



NORTHEAST POWER COORDINATING COUNCIL, INC.  
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# **Compliance Audit Report Public Version**

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

**BP Energy Company  
NCR07021**

**May 19-June 2, 2008**

**July 10, 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.

The offsite compliance audit of BP Energy Company (BP) was conducted between May 19 and June 2, 2008. The audit was completed using data submitted by BP prior to the audit starting, and data provided by way of follow-up emails and phone calls as a result of questions raised during the audit.

The audit team evaluated BP's compliance with three reliability standards and seven requirements identified in the NERC 2008 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each, reliability standard. Of the three standards and seven requirements audited, one standard and its one requirement were judged to be compliant and two standards and their six requirements were judged to be not applicable for this audit period. BP provided subject matter experts as necessary resulting in a more clear understanding of the BP business model and accelerated the audit process. The evidence provided to demonstrate compliance was excellently presented and well organized. The audit team would like to thank the BP audit preparation team for the support offered through the audit.

## Audit Process

The compliance audit process steps are detailed in the NERC CMEP. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

### **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.<sup>1</sup> The audit objectives are:

- Independently review BP compliance with the requirements of the reliability standards that are applicable to BP based on the BP registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.
- Document the BP compliance culture.

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

## **Scope**

The audit included all standards identified in the February 11, 2008 audit letter for the previous year. The audit was a regularly scheduled audit and no self reported violations or compliance investigations were involved.

## **Confidentiality and Conflict of Interest**

The audited entity was informed in advance of the audit that the independent contractors executed confidentiality agreements and code of conduct documentation was in place for the NERC representative and regional entity staff. Work history and conflict of interest forms submitted by each audit team member are on file in the NPCC corporate offices. The audited entity was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. The audited entity accepted the audit team member participants with no objections.

## **Off-site Audit**

BP was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to BP more than 60 days in advance of the scheduled audit. This is an off-site audit conducted every six years or as determined to be necessary by the region. BP had not self reported any violations

If necessary, the audit team leader would request interviews with BP employees representing subject matter expertise regarding all of registered functions of BP. These interviews in conjunction with evidence would provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

## **Methodology**

[Methodology: the auditing standards and best practices that are to be followed by compliance auditors in carrying out their work as described in the Compliance Auditor Manual. The criteria should be objective, measurable, complete and relevant to the audit objectives. The auditor should identify potential sources of audit evidence and consider the amount and type of evidence needed given the risk and significance when defining the audit methodology.]

## **Audit Overview**

The audit overview was conducted by way of email on May 6, 2008. A brief explanation of the audit process was given and the timelines were discussed.

## ***Audit***

The audit was performed off site by Kim Pitchell. A list of additional questions was provided to BP Energy Company via of an email and BP Energy Company then took the time necessary to develop the answers and submitted them by way of email to the auditor.

## ***Exit Briefing***

The exit briefing was conducted by conference call on May 29, 08 between Kim Pitchell of NPCC, Rosanna Jimenez of NERC, Julie Martin of BP and several other BP staff. The NPCC auditor reviewed the audit process and summarized the findings of the audit. The results of the audit were that of the three standards and seven requirements audited, one standard and its one requirement were judged to be compliant and two standards and their six requirements were judged to be not applicable for this audit period. BP Energy Company was given an opportunity to question the audit findings and provide comment on the audit. BP had no comments on the findings and said they found the process to be very informative. They have a much better appreciation of how the audit process works and what it entails to be fully compliant to all standards.

## ***Company Profile***

BPEC is a Delaware corporation and an indirect, wholly-owned subsidiary of BP America Inc., which is an indirect, wholly-owned subsidiary of BP p.l.c. (BP). BP is organized under the laws of England and Wales with its international headquarters in London, UK.

BPEC's Power Team is engaged in the trading and marketing of electric power within North America.

BP Energy Company ("BPEC"), a Purchasing-Selling Entity ("PSE"), does not own or operate any bulk power or interconnection systems.

BPEC transacts in both the ISO-NE and the NY- ISO RC regions, both of which are also registered entities with NPCC as an RC, BA and a TOP.

## ***Audit Specifics***

The compliance audit was conducted off-site between May 19 and July 10, 2008.

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance	NPCC-Compliance Audit Program
Observer	Coordinator	NERC Regional Compliance Program

### **BP Energy Company**

<b>Title</b>	<b>[Audited Entity] Organization</b>
Director Market Rules	BP Energy Company
Regulatory Affairs	NA Power
Attorney	BP Energy Company
Advisor, Integrated Supply & Trading Compliance	BP Energy Company
Director of Structured Risk Optimization	BP Energy Company
Operations Assurance Manager	BP Energy Company
Commercial Manager	BP Energy Company
Optimizer	BP Energy Company
Senior Attorney	BP Energy Company

## **Audit Results**

The audit team evaluated BP's compliance with three reliability standards and seven requirements identified in the NERC 2008 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each, reliability standard. Of the three standards and seven requirements audited, one standard and its one requirement were judged to be compliant and two standards and their six requirements were judged to be not applicable for this audit period. BP provided subject matter experts as necessary resulting in a more clear understanding of the BP business model and accelerated the audit process. The evidence provided to demonstrate compliance was excellently presented and well organized. The audit team would like to thank the BP audit preparation team for the support offered through the audit.

### **Findings**

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2008 Implementation Plan. This

table can also include details summarizing auditor notes relating to evidence reviewed for reliability standard requirements for self-reported violations, ongoing mitigation plans, and other discussions.

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-001-1	R8.	Not Applicable
IRO-004-1	R1	Not Applicable
IRO-004-1	R2.	Not Applicable
IRO-004-1	R2.1	Not Applicable
IRO-004-1	R2.2	Not Applicable
IRO-004-1	R2.3	Not Applicable
VAR-001-1	R5	Compliant

### ***Compliance Culture***

The audit team reviewed BP Energy's compliance culture. The regional entity compliance staff may review additional aspects of BP Energy's compliance culture. During all contact BP Energy staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.