



**ORDER NUMBER**  
**G-199-19**

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

and

British Columbia Hydro and Power Authority  
Application for Reliability Coordinator Registration with the Mandatory Reliability Standards Program

**BEFORE:**

A. K. Fung, QC, Panel Chair  
W. M. Everett, QC, Commissioner

on August 23, 2019

**ORDER**

**WHEREAS:**

- A. On October 29, 2018, the British Columbia Hydro and Power Authority (BC Hydro) submitted to the British Columbia Utilities Commission (BCUC) its BC Hydro Reliability Coordinator (RC) Registration Filing (Application). Appended to the Application is BC Hydro's September 4, 2018 application to the Western Electricity Coordinating Council (WECC) to register as the RC for the province of British Columbia (BC);
- B. The BCUC appointed WECC, pursuant to an Administration Agreement as the BCUC's Administrator for the BC Mandatory Reliability Standards Program (MRS Program). WECC's role as Administrator includes making recommendations to the BCUC regarding the registration of Entities for particular functions, including the RC function.
- C. By Order G-227-18 dated November 30, 2018, the BCUC established a regulatory timetable including intervener registration, a BC Hydro workshop, timing for confirmation of intervener intent to file evidence and one round of information requests (IRs) from the BCUC;
- D. On December 13, 2018, the BCUC sent a letter to BC Hydro requesting clarification on the certification requirements described in its Application for registration as RC for BC. BC Hydro responded to the BCUC on December 18, 2018 and WECC subsequently filed a letter of comment clarifying its position on the certification requirements on December 19, 2018;
- E. At the procedural conference held on January 30, 2019, BC Hydro submitted a proposed schedule for the certification review process (Exhibit B-8) and all parties agreed to a full certification review by WECC of BC Hydro's application to register as the RC for BC;
- F. At the conclusion of the procedural conference, the BCUC issued Order G-25-19 dated January 30, 2019, requiring BC Hydro to undergo a full certification review by WECC, including a full review of all Critical Infrastructure Protection (CIP) standards relating to the RC function in accordance with the schedule in

Exhibit B-8, with such adjustments for an earlier date for the WECC certification site audit as may be agreed to by BC Hydro and WECC;

- G. By Order G-32-19 dated February 13, 2019, the BCUC further amended the regulatory timetable and required interveners to file submissions on the “Four Key Documents” and any public interest issues, and required BC Hydro to file with the BCUC the “Four Key Documents” regarding its application to register as the RC for BC together with its reply submission by April 30, 2019;
- H. By Order G-98-19 dated May 3, 2019, the BCUC further amended the regulatory timetable to include: a second round of BCUC and intervener IRs; a requirement for BC Hydro to submit WECC’s full certification review report to the BCUC; and a procedural conference/workshop (if required) to discuss the results of WECC’s on-site visit;
- I. Between May 21 to May 23, WECC completed its on-site review of BC Hydro to assess its ability to perform the function of RC for BC;
- J. On July 4, 2019, BC Hydro filed a letter with the BCUC requesting the cancellation of the procedural conference scheduled for July 8, 2019. In the letter, BC Hydro also stated it did not object to the WECC on-site review report being provided to registered interveners for information purposes. Further, BC Hydro stated it expected to complete all outstanding items identified during the on-site review by WECC by the end of July 2019 and because all parties filed letters supporting the “Four Key Documents” as filed by BC Hydro, a procedural conference was not required;
- K. The BCUC issued a letter dated July 5, 2019, cancelling the procedural conference scheduled for July 8, 2019;
- L. By Order G-158-19 dated July 15, 2019, the BCUC further amended the regulatory timetable, requiring BC Hydro to confirm to BCUC and all registered interveners when all outstanding items identified during the on-site review by WECC are completed and directing BC Hydro and interveners to file their final arguments;
- M. On July 30, 2019, BC Hydro provided confirmation of completion of all Bucket 2 items set out in WECC’s full certification report to the BCUC and registered interveners;
- N. On July 31, 2019, WECC provided its confirmation that BC Hydro had completed all Bucket 2 items;
- O. On August 6, 2019, BC Hydro filed its final argument and on August 9 and 12, 2019, FortisBC Inc. and British Columbia Old Age Pensioners’ Organization et al. filed their final arguments, respectively. BC Hydro filed its reply argument on August 16, 2019; and
- P. The BCUC has reviewed the Application, the evidence and the arguments in this proceeding and considers that acceptance of the Application is warranted.

**NOW THEREFORE** pursuant to section 125.2(10) of the *Utilities Commission Act* and in accordance with the Registration Manual that is Appendix 1 to the Rules of Procedure, the BCUC orders as follows:

1. The BCUC accepts the Application and approves the registration of BC Hydro as the Reliability Coordinator for the province of British Columbia, effective September 2, 2019.
2. After September 1, 2019, the BCUC no longer recognizes PEAK as the Reliability Coordinator for the British Columbia Balancing Authority area.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 23<sup>rd</sup> day of August 2019.

BY ORDER

*Original Signed By:*

A. K. Fung, QC  
Commissioner

Attachment

## **British Columbia Hydro and Power Authority**

### **Application for Reliability Coordinator Registration with the Mandatory Reliability Standards Program**

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#### **Reasons for Decision**

August 23, 2019

Before:

A. K. Fung, QC, Panel Chair  
W. M. Everett, QC, Commissioner

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## 1.0 BACKGROUND TO IMPLEMENTATION OF MANDATORY RELIABILITY STANDARDS IN BC

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

On June 4, 2009, the BCUC issued Order G-67-09 specifying that entities subject to reliability standards (Entities) must register with the BCUC. By Order G-123-09, the BCUC adopted the Rules of Procedure for Reliability Standards in British Columbia (BC ROP) including Appendix 1 to the BC ROP, being the Registration Manual for BC Mandatory Reliability Standards (Registration Manual). The BCUC approved the most recent revisions and updates to the BC ROP including the Registration Manual by Order R-40-17 dated September 1, 2017.<sup>1</sup> The Registration Manual states that Entities are required to be registered and comply with BCUC-adopted Reliability Standards in BC if, among other things, they perform a function identified in Section 2.1.2 of the Registration Manual. Reliability Coordinator (RC) is one of those functions.

Section 2.2.4 of the Registration Manual states that the BCUC “may consider whether additional process or information is required and will then determine whether an Entity should be registered for particular function(s).”<sup>2</sup>

In accordance with the administration agreement (Administration Agreement) between the Western Electricity Coordinating Council (WECC) and the BCUC, dated October 8, 2009 and renewed in October 2014 and July 2019, the BCUC appointed WECC as the BCUC’s Administrator for the BC Mandatory Reliability Standards Program (MRS Program). WECC’s role as BCUC’s administrator includes making recommendations to the BCUC regarding the technical ability of an Entity to perform particular functions.

The RC function is responsible for assessing transmission reliability, coordinating system operations and directing actions to preserve the integrity and reliability of the bulk electric system. On December 19, 2014, the BCUC issued letter L-65-14 recognising PEAK as the RC for the BC Balancing Authority area and directing registered Entities to follow the directions of PEAK as the RC.

In mid-July 2018, PEAK announced its wind down as RC for the Western Interconnection and its expectation that it would cease all operations by December 31, 2019. BC Hydro determined that it was best positioned to assume the RC function for BC and on September 4, 2018, in accordance with the provisions of the Registration Manual, BC Hydro filed its application to register as RC in BC with WECC.

## 2.0 REGULATORY AUTHORITY

In determining whether BC Hydro should be registered as the RC for the province of British Columbia, the Panel considers section 125.2(10) of the UCA, which provides:

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<sup>1</sup> British Columbia Mandatory Reliability Standards Program, Updates to the Rules of Procedure for Reliability Standards in British Columbia, Order R-40-17 dated September 1, 2017.

<sup>2</sup> Exhibit B-1, p. 1-7.

The commission may make orders providing for the administration of adopted reliability standards.

Although the above subsection does not expressly require the BCUC to take into account public interest considerations, the entirety of section 125.2 which defines the extent of BCUC's jurisdiction over the adoption of reliability standards, rules or codes does expressly mention "public interest" as a determining standard.

The role of a RC is a critical one. The RC is responsible for assessing transmission reliability, coordinating system operations and directing actions to preserve the integrity and reliability of the bulk electric system (BES). The North American Electric Reliability Corporation (NERC)<sup>3</sup> glossary defines an RC as:

the entity that has the highest level of authority who is responsible for the Reliable Operation of the BES, has the wide area view of the BES, and has the operating tools, processes and procedures, including the authority to prevent or mitigate emergency operating situations in both next-day analysis and real-time operations. The RC has the purview that is broad enough to enable the calculation of interconnection reliability operating limits, which may be based on the operating parameters of transmission systems beyond any Transmission Operator's vision.<sup>4</sup>

In any given region, an RC is required in order to preserve the reliability of the electricity grid. In the MRS framework of functions, the RC is the entity with the highest level of authority, responsible for the reliable operation of the BES.<sup>5</sup> About 95 percent of the public in BC relies upon and is served and impacted directly by that system. Furthermore, BC Hydro is not applying to be the RC within its own operational footprint alone and other MRS Program registrants and stakeholders may be impacted by decisions made by BC Hydro should it become the RC for the entire province.

Accordingly, in determining whether an Entity should be registered for the role of RC, the BCUC must consider matters of public interest. This assessment would not only consider an entity's technical ability to perform the role but also any other public interest matters. Therefore, as part of this proceeding, the Panel will consider BC Hydro's technical abilities to perform the RC role as well as any other public interest matters raised during the hearing. As such, interveners were invited to make comments regarding any public interest matters relating to BC Hydro's application to be registered as the RC for BC.

### 3.0 CURRENT APPLICATION

Between October 2009 and December 2014, WECC performed the role of RC for BC. In 2014, WECC bifurcated into two entities - one responsible for RC services (PEAK) and one responsible for developing, monitoring and enforcing reliability standards (WECC). In October 2014, BC Hydro executed a 5-year membership agreement with PEAK and, in December 2014, the BCUC recognized PEAK as the RC for BC.<sup>6</sup>

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<sup>3</sup> The North American Electric Reliability Corporation is a standard making body, recognized by the BCUC who establishes reliability standards, rules or codes, NERC glossary of terms adopted by Order R-33-18.

<sup>4</sup> <https://www.bcuc.com/Documents/MRS/2018/Glossary-of-Terms-2017-10-06.pdf>.

<sup>5</sup> BC Hydro Final Argument, p. 3.

<sup>6</sup> BC Hydro Mandatory Reliability Standards Program Reliability Coordinator for British Columbia – Change Reliability Coordinator from WECC to PEAK Reliability, L-65-14 dated December 19, 2014.

Following PEAK's announcement of its wind down, BC Hydro provided notice to PEAK of its intent to terminate its membership agreement with PEAK effective September 2, 2019 in anticipation of its application to become registered as the RC for BC.<sup>7</sup>

On October 29, 2018, BC Hydro submitted its BC Hydro RC Registration Filing to the BCUC (Application). Appended to the Application is BC Hydro's September 4, 2018 application to WECC to register as the RC for BC. BC Hydro proposes, among other things, to undergo an assurance review to be performed by WECC which would include a certification process involving a review of certain reliability standards applicable to the RC function which had not previously been applicable to BC Hydro. BC Hydro's initial Proposed Assurance Review did not include a review of all standards otherwise subject to review under NERC certification processes for RCs in the United States.<sup>8</sup>

### **3.1 Preliminary Regulatory Process**

Order G-227-18 established a written public hearing process for the review of the Application.

The following parties registered as interveners:

- FortisBC Inc. (FortisBC);
- Catalyst Paper Corporation (Catalyst); and
- British Columbia Old Age Pensioners' Organization et al. (BCOAPO).

On December 13, 2018, the BCUC issued a letter to BC Hydro seeking clarification of the three proposed WECC certification options for reviewing its technical capability in Table 4-2 of its Application as follows:

- No WECC certification review process. Self-assessment conducted by BC Hydro;
- WECC assurance review process. A modified certification process focused on new requirements associated with the RC role and conducted by WECC with an onsite visit to BC Hydro; and
- Full certification review process conducted by WECC with an onsite visit to BC Hydro (Full Certification Review).<sup>9</sup>

In Table 4-2 of its Application, BC Hydro submits that a Full Certification Review by WECC posed a potential challenge due to WECC not having sufficient resources, thereby impacting BC Hydro's RC implementation timelines. To address this concern, the BCUC requested it be provided with written documentation from WECC that outlined any reasons or limitations that would prevent WECC from performing a Full Certification Review within the proposed timeline of this proceeding.<sup>10</sup>

By letter to the BCUC dated December 18, 2018, BC Hydro states it had contacted WECC and received confirmation that there were no resource limitations that would preclude it from providing a team to conduct a

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<sup>7</sup> Exhibit B-1, p. 2-3

<sup>8</sup> Exhibit B-1, Table 4-2, p. 4-5.

<sup>9</sup> Ibid.

<sup>10</sup> Exhibit A-3.

Full Certification Review for the RC function within BC Hydro's implementation timelines.<sup>11</sup> WECC subsequently submitted a letter of comment to the BCUC on December 19, 2018 confirming the same.<sup>12</sup>

On December 29, 2018, BCUC submitted its Information Request (IR) No. 1 to BC Hydro. By letter to the BCUC dated January 4, 2019, BC Hydro requested that the procedural conference be moved to a date following the submission of BC Hydro's IR responses to allow for all parties to make informed submissions regarding further regulatory process.

On January 7, 2019, FortisBC, Catalyst and BCOAPO submitted their first round of IRs to BC Hydro and on January 23, 2019, BC Hydro filed its responses to BCUC and Intervener IRs No. 1.

Following receipt of BC Hydro's IR responses, Panel IR No. 1 was issued to BC Hydro on January 29, 2019 to which BC Hydro provided its responses on January 30, 2019. In response to Panel IR No. 1, BC Hydro indicated it would be amenable to a Full Certification Review process by WECC as a requirement to becoming registered as the RC for BC.<sup>13</sup>

By Order G-7-19, the Panel requested interveners to make submissions on the following matters at the procedural conference:

- 1) Options for BC Hydro's certification review process by WECC;
- 2) Other procedural matters parties may bring to the attention of the Panel; and
- 3) Any significant time constraints and/or periods of unavailability which should be taken into consideration when establishing the remainder of the Regulatory Timetable for the Application.

### **3.2 Procedural Conference**

At the procedural conference held on January 30, 2019, BC Hydro submitted a proposed schedule for the Full Certification Review by WECC<sup>14</sup> and all parties agreed to the Full Certification Review process as a requirement for BC Hydro to be registered as the RC for BC. At the conclusion of the procedural conference, the Panel issued an oral order confirming the agreement of all participants for BC Hydro to undergo the Full Certification Review, as confirmed by Order G-25-19 dated January 30, 2019.

At the procedural conference, BC Hydro and all interveners were also invited to make submissions, in addition to the options for the certification review process, on other procedural matters which in their submissions should be taken into consideration when establishing the remainder of the Regulatory Timetable for the Application.

FortisBC submitted that the process for registration as RC should provide for two streams for the review of the Application.

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<sup>11</sup> Exhibit B-2, p. 1.

<sup>12</sup> Exhibit E-1, p. 1.

<sup>13</sup> Exhibit B-7, cover letter, p. 1.

<sup>14</sup> Exhibit B-7, p. 1

The first stream would be the Full Certification Review that would assess BC Hydro's technical capabilities to perform the RC function (i.e. whether it could be registered as the RC).<sup>15</sup>

The second stream would proceed in parallel and address public interest issues that relate to whether BC Hydro should be registered for the RC function.<sup>16</sup> FortisBC further submitted that the second stream would involve the resolution of the terms of the four key documents under which BC Hydro would be anticipated to operate if registered as the RC for BC. The four key documents comprise of:

- a. a draft of the RC code of conduct that BC Hydro would follow if it is registered as the RC;
- b. the terms of reference for the RC Registered Entities Oversight Group referred in BC Hydro's responses to BCUC IR No. 1;
- c. the terms of reference for the RC, Balancing Authority, Transmission Operator Working Group referred in BC Hydro's responses to BCUC IR No. 1; and
- d. a draft of a document setting out a dispute resolution mechanism to be applied in the event of a dispute between the registered Entities in relation to the carrying out of the RC function (collectively, Four Key Documents).<sup>17</sup>

FortisBC also submitted that the Four Key Documents relate centrally to the public interest issues of governance, oversight, transparency, dispute resolution and avoidance of conflicts of interest.<sup>18</sup>

Both Catalyst and BCOAPO supported the two-stream review process proposed by FortisBC.<sup>19</sup>

As outlined in the Reasons for Decision to Order G-32-19, the Panel acknowledges BC Hydro had proposed that an RC Registered Entities Oversight Group and an RC, Balancing Authority, Transmission Operator Working Group would help establish BC Hydro's code of conduct and set the framework for BC Hydro to act independently and transparently in its role as RC.

The Panel notes that BC Hydro is not applying to be RC within its own operational footprint alone and other MRS Program registrants and stakeholders may be impacted by decisions made by BC Hydro should it become the RC. Further, the Panel observes that BC Hydro is registered for all other functions within the BCUC's MRS Program (except for the Planning Authority/Planning Coordinator function for which BC Hydro has accepted responsibility only for its own asset footprint). As such, the Panel finds it important to address issues such as governance, oversight, transparency, avoidance of conflict of interest and dispute resolution as part of the relevant public interest considerations in assessing this Application.<sup>20</sup>

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<sup>15</sup> Procedural Conference Transcript Volume 2, p. 97, emphasis added.

<sup>16</sup> *Ibid.*, pp. 98–99.

<sup>17</sup> *Ibid.*, pp. 100–101.

<sup>18</sup> *Ibid.*, p. 99.

<sup>19</sup> *Ibid.*, pp. 162–166.

<sup>20</sup> Exhibit A-12, Order G-32-19, Appendix B, p. 12.

The Panel also sees merit in BC Hydro submitting the Four Key Documents to all interveners for comment to ensure that public interest issues of governance, transparency and dispute resolution are adequately captured and resolved. The Panel acknowledges that these documents may need to be updated over time and it was not the intent of the Panel to make this process unwieldy, complicated or inflexible. However, it is important that these documents strike an appropriate balance between the interests of BC Hydro and those of the interveners and other MRS Program registrants which will be directly affected by BC Hydro serving as the RC for BC. This is particularly important given the imbalance of power that is inherent between the parties and the degree of control which BC Hydro will assume in taking on the RC function. Furthermore, the BCUC needs to ensure that the process to maintain and update these documents is reasonable and adequate to enable all relevant issues of public interest to be appropriately addressed going forward in the event that BC Hydro becomes registered as the RC.<sup>21</sup>

At the conclusion of the procedural conference, the BCUC issued Order G-25-19 requiring BC Hydro to undergo a Full Certification Review process, including a full review of all Critical Infrastructure Protection (CIP) standards relating to the RC function. The Panel also directed the following:

1. BC Hydro provide drafts of the Four Key Documents to registered interveners by March 1, 2019;
2. Intervenors file submissions on the Four Key Documents with the BCUC by April 15, 2019;
3. Intervenors file submissions on public interest issues, if any, with the BCUC by April 26, 2019; and
4. BC Hydro file the Four Key Documents and its reply submission by April 30, 2019.

### 3.3 Intervener submissions on Governance Documents

In its submission on the Four Key Documents filed by BC Hydro, FortisBC notes that BC Hydro had distributed drafts of three documents which provided interveners an opportunity to comment before finalization of the documents.<sup>22</sup> The three filed documents are:

1. BC Hydro Reliability Coordinator Standards of Conduct<sup>23</sup>
2. Terms of Reference for the British Columbia Reliability Coordinator Registered Entities Oversight Group<sup>24</sup>
3. Terms of Reference for Balancing Authority/Transmission Operator Operations Working Group<sup>25</sup> (collectively, the Governance Documents).

The fourth document regarding process for dispute resolution was not provided as dispute resolution provisions were embedded in Document 2 described above. This document also provides for a process to resolve disputes with respect to matters within the scope of responsibilities of the Registered Entities Oversight Group.<sup>26</sup>

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<sup>21</sup> Ibid., p. 12.

<sup>22</sup> Exhibit C2-5.

<sup>23</sup> Exhibit B-10, Attachment 1.

<sup>24</sup> Ibid., Attachment 2.

<sup>25</sup> Ibid., Attachment 3.

<sup>26</sup> Exhibit B-10, p. 2.

FortisBC also submits that after reviewing the three documents submitted by BC Hydro, it had no specific comments other than there was no separate document addressing the topic of dispute resolution. However, FortisBC submits it would be content in principle with dispute resolution being addressed elsewhere in the three documents, as has been done in the drafts of the documents submitted by BC Hydro.<sup>27</sup>

FortisBC further submits that if the BCUC approves BC Hydro's registration as RC at the conclusion of this regulatory proceeding, it is possible that once tested, in practice the three documents may not work well or work in unanticipated ways and FortisBC and other registered Entities could make comments to the BCUC on the documents in the future. The terms of reference do provide for periodic review and FortisBC also sees merit in the BCUC convening, at a later time, a process to review how the three documents are working in practice.<sup>28</sup>

In BCOAPO's submission on the three documents, BCOAPO submits that it takes a similar position to FortisBC regarding the purpose of the documents and in the interest of regulatory efficiency, it stood by FortisBC's submission on this issue.<sup>29</sup>

Catalyst made no submission on any governance issues.

### **3.4 Intervener submissions on other matters of public interest**

FortisBC submits that during its review of the Application, its primary public interest concerns had been around: governance; oversight; transparency; dispute resolution; and avoidance of conflict of interest, and that these issues had been addressed. FortisBC reiterates it has no further comments on the documents filed by BC Hydro and subject to a favourable outcome of the Full Certification Review, it considers the registration of BC Hydro as RC to be in the public interest and supports the Application. FortisBC also submits that should the BCUC approve BC Hydro's Application, it recommends that the Registered Entities Oversight Group and the Operations Working Group be established immediately upon approval to facilitate the transition of BC Hydro as the provincial RC.<sup>30</sup>

BCOAPO supports FortisBC's submission and also recommends the prompt establishment of the Registered Entities Oversight and Operations Working Groups.<sup>31</sup>

Catalyst made no submission on any other public interest issues.

## **4.0 WECC'S FULL CERTIFICATION REVIEW**

Between May 21 and May 23, 2019, WECC performed its on-site certification review of BC Hydro to assess its technical ability to perform the RC function.

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<sup>27</sup> Exhibit C2-5, p. 1.

<sup>28</sup> Exhibit C2-5, p. 2.

<sup>29</sup> Exhibit C3-4.

<sup>30</sup> Exhibit C2-6, p. 1.

<sup>31</sup> Exhibit C3-5.

On July 2, 2019, WECC submitted its Certification Report to the BCUC providing the results of its on-site Full Certification Review. The WECC Certification Report includes a number of items that WECC identified during its certification review (referred to as Bucket Two items [“Bucket 2”]) that required completion by BC Hydro in order for it to be certified for the RC function.

WECC’s Certification Report concludes that pending satisfactory completion of the Bucket 2 items, WECC has reasonable assurance that BC Hydro has the processes, procedures, tools, training and personnel in place to reliably perform the RC function for British Columbia.<sup>32</sup>

On July 30, 2019, BC Hydro notified the BCUC and all registered interveners that it had successfully completed all Bucket 2 items.<sup>33</sup> On July 31, 2019, WECC notified the BCUC that BC Hydro had completed all Bucket 2 items to its satisfaction.<sup>34</sup>

## 5.0 MATTERS ARISING FROM FINAL ARGUMENTS

### *BC Hydro’s Final Argument*

On August 6, 2019, BC Hydro filed its final argument in support of its Application to be registered as RC for the province. Following PEAK’s announcement that it would wind down as RC for the Western Interconnection, BC Hydro submits that in order to maintain compliance with the MRS and ensure the same level of grid reliability that exists today, an RC will need to be registered in BC to replace PEAK and BC Hydro determined it was best positioned to assume the RC function for BC.<sup>35</sup> BC Hydro is the only entity that has applied to be registered as the new RC for BC.<sup>36</sup>

BC Hydro submits that, as noted by the BCUC, there is no explicit process established in section 125.2 of the UCA for the BCUC’s determination of which Entity should be registered for the RC function but the Registration Manual contemplates the process steps<sup>37</sup> when an Entity should be registered for a particular function.<sup>38</sup> BC Hydro submits that the assessment by WECC of an Entity’s capability and ability to perform the applied-for function, has, in almost all other cases, been determinative of whether the Entity should be registered for the function.

BC Hydro submits that following the procedural conference and as directed by the Panel, it has provided documents related to the governance of its proposed RC services to registered Entities and interveners, and further developed the Governance Documents through stakeholder consultation processes with interested

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<sup>32</sup> Exhibit B-13, Attachment 1, p. 6.

<sup>33</sup> Exhibit B-14.

<sup>34</sup> Exhibit A2-1.

<sup>35</sup> BC Hydro Final Argument, pp. 3–4.

<sup>36</sup> BC Hydro Final Argument, p. 1.

<sup>37</sup> Entity’s submission of a completed application form to WECC; WECC review of the application and assessment of entity’s ability to perform the function; WECC recommendation as to whether the entity should be registered for the function to the BCUC; BCUC’s consideration of additional process and/or information, if required; BCUC determination as to whether an entity should be registered for a particular function.

<sup>38</sup> BC Hydro Final Argument, p. 7.

parties providing a forum for review and feedback.<sup>39</sup> BC Hydro submits that both FortisBC and BCOAPO filed letters supporting the Governance Documents.<sup>40</sup> BC Hydro also submits that neither FortisBC nor BCOAPO have raised any public interest issues and both have provided their support for BC Hydro's Application.<sup>41</sup>

BC Hydro submits that while U.S. entities are subject to the NERC Rules of Procedure which require full certification for RC registration, there is no similar requirement for a BC Entity requesting registration as RC to follow a prescribed certification process. At the procedural conference, all parties had agreed to a Full Certification Review by WECC to assure the BCUC and all other entities that BC Hydro has the tools, processes, training and procedures sufficient to meet the requirements of the reliability standards associated with the RC function.

BC Hydro submits that following the Full Certification Review, WECC identified a number of Bucket 2 items that BC Hydro was required to complete and confirm their completion with WECC. The WECC Certification Report provides the results of the WECC certification review and it concludes that pending the completion of the Bucket 2 items, BC Hydro has the processes, procedures, tools, training and personnel in place to reliably perform the RC function for BC.<sup>42</sup> On July 31, 2019, WECC issued its notice of completion by BC Hydro of all Bucket 2 items to the BCUC.

In light of the recommendation from WECC that subject to the completion of Bucket 2 items, BC Hydro be registered as RC for BC, and given BC Hydro's successful completion of Bucket 2 items, BC Hydro submits the evidence demonstrates its technical capability and readiness to perform the role of RC for BC. BC Hydro further submits that the BCUC should give primary weight to WECC's assessment of BC Hydro's capability to perform the function in determining whether or not to register BC Hydro as RC.<sup>43</sup> BC Hydro suggests that the BCUC should refrain from issuance of MRS administrative orders only when there is a "compelling public interest reason" not to do so.<sup>44</sup>

BC Hydro also confirms it has begun shadow operations with PEAK as of July 8, 2019 and is prepared and ready to begin RC operations in September.<sup>45</sup>

### *FortisBC's Final Argument*

FortisBC's final argument addresses governance issues and BC Hydro's technical capability to perform the function of RC.

FortisBC states it had provided comments to BC Hydro on the Governance Documents and participated in discussions with BC Hydro regarding the documents and subsequent revisions and on April 15, 2019, FortisBC

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<sup>39</sup> BC Hydro Final Argument, p. 5.

<sup>40</sup> BC Hydro Final Argument, p. 5; Exhibit C2-5; Exhibit C3-4.

<sup>41</sup> BC Hydro Final Argument, p. 9.

<sup>42</sup> BC Hydro Final Argument, p.16; Exhibit B-13, Attachment 2.

<sup>43</sup> BC Hydro Final Argument, p. 10.

<sup>44</sup> BC Hydro Final Argument, p. 9.

<sup>45</sup> BC Hydro Final Argument, p. 2.

confirmed<sup>46</sup> its general support for the Governance Documents.<sup>47</sup> FortisBC also submits that BC Hydro responded to further BCUC and Panel IRs related to the Governance Documents and in its responses, BC Hydro included certain minor changes to the RC Standards of Conduct. FortisBC submits that it is supportive of the identified changes.

FortisBC submits that the RC Standards of Conduct provide the framework to support the conduct of BC Hydro in treating users of the interconnected transmission system in a fair and non-discriminatory manner which provides sufficient transparency.<sup>48</sup> Deviations from the Standards of Conduct will be reported on BC Hydro's public RC website and an annual report of the deviations will be posted on the public RC website and be provided to the Registered Entities Oversight Group.<sup>49</sup> FortisBC also submits that the Terms of Reference for both the Registered Entities Oversight Group and the Operations Working Group provide for an annual review of and potential revisions to the respective terms of reference.

FortisBC reiterates in its submission on the public interest aspect of the Application,<sup>50</sup> its recommendation that the Registered Entities Oversight Group and the Operations Working Group be established immediately upon approval of the Application in order to facilitate the transition to BC Hydro as the provincial RC and further encourages BC Hydro to convene the initial meetings of these groups as soon as reasonably possible.<sup>51</sup>

FortisBC submits that its primary concerns with the potential registration of BC Hydro as the RC have been issues of governance, oversight, transparency, dispute resolution and avoidance of conflicts of interest and FortisBC is generally satisfied with the governance framework established by BC Hydro for the role of RC. FortisBC also submits the WECC Certification Report confirms that BC Hydro is technically capable of performing the role of RC.

FortisBC submits there is no evidence that BC Hydro's registration as the RC would not be in the public interest, and therefore supports BC Hydro's Application.

### *BCOAPO's Final Argument*

BCOAPO's final argument addresses governance issues and BC Hydro's technical capability to perform the function of RC.

Like FortisBC, BCOAPO submits that its primary concerns have been related to the issues of independence of the RC function from other BC Hydro services, accountability, effective dispute resolution and avoidance of conflict

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<sup>46</sup> FBC Final Argument, p. 1

<sup>47</sup> FBC Final Argument, p. 1.

<sup>48</sup> FBC Final Argument, p. 2.

<sup>49</sup> Ibid.

<sup>50</sup> Exhibit C2-6.

<sup>51</sup> FBC Final Argument, p. 3.

issues.<sup>52</sup> BCOAPO submits it had supported the Governance Documents developed during the consultation between BC Hydro and FortisBC and adopts FortisBC's position on public interest issues.<sup>53</sup>

BCOAPO submits that BC Hydro had changed certain provisions of the RC Standards of Conduct in response to BCUC IR No. 2 and BCOAPO supports these revisions. BCOAPO further submits that if the BCUC deemed it necessary to adjust some of the Governance Documents to advance the independence of the RC role, it will not object.<sup>54</sup>

BCOAPO submits that BC Hydro's technical ability to act as RC was assessed and confirmed by WECC and it has no further comments regarding WECC's findings.

To conclude, BCOAPO submits that considering BC Hydro is technically capable of assuming the role of RC, and in the absence of evidence that BC Hydro's registration as the RC would not be in the public interest, the BCUC should approve BC Hydro's Application.<sup>55</sup>

### *BC Hydro's Reply Argument*

On August 13, 2019, BC Hydro filed its reply argument and submits that it agrees with FortisBC's recommendation to convene the initial meetings for the RC Registered Entities Oversight Group and the RC Balancing Authority, Transmission Operations Working Group as soon as reasonably possible in order to facilitate the transition to BC Hydro as provincial RC.<sup>56</sup> BC Hydro submits that it will reach out to registered entities upon approval of its RC registration to arrange the initial meetings of these groups.

BC Hydro submits it does not agree with BCOAPO's suggestion that the BCUC adjust the Governance Documents generally or in the specific manner suggested. BC Hydro submits that it is not seeking the BCUC's approval of any of the Governance Documents nor does it anticipate seeking approval for any future amendments. BC Hydro submits that it will be posting a copy of the annual report on the RC website and does not object to providing the BCUC with a copy of the annual report for informational purposes.<sup>57</sup>

BC Hydro submits that in light of the overall support from both FortisBC and BCOAPO of its Application, the BCUC should issue the final order accepting BC Hydro's registration as RC for BC as soon as possible and with an effective date of September 2, 2019.<sup>58</sup>

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<sup>52</sup> BCOAPO Final Argument, p. 1.

<sup>53</sup> Ibid., p. 2.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid.

<sup>56</sup> BC Hydro Reply Argument, p. 1

<sup>57</sup> BC Hydro Reply Argument, p. 2.

<sup>58</sup> Ibid.

## 6.0 PANEL DISCUSSION AND DETERMINATION

Following PEAK's decision to wind down its operations and cease to act as the RC for the Western Interconnection by the end of 2019 and given the important role an RC plays within the MRS Program in BC, the Panel considers it prudent for preserving the integrity and reliability of BC's electricity grid that an alternative RC be in place for BC before the end of the year. The Panel also notes that BC Hydro is the only entity that has applied to assume the RC function currently performed by PEAK. As such, there is no viable current alternative to BC Hydro's request to become the RC for British Columbia. The Panel acknowledges that having no RC to assume the duties of PEAK before it ceases operations is clearly not in the public interest.

In making its findings, the Panel considers section 125.2(10) of the UCA which provides that the BCUC may make orders providing for the administration of adopted reliability standards. Although section 125.2(10) does not expressly require the BCUC to take into account public interest considerations, the entirety of section 125.2 which defines the extent of BCUC's jurisdiction over the adoption of reliability standards, rules or codes does mention "public interest" as a determining standard.

In light of that statutory provision and the crucial role and impact that the RC has on other MRS Program registrants and stakeholders in this Province, the Panel finds it appropriate to consider the public interest in its review of the Application. The Panel considers public interest to encompass not only BC Hydro's technical capability to perform the role of RC but also issues such as governance, transparency, dispute resolution and avoidance of conflicts of interest. The Panel disagrees with BC Hydro's submission that the BCUC should give primary weight to WECC's assessment of BC Hydro's capability to perform the function in determining whether or not to register BC Hydro as RC.<sup>59</sup> Technical capability is not determinative and does not necessarily trump other public interest considerations. Similarly, the Panel rejects BC Hydro's argument that the BCUC should refrain from issuance of MRS administrative orders only when there is a "compelling public interest reason" to do so.<sup>60</sup> The Panel considers that the BCUC has jurisdiction and the discretion to issue administrative orders or refrain from doing so for public interest reasons, and that the BCUC is not confined to finding a "compelling public interest reason" in making its decision.

Given the importance of the RC role in this province and the size and prominence of BC Hydro relative to other Entities, public interest considerations such as governance, transparency, dispute resolution and avoidance of conflicts of interest may well outweigh technical capability. Fortunately, those concerns have been successfully addressed by the parties in the course of this proceeding so as not to present a current roadblock to BC Hydro's registration as RC.

Given the successful completion of the Bucket 2 items, following WECC's recommendation and on the basis of the evidence in this proceeding, **the Panel finds that BC Hydro has the technical capability, including procedures, tools, training and personnel in place to reliably perform the RC function for the Province of British Columbia.**

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<sup>59</sup> BC Hydro Final Argument, p. 10.

<sup>60</sup> BC Hydro Final Argument, p. 9.

The Panel acknowledges that BC Hydro has proposed that an RC Registered Entities Oversight Group and an RC, Balancing Authority, Transmission Operator Working Group will help establish BC Hydro's code of conduct and set the framework for BC Hydro to act independently and transparently in its role as RC. Accordingly, the Panel previously directed BC Hydro to provide the draft Governance Documents to registered interveners. The Panel also directed interveners to file their submissions on any public interest issues with the registration of BC Hydro as the RC for BC. The Panel notes that BC Hydro has stated it will reach out to registered Entities upon approval of its RC registration to convene the initial meetings of the two oversight groups.<sup>61</sup>

The Panel notes that BC Hydro has consulted with MRS Entities and interveners in developing and finalizing these Governance Documents. The Panel acknowledges that BC Hydro is not seeking BCUC's approval of any of the Governance Documents nor seeking approval for any future amendments. However, the Panel also notes that BC Hydro confirms it will publish on its RC website revisions to the RC Standards of Conduct, and the Terms of Reference for the Registered Entities Oversight Group and its working group(s), for informational purposes.<sup>62</sup> BC Hydro has also confirmed that it intends to publish an annual report of any deviations from the Standards of Conduct. The Panel requests that concurrent with such publication, BC Hydro file such revisions with the BCUC for informational purposes.

The Panel notes that all interveners generally agree that these Governance Documents addressed concerns they had over the issues of governance, oversight, transparency, dispute resolution and the avoidance of conflicts of interest. The Panel further notes that the interveners have raised no other public interest issues over the appointment of BC Hydro as the RC, and further support BC Hydro's registration as the RC for BC.

As such, the Panel is satisfied that the Governance Documents establish a framework in accordance with which BC Hydro can perform the role of RC in this province independently and in a non-discriminatory manner. Furthermore, these documents provide registered Entities with a framework to raise their concerns as well as providing a mechanism for dispute resolution. If and when necessary, parties can raise concerns or complaints with the BCUC and BC Hydro will also be subject to WECC oversight of compliance with mandatory reliability standards related to its performance of the RC function. Given the evidence above, **the Panel finds that there are no unresolved public interest matters related to BC Hydro's Application to be registered as the RC for the province of British Columbia.**

As such, for the reasons discussed above, **the Panel finds that it is in the public interest for BC Hydro to assume the role of RC for the Province of British Columbia, effective September 2, 2019, effectively replacing PEAK as RC for the Province of BC. PEAK will no longer be recognized by the BCUC as the RC for BC after September 1, 2019.**

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<sup>61</sup> BC Hydro Reply Argument, p. 1.

<sup>62</sup> Exhibit B-11, p. 45.

## 7.0 OTHER MATTERS

### *Costs and fees associated with BC Hydro's registration as RC*

In its Application, BC Hydro states that PEAK's membership and service fees are allocated to members based on their energy demand as a percentage of total demand in the Western Interconnection multiplied by PEAK's approved budget. BC Hydro, as the Balancing Authority for BC, currently pays the PEAK fees for RC services for the Province and states it had paid \$3.47 million (USD) in membership fees to PEAK in 2018.<sup>63</sup>

BC Hydro provides an estimate of RC start up costs as well as the ongoing annual costs to provide RC services and estimates this to be between \$2.51 million and \$2.76 million, which is approximately \$1.61 million to \$1.86 million Canadian less than the annual fees paid to PEAK in 2018.<sup>64</sup>

BC Hydro, as part of its IR responses, has confirmed that the costs described in its Application are subject to review during a future revenue requirements application.<sup>65</sup> BC Hydro also states in its Application that it does not plan to recover the costs from registered Entities but may do so in the future. However, in the future, it may review cost sharing for a part of or the whole MRS Program amongst BC registered Entities. BC Hydro further submitted that there may be various cost recovery mechanisms that could be employed including cost recovery on a net energy for load basis, similar to the manner in which WECC fees are currently recovered from its member organizations.<sup>66</sup> The Panel observes that any proposal for a change in cost recovery, namely, recovery of MRS Program costs from other registered Entities, is subject to BCUC review and approval.

Accordingly, **the Panel makes no determination at this time regarding the estimates provided by BC Hydro as part of its start-up and ongoing costs for providing the services related to the RC function nor the recoverability of such amounts.**

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<sup>63</sup> Exhibit B-1, p. 2-4.

<sup>64</sup> Ibid.

<sup>65</sup> Exhibit B-6, p. 94.

<sup>66</sup> Exhibit B-6, p. 95.