



# **Compliance Audit Report Public Version**

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

**Grant Energy, Inc.  
NCR00792**

**Date of Audit  
August 25, 2009**

**Date of Report  
October 28, 2009**

## 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>Opening Briefing</i> .....	3
<i>Audit</i> .....	3
<i>Exit Briefing</i> .....	3
<i>Company Profile</i> .....	4
<i>Audit Specifics</i> .....	4
Audit Results .....	4
<i>Findings</i> .....	4
<i>Compliance Culture</i> .....	5

## 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 final compliance audit report was submitted to the audited entity and NERC.

An off-site compliance audit of Grant Energy, Inc. (GEI) was conducted on August 25, 2009. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit, GEI, NERC ID NCR00792, was registered for the Purchasing Selling Entity (PSE) function that it performs in the ReliabilityFirst region.

ReliabilityFirst provided a 90 day notification to GEI which requested data and information to provide evidence of compliance with NERC Reliability Standards within the scope of the audit. GEI submitted material that the audit team reviewed and used to assess GEI's compliance with the NERC Reliability Standards. The audit team developed findings based on this review and assessment.

The audit team assessed GEI's compliance with 3 NERC Reliability Standards, which are applicable to GEI for the function it is registered to perform in the ReliabilityFirst region. The 3 NERC Reliability Standards include 3 requirements that are applicable to the PSE function. No ReliabilityFirst Regional Standards were included in the scope of the audit.

GEI was prepared for the audit and provided documentation in a complete and concise manner. The audit team did not identify any violations as a result of this review. GEI was found to be fully compliant with the 3 NERC Reliability Standards and the 3 requirements.

There were no ongoing mitigation plans and therefore none were reviewed by the audit team.

## Audit Process

The compliance audit process steps are detailed in the ReliabilityFirst CMEP. The ReliabilityFirst 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 to:

---

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

- Review GEI's compliance with the requirements of the Reliability Standards that are applicable to GEI based on GEI's registered function(s)
- Validate compliance with applicable Reliability Standards from the NERC 2009 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 GEI's internal compliance culture
- Validate compliance with other NERC Reliability Standards outside the 2009 implementation plan as selected by *ReliabilityFirst*
- Validate compliance with applicable *ReliabilityFirst* reliability standards that are applicable to GEI

### **Scope**

The scope of the audit included Reliability Standards which were selected by NERC for monitoring via audit in the 2009 CMEP Implementation Plan. *ReliabilityFirst* also monitored all applicable *ReliabilityFirst* standards, self certifications, and mitigation plans as appropriate for the period of June 18, 2007 through the date of the audit.

### **Confidentiality and Conflict of Interest**

Confidentiality and Conflict of Interest of the audit team are governed under the *ReliabilityFirst* Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. GEI was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history of each audit team member was provided to GEI. GEI 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. GEI 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**

GEI is subject to an audit once every six years as provided by the NERC Rules of Procedure. GEI was provided a 90 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:

- 90 day Notification letter which contained a request for evidence, information, and data submittals
- Compliance Audit Survey

- Audit Agenda as applicable
- Internal Compliance Survey
- Audit Team Work History and Confidentiality documents
- General Instructions of Data or Information Submittals
- Compliance Questionnaire and Reliability Standard Auditor Worksheets (QRSAs)

Documents were provided to GEI in electronic format.

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

The audit team reviewed GEI's compliance processes for all applicable standards with GEI and requested additional information to clarify information previously supplied to the team. These discussions 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 GEI for each of the requirements that are applicable to the function performed by the company to determine if the company complied with those Reliability Standards and associated requirements. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's observations from the audit to determine its findings from the review.

### ***Opening Briefing***

Due to the narrow scope of the audit, the preliminary review of the submitted evidence by the audit team, and the additional evidence, clarification and attestations provided by GEI prior to the audit period, the audit team included the opening remarks in the exit briefing.

### ***Audit***

The audit team reviewed each requirement and the evidence provided to determine if GEI was compliant with the requirement. The team discussed its findings to determine GEI's compliance to each of the standards. Upon request, GEI provided additional information or clarified existing information during the review of its material.

### ***Exit Briefing***

The audit team presented its preliminary findings to the GEI staff. The team lead explained the findings from the audit. The exit presentation also covered the reporting process going forward, confidentiality of information, and audit feedback forms that the region is using to improve the

audit process. GEI was provided an opportunity to ask questions which the audit team addressed.

### **Company Profile**

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

- Purchasing Selling Entity (PSE)

GEI does business solely between PJM and NYISO and has no other customers, serves no loads, nor owns or controls any BES assets.

### **Audit Specifics**

The compliance audit was conducted on August 25, 2009 at the Reliability*First* office in Akron, OH.

### **Audit Team**

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Senior Compliance Consultant	Reliability <i>First</i> Corporation
Member	Consultant	Reliability <i>First</i> Corporation

### **GEI Audit Participant**

<b>Title</b>	<b>Organization</b>
President	Grant Energy, Inc.

## **Audit Results**

The audit team assessed GEI's compliance with 3 NERC Reliability Standards, including 3 requirements that are applicable to the PSE function.

After reviewing all of the evidence presented, GEI was found to be compliant with 3 NERC Reliability Standards and 3 requirements that apply to GEI for the function of Purchasing-Selling Entity that it is registered to perform in the Reliability*First* region.

### **Findings**

The following table lists the auditor findings relating to evidence reviewed for compliance with the Reliability Standards within the scope of the compliance audit.

**GEI Off-Site Audit Findings Table**

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-001-1	R8	Compliant
IRO-005-2	R13	Compliant
VAR-001-1	R5	Compliant

***Compliance Culture***

The President of GEI is its only employee. Compliance is maintained by keeping up to date with revisions and/or additions to NERC Reliability Standards. Training is accomplished via the NERC and Reliability*First* websites.