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IESO SENIOR MANAGEMENT UPDATE

To: Stakeholder Advisory Committee

Date: January 20, 2010

Subject: **Technical Feasibility Exceptions (TFE) – Cost Recovery**

Information Item

Background

NERC Critical Infrastructure Protection (CIP) reliability standards, (CIP 002-009) which initially came into force in June 2006 provide a cyber security framework for the identification and protection of cyber assets associated with bulk power system assets that have been classified as 'critical'. Critical assets are those which, if destroyed, degraded or otherwise made unavailable, would affect the reliability or operability of the Bulk Electric System. These standards apply to the IESO as well as a subset of market participants who have critical assets.

The CIP 002 standard requires the application of a risk based methodology (criteria) to determine critical assets. In Ontario, the IESO developed criteria in consultation with the stakeholder-represented Emergency Preparedness Task Force, which includes key market participants and government representatives.

In recognition of the fact that compliance with certain CIP standard requirement may, in some instances, not be technically feasible or not possible due to technical limitations, NERC developed a process for requesting and permitting temporary dispensation to specific CIP requirements based on reasons of "technical feasibility". Such an exception is known as a technical feasibility exception ("TFE").

Due to the reliability and compliance framework in place in Ontario, the IESO's Market Assessment & Compliance Division (MACD) is implementing a TFE process for Ontario and will be responsible for assessing and approving TFE requests from market participants.

In support of this process, the IESO is proposing to recover its cost to review and approve TFE requests on the same basis as is currently done with the IESO's connection assessment studies. The reasons for establishing a cost recovery mechanism for this process are as follows.

- i. **Cost Causality** - Market Participants are responsible for complying with NERC reliability standards and all associated costs for compliance. Therefore it is appropriate that the costs associated with the review and approval of the TFE request should be borne by the specific market participant benefitting from the TFE. Also, the IESO does not likely have the necessary resources to conduct the technical assessment and may need to contract out this work;
- ii. **Robustness** - The proposed cost recovery methodology ensures that market participants request approval only for those TFEs which are appropriate and require due consideration and do not unduly burden IESO resources; and
- iii. **Stability** - The IESO is unable to determine the exact number of TFEs that will be requested. This cost recovery mechanism ensures that this uncertainty does not adversely affect the IESO's costs and associated fees.

Status

The IESO is currently working with the Technical Panel to develop the necessary market rules to authorize:

- MACD to approve or disapprove TFE requests,
- MACD to terminate, amend and transfer an approved TFE,
- MACD determinations for TFE to be subject to the Dispute Resolution Process; and
- IESO to recover the costs to review and approve TFE requests through a separate charge.

The Technical Panel will be considering if the proposed rule amendments warrant further consideration on January 26, 2010.

More information on TFEs can be found at:

<http://www.ieso.ca/imoweb/marketComp/tfe.asp>