

Ontario Bulk Electric System (BES) Exception Procedure

Presentation to
NPCC - Governmental/Regulatory Affairs Advisory Group
November 27, 2012



- FERC issued Order 743 on November 18, 2010 directing NERC
 - to revise the definition of “bulk electric system” to a bright line threshold of 100 kV
 - to adopt an exemption process and criteria for excluding facilities that are not necessary to operate an interconnected electric transmission
- NERC produced a new BES definition and revised its Rules of Procedure (RoP) to include a BES Exception Process.
- NERC’s Rules of Procedure allow Canadian and Mexican entities to establish a procedure comparable to NERC’s procedure for BES Exception requests.
- Work to develop an Ontario-specific BES exception process was initiated in fall 2011.

- Ontario Market Rule Amendments were required in order to:
 - Grant the IESO authority to establish an Ontario BES Exception Procedure.
 - Grant the IESO Board authority to approve or disapprove BES Exception requests.
 - Permit market participants who own elements and facilities or connection applicants to use the Ontario BES Exception Procedure.
 - Allow the IESO to recover costs associated with assessing and processing BES Exception requests.
 - Grant right of appeal to a market participant whose BES exception request is denied.
- Market Rule Amendments were approved by the IESO BoD September 7, 2012.

- Open Stakeholder Engagement Process
 - SE-100 stakeholder engagement group to assist in the development of the BES exception process.
 - Stakeholders expressed a need for criteria to be outlined upfront so that they can determine whether to pursue an exception and the likelihood of being successful.
 - A technical sub-committee with stakeholder participation has been established to analyze and test assessment criteria.

- BES exception requests in Ontario will be administered and reviewed by IESO staff.
- Adjudication will be performed by the IESO Board of Directors.
- Per its legislative authority, the IESO can, at anytime, deem a facility to be material to the reliability of the IESO-controlled grid and designate it as part of the BES.

Nr	Step	NERC BES exception process	Ontario BES exception process
1	Prepare BES exception request	Applicant, Reliability Coordinator	Applicant
2	Initial screening of request	Regional Reliability Organization	IESO
3	Substantive review	RRO	IESO
4	Technical review/recommendation	RRO panel	IESO
5	Filing of Supplementary evidence	Applicant, RC	Applicant
6	Decision on BES exception request	NERC panel	IESO BoD
7	Challenge of decision	NERC Rules of Procedure	Market Rules dispute resolution

- Procedure Structure

- The Ontario BES Exception Procedure has been fashioned after NERC's *"Procedure for Requesting and Receiving and Exception from the Application of the NERC Definition of Bulk Electric System"*: Appendix 5C to the Rules of Procedure and includes the same key sections:
 - Basis for Approval of an Exception.
 - Submission of an Exception Request.
 - Review, Acceptance or Rejection, Regarding Exception Requests.
 - Approval or Disapproval of an Exception Request.
 - Dispute Resolution Process (Right of Appeal).
 - Implementation Period for Exceptions.
 - Amendment, Termination or Transfer of an Approved Exception.
 - Detailed Information to Support an Exception Request.

Ontario BES Exception Procedure Assessment Criteria Development

- Procedure development complete - Phase 1 of SE-100
- Assessment criteria development – Phase 2 of SE-100
- Challenges arise in determining the appropriate evaluation criteria to be used to assess exception requests
- These challenges include:
 - Ensuring the new BES definition is adhered to while determining the circumstances when a variation from the new BES definition would be appropriate.
 - Selecting criteria that would allow requests for exception to be processed in a timely fashion.
 - Determining an appropriate and effective framework or order that the criteria will be used to perform the assessments.

- Selected criteria should best reflect the reliability values/policies of Ontario.
- The extent of variation comes into play when considering:
 1. Material impact assessment.
 2. Local area definition.
 3. Historical and current application of facilities for the reliability of the Ontario power system.
 4. Reliability benefits commensurate to costs for transmission system investments.
- Ontario has chosen to explore the use of existing general and technical criteria rather than develop new criteria.

- The following three principles will be followed for the determination of assessment criteria:
 - Transparency
 - Use of Existing Principles; close alignment with the reliability practices in neighbouring jurisdictions and NPCC.
 - Consistency
 - Consideration of existing definitions; NPCC BPS, CIP CEI.
 - Fairness
 - Similar treatment for all exception applicants.

- For further information on BES Exception Procedure development and implementation please visit the following web links:
 - SE-100 stakeholder engagement:
http://www.ieso.ca/imoweb/consult/consult_se100.asp
 - Pending Changes:
<http://www.ieso.ca/imoweb/changes/changeNoticeList.asp>
 - Market Rule Amendments (MR-00394)
http://www.ieso.ca/imoweb/amendments/mr_Amendments.asp

Thank You!