

Association of Major Power Customers of BC (AMPC)

BCUC Inquiry into the BC MRS Program, Project No: 3698691

Response to Information Request No.1 of BCUC to Straw Dog #1

April 26, 2013

1.0 Reference: Potential for NERC's Bulk Electric System (BES) Definition to be incorporated into the BC MRS Program, Exhibit C14-3, AMPC, page 5, Section C.1

Preamble: AMPC states "[a]s a result of Order 773, uncertainty regarding the substance and the timing of FERC action has been resolved and the desirability of moving quickly has increased."

1.1 Noting that:

- (a) FERC Order No. 773, approving the new NERC BES Definition in the US on December 20, 2012, included directives to NERC relating to implementation of Exclusions E1 and E3;
- (b) a variety of requests for clarification or rehearing, or both, were submitted to FERC in response to Order No. 773;
- (c) FERC has issued a further Order granting "rehearing for further consideration of Order No. 773 re Revisions to Electric Reliability Organization, Definition of Bulk Electric System and Rules of Procedure under RM12-6 et al." on February 19, 2013; and
- (d) all above-referenced materials as posted at <http://elibrary.ferc.gov> (search under docket RM12-6).

What impact might the pending rehearing of Order No. 773 have for adoption of the new BES Definition in BC?

Response:

The potential for being out of step with the NERC definition is a reason to incorporate the BES definition by reference into the MRS Regulation, subject to variation by order of the Lieutenant Governor in Council (LGIC).

Alternatively, if the rehearing requests ultimately produce a BES definition different than any definition introduced into, or proposed for, an amended *Mandatory Reliability Standards Regulation (MRS Regulation)*, then the Commission and Lieutenant Governor in Council (LGIC) will be required to consider whether additional steps to "re-harmonize" the BES definitions are desirable. Those steps would involve changes to the regulation and, presumably, a consultation process with affected stakeholders beforehand.

2.0 Reference: Potential for NERC's BES Definition to be incorporated into the BC MRS Program, Exhibit: C14-3, AMPC. page 6, Section C.1

Preamble: The Utilities Commission Act (*UCA*) provides in s. 125.2 that:

- (8) A reliability standard adopted under subsection (6) applies to every
 - (a) prescribed owner, operator and direct user of the bulk power system, and
 - (b) prescribed generator and distributor of electricity.
- (9) Subsection (8) applies to a person prescribed for the purposes of that subsection despite any exemption issued to the person under section 22 or 88 (3).
- (10) The commission may make orders providing for the administration of adopted reliability standards.
- (10.1) Without limiting subsection (10), section 43 (1) (a) and (b) (i) applies to a person to whom a reliability standard adopted under subsection (6) of this section applies, as though the person were a public utility.

AMPC states “[t]he statutory mechanics of implementing the new BES definition are relatively straightforward: the MRS Regulation must be changed to amend the ‘bulk power system’ definition and to provide the BCUC with the power to create exceptions to who reliability standards apply to (i.e., enabling the inclusion/exclusion process proposed for the BC Rules of Procedure). A draft amended regulation which demonstrates the ease with which this objective can be achieved is attached for discussion purposes.

The draft generally incorporates the language of FERC into the existing MRS Regulation. The draft also drops the concept of a Direct User from the existing regulation because it is not used by FERC and is redundant and confusing. Under the new BES, responsibility for facilities used by a Direct User will appropriately fall on the owner or operator of the Transmission Element used to provide service to the Direct User.”

The interplay between the MRS Regulation, the BES Definition and the exception process suggests a number of questions.

- 2.1 If definitions for “direct user,” “generator” and “distributor” were removed as appears to be suggested in the draft amendments to the MRS Regulation submitted with AMPC’s comments, how would those classes of entities be “prescribed” as required by UCA s. 125.2(8)?

Response:

As a preliminary comment, subsection 125.2(8) does not require the LGIC to prescribe these definitions. The effect of this subsection is to make adopted reliability standards applicable to those entities who satisfy any definitions that happen to be

prescribed. If one or more of the definitions are no longer required as a result of the insertion of the new BES definition, or as a result of any other changes to the language of the *MRS Regulation*, then the definitions should not be prescribed.

Alternatively, the definitions could be retained in the MRS Regulation and amended to refer and give effect to the new BES definition.

There are a number of straightforward ways to amend the MRS Regulation to implement the BES definition while still ensuring that appropriate parties remain subject to MRS standards (section 2 of the MRS Regulation, for example). The draft regulation attached to AMPC's submission was presented for discussion purposes as part of proposing a two-stream process.

As noted in 1.1, AMPC sees merit in adopting the FERC definition by reference.

- 2.2 To what extent would it be helpful for the Commission's Rules of Procedure for Reliability Standards in British Columbia to incorporate a Statement of Compliance Registry Criteria similar to that used at NERC (Appendix 5C to the NERC Rules of Procedure found at <http://www.nerc.com/page.php?cid=1|8|169>)?

Response:

AMPC assumes the reference is to Appendix 5B. In principle AMPC supports Commission-establishment of a "master list" of entities subject to mandatory reliability standards based on the scope of the BES definition, including the result of inclusion or exclusion exception processes (if and when applicable).

AMPC does not support a Statement of Compliance Registry Criteria that would introduce supplemental criteria that would broaden the applicability of the MRS regime beyond the BES definition.

- 2.3 To what extent could definitions or details presently included in the MRS Regulation be contained instead in a BC-specific Statement of Compliance Registry Criteria?

Response:

Please see AMPC's response to 2.1, 2.2 and 2.4. The definitions currently contained in the *Utilities Commission Act* and the MRS Regulation that establish the scope of the MRS Regime should not be retained if they complicate implementing the common "bright line" standard reflected by the new FERC BES definition. Accordingly, it is difficult to comment on the value of moving potentially redundant definitions into a Statement of Compliance Registry Criteria that, in itself, may or may not be helpful.

- 2.4 To what extent is the NERC Statement of Compliance Registry Criteria consistent or inconsistent with the new NERC BES Definition and exception processes, or no longer appropriate as a result of the new NERC BES Definition and exception processes?

Response:

AMPC does not fully understand questions 2.3 and 2.4. Their implications are potentially wide reaching, and outside the approach proposed in the straw dogs.

Elaboration of Staff's understanding of the role that the NERC Statement of Compliance Registry Criteria plays, and its vision of the role a B.C. analogue would play, would be helpful. AMPC would be pleased to respond to more specific requests.

To be helpful, and as a preliminary comment, NERC's revised 2013 Statement of Compliance Registry Criteria includes the new BES definition, states "The above [criteria] are general criteria only", and goes on to mention the proposed inclusion and exclusion exception procedures. AMPC supports establishing the scope of the MRS regime by regulation, incorporating the FERC-approved definition by reference, subject to Commission-approved exceptions.

- 2.5 To what extent would it be necessary or appropriate for the MRS Regulation to specifically empower the Commission to adopt such a Statement of Compliance Registry Criteria, or provide for such a Statement of Compliance Registry Criteria to be adopted or incorporated by reference as and when submitted by the Commission and approved by the Lieutenant Governor in Council or responsible Minister?

Response:

Please see AMPC's response to 2.4. Any Statement of Compliance Registry Criteria should implement a common BES definition established in the MRS Regulation, and not expand on or derogate from it. AMPC would be pleased to comment on the advisability of adopting a revised Statement of Compliance Registry Criteria by reference once it becomes clear how it operates relative to the new FERC BES definition.

- 2.6 To what extent would it be necessary or appropriate for the MRS Regulation to specifically empower the Commission to administer and make adjustments to the Statement of Compliance Registry Criteria over time as changes are made to the BES Definition or the exception processes?

Response:

Please see AMPC's responses to 2.1 and 2.4.

2.7 To what extent would materiality considerations in such a Statement of Compliance Registry Criteria be fully incorporated already in an Exception Request? If so, how? If not, why not?

Response:

Please see AMPC's response to 2.4. AMPC does not fully understand the question as it is currently worded. Additional preambular content in the information request is necessary to explain the implied interaction between the NERC documents and the assumptions the drafter of the question holds. To be helpful, and by way of general comment:

- Exception requests require the applying entity to undertake studies and bear the onus of showing that the entity's effect on the BES is not material.
- The Statement of Compliance Registry Criteria contains a number of filtering criteria that can be practically used to determine whether an entity should be added to the compliance list. In practice in B.C. these criteria would seem to be largely duplicated by adopting the new BES definition as it is currently worded.
- In principle, AMPC supports relying on common-sense filtering criteria to assess materiality.
- AMPC has suggested a reverse-onus process to transition into the application of the new BES definition, where the administrator would have a certain amount of time to object after receiving notice from an entity that it considers the MRS Regulation to legally no longer apply to it. AMPC expects that the administrator would apply the criteria in a manner similar to the Statement of Registry Compliance Criteria to determine whether an objection would be warranted, as well as a possible subsequent inclusion process.

2.8 To what extent might adopting a Statement of Compliance Registry Criteria permit or support increased flexibility in the administration of the BC MRS Program?

Response:

If "a Statement of Compliance Registry Criteria" operates as a Commission-prescribed BES definition, then it would provide more flexibility. It could also provide more regulatory uncertainty if the definition is repeatedly susceptible to change. For this reason AMPC prefers the balanced approach suggested in its responses

above: criteria contained in regulation, incorporated by reference, subject to Commission-administered exceptions.

- 2.9 Adjustments are made to the NERC Rules of Procedure from time to time (for example changes to the NERC Rules of Procedure approved in FERC's 20 Dec 2012 Order at <http://www.ferc.gov/whats-new/comm-meet/2012/122012/E-7.pdf>), and NERC's Statement of Compliance Registry Criteria as part of the NERC Rules of Procedure may continue to evolve with the new BES Definition (as indicated in NERC presentations, including for example at slide 4 of NERC's October 2012 webinar presentation on a BES Definition Guidance document [available at http://www.nerc.com/files/bes_definition_guidance_document_webinar_20121018_final_wjk.pdf], or as agenda item 4 "Discuss any needed changes to the ERO Statement of Compliance Registry Criteria due to the Revised BES Definition" in respect of NERC's Phase 2 BES Definition work [available at http://www.nerc.com/docs/standards/dt/Agenda_Project_2010-17_DBES_SDT_February_19-21,_2013.pdf]).

To what extent would Commission consideration of comparable adjustments for a Statement of Compliance Registry Criteria in BC support continuous improvement of the BC MRS Program?

Response:

AMPC is not familiar with NERC's Phase 2 BES Definition work.

As general comments:

- AMPC does not see a direct link between the principle of continuous improvement and establishing a Statement of Compliance Registry Criteria.
- The level of detailed knowledge expected by the questions illustrates why the current B.C. MRS Regime is more onerous to customers than other reliability standards regimes in Canada.
- This issue illustrates the usefulness of a regulation adopting the BES definition by reference, except where varied by order of the LGIC.

At a principled level, while AMPC supports continuous improvement its experience with the current regime has been expensive and complicated. AMPC accordingly values the Inquiry process and the level of effort invested, and looks forward to achieving practical and principled outcomes that continue the excellent reliability of the B.C. system at an appropriate and reasonable cost.

AMPC would accordingly oppose jeopardizing that outcome with a system characterized by regulatory uncertainty, which is one risk of the continuous improvement suggested in the question. AMPC

prefers the approach described in its response to 2.4: criteria contained in regulations, adopted by reference, subject to Commission-administered exceptions.

3.0 Reference: Potential for NERC’s BES Definition to be incorporated into the BC MRS Program, Exhibit C14-3, AMPC, page 6, Section C.1

Preamble: AMPC states “[u]nder the new BES, responsibility for facilities used by a Direct User will appropriately fall on the owner or operator of the Transmission Element used to provide service to the Direct User.”

3.1 Would AMPC please explain in detail how this conclusion is reached, and the extent to which the statement would be true (or not) in all circumstances? Please provide an example.

Response:

In principle:

- Industrial customers take service from BC Hydro and FortisBC (albeit not AMPC members in the latter case);
- BC Hydro and FortisBC are subject to MRS standards;
- Industrial customers should not be subject to MRS standards in relation to the operation of BC Hydro/FortisBC facilities because otherwise costs are duplicated and responsibilities confused;
- Industrial customers should be subject to MRS standards where facilities owned by industrial customers may have a material effect on the BES; and
- In general, the ownership of transformers and switchgear dedicated to, and serving an individual load customer will not have a material effect on the reliability of the BES.

4.0 Reference: Potential for NERC’s BES Definition to be incorporated into the BC MRS Program Exhibit C4-2, Teck Metals Ltd., p. 1 Sec. 1.1

Preamble: Teck Metals Ltd. (Teck) states “[i]t should be considered that BC have a definition for the Bulk Electric System that makes sense for the situation in BC. This would then adequately reflect the fact that we only have one Balancing Authority (BA) in BC as opposed to multiple BA’s (both small and large) in the US. For example the generation inclusion of anything >20 MVA may be material to a small BA, however it is debatable as to whether this would be the case to the BC BES and BA.”

4.1 Is Teck suggesting that the current definition in the MRS Regulation should remain and the new BES definition not be adopted in BC?

[No Response]

4.2 Alternatively, is Teck suggesting that neither definition “makes sense for the situation in BC”? Please explain your response.

[No Response]

5.0 Reference: Potential for NERC’s BES Definition to be incorporated into the BC MRS Program Exhibit C18-3, FortisBC, p. 2, # 7

Preamble: FortisBC states that in their 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

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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.’”

5.1 Given the NERC April 10, 2012 memorandum is in relation to jurisdictional differences in the US, to what extent is this relevant in BC?
(http://www.nerc.com/files/Final_BES_vs%20BPS_Memo_20120410.pdf)

[No Response]

5.2 To what extent would this present a concern in practice in BC, particularly considering the context of the new BES definition’s inclusion/exclusion principles that extend to local distribution?

[No Response]

**6.0 Reference: Transition to the New BES Definition, Exhibit C14-3, AMPC, page 2, Section A
Exhibit C4-2, Teck, Page 1, Section 1.2**

Preamble: AMPC suggests to “[s]treamline the proposed de-registration process so that, subject to a 30 day notice period, if a current Registered Entity states, with reasons, that it is no longer a Registered Entity under the new BES definition, it ceases to be one – unless the Administrator formally objects to the Entity’s assertion during the notice period. Ideally no administrative steps such as audits would be taken against an existing Entity during the 30 notice period.”

Teck states “[t]he exclusion process proposed for entities that are already registered appears to be overly onerous. In most cases, the existing registered entities voluntarily registered based on the BES definition that was provided and in effect at that time. The entities should also be allowed to deregister on the same basis. If an entity chose to deregister the administrator could object to the

deregistration, within a specified time period, and provide the entity with evidence as to the material reliability effects.”

- 6.1 What is the estimated number of deregistrations AMPC, Teck and other Interveners expect, and over what time period would the bulk of deregistration be expected to be proposed? For example, would a large number of deregistrations be pursued at the same time, as soon as the new BES Definition and exception processes become effective?

Response:

The changes to the MRS framework and the associated work associated with deregistration are currently too imprecise to allow AMPC to be able to provide the requested number and timing information. Directionally, AMPC can advise that:

- A material proportion of its members are not captured by the currently proposed new FERC BES definition and accordingly expect to be in a position to deregister, and also do not anticipate being subject to reasonable inclusion exception requests.
- These members have an economic incentive to avoid unnecessary costs.

Obviously, it is to be hoped that entities that are incurring compliance costs but – by definition – are not material to the reliability of the BES will be able to de-register as quickly as possible, freeing funds that could be more productively invested into the economy. AMPC’s proposed “reverse onus” procedure takes this concern into account and balances it with reliability considerations.

- 6.2 Given that an orderly transition to the new BES Definition and exception processes would be expected to provide assurance that reliability would not be inadvertently compromised, how and to what extent would the Interveners’ suggestions provide for such an orderly transition, particularly for an initial transition period? Please provide details.

Response:

The question is somewhat unclear, and AMPC assumes that the question does not mean to imply that exception processes are required to effect de-registration in an orderly way – if so, AMPC takes strong exception with the premise.

The reason for the new BES definition in the U.S., and presumably B.C., is to adopt a definition that only includes entities that have a material effect on reliability. AMPC’s proposed de-registration process would apply to entities that are not captured by the new FERC definition but currently registered. The proposed Exclusion process would apply to entities that are captured by the BES

definition. Please see AMPC's responses to BC Hydro-AMPC-1.1 and 1.2.

AMPC's approach would require the Administrator to do three things within 30 days of each notice of deregistration:

- undertake a high level and preliminary assessment concerning whether the deregistering entity is correct about the applicability of the BES definition to its operations;
- if applicable, undertake a further high level and preliminary assessment about whether an Inclusion process would be appropriate; and
- if either of the two foregoing assessments raise a concern, the Administrator would file an objection. The Administrator would then have a fixed period of time to substantiate its objection.

The reverse onus process ensures reliability will be protected, and the subsequent period of time should allow the Administrator to undertake a coordinated process. Constraints on the Administrator's resources can be managed by appropriate scheduling of the substantive processes, if any, that may arise from objections. If the Administrator nevertheless requires additional resources to undertake these evaluation processes the issue of Administrator resources can be addressed at that time.

6.3 Given the limited resources that the Commission may have for considering a large number of concurrent deregistrations, how would a 30-day period as suggested by AMPC be reasonably observed in practice in the transition period?

Response:

Please see AMPC's response to 6.2. The question appears to reflect a misunderstanding of the 30-day period. The 30-day period applies to preliminary objections based on a high level review to be undertaken by the Administrator. Commission resources would be drawn upon in relation to substantive processes that might follow. Each process would have an individual timeline, which the Commission should have adequate resources to participate in.

A 24-month delay in implementing the process solely for the lack of Commission resources is inefficient – it would likely be more cost effective to add necessary Commission resources and avoid duplicative MRS costs.

- 6.4 To what extent might a 30-day period be more appropriately considered after a 24-month initial transition period in which a large number of deregistrations might be expected to be proposed?

Response:

A 24-month initial transition period represents unnecessary cost and is far too long. The reverse onus process is designed to highlight and identify cases that require substantive review and unencumber those that do not from further cost and process.

- 6.5 Acknowledging that an Entity's circumstances have been reviewed to confirm appropriate functional registration in the BC MRS Program at the time of registration, and changes in an Entity's circumstances require an application for deregistration, followed by the Administrator's review and ultimately Commission Order for deregistration if the Commission determines deregistration to be appropriate, why and how would it be unreasonable to follow the same process when the changes in an Entity's circumstances arise from a new BES Definition?

Response:

A new BES definition would not be a change in an Entity's circumstances. It would be a change in the criteria that make MRS standards applicable or not (subject to the proposed exception processes). The functional registration process described in the question represents material tangible work and a crystallized understanding of the Entity's characteristics. That work and understanding can and should be relied upon to consider whether a new BES definition may end the applicability of the MRS standards to the Entity. It would be unreasonable to repeat the same process when the time and money it represents would be duplicative of work already done.

- 6.6 Why and how would it not be reasonable in support of reliability objectives to minimize risk by requiring Entities that are already participating in the BC MRS Program to remain in compliance until deregistration is ordered?

Response:

Please see the response to 6.5. It would further not be reasonable to come to a blanket conclusion that "minimizing risk" requires broad time and cost duplication before the scope of that time and cost is fully understood – particularly when the risk to be "minimized" arises from Entities that *by definition* appear not to pose a risk to the reliability of the system.

- 6.7 Would it not be prudent for an Entity to obtain a deregistration Order from the Commission in order to avoid potential for later dispute, should the Commission not agree with the Entity's determination that deregistration was appropriate?

Response:

No. It would not be prudent for an Entity to do so under the process proposed by AMPC because the Commission and Administrator would have had a very explicit opportunity to object to a deregistration notification, triggering a more detailed review.

7.0 Reference: Proposed BC Exception Process for the BC Rules of Procedure Exhibit C19-2, CPC p. 4 Sec. C #12

Preamble: CPC states “[a]pplicants will also require access to information about the bulk-power transmission system and how their facilities affect that system for the application process to be effective. BC Hydro or FortisBC will have much of the necessary information in most cases. Applicants will need the assistance of these system operators to gather the information and test results to support an application. The Commission needs to develop rules on how applicants may access this information.”

7.1 What rules would CPC suggest for applicants to have “access to information about the bulk-power transmission system and how their facilities affect that system”?

[No response]

7.2 What information would BC Hydro, FortisBC and any other entities have in this regard?

[No response]

7.3 What assistance do entities expect to require from BC Hydro and FortisBC “to gather the information and test results to support an application”?

Response:

AMPC supports CPC’s suggestion. AMPC suggests that the Commission provide explicit direction to public utilities that timely and complete provision of information necessary to customers’ MRS compliance, registration, de-registration, inclusion, or exclusion is a component of public utility service, enforceable if necessary by way of complaint to the Commission.

8.0 Reference: Definitions Exhibit C17-3, BC Hydro p. 3 Sec. 1 (b) i)

Preamble: BC Hydro states it “...assumes that the new definitions included in Part B, section 2.0 of Exhibit A-7 will only be applicable to the BC Exception Process in BC, rather than the entire BC MRS Program. If this assumption is incorrect, BC Hydro recommends that those definitions listed in Part B, section 2.0 only apply to the BC Exception Process.”

- 8.1 Would BC Hydro please explain its concern and why the definitions listed in Part B, section 2.0 of Exhibit A-7 should not apply beyond the BC Exception Process?

[No Response]

9.0 Reference: Definitions Exhibit C18-3, FortisBC, p. 2 #8

Preamble: FortisBC states “[i]n 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.”

- 9.1 Would FortisBC please explain to what extent it would be beneficial to replace the term “Entity” as used generically in the Straw Dog drafts with the defined terms “Responsible Entity” or “Applicable Entity” as the context may suggest?
- 9.2 Would FortisBC please identify potential harm if the generic term “Entity” is used?

[No Response]

10.0 Reference: Basis for an Exception, Exhibit C14-3, AMPC, page 3

Preamble: AMPC suggests to “[e]stablish a BC Exception Process. AMPC supports the basis for Exceptions contained in Section 3.1. The Commission should maintain significant procedural flexibility regarding filing requirements and procedures, at least during the initial years of the Exception process.”

- 10.1 Would AMPC please clarify what AMPC means by significant procedural flexibility?

Response:

AMPC’s meaning is not intended to be more complex than the basic dictionary definition of the phrase. Put another way, the Commission should aspire to pragmatic and efficient processes, and Exceptions should be evaluated on a case-by-case basis.

- 10.2 For example, is AMPC suggesting that every exclusion application be processed regardless of supporting evidence?

Response:

AMPC does not understand the suggested relationship between procedural flexibility and processing exclusion applications “regardless of supporting evidence.”

To be helpful, AMPC suggests that some exclusion applications may require more evidence than others. If some exclusion applications can be processed with less cost and time, then that is to the benefit of all parties. If, upon review, the application requires additional evidence, the Commission retains jurisdiction

to exercise its discretion and either reject the application or request additional information.

11.0 Reference: Basis for an Exception Exhibit C17-3, BC Hydro p. 4 b) ii) Exhibit C19-2, CPC p. 3, Sec. C #10 Exhibit C19-2, CPC p. 2 Sec. A 3 (a)

Preamble: BC Hydro states “Subject to BC Hydro’s comments in section 2(b)(v) below, BC Hydro recommends that the technical criteria that will dictate what will be necessary for the Reliable Operation of the interconnected bulk-power transmission system be clarified. Further, BC Hydro recommends that the TAC be instructed to develop any additional BC-specific criteria necessary to assist reviewers of the Exception Requests in determining factors necessary to the Reliable Operation of the interconnected bulk-power system in BC.”

CPC states “[t]he existing definition of ‘reliable operation’ lacks sufficient detail to be workable in practice. To assist those who must work within the MRS Program, the Commission should provide additional guidance, to the extent it can, on the criteria it will use to determine whether elements or aspects of the entity’s operations are necessary for the reliable operation of the bulk-power transmission system.”

CPC states “...the Exception Process proposed in Straw-dog #1 should be streamlined and reasonable in terms of time, process and cost. The Commission should provide more detailed criteria for exclusion exceptions and identify any additional decision-making criteria that it may use.”

11.1 Assuming criteria will be developed by the TAC and recommended to the Commission on an on-going basis, are there specific criteria that might be suggested at this time?

Response:

The basis for the TAC is to develop these criteria.

11.2 To what extent are the technical criteria not set out in the various Reliability Standards? Please describe.

[No Response]

11.3 In considering “Reliable Operation of the interconnected bulk-power transmission system,” what would be helpful beyond recommendations from the Administrator and any TAC technical criteria that may be developed and recommended to the Commission?

[No Response]

11.4 Given that Reliable Operation is considered in the context of the “interconnected bulk-power transmission system,” what distinction does BC Hydro make between BC-specific technical criteria and regional criteria?

[No Response]

12.0 Reference: Basis for an Exception Exhibit C17-3, BC Hydro p. 4 b) ii)

Preamble: BC Hydro states “[i]t is BC Hydro’s view that the use of the term necessary is too subjective and may lead to the reviewers of the Exception Requests arguing over whether something is or is not necessary to the Reliable Operation of the interconnected bulk-power transmission system. Subject to BC Hydro’s comments in section 2(b)(v) below, BC Hydro recommends that the technical criteria that will dictate what will be necessary for the Reliable Operation of the interconnected bulk-power transmission system be clarified. Further, BC Hydro recommends that the TAC be instructed to develop any additional BC-specific criteria necessary to assist reviewers of the Exception Requests in determining factors necessary to the Reliable Operation of the interconnected bulk-power system in BC.”

12.1 How would Interveners suggest that the term “necessary” be defined?

Response:

The new FERC BES definition represents a massive amount of work and significant process to best establish a “bright line” approach. Elaboration beyond this point should reflect the application of technical judgment to specific circumstances.

The New Shorter Oxford English Dictionary (Oxford University Press, 1993) defines “necessary” as:

- “That which is indispensable; an essential, a requisite”
- “That which is required for a given situation;” and
- “That cannot be dispensed with or done without; requisite, essential, needful”.

13.0 Reference: Basis for an Exception Exhibit C18-3, FortisBC p. 2 #9 Exhibit C17-3, BC Hydro p. 1 (first bullet) Exhibit C17-3, BC Hydro p. 5 b) iii)

Preamble: FortisBC states it “requires further clarification on the purpose of the Partial Exclusion Exception process before providing comment.”

BC Hydro recommends “[e]limination of the Partial Exception Request from the proposed BC Exception Process.”

“Based on BC Hydro’s reading of the Partial Exclusion Exception, it appears that the exclusion will be related to an Entity seeking relief from a specific Reliability Standard versus an exclusion from the BES itself.

BC Hydro is of the view that the Exclusion and Inclusion Exceptions provide sufficient opportunity for parties to seek relief from being captured under the BC MRS Program and that once it has been determined that an Element is either included or excluded from the BES definition, that Entity should be required to comply with all applicable BC MRS standards. Further, there have been no specific examples given that provide any rationale for the need for a Partial

Exclusion Exception. The Partial Exclusion Exception introduces the concept of an a-la-carte approach to compliance with reliability standards in

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B.C. and BC Hydro does not believe that is consistent with ensuring the reliable operation of the BES. Therefore, BC Hydro recommends that the concept of a Partial Exception Request be removed from the proposed BC Exception Process.”

13.1 What potential value, if any, do Entities see in including a Partial Exclusion Exception process in addition to the Exclusion Exception process?

Response:

AMPC sees value in the Partial Exception Process to address situations not conveniently, or inefficiently addressed by the new BES definition and Inclusion/Exception processes. If, for example, an Entity is reasonably subject to MRS standards by the new BES definition, and an Exclusion application would be ill-advised for clear reasons, but many of the resulting MRS standards are not relevant or not helpful to maintain system reliability, then a Partial Exception Process is reasonable way to balance reliability concerns with cost-effectiveness.

13.2 What is the downside, if any, of introducing a Partial Exclusion Exception in BC that is not contemplated in the NERC exception process?

Response:

AMPC would be concerned about the use of Inclusion applications followed by Partial Exception Process applications where the motivating factor is creating duplicative compliance obligations. In addition to being expensive, this process could result in a different general overall approach to that used by NERC/WECC.

13.3 To what extent would a Partial Exception Request process be appropriate if an entity could demonstrate to the Commission’s satisfaction that specific aspects of the Entity’s operation needn’t be considered, in general or for specific standards or functions, for Reliable Operation of the BES? Please describe any issues or conflicts that may arise with MRS from this practice.

Response:

Please see AMPC’s response to 13.1

14.0 Reference: Form, Content and Submission of an Exception Request Exhibit C17-3, BC Hydro p. 6 b) iv)

Preamble: “It appears that the bulk of the information provided in an Entity’s Exception Request that will provide the BCUC, the Administrator, TAC or BC Hydro, in its capacity as the BA, with the most constructive and useful information on which to make an assessment as to whether or not an Element should or should not be excluded, will be contained in section III of the Applicant’s Exception Request.

‘Section III of an Exception Request shall contain detailed information to support the Exception Request [to be specified on an Exception Request Form when the BC Exception Process details are settled].’

In order to obtain this information, the process outlined in section 4.4 requires BC Hydro, in its capacity as the BA, to submit a specific request for access to this section III Information to the BCUC. BC Hydro expects that in order to adequately review and comment on an Applicant’s Exception Request, in almost all cases it will submit a request to the BCUC for access to the information contained in section III. It therefore strikes BC Hydro as an unnecessary procedural step to require it to submit a request to the BCUC for access to the information contained in section III of the Applicant’s Exception Request. For this reason, BC Hydro recommends that this information ought to be provided to it in the first instance.”

14.1 What objections might other entities have?

Response:

AMPC would not object to providing BC Hydro this information in the first instance in its role as BA. AMPC understands that doing would reflect a procedural efficiency rather than an expansion of BC Hydro’s role in the enforcement of the MRS regime.

14.2 How might those objections, if any, be addressed?

Response:

Please see AMPC’s response to 14.1.

14.3 Would time period concerns be resolved by a requirement for the information to be provided to BC Hydro at the same time as it is provided to the Commission?

Response:

Please see AMPC’s response to 14.1.

14.4 What volume of exception requests might be anticipated during an initial transition period of 24-months, and thereafter?

Response:

Both inclusion and exclusion exception requests may arise as a result of deregistration applications or notifications, as the case may be. There is simply insufficient information, for the reasons provided in AMPC's response to BCUC-SD1-AMPC-6.1, to provide an estimate at the present time.

- 14.5 What timelines might be considered reasonable for processing exception requests, during the initial transition period, and thereafter?

Response:

Complicated exception requests should not exceed six months after submission of the application. Most requests should be less complex and able to be processed in less time.

15.0 Reference: Review and Consideration of Exception Requests Exhibit C19-2, CPC p. 4 Sec. C #15 Exhibit C19-2, CPC p. 4 Sec. C #14

Preamble: CPC states: "The Commission should also consider concessions for administrative penalties while exception request applications are being considered, even if the applications are ultimately rejected or only a partial exclusion is granted."

CPC also states: "Compliance with the MRS Program is a costly and time-consuming exercise. The failure to comply with reliability standards exposes parties to significant administrative penalties. Parties that are initially captured by the BES definition despite having elements not necessary for the reliable operation of the interconnected bulk-power system should not carry the onerous burden of complying with mandatory reliability standards while their exclusion exception applications are being considered. Some administrative accommodation should be permitted while the exception process is pursued in good faith."

- 15.1 What would be the basis for not considering penalties where exception requests are rejected?

[No Response]

- 15.2 Would concessions for administrative penalties while applications are being considered provide an incentive for entities to submit unfounded or poorly founded exception request applications?

Response:

Practically, no. The B.C. system is one characterized by a high degree of professionalism and reliability.

- 15.3 How would entities suggest the Commission handle unsubstantiated requests that may appear to be designed to stall or game the process?

Response:

As with any other process, the Commission should ask for further information if requests do not have sufficient information to proceed following an initial review.

16.0 Reference: Review and Consideration of Exception Requests Exhibit C17-3, BC Hydro, p. 7 b) v)

Preamble: BC Hydro states “[w]hile BC Hydro is supportive of the TAC, it has significant concerns that the TAC appears to have the primary responsibility of making recommendations to the BCUC with respect to BES Exceptions. BC Hydro is of the view that the primary responsibility of making recommendations to the BCUC with respect to BES Exceptions should be that of the Administrator (i.e., WECC), as is the practice in the US, because WECC is in the best position to utilize criteria which is consistent across the relevant regions and can use existing tools to make any recommendations. In this regard, BC Hydro recommends that the TAC should be limited to reviewing Exception Requests based on BC-specific technical criteria and for BC-specific impacts only.”

16.1 Is BC Hydro suggesting that BC-specific technical criteria and BC-specific impacts may be viewed in isolation outside the context of integrated BES operations? Please explain.

[No Response]

16.2 What would BC Hydro suggest for the Commission to consider in the event of significant differences between recommendations from the TAC and WECC?

Response:

AMPC suggests that a brief written process convened by the Commission seeking parties' comments would be appropriate.