



Compliance Audit Report Public Version

**Edison Mission Marketing and Trading,
LLC
NCR00769**

**Date of Audit
May 27 – 30, 2008**

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

**Date of Report
July 19, 2008**

TABLE OF CONTENTS

Executive Summary	1
Audit Process	1
<i>Objectives</i>	1
<i>Scope</i>	2
<i>Confidentiality and Conflict of Interest</i>	2
<i>Off-site Audit</i>	2
<i>Methodology</i>	3
<i>Audit Overview</i>	3
<i>Audit</i>	4
<i>Exit Briefing</i>	4
<i>Company Profile</i>	5
<i>Audit Specifics</i>	5
Audit Results	6
<i>Findings</i>	7
<i>Compliance Culture</i>	9

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.

ReliabilityFirst scheduled the Edison Mission Marketing and Trading, LLC (EMMT) for an offsite audit of its compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to EMMT for the functions that it performs within the ReliabilityFirst area as part of the NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the material provided by EMMT in response to the initial ReliabilityFirst data request and additional material requested by the audit team during their review as necessary to develop its findings. The ReliabilityFirst audit team reviewed the material and developed the preliminary results on EMMT's compliance to the standards.

Sixty-six requirements apply to EMMT in the 28 NERC Standards which are applicable to the purchasing-selling entity, generation owner and generator operator functions that EMMT is registered to perform in the ReliabilityFirst area. One requirement of one regional standard applies to EMMT. Of the 28 standards, 4 standards and 16 associated requirements were determined to not apply to EMMT since it is not required to have disturbance monitoring equipment and does not have a special protection system.

EMMT was prepared for the audit and presented its documentation in a complete and concise manner. EMMT did not have any violations or mitigation plans open for review during this audit. EMMT was found to be fully compliant with the 52 requirements and the 24 NERC standards and 1 requirement of the regional standard that apply to its operations for which it is registered in the ReliabilityFirst area.

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.¹ The audit objectives are:

- Review EMMT's compliance with the requirements of the reliability standards that are applicable to EMMT based on EMMT's registered functions.

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

- 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 EMMT's compliance culture.
- Validate compliance with other NERC standards outside the 2008 implementation plan as selected by ReliabilityFirst.
- Validate compliance with applicable ReliabilityFirst reliability standards that apply to EMMT.

Scope

EMMT is subject to auditing by ReliabilityFirst on a six year basis. This audit was conducted on those standards which were provided by NERC for monitoring in the 2008 CMEP Implementation Plan. ReliabilityFirst monitors all applicable ReliabilityFirst standards, self certifications, and mitigation plans as appropriate. This audit of EMMT included one regional standard.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the audit team are governed under the ReliabilityFirst Delegation Agreement with NERC and the NERC Rules and Procedures Section 1500. The audited entity has been informed of the ReliabilityFirst obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to the audited entity. 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 has not submitted any objections by the stated fifteen day objection due date and by this action has accepted the audit team member participants without objections. ReliabilityFirst found no conflict of interest for any of the audit team members.

Off-site Audit

EMMT is subject to an audit once every six years at the minimum as provided by the NERC Rules and Procedures. EMMT has been provided 60 day notification of this scheduled audit and at that time all necessary documents required by the NERC and ReliabilityFirst audit process were provided. The following documents were provided as part of the notification:

- 60 day Notification letter which contained request for evidence , information, and date submittals
- Audit Survey
- Audit Agenda as applicable
- Audit Team Work History with discussion of objection process

- General Instructions of Data or Information Submittals
- Reliability Standard Auditor Worksheets (RSAWs)
- Reliability Standard Questionnaires

Documents were provided to EMMT in both electronic and hardcopy format.

Reliability*First* has discussed with EMMT the usage of technical experts and welcomes the usage of technical experts by EMMT as it deems necessary to explain their compliance to the standards. EMMT has been notified to provide any technical experts or personnel it deems necessary to provide an understanding of the evidence provided to meet compliance.

An audit agenda and/or schedule were provided to EMMT in advance to allow the necessary time to prepare for the audit. EMMT cooperation and flexibility with the agenda was appreciated by the audit team.

This audit was conducted in the Reliability*First* offices using material provided by EMMT. The audit team made additional calls to request additional information or to clarify information previously supplied to the team. The audit team leader requested telephone interviews with EMMT employees representing subject matter expertise regarding all registered functions of EMMT. These interviews in conjunction with evidence provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Methodology

The audit team reviewed the evidence provided by EMMT for each requirement of all NERC standards that apply to the functions performed by the company to determine if the company complied with that requirement. The team reviewed each requirement and discussed the levels of compliance and addressed each team member's notes from the audit. The audit team decided on the findings to present to the company and Reliability*First*. The audit team developed the exit briefing of audit findings and presented the audit findings to EMMT and answered all their questions.

Audit Overview

An Opening Briefing was conducted as a conference call/WebEx to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Team Audit Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and schedule

Audit

The audit team worked as a group and reviewed each applicable requirement to determine if EMMT met the requirement. The audit followed the agenda closely. The audit team requested additional information if it could not determine compliance or if clarification of the existing information was needed. EMMT provided additional information or clarified existing information with review of its subject matter experts as needed.

Exit Briefing

The audit team used a web based exit presentation and teleconference to present the findings to the EMMT staff. The team lead explained the findings from the audit. The presentation was attended by the following EMMT staff:

Title	Edison Organization
Director O&M Engineering Support	Midwest Generation
Senior Engineer - Operations	Midwest Generation
Manager, Electrical Engineering	Midwest Generation
Managing Director, Operations	EMMT
Director, Asset Scheduling	EMMT
Director, Settlement Operations	EMMT
Senior Director and Council, Regulatory Affairs	EMMT
Director, Generation and Operations Infrastructure	Edison Mission Group
Audit Manager - Operational & Consulting Audits, Audit Services Department	Edison International
Corporate Auditor - Operational & Consulting Audits, Audit Services Department	Edison International
Audit Manager - Operational & Consulting Audits, Audit Services Department	Edison International
Corporate Auditor - Operational & Consulting Audits, Audit Services Department	Edison International
Director, NERC Compliance Programs	ICF International
Project Manager	Sungard Consulting Services
Lead Senior Consultant	Sungard Consulting Services
Partner	Sungard Consulting Services

The presentation was open for comments and discussion about the findings. The exit presentation also covered any possible violations and mitigation requirements, the reporting process going forward, and audit feed back

Company Profile

EMMT performs the following NERC function in the Reliability*First* region and is registered with NERC/Reliability*First* for the following functions:

- Generation Owner (GO)
- Generation Operator (GOP)
- Purchase-Selling Entity (PSE)

Edison Mission Marketing and Trading (EMMT) owns and operates 23 coal and oil fired fossil generation units in Illinois and Pennsylvania. EMMT's Midwest Generation has a total capacity of 7650 MW with 5766 MW dispersed throughout Illinois, and its Homer City Generation has 1884 MW at one plant in Pennsylvania. All plants are within the PJM balancing authority. PJM is the reliability coordinator and transmission operator. In Illinois, Commonwealth Edison is the transmission owner to which the plants are connected, and in Pennsylvania the transmission owner is the Pennsylvania Electric Company. EMMT has 12 units connected at 138 kV, 1 at 230 kV, and 6 at 345 kV.

EMMT has six blackstart units with four of the contracts ending this year. Four of the blackstart units are connected to the electric system at 12 kV.

EMMT facilities also include a generation control center that interfaces with the PJM market.

EMMT is a wholly owned subsidiary of Edison Mission Energy (EME) and has the compliance responsibility for all of the EME affiliate companies. EMMT serves as the NERC registered entity for affiliates under EME. EMMT includes Midwest Generation, LLC and Homer City Generation. EME is a subsidiary of the Edison Mission Group (EMG) which is a subsidiary of Edison International.

Audit Specifics

The compliance audit was conducted on May 27 - 30, 2008 at the Reliability*First* office in Akron, OH.

Audit Team

Audit Team Role	Title	Company
Lead	Manager, Compliance Program Implementation	ReliabilityFirst Corporation
Member	Consultant	Sander-Reber

EMMT Audit Participants

Title	Edison Organization
Director O&M Engineering Support	Midwest Generation
Senior Engineer - Operations	Midwest Generation
Manager, Electrical Engineering	Midwest Generation
Managing Director, Operations	EMMT
Director, Asset Scheduling	EMMT
Director, Settlement Operations	EMMT
Senior Director and Council, Regulatory Affairs	EMMT
Senior Generation Dispatcher	EMMT
Director, Generation and Operations Infrastructure	Edison Mission Group
Audit Manager - Operational & Consulting Audits, Audit Services Department	Edison International
Corporate Auditor - Operational & Consulting Audits, Audit Services Department	Edison International
Audit Manager - Operational & Consulting Audits, Audit Services Department	Edison International
Corporate Auditor - Operational & Consulting Audits, Audit Services Department	Edison International
Corporate Auditor, Audit Services Department	Edison International
Director, NERC Compliance Programs	ICF International
Project Manager	Sungard Consulting Services
Lead Senior Consultant	Sungard Consulting Services
Partner	Sungard Consulting Services

Audit Results

EMMT did not have any violations or mitigation plans open for review during this audit. After reviewing the evidence presented to the audit team, EMMT is found to be compliant with all applicable requirements of the standards reviewed.

Senior management attended the opening and exit briefing presentations. EMMT was prepared for the audit and presented its documentation in a complete and concise manner.

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. The table includes details summarizing auditor notes relating to evidence reviewed for reliability standard requirements.

EMMT Off-site Audit Findings Table

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
INT-001-2	R1.	Compliant
INT-004-1	R1.	Compliant
INT-004-1	R2.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant

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

Reliability Standard	Requirement	Finding
MOD-010-0	R1.	Compliant
MOD-010-0	R2.	Compliant
MOD-012-0	R1.	Compliant
MOD-012-0	R2.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R5.	Compliant
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Compliant
PRC-005-1	R2.	Compliant
PRC-015-0	R1.	N/A
PRC-015-0	R2.	N/A
PRC-015-0	R3.	N/A
PRC-016-0	R1.	N/A
PRC-016-0	R2.	N/A
PRC-016-0	R3.	N/A
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A
PRC-018-1	R1.	N/A
PRC-018-1	R2.	N/A
PRC-018-1	R3.	N/A
PRC-018-1	R4.	N/A
PRC-018-1	R5.	N/A
PRC-018-1	R6.	N/A
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-005-1	R4.	Compliant
TOP-006-1	R1.	Compliant
VAR-001-1	R5.	Complaint

Reliability Standard	Requirement	Finding
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Complaint
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant
EOP-007-RFC-01	R4.	Compliant

Compliance Culture

EMMT provided documentation to demonstrate its compliance to the requirements of the applicable standards. The documentation was complete and in order such that the audit team could reasonably determine EMMT compliance to the applicable requirements. EMMT provided additional evidence and clarifications in a timely manner when requested by the audit team. EMMT completed the Compliance Audit Questionnaire, individual Pre-Audit Questionnaires for each applicable standard, and the documentation section of the NERC Reliability Standard Audit Worksheets.

Along with its affiliates, EMMT is a part of the corporate-wide NERC compliance program at Edison International. Edison Mission Group has formed a NERC Oversight Team for monitoring compliance that has reporting responsibilities directly to EMG corporate management. The NERC Oversight Team has responsibility and authority to implement NERC compliance for all EMG companies.

EMMT staff was able to supply additional evidence of compliance in a timely manner when requested by the audit team. Its quick response to additional questions is evidence of a comprehensive compliance program. EMMT's wide staff participation from locations in four states in the initial conference call and webcast is also evidence of a strong compliance culture at EMMT and its affiliated companies.

EMG has also provided compliance training for its employees.

The oversight by corporate management and training provided strengthen the EMMT compliance program.