



Compliance Audit Report Public Version

**Confidential Information (including
Privileged and Critical Energy Infrastructure
Information) – Has Been Removed**

**Reliant Energy Wholesale Generation,
LLC (REWG) and Reliant Energy Services,
Inc. (RES)
NCR00396 and NCR09036
November 1, 2007**

January 15, 2008

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EXECUTIVE SUMMARY

This final compliance audit report is the public version. Confidential information (including privileged and critical energy infrastructure information) has been redacted from this report. The full final compliance audit report was submitted to the audited entity and NERC.

Reliant Energy Wholesale Generation, LLC (REWG) and Reliant Energy Services, Inc. (RES), collectively referred to as Reliant, were audited on November 1, 2007 for compliance with the requirements contained in the NERC Reliability Standards that are currently enforceable and applicable to Reliant's registered functions. This audit focused on documents and other evidence provided to SERC by the staff of Reliant and did not include any evidence obtained through system observation or inspection. The findings of the audit are based on the state of compliance and current mitigation activity at the time of the audit, and do not reflect past compliance activities or activities that will be completed in the future.

The audit was conducted by asking Reliant staff to show valid evidence of meeting each and every individual requirement and sub-requirement contained in the 13 standards that had been previously identified by SERC to REWG and RES as subject to this audit. Three standards pertained to RES and 11 standards pertained to REWG, one standard was applicable to both companies. REWG or RES staff responded by providing evidence in the form of reports, procedures, studies, and other documents. REWG or RES staff would then cite specific portions of the evidence that demonstrated compliance. This evidence and the citations were documented and evaluated by the audit team for the level of compliance and agreement with the requirement. If all of the requirements and sub-requirements of an audited standard were met, then REWG or RES was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then REWG or RES was judged to have a possible violation of the standard. In other words, only a score of 100% is identified as compliant; 99% and below is a possible violation.

RES was found to be in compliance with all applicable standards for which they were audited.

REWG was found to be compliant with all but one audited standard. REWG was determined to be in possible violation of NERC Reliability Standard PRC-005-1- Transmission and Generation Protection System Maintenance and Testing, requirement 1. The audit team determined that REWG's "umbrella" maintenance and testing program references plant procedures and maintenance manuals as providing the basis for their maintenance intervals and a summary of battery maintenance procedures. Reliant was unable to produce plant procedures or maintenance manuals for the batteries for either of their two plants. REWG's battery maintenance and testing documentation indicates that REWG is performing the required maintenance and testing but their basis for maintenance and testing intervals and a summary of maintenance procedures are not specifically stated in their published Maintenance and Testing Program document.

REWG and RES staff exhibited a strong desire and willingness to continue improvement of their compliance effort in the future. REWG and RES staff demonstrated a culture of continuous improvement by being proactive to changing industry standards and conditions.

AUDIT PROCESS

Objectives

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.¹ The audit objectives are:

- Independently and objectively review REWG and RES compliance with the requirements of the reliability standards that are applicable to REWG and RES based on REWG and RES functions in the bulk electric system as determined by SERC.
- Validate compliance with applicable reliability standards from the NERC 2007 Implementation Plan list of actively monitored standards.

Scope

The scope of the audit of REWG was to look at all Generator Owner and Generator Operator applicable standards; and for RES, was to look at all Purchasing-Selling Entity applicable standards that are in the NERC 2007 Compliance Monitoring and Enforcement Plan. Of the standards that apply to REWG, 11 were selected for review in this audit. Of these 11 standards 3 standards were not assessed; see findings table below. Of the standards that apply to RES, three were selected for review in this audit.

Note: For the 2007 compliance program, the monitoring period for the compliance audit will be the past 12 months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

Methodology

The audit was conducted by reviewing all of the standards that apply to REWG and RES in the NERC 2007 Enforcement Plan. These standards were grouped and scheduled during the day to make the most efficient use of the REWG and RES staff's time. REWG and RES staff had been briefed on the standards that were to be addressed so that documentation and evidence of compliance could be assembled.

A team of auditors and subject matter experts were identified and conducted the audit of REWG and RES. The audit team had a moderator who would initiate dialogue on each standard requirement and request compliance evidence, and a scribe that would document the evidence and REWG and RES staff response. This was done by asking REWG and RES staff to show valid evidence of meeting each and every individual requirement and sub-requirement contained in the 13 standards that had been previously identified by SERC to REWG and RES as subject to this audit. REWG and RES staff responded by providing evidence in the form of reports, procedures, studies, and other documents. REWG and RES staff would then cite specific portions of the evidence that demonstrated compliance. This evidence and the citations were documented by the scribe on the Reliability Standard Audit Worksheet (RSAW) and evaluated

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

by the audit team for the level of compliance and agreement with the requirement. Discrepancies between the requirement and the evidence provided were the subject of dialogue among the team members and REWG and RES staff members until it could be agreed that each requirement was met by the cited evidence or other evidence offered. If it was felt that, after all evidence had been presented and discussed, REWG and RES did not have sufficient evidence to support a finding of compliance, a possible violation would be identified by the team and the REWG and RES staff would be informed.

Company Profile

Reliant Energy, Inc. is based in Houston, Texas, and provides electricity and energy services to retail and wholesale customers in the United States. In Texas, the company provides service to nearly 1.9 million retail electricity customers, including residential, small business customers, commercial, industrial, governmental and institutional customers. Reliant also serves commercial, industrial, governmental and institutional customers in the PJM (Pennsylvania, New Jersey and Maryland) market.

The company is one of the largest independent power producers in the nation with approximately 16,000 megawatts of power generation capacity across the United States. These strategically located generating assets utilize natural gas, fuel, oil and coal.

REWG is wholly owned by Reliant Energy Power Generation, Inc., which is a wholly owned, direct subsidiary of Reliant Energy, Inc. REWG owns and operates two generating facilities in the SERC region.

In addition, REWG owns two generation facilities in the ReliabilityFirst region (Hunterstown and Aurora) and one generation facility in the WECC region (Bighorn).

REWG does not serve load in the SERC region.

RES is a Purchasing-Selling Entity operating in the SERC region. RES markets the power contractually provided to it from various Reliant Energy, Inc. entities, including the generation facilities in SERC, owned by Reliant Energy Wholesale Generation, LLC.

Audit Specifics

The compliance audit was conducted on November 1, 2007 at Reliant Energy, Inc. offices located at 1000 Main Street, Houston, Texas.

Audit Team

Audit Team Role	Name	Title	Company
Lead	James Harrell	Compliance Auditor	SERC
Member	Mike Vastano	Compliance Auditor	SERC
Member	John Troha	Manager, Operations	SERC
Member	Phil Winston	Manager, Protection	Georgia Power

Audit Team Role	Name	Title	Company
		& Control	Company
Member	Roger Lampila	Regional Compliance Program Coordinator	NERC

AUDIT RESULTS

The audit began at 8:15 a.m., on November 1, 2007 with an opening presentation by James Harrell, SERC Compliance Auditor and ATL. He reviewed the NERC compliance plan for 2007 in general, and how it applied to REWG and RES specifically. He introduced and reviewed the standards to be covered in the audit, and addressed both the expectations of REWG and RES staff and the quality of evidence to be presented. He also covered the basic procedure for the audit, and the bounding rules of conduct. Each member of the audit team was introduced and professional affiliation identified. His presentation was followed by a brief presentation covering the background of REWG and RES and its compliance activities. The staff of REWG and RES was introduced, and general housekeeping matters explained.

The audit team initially reviewed the registration status of REWG and RES with REWG and RES staff to verify application of each standard. Each standard's audit began with a recitation of each requirement and an explanation, if requested by REWG or RES staff. REWG and RES staff would then present evidence of meeting this requirement, or cite evidence in material already presented to the team. At that point, the evidence was reviewed and dialogue took place until the team reached a point of satisfaction with the evidence. Consensual approval or concern was reached on each of the requirements, and explained to the REWG and RES staff before proceeding to the next requirement. At that point the team scribe would record the evidence presented to satisfy the requirement and the team's recommendation on that requirement using the Reliability Standard Audit Worksheet (RSAW).

After completing a review of all applicable requirements in the standard, the overall compliance to that standard was reviewed first by the team and the REWG and RES staff, and then by the ATL. Any concerns or dissention with the recommendation was offered, and the ATL would indicate support or disagreement with the recommendation. Dialogue would ensue to the point of decision on the part of the ATL. Following this review, the RSAW would be updated by the scribe with the compliance recommendation.

The review of all applicable standards was completed at approximately 4:30 p.m., November 1, 2007 and the audit team met to review and discuss the findings. Following these discussions, the scribe collected evidence as needed and began to finalize the RSAW's with the audit team concurrence. The ATL began to develop the exit briefing with the help of all team members. This facilitated the consensus of the full team on the content of the exit briefing, and re-affirmed the findings and recommendations.

The exit briefing was presented to the assembled audit team and REWG and RES staff at approximately 5:30 p.m., November 1, 2007 and was followed by an informal response from the REWG and RES staff. The ATL solicited both informal comments from the REWG and RES

staff, along with requesting that they fill out formal feedback forms for submission to SERC. The audit team left the REWG and RES meeting room at approximately 6:00 p.m., November 1, 2007.

Findings

Reliability Standard	Auditor Notes	Finding
BAL-001-0	Not Applicable – Reliant Energy Wholesale Generation, LLC (“REWG”) and also Reliant Energy Services, Inc. (“RES”) are not a BA	NA
BAL-002-0	Not Applicable – REWG and RES are not a BA, RSG or RRO	NA
BAL-003-0	Not Applicable REWG and RES are not a BA	NA
CIP-001-1	<p>Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered</p> <p>Regarding requirements 1, 2, 3 and 4, REWG staff provided evidence in the form of the document entitled CIP-001 Compliance Procedure – Physical Security Incident Reporting Procedures, dated 9/27/07, and other supporting documentation as noted in the Reliability Standard Audit Worksheet (RSAW). All plant personnel, due to the size of the on shift staff, will be actively involved in the investigation of a sabotage event.</p> <p>REWG was found by the audit team to meet all standard requirements through the evidence provided.</p> <p>This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered</p>	Compliant
CIP-002-1 through CIP-009-1	<p>Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered, but not covered in this audit</p> <p>This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered</p>	Not Assessed
COM-001-1	Not Applicable – REWG and RES is not a BA, TO or RC	NA
EOP-001-0	Not Applicable – REWG and RES is not a BA, TOP	NA
EOP-003-1	Not Applicable – REWG and RES is not a BA, TOP	NA
EOP-005-1	Not Applicable – REWG and RES is not a BA, TOP	NA
EOP-006-1	Not Applicable – REWG and RES is not a RC	NA
EOP-008-0	Not Applicable – REWG and RES is not a BA, TOP or RC	NA
EOP-009-0	<p>Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered; however, REWG does not have a blackstart plant in the Regional Blackstart Plan and does not have blackstart units thus, this standard was not assessed</p> <p>This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered</p>	Not Assessed
FAC-003-1	Not Applicable – REWG and RES is not a RRO, TO	NA

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Reliability Standard	Auditor Notes	Finding
FAC-008-1	<p>Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered.</p> <p>Regarding requirements 1, 2 and 3, REGW provided evidence in the form of the document entitled FAC-008 Compliance Procedure, revision 1, dated 10/22/07, and other supporting documentation as noted in the Reliability Standard Audit Worksheet (RSAW).</p> <p>REWG was found by the audit team to meet all standard requirements through the evidence provided.</p> <p>This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered</p>	Compliant
FAC-009-1	<p>Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered.</p> <p>Regarding requirements 1 and 2, REGW provided evidence in the form of the document entitled FAC-009 Compliance Procedure, revision 1, dated 10/22/07, and other supporting documentation as noted in the Reliability Standard Audit Worksheet (RSAW).</p> <p>REWG was found by the audit team to meet all standard requirements through the evidence provided.</p> <p>This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered</p>	Compliant
IRO-001-1	<p>Applies to Reliant Energy Wholesale Generation, LLC (REWG) and Reliant Energy Services, Inc. (RES) as currently registered. Since REWG and RES are not a Reliability Coordinator or a Regional Reliability Organization, requirement 8 was the only requirement applicable to REWG and RES.</p> <p>Regarding requirement 8, REGW and RES provided evidence in the form of the documents entitled IRO-001 Compliance Procedure, revision 1, dated 10/22/07, and other supporting documentation as noted in the Reliability Standard Audit Worksheet (RSAW).</p> <p>REWG and RES were found by the audit team to meet all standard requirements through the evidence provided.</p>	Compliant

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Reliability Standard	Auditor Notes	Finding
IRO-004-1	<p>Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered. Since REWG is not a Reliability Coordinator, requirement 4 was the only requirement applicable to REWG.</p> <p>Regarding requirement 4, REWG provided evidence in the form of the documents entitled IRO-004 Compliance Procedure, revision 1, dated 10/22/07, and other supporting documentation as noted in the Reliability Standard Audit Worksheet (RSAW).</p> <p>REWG was found by the audit team to meet all standard requirements through the evidence provided.</p> <p>This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered</p>	Compliant
IRO-014-1	Not Applicable – REWG and RES is not a RC	NA
IRO-015-1	Not Applicable – REWG and RES is not a RC	NA
IRO-016-1	Not Applicable – REWG and RES is not a RC	NA
PER-002-0	Not Applicable – REWG and RES is not a BA or TOP	NA
PER-003-0	Not Applicable – REWG and RES is not a BA, TOP or RC	NA
PER-004-1	Not Applicable – REWG and RES is not a RC	NA
PRC-004-1	<p>Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered</p> <p>Requirement 1 is not applicable to a Generator Owner.</p> <p>Regarding requirement 2, REWG provided evidence in the form of a document entitled PRC-004 Compliance Procedure, revision 1, dated 10/22/07, and other supporting documentation as noted in the Reliability Standard Audit Worksheet (RSAW).</p> <p>REWG was found by the audit team to meet all standard requirements through the evidence provided.</p> <p>This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered</p>	Compliant

Reliability Standard	Auditor Notes	Finding
<p>PRC-005-1</p>	<p>This standard applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered.</p> <p>Requirement 1 states that "Each Transmission Owner and any Distribution Provider that owns a transmission Protection System and each Generator Owner that owns a generation Protection System shall have protection system maintenance and testing program for protection systems that affect the reliability of the BES. The program shall include: maintenance and testing intervals and their basis. Summary of maintenance and testing procedures"; the team determined a Possible Violation for this requirement.</p> <p>Reliant Energy Wholesale Generation, LLC (REWG) staff provided evidence in the form of the document entitled Technical Services Directive - Testing of Relays and Protection Systems, Rev. 3, dated 8/31/07, and PRC-005 Compliance Procedure, Rev. 1, dated 10/22/07. REWG staff also provided evidence in the form of battery maintenance reports and battery check lists.</p> <p>The audit team reviewed the evidence provided by REWG as to REWG's maintenance and testing program for the Protection System, regarding battery maintenance and testing, and found that the corporate "umbrella" program references plant procedures and maintenance manuals as providing the basis for their maintenance intervals and a summary of battery maintenance procedures. REWG was unable to produce plant procedures or maintenance manuals for the batteries for either of their two plants. The battery maintenance and testing documentation showed that REWG is doing this testing, but their basis for maintenance and testing intervals and a summary of maintenance procedures are not specifically stated in REWG published maintenance and testing program document.</p> <p>Due to this finding, the audit team unanimously found Reliant Energy Wholesale Generation, LLC (REWG) in Possible Violation of requirement 1 and determined that it was a documentation issue only.</p> <p>Regarding requirement 2, Reliant Energy Wholesale Generation, LLC (REWG) staff provided evidence in the form of the documents entitled Technical Services Directive - Testing of Relays and Protection Systems, Rev. 3, dated 8/31/07, relay test sheets, Battery Check List, Control Module Battery Maintenance Reports, Monthly and Biannual Reports 6/21/07 to 9/18/07.</p> <p>Reliant Energy Wholesale Generation, LLC (REWG) was found by the audit team to meet NERC Reliability Standard requirement 2 with the evidence provided.</p>	<p>Possible Violation</p>

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Reliability Standard	Auditor Notes	Finding
	This standard is not applicable to Reliant Energy Services, Inc. ("RES") as registered	
PRC-008-0	Not Applicable – REWG and RES is not a TO or DP	NA
PRC-010-0	Not Applicable – REWG and RES s not a TO, DP,LSE or TOP	NA
PRC-011-0	Not Applicable – REWG and RES is not a TO or DP	NA
PRC-016-0	Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered. However, REWG does not have an SPS, thus this standard was not assessed. This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered	Not Assessed
PRC-017-0	Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered. However, REWG does not have an SPS, thus this standard was not assessed. This standard is not applicable to Reliant Energy Services, Inc. (RES) as registered.	Not Assessed
PRC-021-1	Not Applicable – REWG and RES is not a TO or DP	NA
TOP-003-0	Applies to Reliant Energy Wholesale Generation, LLC (REWG) as currently registered. Regarding requirements 1, 2 and 3, REWG provided evidence in the form of the document entitled TOP-003 Compliance Procedure, revision 1, dated 10/22/07, and other supporting documentation as noted in the Reliability Standard Audit Worksheet (RSAW). Regarding requirement 4, REWG is not a Transmission Owner (TO), Balancing Authority (BA) or a Reliability Coordinator (RC); therefore, requirement 4 is not applicable to REWG. REWG was found by the audit team to meet all standard requirements through the evidence provided. This standard is not applicable to Reliant Energy Services, Inc. ("RES") as registered.	Compliant
TOP-004-1	Not Applicable – REWG and RES is not a TOP	NA
TOP-005-1	Applies to Reliant Energy Services, Inc. (RES) as currently registered. Regarding requirements 1, 2 and 3, RES is not a Transmission Owner (TO), Balancing Authority (BA) or a Reliability Coordinator (RC); therefore, requirements 1, 2 and 3 are not applicable to RES. Regarding requirement 4, RES provided evidence in the form of the document entitled TOP-005 Compliance Procedure, revision 1, dated 10/22/07, and other supporting documentation as noted in the Reliability Standard Audit Worksheet (RSAW). This standard is not applicable to Reliant Energy Wholesale Generation, LLC (REWG) as registered.	Compliant

Reliability Standard	Auditor Notes	Finding
TOP-007-0	Not Applicable – REWG and RES are not a TOP or RC	NA
TPL-001-0	Not Applicable – REWG and RES are not a PA or TPL	NA
TPL-002-0	Not Applicable – REWG and RES are not a PA or TPL	NA
TPL-003-0	Not Applicable – REWG and RES are not a PA or TPL	NA
TPL-004-0	Not Applicable – REWG and RES are not a PA or TPL	NA
VAR-001-1	<p>Applies to Reliant Energy Services, Inc. (RES) as currently registered as a Purchasing-Selling Entity.</p> <p>Requirement 5 – Ameren IL Voltage Schedule for Shelby Plant; Choctaw Transmission Reservation Detail; 07 20070525 FERC Order for Rate Schedule for Shelby (indicating that Shelby plant applied to FERC for Tariff); 08 20070830 RWG Offer of Settlement to FERC</p> <p>RES was found by the audit team to meet NERC Reliability Standard requirement 5 through the evidence provided.</p> <p>This standard is not applicable to Reliant Energy Wholesale Generation, LLC (REWG) as registered</p>	Compliant

Conclusions

RES was found to be compliant with the three standards applicable to a Purchasing-Selling Entity that were in the audit scope.

REWG was found to be compliant with 12 of the 13 standards that were audited. One possible area of violation of the audited standards was noted during the audit and at the exit briefing concerning REWG. The possible violation was regarding the PRC-005-1 – Transmission and Generation Protection System Maintenance and Testing, requirement 1. The Battery Maintenance and Testing documentation showed that REWG is performing the required maintenance and testing, but the maintenance and testing intervals, their basis, and a summary of testing procedures are not specifically stated in the REWG published Maintenance and Testing Program document. The audit team determined that this was a documentation issue only.

The possible compliance violation along with this compliance audit report will be provided to the SERC compliance staff for processing through the NERC CMEP. Any further actions related to possible compliance violations will be through that process.

REWG and RES staff exhibited a strong desire and willingness to continue improvement of their compliance effort in the future. REWG and RES staff demonstrated a culture of continuous improvement by being proactive to changing industry standards and conditions.

SUMMARY OF RELIANT ENERGY WHOLESALE GENERATION AND RELIANT ENERGY SERVICES RESPONSE TO THE AUDIT FINDINGS

Reliant Energy, Inc. provided response to SERC's Draft Reliant Energy Audit Report 11-01-07 via an e-mail from Christopher Hajovsky to James Harrell (Audit Team Lead) and Bob Goss (SERC Manager of Compliance Audits) on January 15, 2008 @ 10:14 AM, with a Subject of RE: Draft Reliant Energy Audit Report. Reliant's response was attached to the e-mail in the file: 20080115 – Response to SERC Draft Compliance Report – Final.pdf.

Reliant's response letter is presented below. Attachments to the letter, included as a part of the PDF file, are retained on record in SERC files.

January 15, 2008

James Harrell
SERC Reliability Corporation
2815 Coliseum Centre Drive
Suite 500
Charlotte, NC 28217

Re: Response of Reliant Energy Wholesale Generation, LLC and Reliant Energy Services, Inc. to the SERC Draft Compliance Audit Report

Dear Mr. Harrell:

Reliant Energy Wholesale Generation, LLC (“REWG”) and Reliant Energy Services, Inc. (“RES”) appreciate the opportunity to provide comments on the draft Compliance Audit Report provided by the SERC audit team by email dated December 11, 2007 (the “Draft Audit Report”) for the NERC Reliability Standards compliance audit conducted at Reliant headquarters on November 1, 2007. REWG and RES also appreciate the high degree of professionalism and courtesy afforded by the SERC audit team (comprised of three SERC staff members, one NERC staff member, and one industry volunteer) throughout this process, and look forward to continuing to work with SERC to ensure a safe and reliable bulk electric system.

Set forth below are REWG's and RES' comments on the Draft Audit Report:

1. RES agrees with the Draft Audit Report's finding of full compliance for RES.¹
2. As the Draft Audit Report notes, the Choctaw Generation Station (“Choctaw”) owned by REWG was placed in mothball/lay-up status in May 2004.² The Draft Audit Report does not note, however, that Choctaw was returned to service in July 2007 and that, in October 2007, Choctaw was placed in winter lay-up and is not scheduled to return to service until April 1, 2008.

3. For reasons detailed below, REWG disagrees with the Draft Audit Report's finding of a "possible violation" for REWG relating to Requirement 1 of PRC-005-1.³ In making this finding, the Draft Audit Report notes that:

¹ See Draft Audit Report at 13 ("Reliant Energy Services (RES) was found to be in compliance with the three standards applicable to a Purchasing-Selling Entity (PSE) that was in the audit scope").

² See Draft Audit Report at 5.

³ With respect to the other requirement of PRC-005 (*i.e.*, Requirement 2), the Draft Audit Report indicates that REWG was found by the audit team to be in compliance: "Reliant Energy Wholesale Generation, LLC (REWG) was found by the audit team to meet NERC reliability standard requirement 2 with the evidence provided." Draft Audit Report, at 11. The Draft Audit Report also indicates that REWG was found by the audit team to be in compliance with the other NERC Reliability Standards covered in the audit. Draft Audit Report, at 13.

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[t]he Battery Maintenance and Testing documentation showed that REWG is performing the required maintenance and testing, but the maintenance and testing intervals, their basis, and a summary of testing procedures are not specifically stated in the REWG published Maintenance and Testing Program document. The audit team determined that this is a *documentation issue* only.⁴

The Draft Audit Report also notes that:

[t]he Battery Maintenance and testing documentation showed that REGW [*sic*] is doing this testing [*i.e.*, battery testing], but their basis for maintenance and testing intervals and a summary of maintenance procedures are not specifically stated in *REGW [*sic*] published maintenance and testing program document*.⁵

Requirement 1 of NERC Reliability Standard PRC-005-1 contains four sub-requirements: (i) a Generation Owner that owns a generation Protection System must have a Protection System maintenance and testing program; (ii) such a program must include maintenance and testing intervals; (iii) such a program must include a basis for the maintenance and testing intervals; and (iv) such a program must include a summary of maintenance and testing procedures.⁶ PRC-005-1 notes that incomplete documentation of the maintenance and testing program constitutes non-compliance.⁷ However, nowhere does PRC-005-1: (1) specify the precise method or means of documentation, (2) require that such documentation be in one place or comprised of only one document, or (3) detail what constitutes incomplete documentation.

As shown below, REWG is in compliance with all four of the sub-requirements of Requirement 1 with respect to the generating facilities that REWG owns in the SERC region (*i.e.*, Choctaw Generating Facility ("Choctaw") and the Shelby Generating Facility ("Shelby")) and is of the view that the Protection System maintenance and testing program for REWG includes documentation of battery maintenance and testing intervals, the basis therefore, and a summary of maintenance and testing procedures. Therefore, REWG disagrees with the Draft Audit Report's finding of a "possible violation," and respectfully requests the SERC audit team revise its finding for PRC-005-1 to "Compliant."

a. R.1 requires that each Generation Owner “that owns a generation Protection System shall **have a Protection System maintenance and testing program** for Protection Systems that affect the reliability of the [Bulk Electric System].”

As an initial matter, the SERC audit team reviewed the “umbrella” document titled “Reliant Energy Engineering and Technical Services Directive – Testing of Relays and Protection Systems (Revision 3)” (attached hereto as Attachment A and hereinafter referred to as “Reliant Protection Systems Testing Directive”). The Draft Audit Report does not question the existence of the

⁴ Draft Audit Report, at 13 (emphasis added).

⁵ Draft Audit Report, at 11 (emphasis added).

⁶ See NERC Reliability Standard PRC-005-1, Section B, R1. (“PRC-005-1”).

⁷ See PRC-005-1, Section D, 2.1 and 2.3.

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document or of a Protection System maintenance and testing program for REWG, and thus compliance with this element of Requirement 1.

b. R1.1 requires that the Protection System maintenance and testing program include “**Maintenance and testing intervals**”

The Protection System maintenance and testing program for REWG identifies maintenance and testing intervals for batteries. Section 3.10 of the Reliant Protection Systems Directive states that “DC Battery Systems (batteries, chargers, and associated equipment and wiring) are part of a protection system. Battery systems shall be maintained and tested per existing plant battery system maintenance procedures and manufacturer’s instructions.” The battery maintenance and testing intervals for Shelby and Choctaw are identified on testing documentation for each plant (attached hereto as Attachments B and C). As noted therein, Shelby performs battery testing and maintenance on a monthly and quarterly basis while Choctaw performs battery testing and maintenance on a quarterly basis, with weekly visual inspections. In short, the Reliant Protection Systems Testing Directive indicates that the individual generating stations prescribe maintenance and testing intervals, and the testing documentation used by Choctaw and Shelby spells out the intervals each utilizes. The plant specific battery testing documentation is clearly part of the battery testing and maintenance process and, thus, part of the overall Protection Systems maintenance and testing program for REWG, as required by Requirement 1.1.

c. R1.1 also requires that the Protection System maintenance and testing program include Maintenance and testing intervals **and their basis**”

The Draft Audit Report indicates that there may be a “possible violation” because the “basis for maintenance and testing intervals...[is] not specifically stated in REGW [sic] published maintenance and testing program document,”⁸ which REWG understands to be a reference to the Reliant Protection Systems Testing Directive. The Draft Audit Report also notes that “the corporate ‘umbrella’ program references plant procedures and maintenance manuals as providing the basis for their maintenance intervals” but that “REGW [sic] was unable to produce plant

procedures or maintenance manuals.”⁹ REWG also understands the reference to the “corporate ‘umbrella’ program” to be a reference to the Reliant Protection Systems Testing Directive.

Contrary to the conclusion drawn in the Draft Audit Report, the Protection System maintenance and testing program for REWG identifies the basis for maintenance and testing intervals for batteries. Section 1.4 of the Reliant Protection Systems Testing Directive states that “[t]he frequency of testing intervals prescribed in this document *is based upon* a reasonable amount of time the devices are expected to perform their protective function without testing or calibration.”¹⁰ As noted above, specific plant battery testing documentation identifies battery maintenance and testing intervals for Shelby and Choctaw. In Reliant’s experience of operating and maintaining generating stations, the maintenance intervals and checks performed at Shelby and Choctaw are very reasonable to insure the batteries will perform their protective function. Independent of regulatory requirements, Reliant has an important stake in the correct operation of battery systems at all of its

⁸ Draft Audit Report, at 11.

⁹ *Id.*

¹⁰ Emphasis added.

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generating stations. Therefore, both the Reliant Protection Systems Testing Directive as well as plant specific battery testing documentation, both of which are part of the overall Protection System maintenance program for REWG, set forth bases for battery testing and maintenance intervals.

d. R1.2 requires that the Protection System maintenance and testing program include a “**Summary of maintenance and testing procedures.**”

Finally, the Protection System maintenance and testing program for REWG also includes a summary of maintenance and testing procedures. Such a summary is reflected in the Reliant Protection Systems Testing Directive as well as plant specific battery testing documentation which outline the maintenance and testing procedures. A summary of the battery maintenance and testing procedures previously provided to the SERC audit team for the Shelby Generating Facility is included as Attachment D, and a summary of the battery maintenance and testing procedures previously provided to the SERC audit team of the Choctaw generating facility is provided as Attachment E. The test documents and forms supplied during the audit provide an explicit summary of the tests performed.

In sum, REWG is of the view that the Protection System maintenance and testing program for REWG includes documentation of battery maintenance and testing intervals, the basis therefore, and a summary of maintenance and testing procedures, as required by Requirement 1 of PRC-005-1, and that, accordingly, REWG is in full compliance with PRC-005-1. As is evident from REWG’s comments, such documentation is not in all in one place but PRC-005-1 does not require that this be the case and neither does PRC-005-1 prescribe the precise method or means of documentation. As such, REWG believes that it is not in violation of PRC-005-1 and, on this basis, disagrees with the Draft Audit Report’s finding of a “possible violation” of Requirement 1

of PRC-005-1. REWG therefore asks that SERC find REWG to be in compliance with Requirement 1 of PRC-005-1.

REWG and RES have great respect for the efforts and responsibilities of SERC and NERC in overseeing the reliability of the bulk electric system. Indeed, Reliant emphasizes a corporate culture of compliance and takes compliance matters very seriously. If there any additional questions or follow-up that SERC believes might be helpful as it prepares to finalize the Compliance Audit Report, we would be happy to discuss.

Sincerely,

J. Christopher Hajovsky
Director, Regulatory Strategy and Policy
Reliant Energy, Inc.
1000 Main Street
Houston, Texas 77002
(713) 497-7908 (office)

Attachments

Cc: Bob Goss, SERC Reliability Corporation

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APPENDIX 1 — APPLICABLE RELIABILITY STANDARDS

Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
BAL-001-0	All	Real Power Balancing Control Performance	BA	To maintain Interconnection steady-state frequency within defined limits by balancing real power demand and supply in real-time.	The data that supports the calculation of CPS1 and CPS2 (Attachment 1-BAL-001-0) are to be retained in electronic form for at least a one-year period. If the CPS1 and CPS2 data for a Balancing Authority Area are undergoing a review to address a question that has been raised regarding the data, the data are to be saved beyond the normal retention period until the question is formally resolved. Each Balancing Authority shall retain for a rolling 12-month period the values of: one-minute average ACE (ACEi), one-minute average Frequency Error, and, if using variable bias, one-minute average Frequency Bias.	No
BAL-002-0	All	Disturbance Control Performance	BA, RSG, RRO	To ensure the Balancing Authority is able to utilize its Contingency Reserve to balance resources and demand and return Interconnection frequency within defined limits.	Compliance for DCS will be evaluated for each reporting period. Reset is one calendar quarter without a violation. The data that support the calculation of DCS are to be retained in electronic form for at least a one-year period.	No

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
BAL-003-0	All	Frequency Response and Bias	BA	This standard provides a consistent method for calculating the Frequency Bias component of ACE.	Yearly or by request.	No
CIP-001-1	All	Sabotage Reporting	RC, BA, TOP, GOP, LSE	Disturbances or unusual occurrences, suspected or determined to be caused by sabotage, shall be reported to the appropriate systems, governmental agencies, and regulatory bodies.	By request and any events in the last year.	No
CIP-002-1 through CIP-009-1	All	Critical Infrastructure Protection Standards	BA, GO, GOP, IA, LSE, NERC, RC, RRO, TO, TOP, TSP	Cyber Security Standards - Follow revised Implementation Plan for Cyber Security Standards CIP-002-1 through CIP-009-1	By request.	Yes
COM-001-1	R2 and R5	Telecommunications	TO, BA, RC, NERCNet User Organizations.	Each Reliability Coordinator, Transmission Operator and Balancing Authority needs adequate and reliable telecommunications facilities internally and with others for the exchange of Interconnection and operating information necessary to maintain reliability.	By request.	No

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
EOP-001-0	All	Emergency Operations Planning	BA, TOP	Each Transmission Operator and Balancing Authority needs to develop, maintain, and implement a set of plans to mitigate operating emergencies. These plans need to be coordinated with other Transmission Operators and Balancing Authorities, and the Reliability Coordinator.	By request.	No
EOP-003-1	All	Load Shedding Plans	BA, TOP	A Balancing Authority and Transmission Operator operating with insufficient generation or transmission capacity must have the capability and authority to shed load rather than risk an uncontrolled failure of the Interconnection.	R1, R5, R6 - Event Driven. Has an event occurred in the past year? R2, R3, R4, R7, R8 – By request	No
EOP-005-1	All	System Restoration Plans	BA, TOP	To ensure plans, procedures, and resources are available to restore the electric system to a normal condition in the event of a partial or total shut down of the system	By request. Note: entity must follow the timelines specified in the standard: show that the plan is reviewed annually; simulation or testing must be done every five years.	No
EOP-006-1	All	Reliability Coordination – System Restoration	RC	The Reliability Coordinator must have a coordinating role in system restoration to ensure reliability is maintained during restoration and priority is placed on restoring the Interconnection.	By request.	No
EOP-008-0	All	Plans for Loss of Control Center Functionality	BA, RC, TOP	Each reliability entity must have a plan to continue reliability operations in the event its control center becomes inoperable.	By request.	No

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
EOP-009-0	All	Documentation of Blackstart Generating Unit Test Results	GO, GOP	To ensure that the quantity and location of system blackstart generators are sufficient and that they can perform their expected functions.	By request. Note entity must meet testing frequency specified in EOP-007-0.	Yes
FAC-003-1	All	Vegetation Management	RRO, TO	To improve the reliability of the electric transmission systems by preventing outages from vegetation located on transmission rights-of-way (ROW) and minimizing outages from vegetation located adjacent to ROW, maintaining clearances between transmission lines	By request – program documentation and last four quarterly outage reports.	No
FAC-008-1	All	Facility Ratings Methodology	GO, TO	To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology	By request the current methodology and any superseded portions of the methodology within the past 12 months.	Yes
FAC-009-1	All	Establish and Communicate Facility Ratings	GO, TO	To ensure that Facility Ratings used in the reliable planning and operation of the Bulk Electric System (BES) are determined based on an established methodology or methodologies.	By request.	Yes

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
IRO-001-1	All	Reliability Coordination – Responsibilities and Authorities	BA, GOP, LSE, PSE, RC, RRO, TOP, TSP	Reliability Coordinators must have the authority, plans, and agreements in place to immediately direct reliability entities within their Reliability Coordinator Areas to re-dispatch generation, reconfigure transmission, or reduce load to mitigate critical conditions to return the system to a reliable state. If a Reliability Coordinator delegates tasks to others, the Reliability Coordinator retains its responsibilities for complying with NERC and regional standards. Standards of conduct are necessary to ensure the Reliability Coordinator does not act in a manner that favors one market participant over another.	By request.	Yes
IRO-004-1	All	Reliability Coordination — Operations Planning	BA, GO, GOP, LSE, RC, TO, TOP, TSP	Each Reliability Coordinator must conduct next-day reliability analyses for its Reliability Coordinator Area to ensure the Bulk Electric System can be operated reliably in anticipated normal and Contingency conditions.	By request.	Yes

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
IRO-014-1	All	Procedures, Processes, or Plans to Support Coordination Between Reliability Coordinators	RC	To ensure that each Reliability Coordinator's operations are coordinated such that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas and to preserve the reliability benefits of interconnected operations.	By request.	No
IRO-015-1	All	Notifications and Information Exchange Between Reliability Coordinators	RC	To ensure that each Reliability Coordinator's operations are coordinated such that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas and to preserve the reliability benefits of interconnected operations.	Rolling 12 months of information provided on request.	No
IRO-016-1	All	Coordination of Real-time Activities Between Reliability Coordinators	RC	To ensure that each Reliability Coordinator's operations are coordinated such that they will not have an Adverse Reliability Impact on other Reliability Coordinator Areas.	Rolling 12 months of information provided on request.	No
PER-002-0	All	Operating Personnel Training	BA, TOP	Each Transmission Operator and Balancing Authority must provide their personnel with a coordinated training program that will ensure reliable system operation.	By request training program and training records.	No
PER-003-0	All	Operating Personnel Credentials	BA, RC, TOP	Certification of operating personnel is necessary to ensure minimum competencies for operating a reliable Bulk Electric System.	By request latest certification information and present calendar year plus previous calendar year staffing plan.	No

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
PER-004-1	All	Reliability Coordination — Staffing	RC	Reliability Coordinators must have sufficient, competent staff to perform the Reliability Coordinator functions.	By request – Each Reliability Coordinator shall keep evidence of compliance for the previous two calendar years plus the current year.	No
PRC-004-1	All	Analysis and Mitigation of Transmission and Generation Protection System Misoperations	DP*, GO, TO	Provide trip operation/misoperation information per regional process.	By request – last 12 months of protection system Misoperation analysis.	Yes
PRC-005-1	All	Transmission and Generation Protection System Maintenance and Testing	DP*, GO, TO	Document/implement transmission protection system maintenance/testing/monitoring PROGRAM	By request – maintenance and testing program and testing records to show that testing intervals are on schedule.	Yes
PRC-008-0	All	Implementation and Documentation of Underfrequency Load Shedding Equipment Maintenance Program	DP, TO	Document/implement UFLS maintenance/testing PROGRAM	By request – maintenance and testing program and testing records to show that testing intervals are on schedule.	No
PRC-010-0	All	Technical Assessment of the Design and Effectiveness of Undervoltage Load Shedding Program.	DP, LSE, TO, TOP	ASSESS design and effectiveness of UVLS programs	By request – current assessment.	No

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
PRC-011-0	All	UVLS System Maintenance and Testing	DP, TO	Document/implement UVLS maintenance/testing PROGRAM	By request – maintenance and testing program and testing records to show that testing intervals are on schedule.	No
PRC-016-0	All	Special Protection System Misoperations	DP, GO, TO	DOCUMENT/analyze misoperations	By request – last 12 months of special protection system Misoperation analysis.	Yes
PRC-017-0	All	Special Protection System Maintenance and Testing	DP, GO, TO	Document/implement SPS maintenance/testing PROGRAM	By request – maintenance and testing program and testing records to show that testing intervals are on schedule.	Yes
PRC-021-1	All	Under-Voltage Load Shedding Program Data	DP, TO	DOCUMENTATION of undervoltage load shedding program	By request – latest UVLS data.	No
TOP-003-0	All	Planned Outage Coordination	BA, GOP, RC, TOP	Scheduled generator and transmission outages that may affect the reliability of interconnected operations must be planned and coordinated among Balancing Authorities, Transmission Operators, and Reliability Coordinators.	By request.	No
TOP-004-1	R6	Transmission Operations	TOP	To ensure that the transmission system is operated so that instability, uncontrolled separation, or cascading outages will not occur as a result of the most severe single Contingency and specified multiple Contingencies.	By request – Each Transmission Operator shall keep 90 days of historical data for Measure 1. Each Transmission Operator shall have current, in-force policies and procedures, as evidence of compliance to Measure 2.	No

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
TOP-005-1	All	Operational Reliability Information	BA, PSE, RC, TOP	To ensure reliability entities have the operating data needed to monitor system conditions within their areas.	By request.	Yes
TOP-007-0	All	Reporting System Operating Limit (SOL) and Interconnection Reliability	RC, TOP	Ensure SOL and IROL violations are being reported to the Reliability Coordinator so that the Reliability Coordinator may evaluate actions being taken and direct additional corrective actions as needed.	Event driven.	No
TPL-001-0	All	System Performance Under Normal (No Contingency) Conditions	PA, TPL	System performance under normal conditions	By request – latest annual assessment.	No
TPL-002-0	All	System Performance Following Loss of a Single Bulk Electric System Element	PA, TPL	System performance under single contingency	By request – latest annual assessment.	No
TPL-003-0	All	System Performance Following Loss of Two or More Bulk Electric System Elements	PA, TPL	System performance under multiple contingencies	By request – latest annual assessment.	No

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Std #	Requirements	Standard	Who	Purpose	Monitoring Timeframe	Applicable to REWG or RES? Yes or No
TPL-004-0	All	System Performance Following Extreme Events Resulting in the Loss of Two or More Bulk Electric System Elements	PA, TPL	System performance under extreme contingencies	By request – latest annual assessment.	No
VAR-001-1	All	Voltage and Reactive Control	PSE, TOP	To ensure voltage levels, reactive flows, and reactive resources are monitored, controlled, and maintained within limits in real time to protect equipment and the reliable operation of the Interconnection.	By request – last 12 months of data.	Yes

Determination Summary for Possible Violations Identified in an Audit

<i>Regional Tracking Number</i>	<u>07-219</u>
<i>Entity</i>	<u>Reliant Energy Wholesale Generation, L</u>
<i>Audit Date</i>	<u>11/1/2007</u>
<i>Standard</i>	<u>PRC-005-1</u>
<i>Requirement</i>	<u>R1</u>
<i>Sufficient Basis for Violation</i>	<input checked="" type="checkbox"/>
<i>Factual Basis</i>	Entity's Transmission and Generation Protection System Maintenance and Testing Program does not identify battery maintenance and testing intervals, the basis for said intervals, or a summary of maintenance and testing procedures.
<i>Conclusion Violation Summary</i>	Entity's Transmission and Generation Protection System Maintenance and Testing Program does not identify battery maintenance and testing intervals, the basis for said intervals, or a summary of maintenance and testing procedures. This is a violation of R1. In keeping with the Levels of non-compliance, this is evaluated as a Level 1 or Lower Violation Severity Level. Of the 15,000 Mw the entity owns in five regions, Choctaw County (800 Mw) and Shelby County (352 Mw) are in SERC. However, this issue is primarily documentation related and the violation has minimal effect on reliability. Therefore, the size of the entity in SERC is not a consideration to adjust the Violation Severity Level.
<i>NERC BOTCC Determination</i>	The NERC BOTCC affirmed SERC Reliability Corporation's determination to exercise enforcement discretion to impose a zero dollar (\$0) penalty against Reliant Energy Wholesale Generation, based upon the NERC BOTCC's review of the applicable requirements of the Commission-approved Reliability Standards and the underlying facts and circumstances of the violation at issue.
<i>NERC Violation Number</i>	<u>SERC200700049</u>
<i>NOC Number</i>	<u>NOC-43</u>
<i>NOP Number</i>	<u>NOP-29</u>
<i>FERC Docket Number</i>	<u>NP08-10-000</u>