

Direct Energy LP

NERC ID # NCR04051

Audit Report

for Compliance with

NERC Reliability Standards

Public Version

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

Audit Date: April 29 - 30, 2008
Audit Location: Texas RE Offices, Austin, TX
Report Date: January 12, 2009
Prepared By: Bill Lewis, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top compliance audit of Direct Energy LP (DE) was conducted on April 29 - 30, 2008. DE has an agent agreement with Tenaska Power Services (TPS) for TPS to provide QSE services for DE. TPS also performs some tasks that are related to the GOP registration for DE. An On-Site Review was held at TPS, November 11 - 12, 2008, to verify and complete the DE audit. The NERC Reliability Standards that are being actively monitored for 2008 were reviewed based on DE's registration as a GOP. The audit team consisted of seven representatives from Texas Regional Entity (Texas RE) and two representatives from North American Electric Reliability Corporation (NERC). Based on the review of documentation provided by DE and the interviews of DE's and TPS' personnel, DE met all of the NERC Standard requirements.

2.0 AUDIT PROCESS

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP), available at www.nerc.com. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

2.1 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 review DE's compliance with the requirements of the reliability standards that are applicable to DE based on the DE's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 CMEP 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 DE's compliance culture.

2.2 Scope

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability Standards that are being actively monitored in 2008 and any others that may be identified by the audit team at the time of the audit applicable to Generator Operator. The audit was performed by seven members of Texas RE and two NERC representatives.

For the 2008 CMEP, 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.

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

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to DE prior to the audit. Work history and conflict of interest forms submitted by each audit team member were provided to the DE. DE 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. DE accepted the audit team member participants with no objections.

2.3 Methodology

Once an audit date was set by Texas RE, DE was sent a pre-audit questionnaire and the Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards. During the audit, Texas RE reviewed the responses to the RSAWs and pre-audit questions with DE's management and supervisors. Texas RE audit team interviewed operations personnel and reviewed documents to substantiate those operations personnel were trained and capable of following the procedures to ensure reliable operations from that entity. The audit team also interviewed IT, Communications, and Planning personnel as necessary to get answers to questions and verify documentation.

The audit team conducted an exit briefing following the audit with DE and the verification interviews at TPS. The audit team verbally shared its preliminary results with DE's management.

2.4 Company Profile

Direct Energy LP is a subsidiary of Direct Energy LP, Inc. a member of the Centrica group of companies.

2.5 Audit Specifics

Audit Date: April 29 - 30, 2008
 Audit Location: Texas RE Offices, Austin, TX
 Audit Date: November 12-13, 2008
 Audit Location: TPS Offices, Arlington, TX

Texas RE Audit Team:

Name	Company/Title
Bill Lewis	Texas RE/Audit Team Leader On-site
Jeff Whitmer	Texas RE/Audit Team Lead Off-site
Frank Vick	Texas RE/Auditor On-site and Off-site
Kent Grammer	Texas RE/Auditor On-site
Mark Scovill	Texas RE/Auditor On-site
Scott Jackson	Texas RE/Auditor On-site
Victor Barry	Texas RE/Auditor On-site
Ralph Anderson	NERC/Auditor On-site
Blane Taylor	NERC/Auditor On-site

Direct Energy LP Audit Participants:

Name	Company/Title
Mark McMurray	Direct Energy, Director Operations
Perry Sheive	Direct Energy, Mgr. Asset Optimization
Joel Firestone	Direct Energy, Manager, GRA

Tenaska Power Services' Audit Participants:

Name	Company/Title
Jeremy Carpenter	TPS, Manager Operations
Tom Boyd	TPS, VP & GM E&P, formally VP Operations
Trudy Harper	TPS, President
Keith Emery	TPS, VP Origination
Brad Cox	TPS, VP Regulatory & Compliance
John Varnell	TPS, Director Comm. & Technology Applications
Thomas Sorrells	TPS, ERCOT Asset Manager

3.0 AUDIT RESULTS

3.1 Findings

The Compliance Audit Team found that DE was compliant with all 2008 actively monitored NERC Standards at the time of the audit.

The following table is a summary of the auditor's notes for those NERC standards reviewed during the audit:

Reliability Standard	Requirement	Finding
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	N/A
BAL-005-0	R3.	N/A
BAL-005-0	R4.	N/A
BAL-005-0	R5.	N/A
BAL-005-0	R6.	N/A
BAL-005-0	R7.	N/A
BAL-005-0	R8.	N/A
BAL-005-0	R9.	N/A
BAL-005-0	R10.	N/A
BAL-005-0	R11.	N/A

Reliability Standard	Requirement	Finding
BAL-005-0	R12.	N/A
BAL-005-0	R13.	N/A
BAL-005-0	R14.	N/A
BAL-005-0	R15.	N/A
BAL-005-0	R16.	N/A
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
CIP-002-1 through CIP-009-1		Reviewed
COM-002-2	R1.	Compliant
COM-002-2	R2.	N/A
EOP-004-1	R1.	N/A
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	N/A
EOP-004-1	R5.	N/A
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
IRO-001-1	R1.	N/A
IRO-001-1	R2.	N/A
IRO-001-1	R3.	N/A
IRO-001-1	R4.	N/A
IRO-001-1	R5.	N/A
IRO-001-1	R6.	N/A
IRO-001-1	R7.	N/A
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	N/A
IRO-004-1	R1.	N/A
IRO-004-1	R2.	N/A
IRO-004-1	R3.	N/A
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	N/A
IRO-004-1	R6.	N/A
IRO-004-1	R7.	N/A
IRO-005-1	R1.	N/A
IRO-005-1	R2.	N/A
IRO-005-1	R3.	N/A
IRO-005-1	R4.	N/A
IRO-005-1	R5.	N/A

Reliability Standard	Requirement	Finding
IRO-005-1	R6.	N/A
IRO-005-1	R7.	N/A
IRO-005-1	R8.	N/A
IRO-005-1	R9.	N/A
IRO-005-1	R10.	N/A
IRO-005-1	R11.	N/A
IRO-005-1	R12.	N/A
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	N/A
IRO-005-1	R15.	N/A
IRO-005-1	R16.	N/A
IRO-005-1	R17.	N/A
TOP-002-2	R1.	N/A
TOP-002-2	R2.	N/A
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	N/A
TOP-002-2	R5.	N/A
TOP-002-2	R6.	N/A
TOP-002-2	R7.	N/A
TOP-002-2	R8.	N/A
TOP-002-2	R9.	N/A
TOP-002-2	R10.	N/A
TOP-002-2	R11.	N/A
TOP-002-2	R12.	N/A
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	N/A
TOP-002-2	R17.	N/A
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	N/A
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	
VAR-002-1	R1.	Compliant
VAR-002-1	R2.	Compliant
VAR-002-1	R3.	Compliant
VAR-002-1	R4.	Compliant
VAR-002-1	R5.	Compliant

3.2 Conclusion

DE was found in compliance with the standards that were audited.

3.3. Compliance Culture

Based on the information provided, the on-site interviews at TPS and the audit results, DE has a compliance program in place which promotes compliance within the company. DE was cooperative with the audit team's information and additional information requests.