commission (BCUC) Compliance Monitoring Program (CMP), the Western Electricity Coordinating Council (WECC) hereby notifies Tolko Industries Limited (TIL) (WCR0022) of an Alleged Violation of the BCUC Reliability Standard identified below and in Attachment 1.

Reliability Standard, Requirement	WECC Tracking Identification Number
PRC-005-1a R2	BCUC2019000711

II. Procedures for Response to this Notice

WECC is notifying TIL of its rights under Section 4.4 of the CMP, TIL has thirty (30) days to respond to this Notice of Alleged Violation. This response shall be submitted to the BCUC and WECC. If TIL fails to respond within 30 days, the BCUC may consider the Alleged Violation] in the absence of a submission from TIL.

TIL has three (3) options in responding to this Notice of Alleged Violation:

1. For each Alleged Violation, TIL may agree with the Alleged Violation and make no submission on the proposed penalty amount, and agree to submit and implement a Mitigation Plan to correct the Alleged Violation and its underlying causes, in accordance with Section 5.0 of the CMP; or

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2. TIL may agree with the Alleged Violation and make a submission on points relevant to the proposed penalty amount, provide an explanation of its position, and include any supporting information; or
3. TIL may contest the Alleged Violation, provide an explanation of its position, and include any supporting information.

If TIL elects Option 1, the Commission will issue an Order confirming the Alleged Violation and follow the penalty process approved by the Commission for determination regarding the proposed penalty amount.

If TIL elects Option 2, the Commission will review the explanation of TIL's position regarding the proposed penalty amount and issue an order confirming the Alleged Violation and make a determination regarding the proposed penalty amount.

If TIL elects Option 3, the Administrator will review the explanation of TIL's position, and:

- If the Administrator agrees with or does not object to TIL's position on some or all of the contested violation(s), within sixty (60) Days of receiving the response to the Notice of Alleged Violation the Administrator will withdraw the original Notice of Alleged Violation and may issue a Revised Notice of Alleged Violation, or
- If the Administrator disagrees with or objects to TIL's position on all of the contested violation(s), the Administrator will, within sixty (60) Days, issue a letter to the Commission and TIL affirming the Notice of Alleged Violation.

TIL has thirty (30) Days to respond to the Revised Notice of Alleged Violation. Responses are to be submitted to the Commission and the Administrator. If TIL fails to respond within thirty (30) Days, the Commission may consider the Alleged Violation in the absence of a submission from TIL.

If TIL agrees with the Revised Notice of Alleged Violation] and agrees to submit and implement a Mitigation Plan to correct the Alleged Violation and related underlying cause(s) in accordance with Section 5.0, the Commission will issue an Order confirming the Alleged Violation.



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Tolko Industries Limited

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Where TIL contests the Revised Notice of Alleged Violation, it may provide an explanation of its position and any supporting documentation.

If TIL contests the Revised Notice of Alleged Violation, or the Administrator affirms the Notice of Alleged Violation, the Commission will hold a Hearing.

III. Submission of a Mitigation Plan

WECC is notifying TIL of its rights under Section 5.1.2 of the CMP, TIL may elect to prepare a Mitigation Plan while contesting an Alleged Violation. The preparation, submission or implementation of a Mitigation Plan will not be an admission of the Alleged Violation. In the event the BCUC dismisses the Alleged Violation, TIL is not required to continue to prepare or implement the Mitigation Plan.

IV. Confidentiality

Pursuant to Section 4.3.1 of the CMP, a Notice of Alleged Violation will be treated as confidential unless and until the Commission confirms the Alleged Violation as a Confirmed Violation and the Commission considers that disclosure would not relate to a cyber-security incident or otherwise jeopardize the security of the Bulk Electric System (BES).

V. Conclusion

WECC is sending a copy of this Notice of Alleged Violation to the BCUC. Please direct any questions regarding this Notice to Ari Barusch, Associate Enforcement and Mitigation Attorney, at 801-883-6845 or abarusch@wecc.org.. In any correspondence, please provide the name and contact information of a TIL representative who is authorized to address the above-listed Alleged Violation and the relevant WECC Violation Tracking Identification Number.



Notice of Alleged Violations

Tolko Industries Limited

CF1923

August 20, 2021

Respectfully submitted,



Heather M. Laws

Director, Enforcement and Mitigation

cc: Nicole Manalili, Regulatory Analyst and Mandatory Reliability Standards
Patrick Wruck, BCUC Commission Secretary



Attachment 1: Information Supporting the Alleged Violation(s)

Table 1	
Tolko Industries Limited (TIL)	
Registered as: Generation Owner, Generation Operator, Distribution Provider	
BCUC Compliance Registry ID #: WCR0022	
WECC Violation #: BCUC2019000711	
Reliability Standard Violated	PRC-005-1a
Requirement Violated	R2
Date of Discovery	10/17/2019
Discovery Method	Audit
Period of Violation	December 7, 2013 and is ongoing
Facts and Evidence of the Act or Practice Resulting in the Alleged Violation	
<p>PRC-005-1a R2: <i>Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall provide documentation of its Protection System maintenance and testing program and the implementation of that program to its Regional Reliability Organization on request (within 30 calendar days). The documentation of the program implementation shall include:</i></p> <p style="margin-left: 40px;">R2.1. <i>Evidence Protection System devices were maintained and tested within the defined intervals.</i></p> <p style="margin-left: 40px;">R2.2. <i>Date each Protection System device was last tested/maintained</i></p>	
<p>Background:</p> <p>On June 7, 2010, the British Columbia Utilities Commission ("BCUC") issued Order G-95-10a. In G-95-10a, the BCUC ordered registration for TIL as a Distribution Provider, Generator Operator, Generator Owner, and Load Serving Entity. In a subsequent Order, R-14-17, issued February 23, 2017, the BCUC deregistered TIL as a Load Serving Entity. This Standard applies to Generation Owners and Distribution Providers. Therefore, TIL is subject to this Reliability Standard.</p>	
<p>Violation Facts:</p> <p>WECC determined TIL was potentially noncompliant with PRC-005-1a R2 during a Compliance Audit that began on October 21, 2019 and ended on October 25, 2019.</p> <p>Specifically, TIL did not maintain 33 Protection System components within the period required in its version 1 Protection System Maintenance Plan (PSMP). The 33 Protection System components protect</p>	



a 24 MVA generator operating in a radial system. TIL used a 2007 International Electrical Testing Association manual to create its Protection System maintenance and testing procedure. To determine testing intervals, the manual relied on multiplication factors TIL was unable to provide during the audit. TIL selected default maintenance intervals of four years for all Protection System components. WECC auditors determined the maximum allowable interval for TIL's Protection System relays should have been eight months using the International Electrical Testing Association's standards. Using the eight-month maintenance interval, TIL missed three maintenance intervals for its Protection System relays, missing the first interval on December 7, 2013. TIL also missed maintenance intervals for other components of its Protection System including Reclosers, Potential Transformers, and Current Transformers. In total, TIL missed maintenance intervals for 33 Protection System components. This issue began on December 7, 2013, with the first missed maintenance interval, and has not yet been remediated.

The cause of this issue was attributed to TIL lacking the means to assure procedures and documents were of adequate quality and up to date as a result of the absence of a formal compliance program.

Reliability Impact and Severity Evaluation:

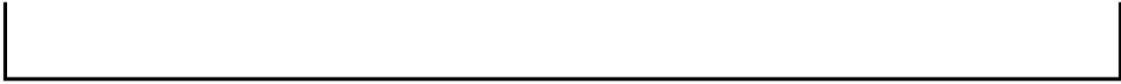
This issue posed a minimal risk and did not pose a serious or substantial risk to the reliability of the Bulk Electrical System (BES). In this instance, TIL failed to have documentation of its Protection System maintenance and testing program including evidence the Protection System devices were maintained and tested within the defined intervals and the date that each Protection System device was last tested or maintained, as required by PRC-005-1a R2.1 and R2.2.

Failure to maintain evidence of Protection System maintenance testing resulted in missed testing, which could have caused device malfunction, premature or undetected device failure, or Protection System Misoperation. Protection System issues could have significant consequences related to equipment damage and power system performance. However, TIL's generating unit was radial, with only one connection to the BES. Because other systems or transmission networks did not rely on TIL for reliability functions or services, the potential impact to the BES was reduced. Additionally, given the size of the generating unit, the loss of generation would cause a negligible impact to the BES. TIL uses a percentage of the energy produced to operate its facility, and the remainder going to the BES is a negligible amount.

Mitigation Plan Description:

TIL has not submitted a mitigation plan. TIL will submit a Mitigation Plan within thirty (30) days of this notice with a proposed completion date within ninety (90) days, or within the time period accepted by the BCUC for this Reliability Standard Requirement







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Heather M. Laws
Director, Enforcement and Mitigation
801-819-7642 • hlaws@wecc.org

August 20, 2021

Via webCDMS Document Repository

Amon Hazlehurst,
Cogen Superintendent
Tolko Industries Limited

Subject: Notice of Alleged Violation

Amon Hazlehurst,

I. Introduction

In accordance with Section 4.3.1 of the British Columbia Utilities Commission (BCUC) Compliance Monitoring Program (CMP), the Western Electricity Coordinating Council (WECC) hereby notifies Tolko Industries Limited (TIL) (WCR0022) of an Alleged Violation of the BCUC Reliability Standard identified below and in Attachment 1.

Reliability Standard, Requirement	WECC Tracking Identification Number
PRC-019-2 R1	BCUC2019000712

II. Procedures for Response to this Notice

WECC is notifying TIL of its rights under Section 4.4 of the CMP, TIL has thirty (30) days to respond to this Notice of Alleged Violation. This response shall be submitted to the BCUC and WECC. If TIL fails to respond within 30 days, the BCUC may consider the Alleged Violation] in the absence of a submission from TIL.

TIL has three (3) options in responding to this Notice of Alleged Violation:

1. For each Alleged Violation, TIL may agree with the Alleged Violation and make no submission on the proposed penalty amount, and agree to submit and implement a Mitigation Plan to correct the Alleged Violation and its underlying causes, in accordance with Section 5.0 of the CMP; or

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Notice of Alleged Violations

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August 20, 2021

2. TIL may agree with the Alleged Violation and make a submission on points relevant to the proposed penalty amount, provide an explanation of its position, and include any supporting information; or
3. TIL may contest the Alleged Violation, provide an explanation of its position, and include any supporting information.

If TIL elects Option 1, the Commission will issue an Order confirming the Alleged Violation and follow the penalty process approved by the Commission for determination regarding the proposed penalty amount.

If TIL elects Option 2, the Commission will review the explanation of TIL's position regarding the proposed penalty amount and issue an order confirming the Alleged Violation and make a determination regarding the proposed penalty amount.

If TIL elects Option 3, the Administrator will review the explanation of TIL's position, and:

- If the Administrator agrees with or does not object to TIL's position on some or all of the contested violation(s), within sixty (60) Days of receiving the response to the Notice of Alleged Violation the Administrator will withdraw the original Notice of Alleged Violation and may issue a Revised Notice of Alleged Violation, or
- If the Administrator disagrees with or objects to TIL's position on all of the contested violation(s), the Administrator will, within sixty (60) Days, issue a letter to the Commission and TIL affirming the Notice of Alleged Violation.

TIL has thirty (30) Days to respond to the Revised Notice of Alleged Violation. Responses are to be submitted to the Commission and the Administrator. If TIL fails to respond within thirty (30) Days, the Commission may consider the Alleged Violation in the absence of a submission from TIL.

If TIL agrees with the Revised Notice of Alleged Violation] and agrees to submit and implement a Mitigation Plan to correct the Alleged Violation and related underlying cause(s) in accordance with Section 5.0, the Commission will issue an Order confirming the Alleged Violation.



Notice of Alleged Violations

Tolko Industries Limited

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Where TIL contests the Revised Notice of Alleged Violation, it may provide an explanation of its position and any supporting documentation.

If TIL contests the Revised Notice of Alleged Violation, or the Administrator affirms the Notice of Alleged Violation, the Commission will hold a Hearing.

III. Submission of a Mitigation Plan

WECC is notifying TIL of its rights under Section 5.1.2 of the CMP, TIL may elect to prepare a Mitigation Plan while contesting an Alleged Violation. The preparation, submission or implementation of a Mitigation Plan will not be an admission of the Alleged Violation. In the event the BCUC dismisses the Alleged Violation, TIL is not required to continue to prepare or implement the Mitigation Plan.

IV. Confidentiality

Pursuant to Section 4.3.1 of the CMP, a Notice of Alleged Violation will be treated as confidential unless and until the Commission confirms the Alleged Violation as a Confirmed Violation and the Commission considers that disclosure would not relate to a cyber-security incident or otherwise jeopardize the security of the Bulk Electric System (BES).

V. Conclusion

WECC is sending a copy of this Notice of Alleged Violation to the BCUC. Please direct any questions regarding this Notice to Ari Barusch, Associate Enforcement and Mitigation Attorney, at 801-883-6845 or abarusch@wecc.org.. In any correspondence, please provide the name and contact information of a TIL representative who is authorized to address the above-listed Alleged Violation and the relevant WECC Violation Tracking Identification Number.



Notice of Alleged Violations

Tolko Industries Limited

CF1923

August 20, 2021

Respectfully submitted,



Heather M. Laws

Director, Enforcement and Mitigation

cc: Nicole Manalili, Regulatory Analyst and Mandatory Reliability Standards
Patrick Wruck, BCUC Commission Secretary



Attachment 1: Information Supporting the Alleged Violation(s)

Table 3	
Tolko Industries Limited (TIL)	
Registered as: Generation Owner, Distribution Provider	
BCUC Compliance Registry ID #: WCR0022	
WECC Violation #: BCUC2019000712	
Reliability Standard Violated	PRC-019-2
Requirement Violated	R1
Date of Discovery	10/23/2019
Discovery Method	Audit
Period of Violation	October 1, 2017 and is ongoing
Facts and Evidence of the Act or Practice Resulting in the Alleged Violation	
<p>PRC-019-2 R2: <i>At a maximum of every five calendar years, each Generator Owner and Transmission Owner with applicable Facilities shall coordinate the voltage regulating system controls, (including in-service limiters and protection functions) with the applicable equipment capabilities and settings of the applicable Protection System devices and functions</i></p> <p>1.1. <i>Assuming the normal automatic voltage regulator control loop and steady-state system operating conditions, verify the following coordination items for each applicable Facility:</i></p> <p>1.1.1. <i>The in-service limiters are set to operate before the Protection System of the applicable Facility in order to avoid disconnecting the generator unnecessarily.</i></p> <p>1.1.2. <i>The applicable in-service Protection System devices are set to operate to isolate or de-energize equipment in order to limit the extent of damage when operating conditions exceed equipment capabilities or stability limits.</i></p> <p>Background:</p> <p>On June 7, 2010, the British Columbia Utilities Commission ("BCUC") issued Order G-95-10a. In G-95-10a, the BCUC ordered registration for Tolko Industries Limited as a Distribution Provider, Generator Operator, Generator Owner, and Load Serving Entity. In a subsequent Order, R-14-17, issued February 23, 2017, the BCUC deregistered TIL as a Load Serving Entity. This Standard applies to Generation Owners and Distribution Providers. Therefore, TIL is subject to this Reliability Standard.</p>	



Violation Facts:

WECC determined TIL was potentially noncompliant with PRC-019-2 R1 during a Compliance Audit that began on October 21, 2019 and ended on October 25, 2019.

Specifically, TIL could not produce evidence that it coordinated 40% of its voltage regulating system controls with the applicable equipment capabilities and settings of the applicable Protection System devices by the date required by the PRC-019-2 Implementation Plan, for its 24 MVA generator, with four applicable voltage regulating system controllers. The cause of this issue was attributed to TIL's lack of a formal compliance program and insufficient knowledge of BCUC Reliability Standards and leading to a lack of an acceptable process to set its voltage regulating system controllers in accordance with PRC-019-2 R1.1. This issue began on October 1, 2017, when the PRC-019-2 R1 Implementation Plan required 40% of TIL's voltage regulating system controls to be set in accordance with PRC-019-2 R1. The issue is ongoing and has not yet been remediated.

Reliability Impact and Severity Evaluation:

This issue posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BES. In this instance, TIL failed to have evidence of coordinating 40% of its voltage regulating system controls, as required by the PRC-019-2 R1.

Failure to coordinate a generator's voltage controllers with its Protection System devices could have reasonably resulted in unnecessarily tripping the generator during a voltage excursion causing an impaired system response or failing to trip the generator when necessary. This could have caused equipment damage or system instability. However, TIL's affected generating unit was radial with only one connection to the BPS. Because other systems or transmission networks did not rely on TIL for reliability functions or services, the potential impact to the BES was reduced. Additionally, given the size of the facility, the loss of generation would cause a negligible impact to the BPS.

Mitigation Plan Description:

TIL has not submitted a Mitigation Plan. TIL will submit a Mitigation Plan within thirty (30) days of this notice with a proposed completion date within ninety (90) days, or within the time period accepted by the BCUC for this Reliability Standard Requirement.

Relevant Information: Proposed Penalty



By Commission Order R-34-15, the BCUC, as Compliance Monitoring Authority in British Columbia (BC), approved that the NERC Violation Risk Factor (VRF) and Violation Severity Level (VSL) matrices that accompany the Reliability Standards adopted in BC will be used as Compliance Provisions in the BC MRS Program to consider the base penalty range for Alleged Violations. The following information is provided as useful context regarding how WECC uses the facts and circumstances of the Alleged Violation, the entity's behavior and other similar factors to determine a penalty recommendation to the BCUC.

WECC considers various factors in its review of Possible and Alleged Violations. These factors include, but are not limited to: (1) Violation Risk Factor; (2) Violation Severity Level; (3) risk to the reliability of the Bulk Electric System, including the seriousness of the violation; (4) the violation's duration; (5) the Registered Entity's compliance history; (6) the Registered Entity's self-reports and voluntary corrective action; (7) the degree and quality of cooperation by the Registered Entity in an audit or investigation process, and in any remedial action; (8) the quality of the Registered Entity's compliance program; (9) any attempt by the Registered Entity to conceal the violation or any related information; (10) whether the violation was intentional; and (11) any other relevant information or extenuating circumstances.

To determine the magnitude of any penalty within a base penalty range, the BCUC will follow a process that is consistent with Part 8.1 of the Utilities Commission Act.

For additional context, WECC also considers the NERC Sanction Guidelines for reasonableness when assessing penalties. Upon applying the relevant NERC Sanction Guidelines and taking into consideration the facts and circumstances of the Alleged Violation described herein, if this serious Alleged Violation were assessed in the United States, with all things being equal, WECC informs TIL that the following penalty represents the seriousness of the violation.

Upon applying the relevant BC Penalty Matrix adopted by the BCUC to the facts and circumstances of the Alleged Violation described above, WECC informs TIL that the following base penalty range and proposed penalty amount represents the seriousness of the violation.

BCUC2019000711

BCUC Base Penalty Range: \$5,000 – \$25,000

BCUC Proposed Penalty Amount: \$10,664

NERC Assessed Penalty Amount: \$14,000

BCUC2019000710



BCUC Base Penalty Range: \$20,000 – \$1,000,000
BCUC Proposed Penalty Amount: \$18,750
NERC Assessed Penalty Amount: \$20,000

BCUC2019000713
BCUC Base Penalty Range: \$10,000 – \$335,000
BCUC Proposed Penalty Amount: \$7,500
NERC Assessed Penalty Amount: \$7,500

BCUC2019000714
BCUC Base Penalty Range: \$10,000 – \$335,000
BCUC Proposed Penalty Amount: \$7,500
NERC Assessed Penalty Amount: \$7,500

BCUC2019000712
BCUC Base Penalty Range: \$10,000 – \$335,000
BCUC Proposed Penalty Amount: \$7,500
NERC Assessed Penalty Amount: \$7,500

As a result of WECC’s review of the facts and circumstances of the Alleged Violation, WECC offers the following information to the TIL and BCUC as factors affecting the proposed penalty determination:

Base factors:

- According to the Violation Risk Factor (VRF) matrix published by NERC, the PRC-005-1a R2 has a lower VRF. According to the Violation Severity Level (VSL) matrix published by NERC, this violation has a lower VSL.
- WECC considers the Violation Time Horizon (VTH) for PRC-005-1a R1 as Operation Planning for the purpose of determining a reasonable timeframe for how long it should take an entity to remediate the violation: actions required from day-ahead up to and including seasonal (48 hours to 90 days).
- According to the VRF matrix published by NERC, the PRC-005-1 R1 violation has a high VRF. According to the VSL matrix published by NERC, this violation has a severe VSL.



- WECC considers the VTH for PRC-005-1 R1 as Operations Planning for the purpose of determining a reasonable timeframe for how long it should take an entity to remediate the violation: actions required from day-ahead up to and including seasonal (48 hours to 90 days).
- According to the VRF matrix published by NERC, the PRC-024-2 R1 violation has a medium VRF. According to the VSL matrix published by NERC, this violation has a severe VSL.
- WECC considers the VTH for PRC-024-2 R1 as Long-Term Planning for the purpose of determining a reasonable timeframe for how long it should take an entity to remediate the violation: a planning horizon of one year or longer.
- According to the VRF matrix published by NERC, the PRC-024-2 R2 violation has a medium VRF. According to the VSL matrix published by NERC, this violation has a severe VSL.
- WECC considers the VTH for PRC-024-2 R2 as “Long-Term Planning for the purpose of determining a reasonable timeframe for how long it should take an entity to remediate the violation: a planning horizon of one year or longer.
- According to the VRF matrix published by NERC, the PRC-019-2 R1 violation has a medium VRF. According to the VSL matrix published by NERC, this violation has a severe VSL.
- WECC considers the VTH for PRC-019-2 R1 as Operation Planning for the purpose of determining a reasonable timeframe for how long it should take an entity to remediate the violation: actions required from day-ahead up to and including seasonal (48 hours to 90 days).
- WECC concluded the violation in this case poses minimal risk to the reliability of the Bulk Electric System.
- WECC considered TIL’s size, location, and applicable factors when assessing the reliability impact and evaluating the seriousness of the violation.

Mitigating credits:

- None at this time.

Aggravating factors:

- TIL has not submitted a Mitigation Plan at this time.



- WECC has concluded that the violation duration is over 2700 days and is ongoing.
- In consideration of TIL's compliance history, WECC notes that TIL has two previous instances of noncompliance with PRC-005-1, given the reference IDs BCUC2016000595 and BCUC2016000594. In each case the noncompliance was the same incident as described above.
- In 2017 an instance of noncompliance with PRC-005-1 R1, with violation ID BCUC2017000594, was identified that began in 2010 and TIL submitted a Mitigation Plan followed by a Certificate of Completion of the Mitigation Plan in which it attested to completing the Plan. However, TIL did not take any of the steps to resolve the noncompliance. As a result of the persistent noncompliance this instance of noncompliance must be escalated to the extant disposition. Taking into consideration the small size and negligible potential impact of noncompliance with this standard, TIL may submit a Mitigation Plan to resolve this issue and WECC will not accept an attestation of completion but will verify the Certificate of Completion of Mitigation.

Other considerations:

- Additionally, there was no evidence of any attempt by TIL to conceal the Alleged Violation, or any evidence that TIL's Alleged Violation was intentional.
- WECC audited each Possible Violation. WECC indicated it discovered the noncompliance on October 1, 2019; WECC submitted its audit on October 25, 2019.







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Heather M. Laws
Director, Enforcement and Mitigation
801-819-7642 • hlaws@wecc.org

August 20, 2021

Via webCDMS Document Repository

Amon Hazlehurst,
Cogen Superintendent
Tolko Industries Limited

Subject: Notice of Alleged Violation

Amon Hazlehurst,

I. Introduction

In accordance with Section 4.3.1 of the British Columbia Utilities Commission (BCUC) Compliance Monitoring Program (CMP), the Western Electricity Coordinating Council (WECC) hereby notifies Tolko Industries Limited (TIL) (WCR0022) of an Alleged Violation of the BCUC Reliability Standard identified below and in Attachment 1.

Reliability Standard, Requirement	WECC Tracking Identification Number
PRC-005-1 R1	BCUC 2019000710
PRC-005-1a R2	BCUC2019000711
PRC-019-2 R1	BCUC2019000712
PRC-024-2 R1	BCUC2019000713
PRC-024-2 R2	BCUC2019000714

II. Procedures for Response to this Notice

WECC is notifying TIL of its rights under Section 4.4 of the CMP, TIL has thirty (30) days to respond to this Notice of Alleged Violation. This response shall be submitted to the BCUC and WECC. If TIL fails to respond within 30 days, the BCUC may consider the Alleged Violation] in the absence of a submission from TIL.

TIL has three (3) options in responding to this Notice of Alleged Violation:

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Notice of Alleged Violations

Tolko Industries Limited

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1. For each Alleged Violation, TIL may agree with the Alleged Violation and make no submission on the proposed penalty amount, and agree to submit and implement a Mitigation Plan to correct the Alleged Violation and its underlying causes, in accordance with Section 5.0 of the CMP; or
2. TIL may agree with the Alleged Violation and make a submission on points relevant to the proposed penalty amount, provide an explanation of its position, and include any supporting information; or
3. TIL may contest the Alleged Violation, provide an explanation of its position, and include any supporting information.

If TIL elects Option 1, the Commission will issue an Order confirming the Alleged Violation and follow the penalty process approved by the Commission for determination regarding the proposed penalty amount.

If TIL elects Option 2, the Commission will review the explanation of TIL's position regarding the proposed penalty amount and issue an order confirming the Alleged Violation and make a determination regarding the proposed penalty amount.

If TIL elects Option 3, the Administrator will review the explanation of TIL's position, and:

- If the Administrator agrees with or does not object to TIL's position on some or all of the contested violation(s), within sixty (60) Days of receiving the response to the Notice of Alleged Violation the Administrator will withdraw the original Notice of Alleged Violation and may issue a Revised Notice of Alleged Violation, or
- If the Administrator disagrees with or objects to TIL's position on all of the contested violation(s), the Administrator will, within sixty (60) Days, issue a letter to the Commission and TIL affirming the Notice of Alleged Violation.

TIL has thirty (30) Days to respond to the Revised Notice of Alleged Violation. Responses are to be submitted to the Commission and the Administrator. If TIL fails to respond within thirty (30) Days, the Commission may consider the Alleged Violation in the absence of a submission from TIL.



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Tolko Industries Limited

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If TIL agrees with the Revised Notice of Alleged Violation] and agrees to submit and implement a Mitigation Plan to correct the Alleged Violation and related underlying cause(s) in accordance with Section 5.0, the Commission will issue an Order confirming the Alleged Violation.

Where TIL contests the Revised Notice of Alleged Violation, it may provide an explanation of its position and any supporting documentation.

If TIL contests the Revised Notice of Alleged Violation, or the Administrator affirms the Notice of Alleged Violation, the Commission will hold a Hearing.

III. Submission of a Mitigation Plan

WECC is notifying TIL of its rights under Section 5.1.2 of the CMP, TIL may elect to prepare a Mitigation Plan while contesting an Alleged Violation. The preparation, submission or implementation of a Mitigation Plan will not be an admission of the Alleged Violation. In the event the BCUC dismisses the Alleged Violation, TIL is not required to continue to prepare or implement the Mitigation Plan.

IV. Confidentiality

Pursuant to Section 4.3.1 of the CMP, a Notice of Alleged Violation will be treated as confidential unless and until the Commission confirms the Alleged Violation as a Confirmed Violation and the Commission considers that disclosure would not relate to a cyber-security incident or otherwise jeopardize the security of the Bulk Electric System (BES).

V. Conclusion

WECC is sending a copy of this Notice of Alleged Violation to the BCUC. Please direct any questions regarding this Notice to Ari Barusch, Associate Enforcement and Mitigation Attorney, at 801-883-6845 or abarusch@wecc.org.. In any correspondence, please provide the name and contact information of a TIL representative who is authorized to address the above-listed Alleged Violation and the relevant WECC Violation Tracking Identification Number.



Notice of Alleged Violations

Tolko Industries Limited

CF1923

August 20, 2021

Respectfully submitted,



Heather M. Laws

Director, Enforcement and Mitigation

cc: Nicole Manalili, Regulatory Analyst and Mandatory Reliability Standards
Patrick Wruck, BCUC Commission Secretary



Attachment 1: Information Supporting the Alleged Violation(s)

Table 4	
Tolko Industries Limited (TIL)	
Registered as: Generation Owner, Distribution Provider	
BCUC Compliance Registry ID #: WCR0022	
WECC Violation #: BCUC2019000713	
Reliability Standard Violated	PRC-024-2
Requirement Violated	R1
Date of Discovery	10/23/2019
Discovery Method	Audit
Period of Violation	October 1, 2017 and is ongoing
Facts and Evidence of the Act or Practice Resulting in the Alleged Violation	
<p>PRC-024-2 R1: <i>Each Generator Owner that has generator frequency protective relaying activated to trip its applicable generating unit(s) shall set its protective relaying such that the generator frequency protective relaying does not trip the applicable generating unit(s) within the “no trip zone” of PRC-024 Attachment 1, subject to the following exceptions:</i></p> <ul style="list-style-type: none"> • <i>Generating unit(s) may trip if the protective functions (such as out-of-step functions or loss-of-field functions) operate due to an impending or actual loss of synchronism or, for asynchronous generating units, due to instability in power conversion control equipment.</i> • <i>Generating unit(s) may trip if clearing a system fault necessitates disconnecting (a) generating unit(s).</i> • <i>Generating unit(s) may trip within a portion of the “no trip zone” of PRC-024 Attachment 1 for documented and communicated regulatory or equipment limitations in accordance with Requirement R3</i> <p>Background:</p> <p>On June 7, 2010, the British Columbia Utilities Commission (“BCUC”) issued Order G-95-10a. In G-95-10a, the BCUC ordered registration for Tolko Industries Limited as a Distribution Provider, Generator Operator, Generator Owner, and Load Serving Entity. In a subsequent Order, R-14-17, issued February 23, 2017, the BCUC deregistered TIL as a Load Serving Entity. This Standard applies to Generation Owners and Distribution Providers. Therefore, TIL is subject to this Reliability Standard.</p> <p>Violation Facts:</p>	



WECC determined TIL was potentially noncompliant with PRC-024-2 R1 during a Compliance Audit that began on October 21, 2019 and ended on October 25, 2019.

Specifically, TIL did not set its generator frequency protective relaying protecting its single 24 MVA generator such that it would not trip the generating unit within the “no trip zone” of PRC-024-2 R1 Attachment 1. The cause of this issue was attributed to TIL’s lack of a formal compliance program and insufficient knowledge of BCUC Mandatory Reliability Standards. The engineer responsible for the generator frequency protective relay settings had less than one year of experience in the area working for TIL and had insufficient understanding of the requirements of PRC-024-2 as well. This issue began on October 1, 2017, when PRC-024-2 became mandatory and enforceable. The issue is ongoing and has not yet been remediated.

Reliability Impact and Severity Evaluation:

This issue posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BES. In this instance, TIL failed to have generator frequency protective relaying activated to trip its 24 MVA generating unit set such that the generator frequency protective relaying did not trip the unit within the “no trip zone” of PRC-024-2 Attachment 1.

Failure to set frequency protective relaying not to trip within the “no trip zone” of PRC-024-2 Attachment 1 could have caused deteriorated system frequency response following a frequency excursion, which could have resulted in equipment damage, cascading outages, system instability, or system separation. However, TIL’s affected generating unit is radial, having only one connection to the BES. Because other systems or transmission networks did not rely on TIL for reliability functions or services, the potential impact to the BES is reduced. Additionally, given the size of the generating unit, the loss of generation would cause a negligible impact to the BES.

Mitigation Plan Description:

TIL has not submitted a mitigation plan. TIL will submit a Mitigation Plan within thirty (30) days of this notice with a proposed completion date within ninety (90) days, or within the time period accepted by the BCUC for this Reliability Standard Requirement.







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Heather M. Laws
Director, Enforcement and Mitigation
801-819-7642 • hlaws@wecc.org

August 20, 2021

Via webCDMS Document Repository

Amon Hazlehurst,
Cogen Superintendent
Tolko Industries Limited

Subject: Notice of Alleged Violation

Amon Hazlehurst,

I. Introduction

In accordance with Section 4.3.1 of the British Columbia Utilities Commission (BCUC) Compliance Monitoring Program (CMP), the Western Electricity Coordinating Council (WECC) hereby notifies Tolko Industries Limited (TIL) (WCR0022) of an Alleged Violation of the BCUC Reliability Standard identified below and in Attachment 1.

Reliability Standard, Requirement	WECC Tracking Identification Number
PRC-024-2 R2	BCUC2019000714

II. Procedures for Response to this Notice

WECC is notifying TIL of its rights under Section 4.4 of the CMP, TIL has thirty (30) days to respond to this Notice of Alleged Violation. This response shall be submitted to the BCUC and WECC. If TIL fails to respond within 30 days, the BCUC may consider the Alleged Violation] in the absence of a submission from TIL.

TIL has three (3) options in responding to this Notice of Alleged Violation:

1. For each Alleged Violation, TIL may agree with the Alleged Violation and make no submission on the proposed penalty amount, and agree to submit and implement a Mitigation Plan to correct the Alleged Violation and its underlying causes, in accordance with Section 5.0 of the CMP; or

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2. TIL may agree with the Alleged Violation and make a submission on points relevant to the proposed penalty amount, provide an explanation of its position, and include any supporting information; or
3. TIL may contest the Alleged Violation, provide an explanation of its position, and include any supporting information.

If TIL elects Option 1, the Commission will issue an Order confirming the Alleged Violation and follow the penalty process approved by the Commission for determination regarding the proposed penalty amount.

If TIL elects Option 2, the Commission will review the explanation of TIL's position regarding the proposed penalty amount and issue an order confirming the Alleged Violation and make a determination regarding the proposed penalty amount.

If TIL elects Option 3, the Administrator will review the explanation of TIL's position, and:

- If the Administrator agrees with or does not object to TIL's position on some or all of the contested violation(s), within sixty (60) Days of receiving the response to the Notice of Alleged Violation the Administrator will withdraw the original Notice of Alleged Violation and may issue a Revised Notice of Alleged Violation, or
- If the Administrator disagrees with or objects to TIL's position on all of the contested violation(s), the Administrator will, within sixty (60) Days, issue a letter to the Commission and TIL affirming the Notice of Alleged Violation.

TIL has thirty (30) Days to respond to the Revised Notice of Alleged Violation. Responses are to be submitted to the Commission and the Administrator. If TIL fails to respond within thirty (30) Days, the Commission may consider the Alleged Violation in the absence of a submission from TIL.

If TIL agrees with the Revised Notice of Alleged Violation] and agrees to submit and implement a Mitigation Plan to correct the Alleged Violation and related underlying cause(s) in accordance with Section 5.0, the Commission will issue an Order confirming the Alleged Violation.



Notice of Alleged Violations

Tolko Industries Limited

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Where TIL contests the Revised Notice of Alleged Violation, it may provide an explanation of its position and any supporting documentation.

If TIL contests the Revised Notice of Alleged Violation, or the Administrator affirms the Notice of Alleged Violation, the Commission will hold a Hearing.

III. Submission of a Mitigation Plan

WECC is notifying TIL of its rights under Section 5.1.2 of the CMP, TIL may elect to prepare a Mitigation Plan while contesting an Alleged Violation. The preparation, submission or implementation of a Mitigation Plan will not be an admission of the Alleged Violation. In the event the BCUC dismisses the Alleged Violation, TIL is not required to continue to prepare or implement the Mitigation Plan.

IV. Confidentiality

Pursuant to Section 4.3.1 of the CMP, a Notice of Alleged Violation will be treated as confidential unless and until the Commission confirms the Alleged Violation as a Confirmed Violation and the Commission considers that disclosure would not relate to a cyber-security incident or otherwise jeopardize the security of the Bulk Electric System (BES).

V. Conclusion

WECC is sending a copy of this Notice of Alleged Violation to the BCUC. Please direct any questions regarding this Notice to Ari Barusch, Associate Enforcement and Mitigation Attorney, at 801-883-6845 or abarusch@wecc.org.. In any correspondence, please provide the name and contact information of a TIL representative who is authorized to address the above-listed Alleged Violation and the relevant WECC Violation Tracking Identification Number.



Notice of Alleged Violations

Tolko Industries Limited

CF1923

August 20, 2021

Respectfully submitted,



Heather M. Laws

Director, Enforcement and Mitigation

cc: Nicole Manalili, Regulatory Analyst and Mandatory Reliability Standards
Patrick Wruck, BCUC Commission Secretary



Attachment 1: Information Supporting the Alleged Violation(s)

Table 1	
Tolko Industries Limited (TIL)	
Registered as: Generation Owner, Distribution Provider	
BCUC Compliance Registry ID #: WCR0022	
WECC Violation #: BCUC2019000714	
Reliability Standard Violated	PRC-024-2
Requirement Violated	R2
Date of Discovery	10/23/2019
Discovery Method	Audit
Period of Violation	October 1, 2017 and is ongoing
Facts and Evidence of the Act or Practice Resulting in the Alleged Violation	
<p>PRC-024-2 R2: <i>Each Generator Owner that has generator voltage protective relaying activated to trip its applicable generating unit(s) shall set its protective relaying such that the generator voltage protective relaying does not trip the applicable generating unit(s) as a result of a voltage excursion (at the point of interconnection) caused by an event on the transmission system external to the generating plant that remains within the “no trip zone” of PRC-024 Attachment 2.4 If the Transmission Planner allows less stringent voltage relay settings than those required to meet PRC-024 Attachment 2, then the Generator Owner shall set its protective relaying within the voltage recovery characteristics of a location-specific Transmission Planner’s study. Requirement R2 is subject to the following exceptions:</i></p> <ul style="list-style-type: none"> • <i>Generating unit(s) may trip in accordance with a Special Protection System (SPS) or Remedial Action Scheme (RAS).</i> • <i>Generating unit(s) may trip if clearing a system fault necessitates disconnecting (a) generating unit(s).</i> • <i>Generating unit(s) may trip by action of protective functions (such as out-of-step functions or loss-of-field functions) that operate due to an impending or actual loss of synchronism or, for asynchronous generating units, due to instability in power conversion control equipment.</i> • <i>Generating unit(s) may trip within a portion of the “no trip zone” of PRC-024 Attachment 2 for documented and communicated regulatory or equipment limitations in accordance with Requirement R3.</i> <p>Background:</p> <p>On June 7, 2010, the British Columbia Utilities Commission (“BCUC”) issued Order G-95-10a. In G-95-10a, the BCUC ordered registration for Tolko Industries Limited as a Distribution Provider, Generator</p>	



Operator, Generator Owner, and Load Serving Entity. In a subsequent Order, R-14-17, issued February 23, 2017, the BCUC deregistered TIL as a Load Serving Entity. This Standard applies to Generation Owners and Distribution Providers. Therefore, TIL is subject to this Reliability Standard

Violation Facts:

WECC determined TIL was potentially noncompliant with PRC-024-2 R2 during a Compliance Audit that began on October 21, 2019 and ended on October 25, 2019.

Specifically, TIL did not set three generator voltage protective relays protecting its single 24 MVA generator such that they would not trip TIL's generating unit within the "no trip zone" of PRC-024-2 R2, Attachment 2. The cause of this issue was attributed to TIL's lack of a formal compliance program and insufficient knowledge of BCCU Reliability Standards, and therefore did not have an acceptable process to set its generator voltage protective relaying in accordance with PRC-024-2 R2. The engineer responsible for the generator voltage protective relay settings had less than one year of experience in the area working for TIL and may have had insufficient understanding of the requirements of PRC-024-2 as well. This issue began on October 1, 2017, when PRC-024-2 became mandatory and effective. The issue is ongoing and has not been yet remediated.

Reliability Impact and Severity Evaluation:

This issue posed a minimal risk and did not pose a serious or substantial risk to the reliability of the BES. In this instance, TIL failed to have its three generator voltage protective relays activated to trip its 24 MVA generating unit set such that the generator frequency protective relaying did not trip the unit within the "no trip zone" of PRC-024-2 R2, Attachment 2.

Failure to set voltage protective relaying not to trip within the "no trip zone" of PRC-024-2 Attachment 2 could have caused a deteriorated system response following a voltage excursion, which could have resulted in equipment damage, cascading outages, system instability, or system separation. However, TIL's generating unit was radial, with only one connection to the BPS. Because other systems or transmission networks did not rely on TIL for reliability functions or services, the potential impact to the BPS is reduced. Additionally, given the size of the generating unit, the loss of generation would cause a negligible impact to the BES.

Mitigation Plan Description:

TIL has not submitted a Mitigation Plan. TIL will submit a Mitigation Plan within thirty (30) days of this notice with a proposed completion date within ninety (90) days, or within the time period accepted by the BCUC for this Reliability Standard Requirement.



