



# **Compliance Audit Report Public Version**

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

**PPL EnergyPlus, LLC**

**NCR00371 (MRO, RFC, SERC, SPP)  
NCR05328 (WECC)  
NCR07196 (NPCC)**

**Date of Audit  
November 9 - 17, 2009**

**Date of Report  
January 22, 2010**

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

An off-site compliance audit of PPL EnergyPlus, LLC (PPL EPLUS) was conducted from November 9 - 17, 2009. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). At the time of the audit PPL EPLUS, NERC ID NCR00371 (MRO, RFC, SERC, SPP), NCR05328 (WECC), and NCR07196 (NPCC), was registered for the Purchasing Selling Entity (PSE) function in the NPCC, MRO, ReliabilityFirst, SERC, SPP and WECC regions.

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

The audit team assessed PPL EPLUS's compliance with 3 NERC Reliability Standards and 3 associated requirements that are applicable to the PSE function which PPL EPLUS is registered to perform in the NPCC, MRO, ReliabilityFirst, SERC, SPP and WECC regions. The audit period was from June 18, 2007 through to the date of the audit.

The audit team did not identify any violations as a result of this review. PPL EPLUS was found to be fully compliant with the 3 applicable NERC Reliability Standards and 3 associated 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**

PPL EPLUS is subject to audit for compliance with all Reliability Standards applicable to the function for which it is registered.<sup>1</sup> The audit objectives are to:

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

- Review PPL EPLUS's compliance with the requirements of the Reliability Standards that are applicable to PPL EPLUS based on its registered function
- 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 PPL EPLUS'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 PPL EPLUS

### **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. PPL EPLUS was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history of each audit team member was provided to PPL EPLUS. PPL EPLUS 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. PPL EPLUS 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**

PPL EPLUS is subject to an audit once every six years as provided by the NERC Rules of Procedure. PPL EPLUS 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 PPL EPLUS in electronic format.

Reliability*First* discussed the use of technical experts with the PPL EPLUS primary compliance contact and indicated that Reliability*First* would welcome the use of technical experts by PPL EPLUS as it deemed necessary to explain their compliance to the Reliability Standards. As such, PPL EPLUS had been notified to provide any technical experts or personnel that it deemed necessary in order to provide the Audit Team an understanding of the evidence provided to demonstrate compliance with Reliability Standards.

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

The audit team reviewed PPL EPLUS's compliance processes for all applicable standards with PPL EPLUS 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 PPL EPLUS 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***

An Opening Briefing was conducted to discuss the following:

- Introduction of audit team
- Audit Objective and Scope
- Confidentiality of Information
- Audit Team Expectations

- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and Schedule

## ***Audit***

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

## ***Exit Briefing***

The audit team presented its preliminary findings to the PPL EPLUS 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. PPL EPLUS was provided an opportunity to ask questions which the audit team addressed.

## ***Company Profile***

PPL EPLUS performs the following NERC function in the NPCC, MRO, ReliabilityFirst, SERC, SPP and WECC regions and is registered with NERC/NPCC/MRO/ReliabilityFirst/SERC/SPP/WECC for the following function:

- Purchasing Selling Entity (PSE)

PPL EPLUS is the energy marketing and trading subsidiary of PPL Corporation. It buys and sells energy commodities and structured products in competitive wholesale markets. PPL EPLUS is also active in deregulated retail markets, and offers electricity supply, natural gas supply and renewable energy products to commercial, industrial and institutional customers. PPL EPLUS markets the approximately 11,000 MW of generation capacity owned by PPL Generation, LLC direct and indirect subsidiaries in the ReliabilityFirst, NPCC and WECC regions.

## ***Audit Specifics***

The compliance audit was conducted on November 9 - 17, 2009 at the ReliabilityFirst office in Akron, OH.

## Audit Team

Role	Title	Company
Lead	Senior Compliance Engineer	ReliabilityFirst
Member	Contract Consultant	ReliabilityFirst

## PPL EPLUS Audit Participants

Title	Organization
Vice President-Trading West	PPL EPLUS
Vice President-Trading East	PPL EPLUS
President	PPL EPLUS
Director - Trading & Marketing	PPL EPLUS
Transmission Analyst	PPL EPLUS
Compliance Program Mgr Supply	PPL Generation
Compliance Specialist	PPL Generation
Financial Director - Business Lines	PPL Generation
Senior Generation Dispatcher	PPL Martins Creek
Generation Dispatch Manager	PPL Martins Creek
Senior Counsel	PPL Services Corp
Sr Director-FERC/NERC Compliance	PPL Services Corp

## Audit Results

The audit team assessed PPL EPLUS's compliance with 3 NERC Reliability Standards and 3 associated requirements which are applicable to the PSE function which PPL EPLUS is registered to perform in the NPCC, MRO, ReliabilityFirst, SERC, SPP and WECC regions.

The audit team did not identify any violations as a result of this review. PPL EPLUS was found to be fully compliant with the 3 applicable NERC Reliability Standards and 3 associated requirements.

### Findings

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

### **PPL EPLUS 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 purpose of PPL's NERC Compliance Program is to achieve and maintain compliance to applicable NERC Reliability Standards and regional standards approved by FERC for regions in which one or more PPL Corporation subsidiaries are a Registered Entity. The scope of this program governs the NERC compliance activities of PPL Corporation subsidiaries including PPL Electric Utilities, PPL's Supply Group (which includes PPL EnergyPlus, LLC and registered PPL Generation affiliates) and PPL Services Corporation (which supports the compliance efforts of PPL Corporation subsidiaries that are Registered Entities).

The PPL Chief Compliance Officer - NERC reports to the PPL Corporation's Chief Compliance Officer, Sr. Vice President, General Counsel and Secretary, reporting to PPL's CEO. PPL's Chief Compliance Officer-NERC has independent access to the CEO and PPL's Board of Directors. The PPL Chief Compliance Officer - NERC's direction was to build the necessary internal compliance program, achieve compliance to all approved standards and maintain compliance into the future. PPL's Chief Compliance Officer-NERC also periodically provides status reports to PPL's Corporate Leadership Council (CLC), chaired by the CEO and consisting of the PPL Corporation's COO, CFO and General Counsel.

PPL's corporate NERC Compliance Program is operated and managed independently from the departments primarily responsible for performance to meet the Reliability Standards. The Chief Compliance Officer-NERC is employed by PPL Services Corporation, a subsidiary of PPL Corporation. The PPL affiliates that are the NERC registered entities reside in different PPL Corporation subsidiaries.

PPL Corporation has dedicated sufficient resources, including staff and budget, to meet the requirements of PPL's NERC Compliance Program at this time. PPL has seven fulltime personnel dedicated to NERC compliance work. Five of these individuals are in PPL business lines and have the responsibility to engage the necessary line management and Subject Matter Experts in required NERC Compliance Program activities. Corporately, PPL's Chief Compliance Officer-NERC and one additional full-time NERC resource person coordinate and monitor the implementation of all aspects of PPL's NERC Compliance Program.

Subject Matter Experts (SME) in the line organizations utilize their expertise in achieving, documenting and sustaining compliance to the NERC Standards on a part-time basis. The full-time resources noted above, coordinate the efforts of these SMEs to ensure that compliance related tasks are properly implemented. Corporate Auditing also applies internal resources to the NERC Compliance Program.

PPL's NERC Compliance Program has the support and participation of senior management. PPL's Chief Compliance Officer-NERC periodically meets with the CLC, chaired by the CEO, to provide a status on PPL's NERC Compliance Program implementation activities. These periodic CLC briefings on NERC compliance provide an opportunity for open discussion among the members to share their observations and concerns. At each of these meetings, Senior Management makes it clear that compliance to the NERC Reliability Standards is very important to PPL Corporation and its expectation is full compliance.

PPL's Chief Compliance Officer-NERC additionally meets with PPL Corporation's Chief Operating Officer to review the minutes of each NERC Compliance Oversight Committee Meeting (held generally four times each year) and discuss important aspects of the program.

PPL's Chief Compliance Officer-NERC also meets on an as-needed basis with PPL Corporation's Chief Compliance Officer and with the various Corporate Officers having line management responsibility for ensuring compliance to the applicable NERC Reliability Standards in their areas to discuss various aspects of NERC Reliability Standards and Compliance.

PPL's Chief Compliance Officer-NERC and other key participants in PPL's NERC Compliance Program also periodically participate in discussions on NERC compliance with PPL's Compliance Oversight Group. This group is chaired by PPL's Sr. Director-Business Ethics and Compliance. These scheduled discussions typically include, among others, the General Counsel (who serves as PPL Corporation's Chief Compliance Officer), members of the Office of General Counsel and the General Manager-Corporate Audit Services. The General Counsel is also a member of PPL's Corporate Leadership Council and is well situated to provide independent feedback on PPL's NERC Compliance Program directly to the CEO.

In addition, Senior Management in applicable PPL subsidiaries, directly supports the NERC Compliance Process by providing the SME assets applied to NERC compliance and providing final approval for the internal compliance certification for each applicable NERC Standard on an annual basis.

PPL Corporation's NERC Compliance Program is regularly reviewed and modified as needed. In addition, the PPL NERC Internal Compliance Certification Process requires that an internal compliance certification be conducted for each applicable NERC Reliability Standard on an annual basis for each PPL registered entity. This internal compliance certification requires annual review and updating of the compliance determination and documentation for each

applicable NERC Standard. These individual Internal Compliance Certification Packages are approved by Senior Management of the applicable PPL subsidiaries.

PPL Corporation recognizes that creating and maintaining a culture of compliance requires the engagement of all levels of management, as well as the workers that operate and maintain PPL's part of, and interface with, the Bulk Electric System. It recognizes that the identification, development, and delivery of "local" training are essential to long-term compliance to the NERC Standards.

The engagement of external consultants in assessments of PPL's compliance to the NERC legacy standards and the CIP standards provides additional training for PPL's Subject Matter Experts and corporate auditing staff on what is required to achieve, document and sustain compliance. As these consultants perform gap analyses and mock audits, the PPL Subject Matter Experts and corporate audit staff participate, gaining valuable firsthand experience on specific aspects of compliance to applicable NERC standards.

PPL NERC Non-Conformance Process (PPL-NERC-CO-500), documents the process for reporting and handling non-conforming conditions related to PPL's NERC Compliance Program. Examples of non-conformances include a discrepancy in a PPL NERC compliance procedure, identified problems with PPL NERC compliance documentation or data management controls, non-compliance to a NERC reliability standard, or other similar discrepancies. When a non-conforming condition is determined to be a potentially non-compliant condition, senior management will be notified.

CO-500 also requires that identified compliance issues be corrected and programmatic actions implemented to prevent recurrence. Appropriate corrective action will vary depending on the nature of the non-conforming condition. The individual identified on the Compliance Condition Report as responsible for resolution shall determine the appropriate corrective action to be implemented. When implemented, this corrective action is documented in the "Closure" section of the Compliance Condition Report. Closure is verified by signature on the report. A higher level of the chain of command reviews this closure and verifies by signature that the documented corrective action has been implemented and that it adequately addresses the noted non-conforming condition.

Finally, PPL's Chief Compliance Officer-NERC reviews each completed Compliance Condition Report to make an independent assessment of whether the documented corrective action is adequate to address the non-conforming condition.