



Compliance Stakeholder Meeting

February 22, 2012



Agenda:

- Opening remarks – Harry Chandler
- Synopsis from 2011 compliance enforcement
- Views on strategic enforcement / Feedback



2011 Compliance Review - Highlights

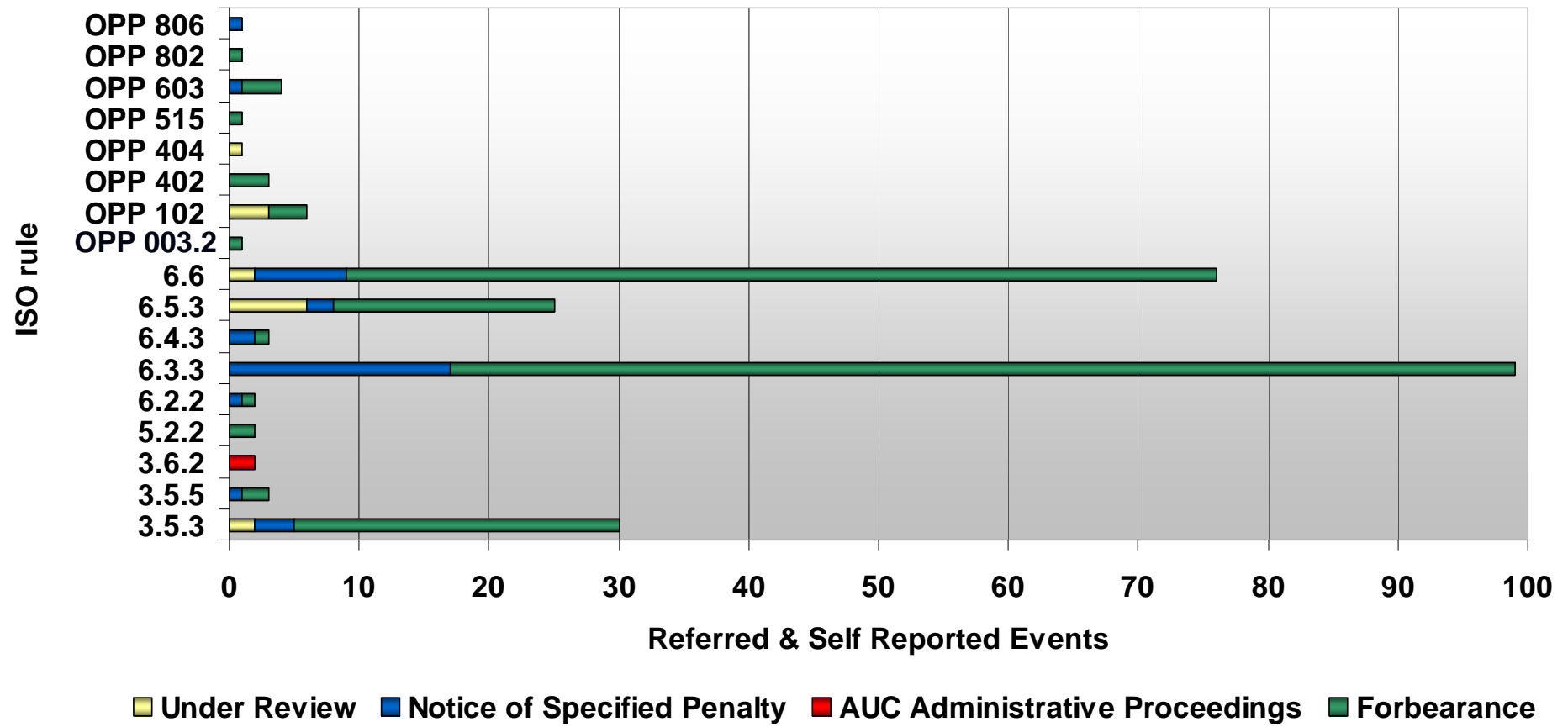


Highlights - 2011

- 2011 Compliance Review - published Feb 9, 2012
- Fewer NSP's and administrative penalties.
- No disputed matters
- Dramatic growth in self reporting
- Increase in ARS matters



ISO Rules: Increase in Rule Variety



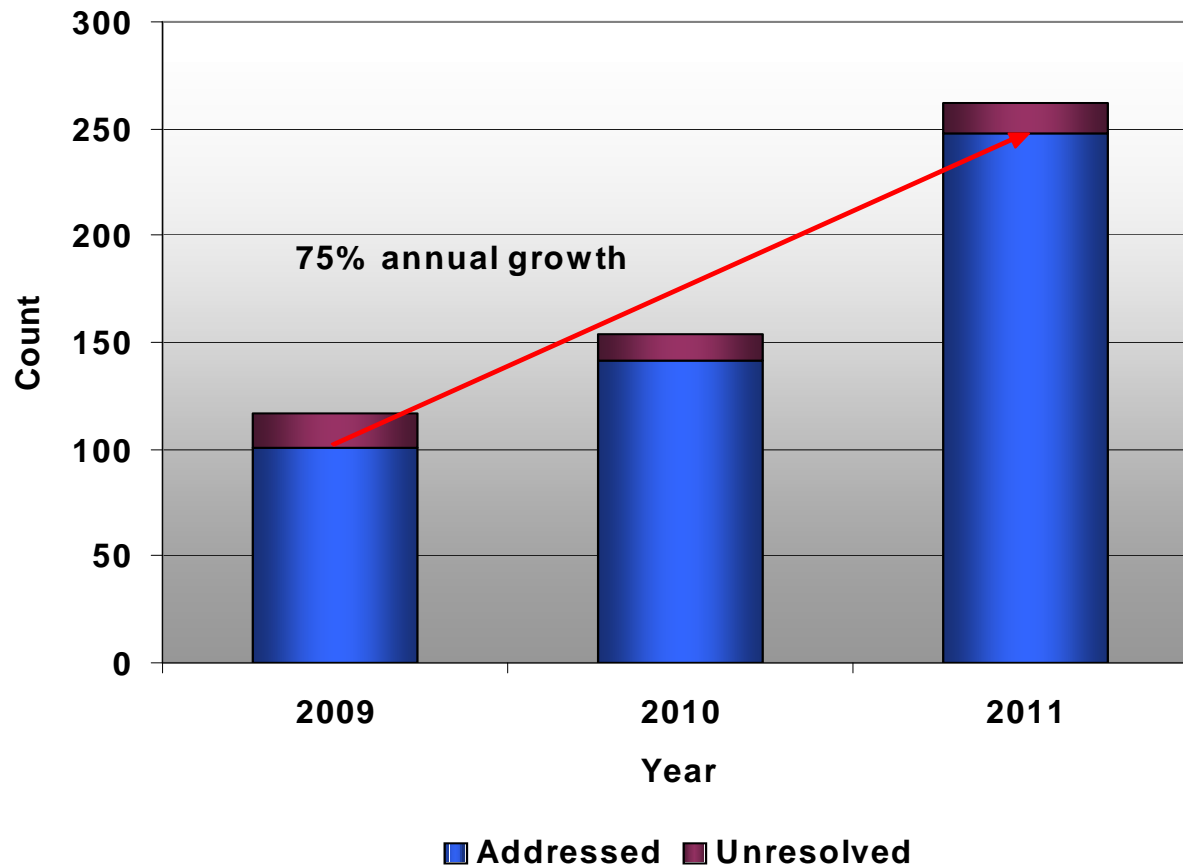


ISO Rules: Decrease in Penalties

- Fewer NSP and Administrative Penalties
 - 35 NSP's issued totaling \$69,750 in penalties (2010: 46 NSP's & \$75,000)
 - 2 Admin matters (approval of neg. settlement) resulting in 1 AUC decision, \$2,000 in penalty (2010: 10 matters - 7 AUC Decisions - \$26,500)

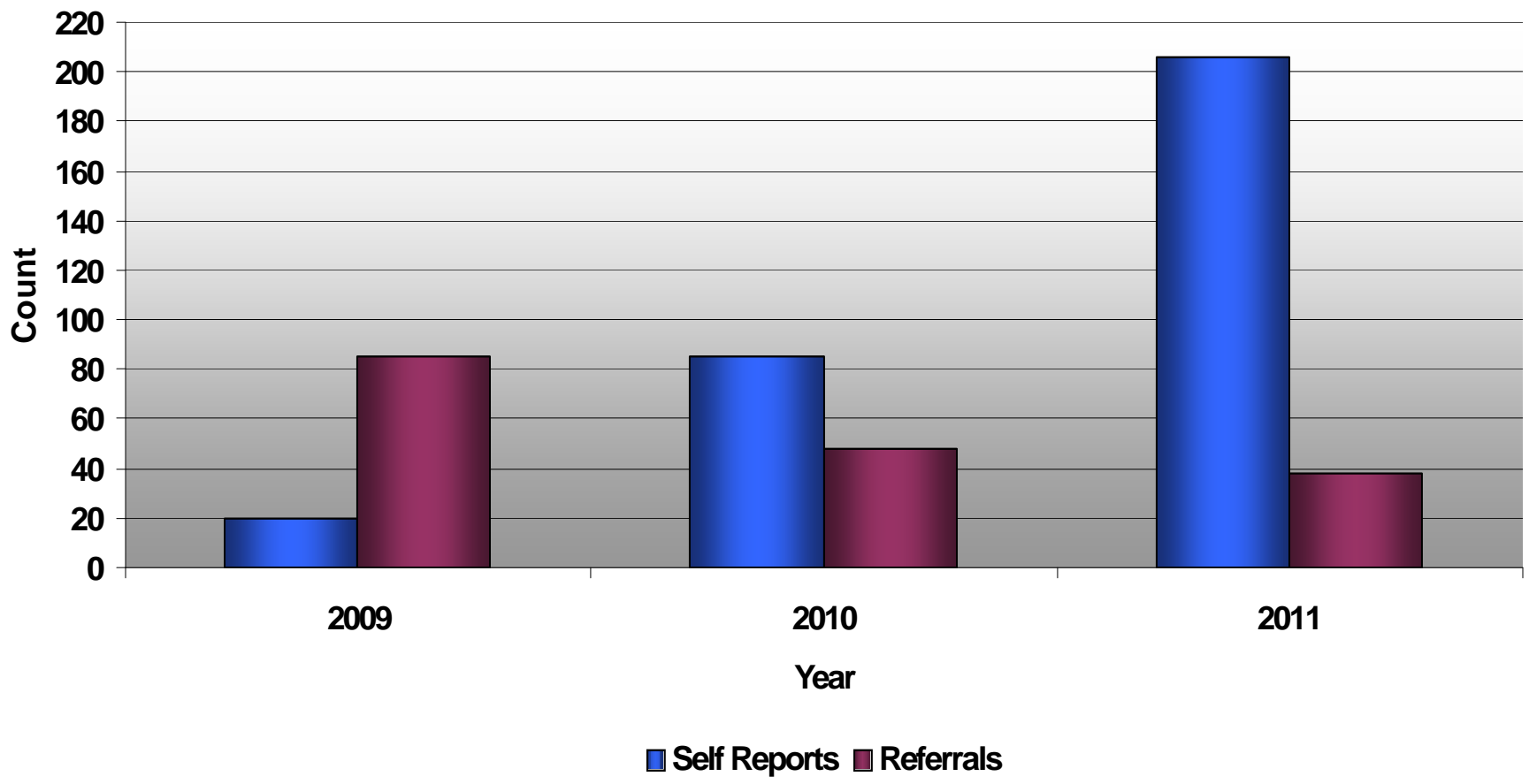


ISO Rules: Significant Growth





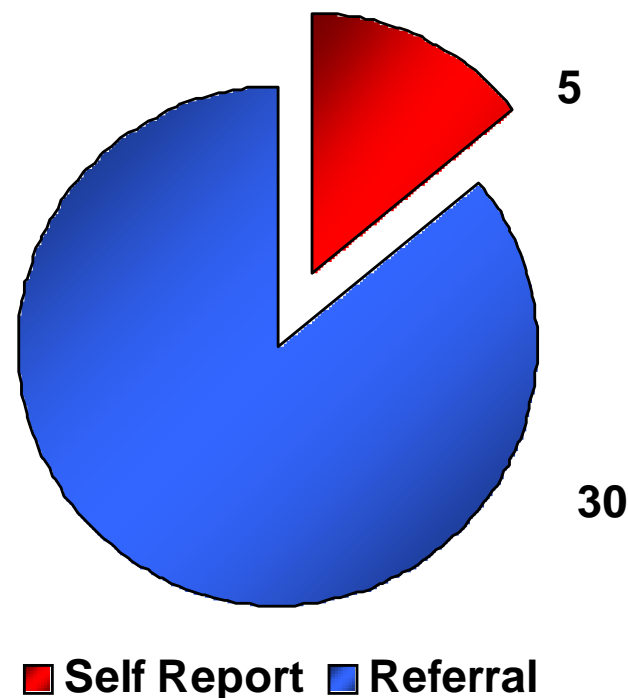
ISO Rules: Self Reporting Driver





ISO Rules: Self Reporting Benefits

- o < 3% of self reports were penalized (5 of 35 NSP's)
- o At minimum, a 50% reduction in the NSP (AUC rule 019)





ISO Rules: Self Report Forbearance

- Forbear based upon assessment of self report relative to stated MSA criteria
- “The conduct is not part of a recurring problem” implies a duty to address the source of the issue – forbearance is not continual
- Perfection is not expected however, anticipation of human error is a key feature of credible compliance programs



Alberta Reliability Standards: Increasing

- 51 matters addressed vs. 27 in 2010
- Referrals from AESO compliance audit process
- Audit of AESO completed in 2011

Alberta Reliability Standard	Count
CIP-001-AB-1	19
EOP-003-AB-1	1
EOP-004-AB-1	1
FAC-003-AB-1	2
INT-003-AB-2	1
PRC-001-AB-1	19
PRC-004-AB-1	6
TOP-005-AB-1	1
TPL-003-AB-0	1
Total	51



ARS Compliance

- Addressing non-compliance through mitigation is preferred
- Ensure mitigation plans adequately describe what is being fixed, how, and when
- Mitigation plans should include measures to prevent recurrence
- Forbearance is based upon representations – audit provides validation
- Be proactive as new standards are approved



Strategic Enforcement



Strategic Enforcement

From the MSA Strategic Framework:

Mission:

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



Strategic Enforcement

- Focusing limited enforcement resources for best effect
- Identifying priorities of strategic importance



Strategic Initiatives to date

- Promoting compliance programs and participant self monitoring
- Supporting broader applicability of specified penalties – efficient enforcement; expedited process vs. administrative route



Is it working ?

- How can we demonstrate progress toward a culture of compliance
- Downward trend in NSP issuances
- No contested matters in recent years
- Implementation of Internal Compliance Programs
 - Self monitoring / self reporting
- Proactive industry engagement i.e. ACDC
- Fewer recurring problems
- Other ?



How can we further refine the approach ?

1. **A more proactive approach to rules**
 - In collaboration with AESO, establish a better compliance feedback loop to promote clear and enforceable rule language

2. **Promote regulatory efficient outcomes**
 - Scale enforcement process to the case at hand (i.e. follow expedited process unless the matter warrants a more involved process)
 - Reduce duplication i.e. acknowledgement & consent agreements (ARS)

3. **Seek alternative resolutions where possible and appropriate**
 - The goal is compliance not penalties



Areas of focus – ISO rules

- “Core” market rules affecting real time market operations i.e. 3 & 6
- Compliance with directives (reliability and ASD’s)
- Other ?



Compliance Metrics

- Is MSA published reporting sufficient
 - Is there a benefit to more specific reporting i.e. subsection of rule / standard requirement ?
- Performance metrics - timeliness is important but not the sole focus



Feedback

Views / Questions