



Dennis Swanson
Director, Regulatory Affairs

FortisBC Inc.
Suite 100 - 1975 Springfield Road
Kelowna, BC V1Y 7V7
Ph: (250) 717-0890
Fax: 1-866-335-6295
electricity.regulatory.affairs@fortisbc.com
www.fortisbc.com

January 31, 2013

Via Email

Ms. Erica Hamilton
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

Re: *British Columbia Utilities Commission Inquiry into Potential Adjustments for the BC MRS Program – FortisBC Inc. Comments on Straw Dog Drafts*

Pursuant to the Regulatory Timetable set out in British Columbia Utilities Commission (BCUC or the Commission) Order R-72-12, FortisBC Inc. (FortisBC or the Company) encloses for filing its comments on the Commission's Straw Dog drafts of proposed changes to the BC Rules of Procedure for the BC Mandatory Reliability Standards (MRS) program.

If further information is required, please contact the undersigned at (250) 717-0890.

Sincerely,

A handwritten signature in black ink, appearing to be "DS", with a horizontal line extending to the right.

Dennis Swanson
Director, Regulatory Affairs

FORTISBC INC. SUBMISSIONS ON BRITISH COLUMBIA UTILITIES COMMISSION “STRAW DOG” DRAFTS OF PROPOSED CHANGES TO BC RULES OF PROCEDURE

INTRODUCTION

1. In accordance with Commission Order R-72-12 setting forth the regulatory timetable in the Inquiry into Potential Adjustments for the British Columbia Mandatory Reliability Standards (“MRS”) Program (the “Inquiry”), the following are FortisBC Inc.’s (“FortisBC” or “the Company”) written comments on Straw Dogs 1, 2 and 3 (the “Straw Dogs”) issued by the British Columbia Utilities Commission (the “Commission” or “BCUC”) on December 20, 2012. Following some initial comments about the Inquiry process and MRS program in general, FortisBC will provide comments on each Straw Dog issued by the Commission.
2. FortisBC will be issuing Information Requests (“IR”) to the Commission during the IR process of this Inquiry. FortisBC understands from discussion with Commission Staff at the workshop of November 21, 2012 that Staff is prepared to respond to Information Requests. The completion of the Information Request process is necessary for FortisBC to provide comments on the draft materials with greater detail and with more concrete recommendations where appropriate. However, at this juncture in the Inquiry, FortisBC will provide the following general comments on all three Straw Dogs, focusing on concerns or issues that are evident from the current draft documents.
3. Having carefully reviewed and considered the Straw Dogs, FortisBC is requesting that the regulatory timetable be amended to provide for Commission Staff to issue revised Straw Dogs produced with the benefit of the written comments received and the IR process. This will enable the first round of comments and IRs to focus on the important general issues, with a second round of comments to permit fine tuning and further needed clarification.
4. As a general comment, FortisBC does wish to stress, as its representatives have consistently stated in the past, FortisBC is very much in favour of the elements of the Straw Dogs that allow for the examination of recognition of BC’s unique circumstances. FortisBC also appreciates the Commission’s comment in Exhibit A-4 that the concerns of stakeholders may be addressed in some manner after the conclusion of this Inquiry.

COMMENTS ON COMMISSION STRAW DOG #1: PROPOSED CHANGES FOR THE BC RULES OF PROCEDURE TO INCLUDE A POSSIBLE EXCEPTION PROCESS

5. FortisBC does not have any objection to the definition of the Bulk Electric System (“BES”) definition that is provided in Appendix A of Straw Dog 1 (“SD-1”). FortisBC supports a recommendation to the government to adopt the definition of the Bulk Electrical System.
6. FortisBC understands that FERC approved the BES definition and changes to the NERC Rules of Procedure on December 20, 2012 with an effective date of July 1, 2013. Regardless of the date that the new definition may become effective in British Columbia, the Company recommends that, as described on page 3 of SD-1, any newly-included elements should be allowed 24 months before compliance is required.

7. In FortisBC's opinion, the terms "Bulk Power System" ("BPS") and "Bulk Electric System" should not be used interchangeably. Mandatory Reliability Standards are intended to be applicable to the Bulk Electric System but not necessarily applicable to the Bulk Power System because the BPS reaches farther than those facilities included in the BES. NERC issued a memorandum on April 10, 2012 explaining the difference between the BPS and the BES. As the standards making body does differentiate between these two terms, there may be issues in terminology moving forward within BC if no such distinction is made. Therefore, the BCUC's recommendation to the government should address the distinction between the terms "Bulk Power System" and "Bulk Electrical System".
8. In SD-1, there are multiple uses of the term "Entity" yet the term is not defined. FortisBC requires further clarification or definition of this term.
9. It is FortisBC's understanding that the exception process, other than the proposed Partial Exclusion Exception process, is similar to the process used in the United States. FortisBC requires further clarification on the purpose of the Partial Exclusion Exception process before providing comment.
10. SD-1 provides that the Technical Advisory Committee ("TAC") will recommend technical criteria suitable for consideration of the technical justification for Exception Requests. FortisBC supports the contribution the TAC will provide to the process (see comments below on Straw Dog #3 regarding the TAC Terms of Reference) and recommends that consideration be given to including a provision for periodic reviews of the criteria by the TAC (possibly every 3 years) with opportunities for input by the appropriate entities.
11. FortisBC recognizes and agrees with comments during the workshop that MRS is evolving. To that end, FortisBC recommends a review of procedures, processes, and function of the TAC in approximately 3 years to assess whether any beneficial adjustments should be considered.

COMMENTS ON COMMISSION STRAW DOG #2: A PROPOSED BC-SPECIFIC PROCESS FOR ASSESSING SEVERITY AND RISK OF VIOLATIONS AND DETERMINATION OF PENALTIES

12. FortisBC is in general agreement with a Find, Fix, Track ("FFT") process described in Straw Dog #2 ("SD-2"); however, the FFT process suggested requires further clarification and consideration before FortisBC can fully endorse the process as suggested. For instance, there is reference to the FFT Screen being conducted by the Administrator using the NERC FFT process as well as using NERC FFT thresholds. However, those NERC FFT thresholds are not identified.
13. SD-2 should provide further clarification on confidentiality and publication issues where the security of the Bulk Electric System could be impacted by the distribution of information. Where this security may be impacted there should be posting or distribution of information only to parties as necessary.
14. Part C of SD-2 regarding "Penalty Process" needs further clarification and consideration. For

instance, there is no reference to a process if a Registered Entity disagrees with a penalty. Additionally, item 4 in Part C of SD-2 requires clarification of “others” from whom the Commission may request additional information. The document should describe how the “others” fit in with or will participate in the Penalty Process as envisioned by the Commission. Further, the details of the submissions of advisors to the BCUC or their Administrator should be made available under the same guidelines and confidentiality applicable to the TAC.

15. FortisBC notes that the Commission proposed in 2011 (Commission Letter L-56-11 and subsequent workshop) a process to deal with administrative penalties. FortisBC requests clarification whether the Commission intends to continue with that process at the conclusion of the Inquiry.
16. Part D of SD-2 proposes a matrix which identifies “impact level” and “non-compliance level” as the indices. FortisBC requests more transparency as to:
 - a. How the VSL/VRF matrices translate to ‘non-compliance level’ and ‘impact level’; and
 - b. How the ranges were determined. FortisBC notes that the ranges proposed in the document vary compared to the established matrices in the United States..

COMMENTS ON COMMISSION STRAW DOG #3: TECHNICAL ADVISORY COMMITTEE TERMS OF REFERENCE

17. FortisBC is in support of having BC-specific technical experts participating in reviews and recommendations as contemplated in Straw Dog 3 (“SD-3”).
18. SD-3 recognizes that BC Hydro and FortisBC have a “broad role and knowledge as the major transmission system operators in BC” and provides that these two utilities should be among the initial members of the TAC. Both BC Hydro and FortisBC are the primary utilities in BC and are registered for a majority of the functions under the BC MRS Program; therefore, both registered entities should have a permanent seat on the TAC.
19. In regard to the qualifications for TAC membership, FortisBC believes that the interpretation of the word “expert” could prove problematic and suggests instead that members of the TAC should simply be “technically qualified”. There is no one individual who will be “expert” in all aspects of the electrical system.
20. The work of the TAC, as proposed, has the potential to be very time consuming and resource intensive for the members. SD-3 does not seem to recognize this and may be too restrictive. Technical analysis as well as matrices reviews, as contemplated, will require multiple participants from each entity at various times. In FortisBC’s interpretation of the role of the TAC, the accessing resources required would include, among other things, providing load flow modelling, dynamic analysis and/or contingency analysis. Moreover, the TAC should be allowed to create subcommittees or working groups, hire consultants, and/or access an entity’s resources in doing its work. This may require reconsideration of the funding for the TAC.

21. In its response to a letter by FortisBC concerning the scope of the MRS Inquiry, the Commission (Exhibit A-4) declined to address issues of cost, saying that “Post Inquiry, it may be appropriate to focus on some or all of the cost concerns raised by FortisBC and other stakeholders.” FortisBC expects, based on its understanding of the TAC scope of work and the extensive tasks identified in the Straw Dogs, that FortisBC’s current level of Operating and Maintenance expense may not support this additional workload. The Company intends to address any such issues in another process, if necessary.

CONCLUSION

22. Adjustments to the BC MRS Program such as those outlined in the three Straw Dogs have the potential to be strongly beneficial, particularly in terms of increasing the efficiency and effectiveness of the MRS Program by recognizing and adapting to the operational realities within the province. FortisBC looks forward to participating in the refinement of the proposed adjustments by way of the Information Request process and further submissions on a set of revised Straw Dogs.