



Compliance Audit Report Public Version

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Critical Energy Infrastructure Information)
Has Been Removed**

**Suez Energy Resources NA, Inc.
NCR 00923**

Audit Date

October 13 - 22, 2008

Report Date

December 15, 2008

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Executive Summary

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

As part of the NERC Compliance Monitoring and Enforcement Program (CMEP) ReliabilityFirst scheduled Suez Energy Resources NA, Inc. (SERNA) for an offsite audit of its compliance to the NERC Reliability Standards and the ReliabilityFirst Regional Standards that apply to SERNA for the functions that it performs within the ReliabilityFirst area. ReliabilityFirst gave SERNA a 60 day notification requesting data and information as evidence of their compliance to applicable Reliability Standards. The audit team reviewed this material and made a determination of SERNA's compliance to these standards.

SERNA and its affiliate, Suez Energy Marketing NA (SEMNA), Inc audits were conducted concurrently. Both use the same procedures. Some of the same material provided was used to verify compliance to the standards for both entities.

Seven requirements apply to SERNA in the six NERC Standards which are applicable to the reliability function of purchasing selling entity. Two requirements were found to be not applicable to SERNA operations because it has not had any dynamic schedules. No regional standards are applicable to SERNA. SERNA did not have any violations or mitigation plans open for review during this audit. SERNA is found to be compliant with all applicable standards reviewed 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 SERNA's compliance with the requirements of the reliability standards that are applicable to SERNA based on the SERNA's registered functions
- Validate compliance with applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards

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

- 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 SERNA'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 SERNA

Scope

SERNA is subject to monitoring by ReliabilityFirst on a six year basis. This audit was conducted on those standards which were in the 2008 NERC CMEP Implementation Plan. ReliabilityFirst also monitors all applicable ReliabilityFirst standards, self certifications and mitigation plans as appropriate. This audit of SERNA did not include any regional standards.

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 of Procedure Section 1500. The audited entity was 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 did not submit 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

SERNA is subject to an audit at least every six years as provided by the NERC Rules and Procedures. SERNA had been provided 60 day notification of this scheduled audit and at that time a list of all necessary documents required by 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 ,and information and date submittals
- Audit Survey
- Internal Compliance Audit Questionnaire
- 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 SERNA in both electronic and hardcopy format.

Reliability*First* discussed the use of technical experts with the SERNA primary compliance contact and indicated that Reliability*First* would welcome the use of technical experts by SERNA as it deems necessary to explain their compliance to the standards. As such, SERNA has been notified to provide any technical experts or personnel that it deems necessary in order to provide the Audit Team an understanding of the evidence provided to meet compliance.

An audit agenda and schedule were provided to SERNA in advance to allow the necessary time to prepare for the audit. SERNA 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 SERNA. 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 SERNA employees representing subject matter expertise regarding all of the registered functions of SERNA. These interviews in conjunction with evidence provided, supplied the audit team with a basis for using professional judgment when validating compliance to the reliability standards.

Methodology

The audit team reviewed the evidence provided by SERNA for each of the requirements that apply to the functions performed by the company to determine if the company complied with those standards and associated requirements. The team reviewed each requirement, discussed the levels of compliance, and addressed each team member's concerns from the audit to determine its' findings from the review.

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 SERNA 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. SERNA provided additional information or clarified existing information during the review of its material with their subject matter experts.

Exit Briefing

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

Title	SENA Organization
Process Specialist – Compliance	SEMNA
Director – Market Policy	SEMNA
Attorney – Regulatory Compliance.	SERNA
Director of Supply	SERNA

The exit presentation also covered the reporting process going forward and audit feedback forms that the region is using to improve their audit process.

Company Profile

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

- Purchasing selling entity (PSE)

SERNA is a business unit of SUEZ Energy North America (SENA) and a licensed provider of retail electricity and related services to industrial and commercial customers in the United States. As a PSE, SERNA is a retail electric supplier to approximately 4,200 commercial, industrial and governmental customers. SERNA has about 900 MW of retail customers in the PJM area.

In the Reliability*First* area, SERNA operates in PJM (a regional transmission organization). PJM is the reliability coordinator and transmission provider for transactions within the PJM footprint.

Audit Specifics

The compliance audit was conducted on October 13 to 22, 2008 at the ReliabilityFirst office in Akron, OH.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Engineer	ReliabilityFirst Corporation
Member	Consultant	Sander-Reber

SERNA Audit Participants

Title	SENA Organization
Process Specialist – Compliance	SEMNA
Director – Market Policy	SEMNA
	SERNA
Director of Supply	SERNA

Audit Results

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

Senior management attended the opening and exit briefing presentations.

Findings

The following table details the summarized auditor notes relating to evidence reviewed for the determination of SERNA's 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.

SERNA Off-site Audit Findings Table

Reliability Standard	Requirement	Finding
INT-001-2	R1.	NA
INT-004-1	R1.	NA
INT-004-1	R2.	NA
IRO-001-1	R8.	Compliant
IRO-005-1	R13.	Compliant
TOP-005-1	R4.	Compliant
VAR-001-1	R5.	Compliant

Compliance Culture

SERNA provided documentation to demonstrate its compliance to the requirements of the applicable standards. SERNA initially concluded many of the standards did not apply to it because it does not own transmission assets and did not supply documentation to support its compliance with those standards. After discussion with the Audit Team, SERNA provided additional evidence to support its compliance to the standards applicable to it. SERNA provided additional evidence and clarifications in a timely manner when it was requested by the audit team.

Compliance for all SENA affiliate companies falls under the affiliate Suez Energy Marketing NA (SEMNA). SENA formed a cross affiliate NERC Compliance Team to develop its NERC Compliance program. SERNA stated that the NERC Compliance Team performs an annual review of the NERC Standards to determine which standards apply to the SENA affiliates. The NERC Compliance Team is assigned the task of assisting SENA affiliates with developing procedures and operations needed to comply with new or updated standards.

SERNA stated in the Reliability *First* Internal Compliance Program Survey that internal audits are conducted annually by the NERC Compliance Team and it may conduct spot reviews at the team's discretion.