

Compliance Review 2016

February 22, 2017

Taking action to promote effective competition and a culture of compliance and accountability in Alberta's electricity and retail natural gas markets

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Executive Summary

This report and other interim compliance reporting is provided further to the MSA's commitment to be open and transparent, as we carry out our mission to promote effective competition and a culture of compliance and accountability in Alberta's electricity market. This report is also provided pursuant to section 23(2) of the Alberta *Transmission Regulation*.

Promotion of Compliance and Accountability

The MSA has a broad mandate of surveillance, investigation, and enforcement in respect of the Alberta electricity market. The MSA's activities undertaken in accordance with this mandate benefit Albertans by ensuring markets are competitive and that there is a well-functioning and dependable electricity sector. Through enforcement of ISO rules and reliability standards – the subject of this annual review – the MSA contributes to the reliability and competitiveness of the Alberta electric system and promotes a culture of compliance and accountability among market participants.

Rules and Standards in Alberta's Electricity Market

ISO rules are established in Alberta by the Independent System Operator - the Alberta Electric System Operator (AESO) in consultation with market participants. The purpose of ISO rules is to promote orderly and predictable actions on the part of market participants and to support the role of the AESO in coordinating those actions. As set out in the Alberta *Transmission Regulation*, the AESO, in consultation with industry, reviews NERC and WECC standards to assess and recommend to the Alberta Utilities Commission (AUC), whether those standards are applicable to the Alberta Interconnected Electric System (AIES). The purpose of reliability standards is to ensure the various entities involved in grid operations (generators, transmission operators, system operators i.e. ISOs) are doing their part by way of procedures, communication, coordination, training, and maintenance, among other practices, to support the reliability of the interconnected electric system. Alberta Reliability Standards are applicable to both the AESO and those who control generation or transmission facilities in the province. The bulk of Alberta Reliability Standards are AESO applicable given the scope of the AESO's responsibilities and a smaller subset is applicable to entities other than the AESO.

Enforcement Framework

In Alberta, the AESO has a mandate to conduct compliance monitoring. The AESO applies its technical and operational expertise to identify potential rule and standard contraventions by market participants and refers these to the MSA for action. The AUC is the decision maker on financial penalties and in this regard, AUC Rules 019 and 027 authorize the MSA to issue notices of specified penalty as prescribed in those rules. If a party disputes a notice of specified penalty, the matter is settled by way of a hearing or other proceeding before the AUC. Alternatively, the MSA can enter into a settlement agreement concerning a contravention or request a hearing before the AUC. In either case, the AUC approves the outcome. The MSA's compliance process also encourages participants to self-report issues of non-compliance with

the prospect of favorable treatment in order to promote self-monitoring and robust compliance programs in industry.

What we looked at

The MSA reports summary compliance metrics as part of its quarterly reporting and publishes this separate more comprehensive analysis following year-end. For 2016, we summarize compliance matters received by referral or by self-report, and how those matters were distributed amongst various rules and standards. We summarize enforcement activities in terms of the MSA's issuance of specified penalties by rule and standard.

What we found

The overall number of ISO rules compliance matters addressed increased marginally from 2015 to 2016, reversing the trend of small decreases observed in the last two years. While the number of referrals from the AESO increased, self-reports submitted by market participants continued to represent a large majority of the events we assessed, indicating that market participants continue to actively monitor for and self-disclose events of non-compliance. The distribution of contraventions across ISO rules was broadly similar to previous years as rules governing the most frequent day-to-day market activities accounted for the majority of compliance events. Most notices of specified penalty issued in 2016 were for first contraventions within a 12 month period, which is indicative of the fact there were few persistent problems found in compliance with ISO rules.

The number of Alberta Reliability Standards matters increased overall from 2015 to 2016 due to more activity for a limited number of standards, while most other standards showed modestly higher compliance activity year over year. These shifts are attributed in part to variations in entities subject to compliance audit from year to year given the three year audit cycle for Alberta Reliability Standards.

Numbers at a Glance

- 437 ISO rules compliance matters addressed in 2016, up from 430 matters addressed in 2015.
- Self-reporting accounted for 77% of ISO rules compliance matters addressed by the MSA.
- 50 notices of specified penalty issued for contraventions of ISO rules for a total of \$71,250 in financial penalties. No specified penalties were disputed or remained unpaid.
- 76% of the notices of specified penalty issued for ISO rules in 2016 were for first contraventions over a 12 month period.
- 122 Alberta Reliability Standards compliance matters addressed in 2016, up from 82 addressed in 2015.
- 27 matters relating to Alberta Reliability Standards were addressed by notices of specified penalties, totalling \$102,250 in financial penalties. No specified penalties were disputed or remained unpaid.

1 Introduction

The MSA's mandate includes compliance enforcement with respect to contraventions of ISO rules and Alberta Reliability Standards. The goal of the MSA's compliance process is to create a culture of compliance and accountability in the industry. The MSA will issue penalties in certain circumstances to remind participants of their obligations and to promote good compliance practices. However, the MSA is committed to working with participants in a cooperative fashion to understand and resolve underlying issues leading to events of non-compliance. Where non-compliance stems from a lack of clarity in language or expectations, the MSA has and will continue working to correct these situations.

The report is organized as follows:

- Section 2 provides an overview of key developments affecting compliance enforcement in 2016.
- Section 3 provides a description of ISO Rule compliance matter dealt with in 2016.
- Section 4 provides a description of Alberta Reliability Standards compliance matters dealt with in 2016.

2 Statutory Developments

2.1 AUC Rule 027

On January 28, 2016, the AUC issued Bulletin 2016-001 announcing amendments to AUC Rule 027. These included changes to the specified penalty matrix resulting from additions, amendments, and removals of Alberta Reliability Standards, as described in Table 1. These changes became effective on April 1, 2016.

Table 1: AUC Rule 027 Amendments

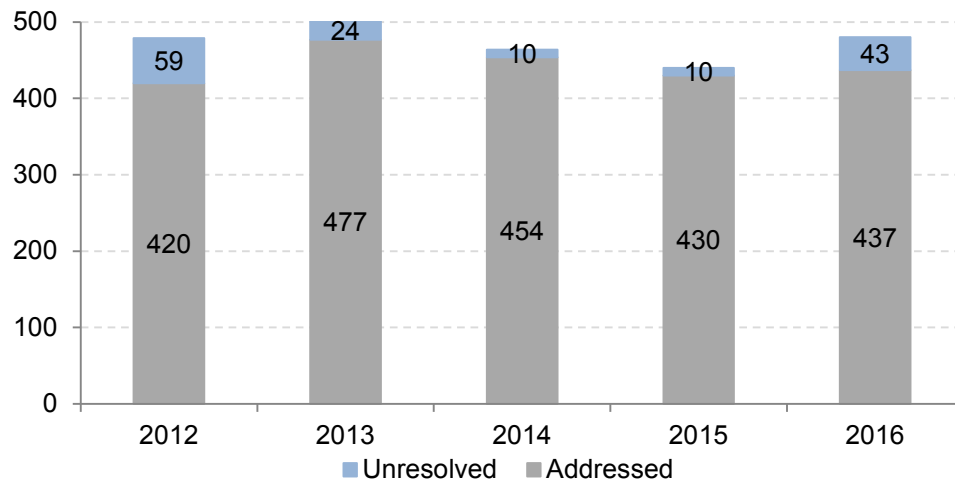
Penalty Table Category	Standard Additions	Standard Version Updates	Standard Removals
Category 1	CIP-SUPP-001-AB		IRO-006-WECC-AB-1
Category 2	EOP-006-AB-2 VAR-001-AB-4 (R5)	BAL-004-AB-0 (R3)	BAL-004-WECC-AB-1 COM-001-AB-1.1 (R3-R7)
Category 3	TOP-007-AB-0 (R2)	BAL-002-WECC-AB1-2 BAL-005-AB1-0.2b	COM-001-AB-1.1(R1, R2) EOP-001-AB-2b (R2-R10) PRC-001-AB1-1
Category 4			
Category 5	PER-001-AB-0.2 VAR-001-AB-4 (R4, R6) VAR-002-AB-3 (R5, R6)	TOP-005-AB3-1	
Category 6	FAC-011-AB-2 (R1, R3, R4)	FAC-010-AB1-2.1 (R1, R3-R6) FAC-014-AB1-2	FAC-501-WECC-AB1-1
Category 7		BAL-004-AB-0 (R4)	
Category 8	FAC-010-AB1-2.1 (R2) FAC-011-AB-2 (R2) VAR-001-AB-4 (R1-R3) VAR-002-AB-3 (R1-R4)		
Category 9	TOP-007-AB-0 (R3)		EOP-001-AB-2b (R1) FAC-010-AB-2.1 (R2)

3 ISO Rules Enforcement

3.1 Activity Levels

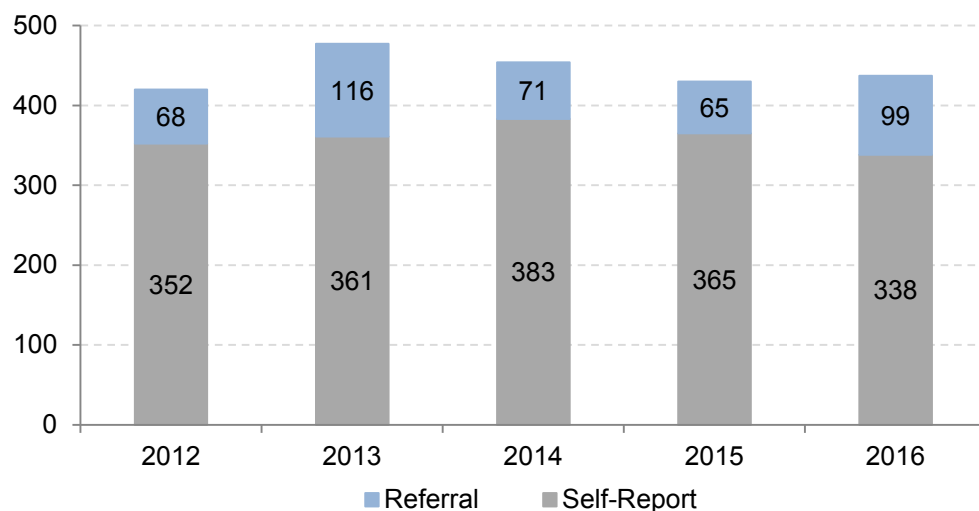
In 2016 the MSA addressed 437 ISO rules compliance matters and had 43 files unresolved at the end of the year. Of the 437 files, 50 (11%) resulted in a notice of specified penalty, and 387 (89%) resulted in forbearance. No compliance matters were brought before the AUC for a hearing or other proceeding, and none of the notices of specified penalties were disputed or remained unpaid. In 2015, the MSA addressed 430 ISO rules compliance matters, issuing 39 notices of specified penalty and 391 letters of forbearance. As Figure 1 indicates, the number of ISO rules compliance matters received increased marginally compared to 2015 and 2014, but remained comparable to recent years.

Figure 1: ISO Rules Compliance Matters Addressed



The MSA addressed 338 ISO rules compliance matters that were received via self-report and 99 matters that were received through AESO referrals (77% and 23% of total matters addressed in the year, respectively). While the number of referral matters addressed in 2016 was larger than in 2015, the distribution of the ISO rules matters referred remained similar, with two notable exceptions. The share of referral matters addressed relating to ISO rule 203.3 increased due to a large number of matters relating to a small number of market participants. Conversely, the share of matters relating to ISO rule 201.7 referred saw a significant decline, suggesting possible improvement in self-identification and compliance with respect to this rule.

Figure 2: ISO Rule Matters Addressed, Self-Reports vs. AESO Referrals



Of the 338 ISO rules related self-reports addressed in 2016, 15 were issued a notice of specified penalty; while 35 of the 99 matters referred by the AESO received a notice of specified penalty.¹ Contraventions self-reported to the MSA can receive favourable treatment. However, the MSA may issue notices of specified penalty for contraventions that do not meet the forbearance criteria outlined in the MSA's Compliance Process (such as, if the contravention is deemed serious or is seen as a recurring problem). Penalty amounts issued for self-reports are reduced by 50% as outlined in AUC Rule 019.

The distribution of ISO rules compliance files addressed by the MSA in 2016 is broadly similar to that observed in 2015. As seen in Figure 3, the majority of matters seen by the MSA relate to ISO rules governing the most common day-to-day energy market activities, such as: the submission of energy restatements (ISO rule 203.3), import and export information submission requirements (ISO rule 203.6), and delivery of energy or operating reserves in response to a dispatch or directive (ISO rules 203.4 for energy and 205.4 through 205.6 for operating reserves). ISO rule 203.3 matters accounted for 38% of the matters addressed in 2016, while ISO rule 203.4 matters accounted for 22%, ISO rule 203.6 matters accounted for 8%, and ISO rules 205.4 through 205.6 matters accounted for 8% of the matters addressed in 2016.

Those rules typically have a requirement for performing an action within a short period of time or delivering an exact amount of energy within a certain period of time. As a result, contraventions can occur when timelines or amounts are missed by small margins. Such events may have no impact on the reliability of the electric system and in cases where they do not and there is no pattern of reoccurrence, there is a basis for forbearance. For more substantial matters, the MSA is considerably less likely to forbear. Specific trends and compliance developments are discussed in section 3.3 of this report. In 2016, 28 different ISO rules were identified in self-reports and referrals, a similar number to the previous year.

¹ The MSA may open multiple files to process a single referral in certain cases depending on the details of the matter being referred. Accordingly, the total number of matters originating by referral addressed in a particular year may not reflect the total referrals received from the AESO.

Figure 3: 2016 Compliance Matters Addressed by ISO Rule (NSP and Forebearance)

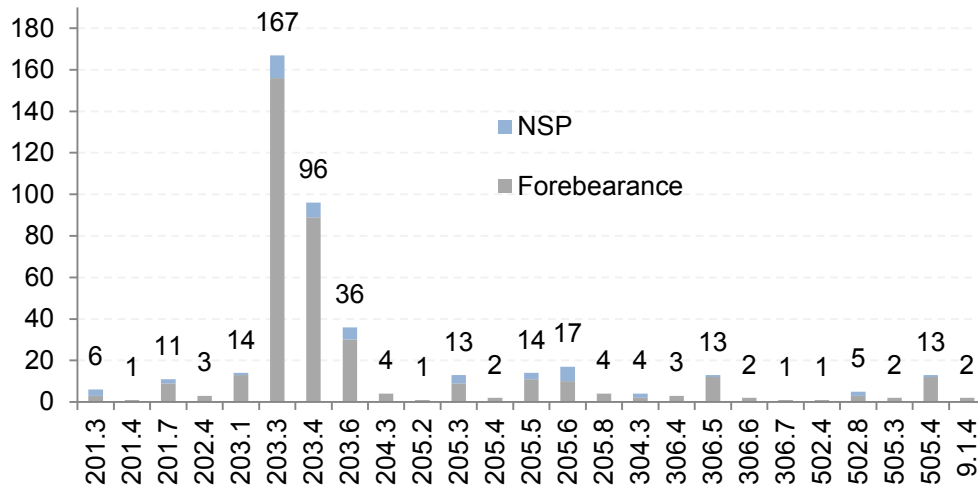


Table 2 breaks down compliance matters by month of contravention and the relevant rule contravened for all matters addressed and received in 2016. Of these matters, one occurred in 2013, one occurred in 2014, and 62 occurred in 2015.

Table 2: ISO Rules Matters Addressed by Month of Contravention

		Pre 2015	2015				2016												Total
			Q1	Q2	Q3	Q4	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
Forbearance	201.3				1				2										3
	201.4									1									1
	201.7					1		2					2	2		2			9
	202.4				1	1					1								3
	203.1					1	1	2		2	2	2		2		1			13
	203.3	1				21	8	7	14	10	17	16	13	15	10	15	9		156
	203.4					6	13	2	7	7	13	6	7	10	11	3	4		89
	203.6					6	4		3	1	2	1	2	1	7	2	1		30
	204.3					4													4
	205.2					1													1
	205.3					1		1			1	1	1	1		2	1		9
	205.4										1		1						2
	205.5			4	1						1	2	2	1					11
	205.6					3	1				1	2	2	1	1	1			10
	205.8						1					1				2			4
	304.3						1	1											2
	306.4					1	1		1										3
	306.5					1	3			2			1	2	3				12
	306.6									1				1					2
	306.7											1							1
502.4										1								1	
502.8				1				1					1					3	
505.3									1						1			2	
505.4					2		3			1				2	3	1		12	
9.1.4						1			1									2	
Total	1	0	4	4	49	34	18	28	25	42	30	31	37	35	31	16	0	385	
Notice of Specified Penalty	201.3			1							2								3
	201.7							1					1						2
	203.1												1						1
	203.3				1			1	2	1	1	1				1	2		11
	203.4				1		1		2	1	1	1							7
	203.6					1	3								2				6
	205.3							1		3									4
	205.5											1	1	1					3
	205.6									1		3	1			2			7
	304.3												2						2
	306.5											1							1
502.8		1																2	
505.4																		1	
Total	0	1	1	2	1	4	3	2	3	5	5	10	2	3	3	2	0	50	
Rejected Withdrawn	501.2	1																	1
	505.3															1			1
	Total	1	0	0	0	0	0	0	0	0	0	0	0	0	0	1	0	0	2
Unresolved	201.3							2											2
	203.1														2				2
	203.3													8	1	1	9	6	25
	203.4																3	2	5
	204.3														1				1
	205.2																	1	1
	205.3																1		1
	205.5																1		1
	205.6																2		2
	205.8																	1	1
	301.2														1				1
304.7																		1	
Total	0	0	0	0	0	0	2	0	0	0	0	0	8	5	1	16	11	43	

As seen in Table 2 and Table 3, the MSA issued 50 notices of specified penalty for ISO rules compliance matters involving 31 market participants, resulting in a total financial amount of \$71,250. In the previous year, the MSA issued 39 notices of specified penalty over 27 market participants, totaling \$42,000. The percentage of notices of specified penalty issued for first contraventions declined to 76% in 2016 from 82% in 2015. Despite this decrease, the high proportion of first contraventions is a positive indicator that for the most part, ISO rule contraventions are not indicative of systemic problems. Among the balance of specified penalties issued in 2016, five were second contraventions, two were third contraventions, one was a fourth contravention and one was a fifth contravention. Higher frequency contraventions attract greater specified penalties as per AUC rule 019.

Table 3: Specified Penalties Issued in 2016 for Contraventions of ISO Rules

Market Participant	201.3	201.7	203.1	203.3	203.4	203.6	205.3	205.5	205.6	304.3	306.5	502.8	505.4	Total
Acciona Wind Energy Canada Inc., Suncor Energy Products Inc., Enbridge Wind Power General Partnership												\$500		\$500
Alberta Newsprint Company				\$2,000	\$2,000									\$4,000
Alberta-Pacific Forest Industries				\$750										\$750
Algonquin Power Operating Trust		\$500												\$500
AltaGas Ltd.				\$750										\$750
ATCO Power Canada Ltd.		\$500												\$500
Balancing Pool							\$500							\$500
Canadian Wood Products Montreal Inc.				\$1,500										\$1,500
Cenovus FCCL Ltd.				\$1,500										\$1,500
EnerNOC Ltd.	\$500								\$2,250					\$2,750
Genalta GP III Ltd.					\$1,500									\$1,500
Imperial Oil Resources												\$500	\$500	\$1,000
Keyera Partnership							\$500							\$500
MAG Energy Solutions Inc.						\$1,500								\$1,500
MFC Power Limited Partnership	\$500			\$4,000	\$1,500									\$6,000
Milner Power Limited Partnership by its General Partner Milner Power Inc.				\$2,500				\$500						\$3,000
Morgan Stanley Capital Group Inc.						\$25,000								\$25,000
Northstone Power Corp.							\$1,000							\$1,000
NRGreen Power Limited Partnership					\$1,500									\$1,500
Repsol Canada Energy Partnership			\$500											\$500
Shell Energy North America (Canada) Inc.						\$1,500								\$1,500
Signalta Resources Limited					\$750									\$750
Suncor Energy Inc.	\$250								\$250					\$500
TransAlta Energy Marketing Corp.						\$2,500								\$2,500
TransAlta Generation Partnership				\$1,500				\$750	\$3,500					\$5,750
TransCanada Energy Inc.				\$1,500										\$1,500
West Fraser Mills Ltd.											\$500			\$500
Western Sustainable Power Inc.										\$2,000				\$2,000
Weyerhaeuser Company Ltd.					\$1,500									\$1,500
Total	\$1,250	\$1,000	\$500	\$16,000	\$8,750	\$30,500	\$2,000	\$1,250	\$6,000	\$2,000	\$500	\$1,000	\$500	\$71,250

3.2 Performance Measures – 2016 Compliance Activities

The MSA aims to resolve ISO rules compliance matters within 30 days of receipt of the referral or self-report. The MSA tracks a number of other metrics relating to the time it takes to resolve compliance matters, from the date of their occurrence to the issuance of a penalty or forbearance, as shown in the table below.

While most compliance matters were resolved in a short period of time, due to the low number of matters the MSA receives for some ISO rules, and differing requirements between rules, some rules have higher average resolution rates compared to others. Overall, the 20 days taken on average for the MSA to resolve a file was up from an average of 17 days in 2015.

Table 4: Timeliness of Compliance Event Resolution (Days)

	Event Date to Referral Date [A]			Referral Date to Issuance Date [B]			Event Date to Issuance Date [C] = [A] + [B]		
	NSP	Forbearance	All Files	NSP	Forbearance	All Files	NSP	Forbearance	All Files
201.3	176	98	137	22	12	17	198	110	154
201.4		31	31		34	34		65	65
201.7	84	35	44	26	20	21	109	55	65
202.4		76	76		19	19		95	95
203.1	82	43	46	37	17	18	119	60	64
203.3	76	42	44	21	20	20	97	62	64
203.4	68	25	28	17	17	17	84	42	45
203.6	90	62	67	30	21	22	120	83	89
204.3		48	48		22	22		70	70
205.2		132	132		25	25		157	157
205.3	95	20	43	24	20	21	118	40	64
205.4		29	29		16	16		45	45
205.5	65	120	108	29	22	24	94	142	132
205.6	44	35	39	21	19	20	65	54	59
205.8		28	28		17	17		45	45
304.3	87	25	56	30	22	26	117	47	82
306.4		61	61		12	12		72	72
306.5	120	74	77	28	19	20	148	93	97
306.6		25	25		11	11		36	36
306.7		13	13		2	2		15	15
502.4		103	103		40	40		143	143
502.8	271	151	199	26	17	21	297	168	220
505.3		19	19		19	19		37	37
505.4	97	46	50	14	19	19	111	65	69
9.1.4		217	217		24	24		241	241
Average	89	45	50	23	19	20	112	64	69

3.3 2016 Compliance Trends

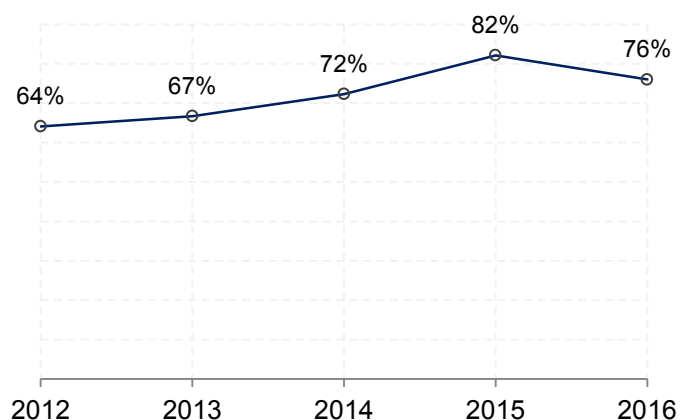
3.3.1 203.3

The 167 matters addressed in 2016 in relation to ISO rule 203.3 was up noticeably from 108 matters in 2015. The majority of the increase is attributed to repetitive issues experienced by a small number of new market entrants. Accordingly, the number of specified penalties issued in 2016 regarding this rule did not increase proportionally.

3.3.2 Contravention Recurrence

As demonstrated in Figure 4, the proportion of notices of specified penalty which were first contraventions within a 12 month period decreased somewhat in 2016. The historical trend demonstrates the increase in recent years and accordingly, the decreasing proportion of penalties related to repeated non-compliance.

Figure 4: Percentage of NSPs which are First Contraventions



3.4 ISO Rule Section 501.10

Regulatory proceedings concerning the transmission loss factor rule and loss factor methodology (AUC Proceeding 790) prompted the AESO to seek forbearance from the MSA in late 2015, regarding certain provisions of ISO rule section 501.10 in effect at that time regarding obligations to make 2016 transmission loss factors publically available within a prescribed timeframe. The MSA concluded that there was a basis for forbearance given that the matter was self-reported and was already before the AUC.² During 2016 the AUC approved an AESO implementation plan to develop a revised loss factor rule compliant with Commission Decision 790-D03-2015. The revised ISO rule 501.10 confirmed by the Commission on November 30, 2016 in Decision 790-D05-2016, permits the AESO to publish 2017 transmission loss factors as soon as practicable rather than by a defined deadline. Accordingly, the MSA now considers the

² See [MSA Letter to the AESO](#), dated November 6, 2015.

matter of publication of 2016 loss factors in accordance with ISO rule section 501.10 to be concluded.

4 Alberta Reliability Standards Enforcement

Reliability standards are developed by the North American Electric Reliability Corporation (NERC) to provide for the reliable operation of the bulk electric system. NERC standards are grouped into 14 topical areas, such as: Transmission Operations; Resource and Demand Balancing; Communications; Emergency Preparedness and Operations; and Critical Infrastructure Protection. The authority to approve NERC standards rests with the Federal Energy Regulatory Commission (FERC) in the United States.

Since 2008, the AESO has endeavoured to adopt NERC standards as Alberta Reliability Standards. Prior to applying with the AUC to adopt a NERC standard, the AESO may modify the standard for relevance in Alberta. If the standard is not relevant the AESO may submit an application with the AUC to reject the standard as non-applicable. By the end of 2016, 80 Alberta Reliability Standards were approved by the AUC as applicable in Alberta. Most of these standards are applicable solely to the AESO as the system operator and reliability coordinator, while a subset is applicable to registered entities other than the AESO. Over the course of the year, the AUC approved new standards and amendments to existing standards. Several of these new and amended standards will become effective in 2016 and 2017.

4.1 Monitoring and Enforcement for Registered Entities

The AESO is the compliance monitor with respect to registered entities in Alberta and carries out its compliance monitoring mandate in accordance with ISO Rule 103.12 and its Compliance Monitoring Program (CMP) developed in consultation with stakeholders. In conjunction with its mandate and CMP, compliance monitoring activities including scheduled reliability compliance audits could result in a referral to the MSA if non-compliance with an applicable standard is evident. However, registered entities can self-report suspected non-compliance directly to the MSA (as described more fully in the [MSA Compliance Process](#)). Self-reports have the prospect of forbearance or at minimum, more favourable treatment relative to a referral; if reported promptly and effectively mitigated.

4.2 Monitoring and Enforcement for AESO

The MSA has oversight responsibilities for compliance of registered entities, as well as the AESO. In respect of the AESO, the MSA is assisted by the Western Electricity Coordinating Council (WECC)³ by way of a services agreement between the MSA and WECC. As noted above, the bulk of Reliability Standards effective in Alberta are applicable to the AESO given the scope of its responsibilities and consequently, its mandate to maintain system stability and reliability.

The MSA and WECC are guided by the Alberta CMP as applied to registered entities, although an Implementation Plan is developed annually to confirm the scope of compliance monitoring

³ [WECC](#) is the regional entity responsible for assuring the reliability of the Bulk Electric System in the Western Interconnection.

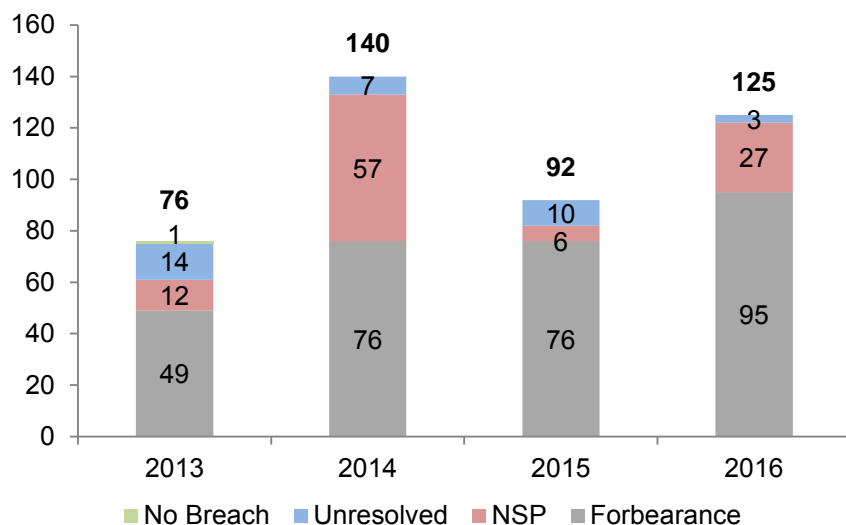
including any intended deviations from the Alberta CMP. In 2016, the MSA and WECC jointly developed a 2017 Implementation Plan which was approved by the MSA in January. In accordance with the Implementation Plan, the AESO is required to self-certify compliance with all applicable standards by April 30, 2017 (consistent with cycle 2 of the self-certification schedule included in the Alberta CMP). The AESO was subject to a scheduled compliance audit by WECC in 2014 and the next scheduled audit will be in 2017.

4.3 Activity Levels

The MSA addressed 122 Alberta Reliability Standards matters in 2016 including 10 matters carried over from 2015. 27 of the matters addressed resulted in a notice of specified penalty. At the end of 2016, three matters remained under review.

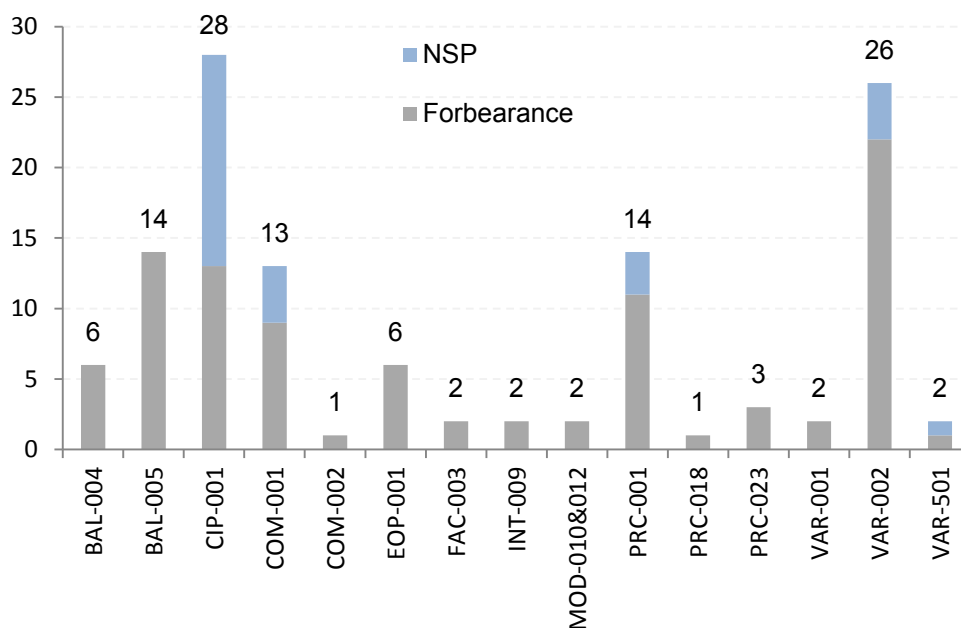
As demonstrated in Figure 5, there was a marked increase in the number reliability standards matters addressed in 2016 compared to 2015. The ebb and flow of reliability standards matters from year to year is to some extent a product of the audit cycle given that a different group of registered entities are subject to compliance audit each year based on a three year audit cycle while all registered entities are subject to self-certification annually.

Figure 5: 2016 Reliability Standards Outcomes



In 2016, the most common Alberta Reliability Standards contraventions were for CIP-001 and VAR-002. While these standards were also the most common in 2015, there was a near doubling of the number of matters relating to CIP-001 in 2016.

Figure 6: 2016 ARS Compliance Matters Addressed by Standard



In 2016, 27 matters across five standards were addressed with a notice of specified penalty, resulting in a total financial amount of \$102,250.⁴ In 2015, five matters across four standards were addressed with a notice of specified penalty, resulting in a total financial amount of \$29,250.

Table 5: Specified Penalties for Contraventions of Reliability Standards Addressed in 2016

	CIP-001	COM-001	PRC-001	VAR-002	VAR-501	Total
Air Liquide Canada Ltd.	\$10,000		\$3,750			\$13,750
Cancarb Limited	\$7,500					\$7,500
Enbridge Inc.				\$3,000		\$3,000
Express Pipeline Limited Partnership	\$10,000					\$10,000
Imperial Oil Resources	\$7,500		\$3,750			\$11,250
Imperial Oil Resources Ventures Limited	\$7,500					\$7,500
Milner Power Limited Partnership	\$10,000					\$10,000
Nexen Energy ULC		\$4,500				\$4,500
NRGreen Power Limited Partnership	\$10,000					\$10,000
Pembina NGL Corporation		\$4,500				\$4,500
Shell Canada Limited	\$10,000		\$3,750	\$4,500	\$2,250	\$20,500
Total	\$72,500	\$11,500	\$11,250	\$7,500	\$2,250	\$102,250

⁴ The MSA tracks reliability standard contraventions by individual standard requirements. However, some notices of specified penalty may include more than one standard requirement.

4.4 2016 Compliance Trends

4.4.1 CIP-001

This standard applied to procedures that support the recognition and reporting of events of sabotage. Common contraventions of CIP-001 include failure to provide applicable procedures to all relevant personnel on an annual basis or missing elements of written procedures. Contraventions of this standard are typically not an absence of procedures but the fact that existing procedures did not fully satisfy the CIP-001 standard requirements. CIP-001 was retired effective August 30, 2016 on the basis that related requirements exist within a new ISO rule (304.7).

4.4.2 VAR-002

Typical contraventions of this standard pertain to automatic voltage regulator (AVR) or power system stabilizer (PSS) status change reporting. While the sum of VAR-002 related matters addressed in 2016 was comparable to 2015, just six of those were in relation to the updated version VAR-002-AB-3 which suggests that the amended standard version will result in fewer incidents of non-compliance.

4.4.3 COM-001

The number of contraventions for the COM-001 standard increased in 2016 with 13 files opened compared to seven in 2015. Contraventions of this standard often relate to level of redundancy or testing of voice and message telecommunication facilities.

5 Outlook

ISO rules matters received by the MSA are likely to remain comparable to recent years based on stable market rules and established compliance programs and procedures in industry. This is predicated in large measure on the efforts of market participants to sustain the efficacy of their compliance programs. With respect to reliability standards compliance, cyber security standards coming into effect in Q4/17 will present new challenges and additional workflow for the MSA. This effect will be seen in 2017 through self-reporting and through referrals beginning in 2018. This additional workflow will be offset by no further CIP-001 compliance matters going forward due to the retirement of this standard in 2016.

