

MACD - Ontario Reliability Compliance Program

2020 Reliability Standards Compliance Monitoring Plan

December 2019

Document Change History

Date	Reason for Issue
December 20, 2019	2020 CMP document initial publication

Introduction

The 2020 Market Assessment and Compliance Division (“MACD”) Reliability Standards Compliance Monitoring Plan (“MACD CMP”) provides market participants with the reliability standards¹ that will be the focus of MACD’s 2020 compliance monitoring activities. For the purpose of this document, reliability standards are the North American Electric Reliability Corporation (“NERC”) and the Northeast Power Coordinating Council (“NPCC”) reliability standards, and the Ontario reliability market rules. The MACD CMP also provides insights into some of the discovery methods that MACD may use to assess market participants’ compliance with these reliability standards.

Ontario’s Reliability Compliance Enforcement Framework

The *Electricity Act, 1998* (“*Electricity Act*”) grants the Independent Electricity System Operator (“IESO”) jurisdiction to maintain the reliability of the IESO-controlled grid² and the statutory power to create market rules “establishing and enforcing standards and criteria relating to the reliability of the electricity service or the IESO-controlled grid”³. Through the *Electricity Act* and supporting regulations, the Government of Ontario has also directed the IESO to be responsible for Ontario’s coordination of standards development activities with NERC and NPCC. The IESO has been assigned the statutory object “to participate in the development by any standards authority of criteria and standards relating to the reliability of the integrated power system”⁴.

NERC and NPCC are identified under the *Electricity Act* as standards authorities that approve standards and criteria “relating to the reliable operation of the integrated power system”⁵. The IESO created the Reliability Standards Standing Committee (“RSSC”) as a means to communicate changes to these standards and criteria and to aid in market participants’ understanding of their reliability obligations. The RSSC provides a forum that engages market participants in the standards development process including notifications to market participants of new and developing reliability standards.

In addition to reliability requirements identified specifically in the market rules and market manuals, the market rules incorporate NERC and NPCC reliability standards and criteria by reference. Subject to the IESO’s applicability determination, these standards and criteria form part of the law in Ontario⁶. The market rules assign to the IESO various functions, powers and authorities to supervise, administer and

¹ As defined by the market rules, “reliability standards” include criteria and standards set forth in the market rules or otherwise established by the IESO in accordance with the market rules.

² *Electricity Act*, 1998, S.O. 1998, c. 15, Sched. A, s. 6.(1)(c).

³ *Electricity Act*, s. 32.(1)(c).

⁴ *Electricity Act*, s. 6.(1)(d).

⁵ *Electricity Act*, s. 2.(1).

⁶ Market Rules, Chapter 5, ss. 1.2.6, 3.2.2, 3.2.5-3.2.7, 3.4.2, 3.5.3, 3.6.2, Chapter 4, s. 2.1.1.

enforce the market rules⁷. The market rules also provide the IESO with the general power to “undertake such monitoring as it considers necessary to determine whether *market participants* are complying with the *market rules*”. This power necessarily extends to those provisions mandating reliability standards compliance in Ontario⁸. Within the IESO, this responsibility, as well as enforcement, has been delegated to the Vice President of MACD⁹. While the IESO through a Memorandum of Understanding with NERC and NPCC has agreed to “be subject to NERC’s compliance monitoring and enforcement processes” in respect of its own reliability standards obligations¹⁰, MACD is responsible for the design and implementation of the Ontario Reliability Compliance Program (“ORCP”)¹¹ including the Compliance Monitoring Plan that applies to market participants in Ontario.

2020 Compliance Monitoring Priority Areas

Every year, MACD prioritizes its compliance monitoring and enforcement activities in relation to the risks to the reliability of the integrated power system. In assessing these risks, MACD takes into account several factors, including:

- the applicability of reliability standards in Ontario;
- the assessed reliability risks of the standards at both the continent-wide and regional levels;
- the compliance history associated with each standard;
- power system infrastructure and demand changes; and
- emerging threats and vulnerabilities impacting the power system.

This approach allows MACD to concentrate its resources on higher-risk issues, while continuing to respond appropriately to other risks.

While market participants are required to comply with and be able to demonstrate compliance with all applicable reliability standards at all times, MACD puts a more significant focus on a subset of these market rules and reliability standards that are more explicitly monitored for compliance in a given year.

⁷ Market Rules, Chapter 1, s. 5.3.1.

⁸ Market Rules, Chapter 3, s. 6.1.2.

⁹ <http://www.ieso.ca/-/media/Files/IESO/Document-Library/market-compliance/MACD-Delegation-of-Enforcement-Authorities-20191015.pdf?la=en>

And

<http://www.ieso.ca/Corporate-IESO/Leadership/Executive-Team/Glenn-McDonald>

¹⁰ http://www.ieso.ca/-/media/files/ieso/document-library/orcp/ero-20061128-mou_ieso_nerc_npcc_cbre_npcc-inc.pdf?la=en

¹¹ The ORCP is described in market manual 11.2, “Ontario Reliability Compliance Program”, issue 3.1

For 2020, MACD has selected the following market rules and reliability standards for monitoring:

Critical Infrastructure Protection – Management of Access and Access Controls

NERC Standards					
CIP-002-5.1a	CIP-003-7	CIP-004-6	CIP-005-5	CIP-006-6	CIP-007-6
CIP-010-2	CIP-011-2				

Insufficient Long-Term Planning and Operations Planning (and System Analysis)

Relevant Standards					
MOD-025-2	MOD-026-1	MOD-027-1	MOD-032-1	MOD-033-1	PRC-019-2
PRC-023-4	PRC-024-2	PRC-025-1	PRC-006-NPCC-1	IRO-010-2	TOP-003-3
Market Rules and Manuals					
Chapter 4, Appendix 4.2	Market Manual 11.5, section 3	Market Manual 2.20 and associated workbooks	Chapter 5, sections 3.4 and 3.6	Chapter 4, sections 5.1 and 5.2	Chapter 4, Appendices 4.15, 4.16, 4.19-4.21
Market Manual 7.4					
NPCC Directories					
Directory 12					

Loss of Major Transmission Equipment with Extended Lead Times

Relevant Standards					
EOP-005-3	FAC-003-4				
Market Rules and Manuals					
Market Manual 2.8	Market Manual 2.11				
NPCC Directories					
Directory 8					

Gaps in Program Execution

NERC Standards					
FAC-003-4	FAC-008-3	PRC-005-6	CIP-002-5.1a	CIP-010-2	
NPCC Directories					
Directory 4					

Improper Determination of Misoperation

NERC Standards					
PRC-004-5(i)	PRC-001-1.1 (ii)	PRC-002-2			
NPCC Directories					
Directory 11					

Outage Coordination

NERC Standards					
PRC-001-1.1(ii)					
Market Rules and Manuals					
Chapter 5, sections 3.4 and 3.6	Chapter 5, sections 6.2 and 6.3	Market Manual 7.1, sections 3, 4, 5, and 6	Market Manual 7.3, sections 2, 4, and Appendix B		

Emergency Preparedness/Event Response

NERC Standards					
EOP-005-2	EOP-004-3				
Market Rules and Manuals					
Chapter 5, section 11	Market Manual 7.1	Market Manual 7.8	Market Manual 7.10		

To assess compliance with these requirements, MACD will use at least one of the discovery methods described in the following section.

Discovery Methods

The 2020 MACD CMP will employ a combination of discovery methods, which include self-reports, self-certifications and scheduled and unscheduled audits for monitoring Ontario's compliance with reliability standards, as described in the following sections.

SELF-REPORTS

Unlike other discovery methods that are typically initiated by MACD, self-reporting relies on the monitoring mechanisms of the market participant's internal compliance program¹² to review their compliance with market rules and reliability standards, and to detect potential breaches.

If a market participant believes that they may have breached a market rule or reliability standard, they are strongly encouraged to take all reasonable steps to mitigate the impact that the breach may have caused on reliability and self-report the breach to MACD in a timely manner. Such actions may help mitigate the severity of the penalties and other sanctions that could be applied in the event that MACD determines that the market participant was in breach of the market rules.

While strongly encouraged to self-report, market participants that simply notify MACD of a potential breach may not always receive the full self-report credit from MACD. To receive this credit and the benefit of penalty mitigation, self-reports must meet certain content and timing requirements, which include:

- submitting it to MACD in writing¹³ and on a timely basis;
- providing details of the activities that were potentially non-compliant;
- providing reasons for the non-compliance;
- identifying all the market rules, reliability standards and market manuals that were potentially breached;
- providing a quantitative and qualitative assessment of the impact of the alleged breach on the IESO-controlled grid, the IESO-administered markets or on other market participants; and
- describing in detail the timeline and steps to remediate the breach and prevent similar non-compliance in the future.

MACD applies the following factors to assess the timeliness of a self-report:

- whether the market participant submitted the self-report before MACD became aware of the potential breach;
- the duration between the discovery of the potential breach by the market participant and the filing of the self-report; and
- whether the market participant exercised due diligence in the discovery of the potential breach.

SELF-CERTIFICATIONS

The self-certification process requires the market participant to self-determine its compliance status with monitored applicable reliability standards. Self-certifications require market participants to demonstrate their compliance status with specific reliability standards at a particular point in time or over a period of

¹² For more information on MACD's view on market participant's internal compliance programs, see the Internal Compliance Programs web page on the IESO website.

¹³ Market participants should use the Non-Compliance Event Report Tool or the IESO Reliability Compliance Tool to self-report potential breaches of reliability standards. These tools are available through the Online IESO website (<https://online.ieso.ca>)

time. Unlike self-reports, whose submission to MACD is initiated by market participants, self-certifications are submitted upon IESO's request.

MACD will notify the market participants required to self-certify 45 calendar days in advance of the due date for self-certification. This notice will include the list of market rules, reliability standards and requirements for which compliance status needs to be demonstrated, the reporting period, instructions about the format for the requested information, and instructions about submitting the requested information.

COMPLIANCE AUDITS

MACD conducts compliance audits in accordance with *Market Manual 2: Market Administration, Part 2.17: Compliance Auditing of Reliability Standards for Ontario Market Participants (IESO_PRO_0803)*¹⁴. In accordance with the process outlined in this manual, MACD identifies the market participants and reliability requirements to be audited using a risk-based approach, which evaluates a market participant's compliance with reliability standards and the potential impact that continued non-compliance may have on reliability. MACD will notify market participants selected for audit in a given year at least 90 days in advance of the scheduled audit start date.

Any MACD compliance audits in 2020 will focus on one or more areas identified in the 2020 Compliance Monitoring Priority Areas section of this plan. The audits may also include additional market rules and/or reliability standards that will be communicated to the selected market participants in the audit notification letter.

UNSCHEDULED AUDITS

Unscheduled audits, or spot checks, are similar to compliance audits in that they provide a comparable level of compliance assurance. However, they usually target a more limited number of requirements from the entire set of applicable reliability standards. MACD may conduct spot checks at any time during the year, potentially with very little notice provided to market participants.

The 2020 MACD CMP may include spot checks, which may or may not be related to the market rules and/or reliability standards identified for monitoring in 2020. MACD will notify the market participants selected for a spot check up to 30 business days in advance, indicating the reliability requirements in scope and the timetable and manner in which a response should be provided.

DATA SUBMISSIONS

The IESO requires market participants to submit certain reliability data on a frequency set out in the following table. The schedule for the 2020 data submission is as shown below.

¹⁴ <http://www.ieso.ca/-/media/files/ieso/document-library/market-rules-and-manuals-library/market-manuals/market-administration/ma-compauditing.pdf?la=en>.

NERC Standard	NPCC Document	Market Rules/ Manuals	Document Title	Frequency	Submission Date	Market Participant Class ¹⁵	Submission
	Directory 12 Section 5.4		Generator Underfrequency Protection Requirements	Annually	18-Sept-20	G	IESO Form 1718
	Directory 12 Section 5.2		Automatic Underfrequency Load Shedding consistent with NPCC's UFLS program requirements	Annually	18-Sept-20	T, D, W	IESO Form 1719
		Market Manual 7.10	Emergency Preparedness Planning	Annually	14-Feb-20		IESO Form 1608
		Market Manual 7.8	Emergency Restoration Planning	Annually	14-Feb-20		IESO Form 1609
FAC-003-3			Transmission Vegetation Management Program	Quarterly	07-Feb-20 01-May-20 05-Aug-20 06-Nov-20	T, G	IESO Form 1527
PRC-004-5(i)			Analysis and Mitigation of Transmission and Generation Protection System Misoperations	Quarterly	07-Feb-20 01-May-20 05-Aug-20 06-Nov-20	D, G, T	By email to ORCP (orcp@ieso.ca)

¹⁵ G-Generator, T-Transmitter, D- Distributor, W-Wholesale Customer; as per market rules definitions