

Compliance Audit Report Public Version

ERCOT ISO

NERC ID # NCR04056

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

Audit Date: September 09 – 12, 2008
Audit Location OS: ERCOT ISO Office, Taylor, TX
Report Date: November 29, 2011
Prepared By: Bill Lewis, Audit Team Leader

TABLE OF CONTENTS

Executive Summary	3
Audit Process	3
Objectives	4
Scope	4
Confidentiality and Conflict of Interest	4
On-site Audit	4
Methodology	5
Audit Overview	5
Audit	6
Exit Briefing	6
Company Profile	6
Audit Specifics	7
Audit Results	8
Findings	9
Post Audit Verification	13
Final Conclusions	14
Compliance Culture	15
Attachment A	17

EXECUTIVE SUMMARY

ERCOT ISO was audited September 9 - 12, 2008 for compliance with the requirements contained in the current mandatory and enforceable Reliability Standards in the 2008 NERC Uniform Compliance Monitoring and Enforcement Program (CMEP) that are applicable to ERCOT ISO's registered functions. ERCOT ISO is registered with North American Electric Reliability Corporation (NERC) as a Balancing Authority (BA), Reliability Coordinator (RC), Transmission Operator (TOP) and Transmission Service Provider (TSP). Twenty-nine standards were selected and identified to ERCOT ISO as subject to review during this audit. The audit focused on documents and other evidence provided to NERC by the staff of ERCOT ISO, and included evidence obtained through observation and inspection. The findings of the audit are based on the state of compliance and current mitigation activity at the time of the audit, and do not reflect compliance activities prior to the previous audit or activities that will be completed in the future.

ERCOT ISO staff was requested to provide valid evidence of meeting each and every applicable requirement and sub-requirement contained in each standard that had been previously identified by NERC Compliance staff to ERCOT ISO as subject to this audit. ERCOT ISO staff responded by providing evidence in the form of reports, procedures, studies and other documents. ERCOT ISO staff then cited specific portions of the evidence that demonstrated compliance. This evidence and the citations were documented and evaluated by the audit team to assess the level of compliance. If all of the requirements and sub-requirements of an audited standard were met, then ERCOT ISO was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then ERCOT ISO was judged to have a possible violation of the requirement.

This audit report includes information regarding the requirements for 10 possible compliance violations¹ for ERCOT ISO. This information will be used to help determine the severity level of sanctions and penalties. The possible compliance violations will be processed through the Texas Regional Entity's (Texas RE's) NERC Compliance Monitoring and Enforcement Program. Any further actions related to possible compliance violations will be through that process.

The NERC Notice of Penalty (NOP) is posted on the NERC website at the following URL:
http://www.nerc.com/filez/enforcement/FinalFiled_NOP_NOC-894.pdf.

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.

¹ Two of the ten violations were dismissed on May 20, 2011. See Attachment A for details.

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.² The audit objectives are to:

- Independently review ERCOT ISO compliance with the requirements of the selected reliability standards that are applicable to it based on its registered functions.
- Validate compliance with selected applicable reliability standards from the NERC 2008 Implementation Plan list of actively monitored standards and other selected applicable 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 the ERCOT ISO compliance culture.

Scope

The scope of the audit of ERCOT ISO included the monitored standards that were added to the NERC 2008 CMEP, standards that had a violation in the April 2007 audit and additional selected standards. Based on this approach and the confirmed registration of ERCOT ISO, the twenty-nine Reliability Standards previously identified were the focus of the compliance audit. Of these twenty-nine standards, three standards were not applicable: EOP-009-0, PRC-016-0 and PRC-017-0. This is detailed in the Audit Results section.

Note: For the 2008 compliance program, the monitoring period for the compliance audit will generally be from the date of the last audit or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

Confidentiality and Conflict of Interest

Code of conduct, work history and conflict of interest documentation for the NERC representatives and regional entity staff were provided to ERCOT ISO in advance of the audit. ERCOT ISO 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. ERCOT ISO accepted all the audit team members with no objections.

On-site Audit

The 2008 audit schedule was posted on the NERC and Texas RE web sites on November 1, 2007. This provided ERCOT ISO with an initial notification of its upcoming audit in 2008. On July 8, 2008, NERC staff forwarded an Audit Notification Letter to ERCOT ISO, again confirming

² See Appendix 4C — Uniform Compliance Enforcement Program of the NERC Rules of Procedure at paragraph 3.1, Compliance Audits.

the scheduled audit dates and confirming ERCOT ISO's registered functions within NERC. The Audit Notification Letter also provided ERCOT ISO with notice of the Standards in the Audit Scope, Proposed Audit Schedule, Audit Team Roster (including biographical information), and requested that ERCOT ISO Subject Matter Experts (SMEs) responsible for and knowledgeable of compliance submittals be available for interview during the audit. In addition to the Audit Detail Letter, ERCOT ISO was provided with a Non-Disclosure Agreement Signature Verification for audit team members, a Pre-Audit Questionnaire, a list of "Documents to be Provided or Have Available," and Reliability Standard Auditor Worksheets (RSAWs) for each standard to be audited.

Interviews with SMEs were requested, in conjunction with documented evidence, to provide the audit team with additional information or clarification as a basis for professional judgment when validating compliance with reliability standards.

Methodology

A team of auditors and SMEs were identified and conducted the audit of ERCOT ISO. The standards were grouped and scheduled for review to make the most efficient use of resources. As such, it was decided to split auditors into two sub-teams, assigning a sub-team lead and a unique set of standards for review to each team. Each respective sub-team leader managed dialogue on his assigned standards and requested compliance evidence. The evidence and ERCOT ISO's staff response was documented by a scribe assigned to each team. ERCOT ISO staff was requested to show valid evidence for meeting each applicable requirement and sub-requirement contained in the audited standards. ERCOT ISO staff responded by providing evidence in the form of reports, procedures, studies, detailed explanations during the interviews and other documents. ERCOT ISO staff would then cite specific portions of the evidence that demonstrated compliance.

After the evidence and citations were documented by the scribes on the RSAWs, each sub-team evaluated compliance. Discrepancies between the requirement and the evidence provided were the subject of dialogue among the team members and ERCOT ISO staff members until the audit team determined that each requirement was either compliant or a possible violation.

Once all the evidence was presented, documented and internally discussed by each of the two audit sub-teams, a third Q&A audit team, led by the overall Audit Team Lead (ATL), reviewed the two audit sub-teams' findings as a peer review quality assurance check. Where possible violations were tentatively affirmed by the quality assurance team, all audit team members from all teams caucused to discuss and obtain consensus. If ERCOT ISO did not provide sufficient evidence to support a finding of compliance, then a possible violation was identified by the team and ERCOT ISO staff was informed.

Audit Overview

The ATL and sub-team leads met with ERCOT ISO staff on Monday, September 8, 2008 at 2:00 p.m. at the ERCOT ISO offices in Taylor, Texas, to discuss audit logistics, review facilities provided and answer questions.

The audit team arrived at the ERCOT ISO office at 7:30 a.m. on Tuesday, September 9, 2008 to setup and prepare for the audit. At 8:00 a.m. ATL Roger Lampila, NERC Regional Compliance Program Coordinator, began his opening presentation. The audit team members were introduced, professional affiliations identified and the audit agenda was reviewed. He also reviewed the NERC compliance plan for 2008 in general, and how it applied to ERCOT ISO specifically. He introduced and reviewed the standards to be covered in the audit, and addressed both the expectations of ERCOT ISO staff and the quality of evidence to be presented. The ATL also covered the basic procedure for the audit, and the bounding rules of conduct. The ERCOT ISO staff made a brief presentation describing ERCOT ISO's corporate structure, compliance program and an informational and overview of progress made toward implementation of the Cyber Security Standard requirements of CIP-002-1 through CIP-009-1 and general housekeeping matters. The staff of ERCOT ISO was excused and the audit team reviewed assignments and a general overview for preparation of the audit activities.

Audit

The audit sub-teams used the RSAWs for each applicable standard to state each requirement. ERCOT ISO SME's then presented evidence supporting requirement compliance, or cited evidence previously provided to the audit team. The team scribe recorded the evidence presented to satisfy the requirement and captured questions and statements made during the review using the auditor notes section in the RSAW. When all evidence had been presented and reviewed the SME was excused. The sub-team then caucused and reached a consensus of compliance or possible violation based on the evidence presented. The sub-team lead then presented the findings and recommendations to the Q&A team for review and confirmation of the sub-team's findings. Once completed, the sub-team began the review of the next standard. The findings were communicated to the ERCOT ISO staff during a short debrief at the end of each day.

The review of all applicable standards was completed at 8:00 p.m. on Thursday, September 11, 2008, and the audit team met to review and discuss the findings, and finalize the RSAWs.

Exit Briefing

The ATL presented an exit briefing to the assembled audit team and ERCOT ISO staff at 8:30 a.m. on Friday, September 12, 2008. This was followed by an informal response to questions from the ERCOT ISO staff. The exit briefing summarized the team preliminary conclusions, including any items of potential noncompliance or possible violation with supporting information, areas of concern, any added information required, and the expected timeline for review and issuance of the audit report.

The ATL solicited both informal comments from ERCOT ISO staff, along with requesting that staff fill out formal feedback forms for submission to NERC and Texas RE.

The audit team left the ERCOT ISO conference room at 10:00 a.m. on Friday, September 12, 2008.

Company Profile

ERCOT ISO facilitates the retail and wholesale electric market covering 85% of Texas; it does not own or operate transmission or generation facilities. In its wholesale operations, ERCOT ISO directs the planning and operation of roughly 38,000 miles of member-owned transmission lines with sufficient generation and reserves to serve a peak load in 2006 of over 62,000 MW. The ERCOT ISO oversees an interconnection that is asynchronous to the Eastern and Western Interconnections; there are two DC ties connecting to the Southwest Power Pool (SPP) in the Eastern Grid and a smaller DC connection to northern Mexico.

Audit Specifics

The compliance audit was conducted September 9-12, 2008 at ERCOT ISO offices in Taylor, Texas.

Audit Team

Audit Team Role	Title	Company
Audit Team Lead	Regional Compliance Program Coordinator	NERC
Member	Regional Compliance Program Coordinator	NERC
Member	Regional Compliance Program Coordinator	NERC
Member	Regional Compliance Program Coordinator	NERC
Member	Sr. Compliance Engineer	Texas RE
Member	Sr. Compliance Analyst	Texas RE
Member	Compliance Engineer III	Texas RE
Member	Sr. Compliance Engineer	Texas RE
Member	Compliance Analyst II	Texas RE
Observer	Engineer	FERC - Office of Electric Reliability, Compliance
Observer	Engineer	FERC - Office of Electric Reliability, Compliance
Observer	Economist	FERC - Division of Audits
Observer	Energy Industry Analyst	FERC – Division of Tariffs & Market Development

ERCOT ISO Audit Participants

Title	Organization
Manager, Operating Standards	ERCOT ISO
Manager, Regulatory Support & Reporting	ERCOT ISO

Title	Organization
Manager, Operations Support	ERCOT ISO
Supervisor, System Operations	ERCOT ISO
Manager, System Operations	ERCOT ISO
Operations Engineer/Analyst I	ERCOT ISO
Manager Planning Services	ERCOT ISO
Lead Planning Engineer	ERCOT ISO
Network Manager	ERCOT ISO
Operations Engineer	ERCOT ISO
Training Supervisor	ERCOT ISO
Operations Engineer/Analyst I	ERCOT ISO
Engineer, Operations	ERCOT ISO
Blackstart Coordinator	ERCOT ISO
Operation Engineer II	ERCOT ISO
Supervisor, Network Administration	ERCOT ISO
Lead Engineer, Network Modeling	ERCOT ISO
Supervisor, EMMS Operations	ERCOT ISO
Manager, Regional Planning	ERCOT ISO
Operating Standards Analyst, Sr.	ERCOT ISO
Sr. Engineer, EMMS Production Support	ERCOT ISO
Manager, EMMS Production Support	ERCOT ISO
Manager, Operations Planning	ERCOT ISO
Engineer, Operations	ERCOT ISO
Sr. Planning Engineer	ERCOT ISO
Market Services	ERCOT ISO
Operating Standards Engineer 3	ERCOT ISO
Training Supervisor	ERCOT ISO
Regulatory Standards Engineer/Analyst, Sr.	ERCOT ISO
Sr. System Operator, Frequency Desk	ERCOT ISO
Sr. System Operator, Transmission & Security Desk	ERCOT ISO
Shift Supervisor	ERCOT ISO
Operating Standards Analyst, Sr.	ERCOT ISO
Manager of Physical Security	ERCOT ISO
Operating Standards Specialist, Sr.	ERCOT ISO
Director, Transmission Grid Operations	Oncor
Manger, Transmission Grid Operations Support	Oncor
Compliance Officer	Texas MPA
Regulatory and Compliance	Garland Power

AUDIT RESULTS

The audit team found possible violations with the requirements of the NERC Reliability Standards in the audit scope as listed in the table below.

Findings

Reliability Standard	Requirement	Finding
BAL-002-0	R1.	Compliant
BAL-002-0	R2.	Compliant
BAL-002-0	R3.	Compliant
BAL-002-0	R4.	Compliant
BAL-002-0	R5.	NA
BAL-002-0	R6.	Compliant
BAL-003-0	R1.	Compliant
BAL-003-0	R2.	Compliant
BAL-003-0	R3.	NA
BAL-003-0	R4.	NA
BAL-003-0	R5.	Compliant
BAL-003-0	R6.	NA
BAL-004-0	R1.	Compliant
BAL-004-0	R2.	Compliant
BAL-004-0	R3.	Compliant
BAL-004-0	R4.	Compliant
BAL-005-0	R1.	Compliant
BAL-005-0	R2.	Compliant
BAL-005-0	R3.	NA
BAL-005-0	R4.	NA
BAL-005-0	R5.	NA
BAL-005-0	R6.	Compliant
BAL-005-0	R7.	Compliant
BAL-005-0	R8.	Compliant
BAL-005-0	R9.	Compliant
BAL-005-0	R10.	NA
BAL-005-0	R11.	NA
BAL-005-0	R12.	NA
BAL-005-0	R13.	NA
BAL-005-0	R14.	Compliant
BAL-005-0	R15.	Compliant
BAL-005-0	R16.	Compliant
BAL-005-0	R17.	PV
BAL-006-1	R1.	NA
BAL-006-1	R2.	NA

Reliability Standard	Requirement	Finding
BAL-006-1	R3.	Compliant
BAL-006-1	R4.	NA
BAL-006-1	R5.	NA
CIP-001-1	R1.	PV
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	PV
COM-002-2	R2.	Compliant
EOP-001-0	R1.	Compliant
EOP-001-0	R2.	NA
EOP-001-0	R3.	Compliant
EOP-001-0	R4.	Compliant
EOP-001-0	R5.	Compliant
EOP-001-0	R6.	Compliant
EOP-001-0	R7.	Compliant
EOP-002-2	R1.	Compliant
EOP-002-2	R2.	Compliant
EOP-002-2	R3.	Compliant
EOP-002-2	R4.	PV
EOP-002-2	R5.	NA
EOP-002-2	R6.	Compliant
EOP-002-2	R7.	Compliant
EOP-002-2	R8.	Compliant
EOP-002-2	R9.	NA
EOP-004-1	R1.	NA
EOP-004-1	R2.	Compliant
EOP-004-1	R3.	Compliant
EOP-004-1	R4.	NA
EOP-004-1	R5.	NA
EOP-005-1	R1.	Compliant
EOP-005-1	R2.	Compliant
EOP-005-1	R3.	Compliant
EOP-005-1	R4.	Compliant
EOP-005-1	R5.	Compliant
EOP-005-1	R6.	Compliant
EOP-005-1	R7.	Compliant
EOP-005-1	R8.	Compliant

Reliability Standard	Requirement	Finding
EOP-005-1	R9.	Compliant
EOP-005-1	R10.	Compliant
EOP-005-1	R11.	NA
FAC-013-1	R1.	Compliant
FAC-013-1	R2.	Compliant
INT-001-2	R1.	NA
INT-001-2	R2.	NA
INT-003-2	R1.	NA
INT-004-1	R1.	NA
INT-004-1	R2.	NA
IRO-001-1	R1.	Compliant
IRO-001-1	R2.	Compliant
IRO-001-1	R3.	PV
IRO-001-1	R4.	PV
IRO-001-1	R5.	PV
IRO-001-1	R6.	PV
IRO-001-1	R7.	NA
IRO-001-1	R8.	Compliant
IRO-001-1	R9.	Compliant
IRO-003-2	R1.	Compliant
IRO-003-2	R2.	Compliant
IRO-005-1	R1.	Compliant
IRO-005-1	R2.	Compliant
IRO-005-1	R3.	Compliant
IRO-005-1	R4.	Compliant
IRO-005-1	R5.	Compliant
IRO-005-1	R6.	Compliant
IRO-005-1	R7.	Compliant
IRO-005-1	R8.	Compliant
IRO-005-1	R9.	Compliant
IRO-005-1	R10.	NA
IRO-005-1	R11.	Compliant
IRO-005-1	R12.	Compliant
IRO-005-1	R13.	Compliant
IRO-005-1	R14.	Compliant
IRO-005-1	R15.	Compliant
IRO-005-1	R16.	Compliant
IRO-005-1	R17.	Compliant
IRO-006-3	R1.	Compliant

Reliability Standard	Requirement	Finding
IRO-006-3	R2.	Compliant
IRO-006-3	R3.	Compliant
IRO-006-3	R4.	Compliant
IRO-006-3	R5.	Compliant
IRO-006-3	R6.	Compliant
IRO-014-1	R1.	NA
IRO-014-1	R2.	Compliant
IRO-014-1	R3.	Compliant
IRO-014-1	R4.	Compliant
IRO-015-1	R1.	Compliant
IRO-015-1	R2.	NA
IRO-015-1	R3.	Compliant
IRO-016-1	R1.	Compliant
IRO-016-1	R2.	Compliant
PER-002-0	R1.	Compliant
PER-002-0	R2.	Compliant
PER-002-0	R3.	Compliant
PER-002-0	R4.	Compliant
PER-003-0	R1.	Compliant
PER-004-1	R1.	Compliant
PER-004-1	R2.	Compliant
PER-004-1	R3.	Compliant
PER-004-1	R4.	Compliant
PER-004-1	R5.	Compliant
TOP-002-2	R1.	Compliant
TOP-002-2	R2.	Compliant
TOP-002-2	R3.	NA
TOP-002-2	R4.	NA
TOP-002-2	R5.	Compliant
TOP-002-2	R6.	Compliant
TOP-002-2	R7.	Compliant
TOP-002-2	R8.	Compliant
TOP-002-2	R9.	Compliant
TOP-002-2	R10.	Compliant
TOP-002-2	R11.	Compliant
TOP-002-2	R12.	NA
TOP-002-2	R13.	NA
TOP-002-2	R14.	NA
TOP-002-2	R15.	NA

Reliability Standard	Requirement	Finding
TOP-002-2	R16.	NA
TOP-002-2	R17.	NA
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Compliant
TOP-004-1	R1.	Compliant
TOP-004-1	R2.	Compliant
TOP-004-1	R3.	Compliant
TOP-004-1	R4.	Compliant
TOP-004-1	R5.	NA
TOP-004-1	R6.	Compliant
TOP-005-1	R1.	Compliant
TOP-005-1	R2.	NA
TOP-005-1	R3.	NA
TOP-005-1	R4.	NA
VAR-001-1	R1.	Compliant
VAR-001-1	R2.	Compliant
VAR-001-1	R3.	Compliant
VAR-001-1	R4.	Compliant
VAR-001-1	R5.	NA
VAR-001-1	R6.	Compliant
VAR-001-1	R7.	Compliant
VAR-001-1	R8.	Compliant
VAR-001-1	R9.	Compliant
VAR-001-1	R10.	Compliant
VAR-001-1	R11.	Compliant
VAR-001-1	R12.	Compliant

Post Audit Verification

The audit resulted in 10 possible compliance violations for ERCOT ISO. The possible violations identified by the audit were reported to the Texas RE Compliance Enforcement staff on September 22, 2008. Texas RE and NERC Audit Team members initiated a review of each possible violation to validate audit findings. As a result of this review, one (1) possible compliance violation was dismissed and another possible compliance violation was added.

Dismissed violation. The audit resulted in a possible violation of COM-002-2, Requirement 1. After reviewing the evidence provided during the audit team determined that ERCOT ISO did have predetermined communications links to the required entities and therefore this possible violation was dismissed.

Additional violation. The audit resulted in a possible violation of reliability standard IRO-001-1, Requirement 3. After review of the evidence provided for that standard, the audit team determined that the evidence for IRO-001, Requirement 3 also results in a possible violation of EOP-002-2, Requirement 1.

Final Conclusions

The possible compliance violation along with this compliance report will be provided to the Texas RE compliance staff for processing through the NERC CMEP. Any further actions related to possible compliance violations will be through that process.

The NERC/Texas RE Audit Team final determinations of audit material found that ERCOT ISO was non-compliant with the following standards and requirements:

Reliability Standard & Requirement	
Standard BAL-005-0: Automatic Generation Control	
R17.	Each Balancing Authority shall at least annually check and calibrate its time error and frequency devices against a common reference. The Balancing Authority shall adhere to the minimum values for measuring devices as listed below:
Device	Accuracy
Digital frequency transducer	≤ 0.001 Hz
MW, MVAR, and voltage transducer	≤ 0.25 % of full scale
Remote terminal unit	≤ 0.25 % of full scale
Potential transformer	≤ 0.30 % of full scale
Current transformer	≤ 0.50 % of full scale
Standard CIP-001-1: Sabotage Reporting (as a RC)³	
R1.	Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection.
Standard CIP-001-1: Sabotage Reporting (as a BA)³	
R1.	Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection.
Standard CIP-001-1: Sabotage Reporting (as a TOP)³	
R1.	Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection.

³ The three violations for CIP-001-1 were combined into one violation. See Attachment A for details.

<p>Standard EOP-002-2: Capacity and Energy Emergencies</p> <p>R1. Each Balancing Authority and Reliability Coordinator shall have the responsibility and clear decision-making authority to take whatever actions are needed to ensure the reliability of its respective area and shall exercise specific authority to alleviate capacity and energy emergencies.</p>
<p>Standard EOP-002-2: Capacity and Energy Emergencies</p> <p>R4. A Balancing Authority anticipating an operating capacity or energy emergency shall perform all actions necessary including bringing on all available generation, postponing equipment maintenance, scheduling interchange purchases in advance, and being prepared to reduce firm load.</p>
<p>Standard IRO-001-1: Reliability Coordination – Responsibilities and Authorities</p> <p>R3. The Reliability Coordinator shall have clear decision-making authority to act and to direct actions to be taken by Transmission Operators, Balancing Authorities, Generator Operators, Transmission Service Providers, Load-Serving Entities, and Purchasing-Selling Entities within its Reliability Coordinator Area to preserve the integrity and reliability of the Bulk Electric System. These actions shall be taken without delay, but no longer than 30 minutes.</p>
<p>Standard IRO-001-1: Reliability Coordination – Responsibilities and Authorities</p> <p>R4. Reliability Coordinators that delegate tasks to other entities shall have formal operating agreements with each entity to which tasks are delegated. The Reliability Coordinator shall verify that all delegated tasks are understood, communicated, and addressed within its Reliability Coordinator Area. All responsibilities for complying with NERC and regional standards applicable to Reliability Coordinators shall remain with the Reliability Coordinator.</p>
<p>Standard IRO-001-1: Reliability Coordination – Responsibilities and Authorities</p> <p>R5. The Reliability Coordinator shall list within its reliability plan all entities to which the Reliability Coordinator has delegated required tasks.</p>
<p>Standard IRO-001-1: Reliability Coordination – Responsibilities and Authorities</p> <p>R6. The Reliability Coordinator shall verify that all delegated tasks are carried out by NERC-certified Reliability Coordinator operating personnel.</p>

Compliance Culture

Information regarding the compliance culture of ERCOT ISO was obtained from the Pre-Audit Compliance Survey, Compliance Program Survey and Pre-Audit Questionnaires that were completed by ERCOT ISO prior to the audit.

ERCOT ISO states no internal compliance program is currently in place. However, during the ERCOT ISO opening audit presentation, Kent Saathoff, VP of System Planning and Operations for ERCOT ISO, stated ERCOT ISO was developing a new compliance group that would be responsible for an internal compliance program. He presented an organizational chart with a Compliance Section and a job posting for a Chief Compliance Officer position. During the audit

the ATL and Van Weldon performed a walk through of building TCC1 both floors, the control room, control room break room and the blue building which houses the simulator training room, and the operator training room. The objective was to look for evidence of posting for identification of sabotage, compliance culture *etc.* During the audit team's tour, the ATL was permitted to look where ever he preferred, desks, bulletin boards, around copiers *etc.* There was no effort to deter the team. The only consistent poster was a cyber security poster, which Van mentioned changed monthly. The ATL did observe the flip book with the reporting of emergency events, *etc.*

ATTACHMENT A**Notice of Dismissal**

May 20, 2011

Electric Reliability Council of Texas, Inc. (ERCOT)
Ken McIntyre
2705 West Lake Drive
Taylor, TX 76574

NERC Registry ID: NCR04056

Re: Dismissal of **TRE200800053, TRE200800054**

Texas Reliability Entity (Texas RE) has reviewed ERCOT's violations associated with NERC Reliability Standard CIP-001-1, R1 and has determined that TRE200800053 and TRE200800054 should be dismissed.

CIP-001-1, R1 requires the following:

Each Reliability Coordinator, Balancing Authority, Transmission Operator, Generator Operator, and Load Serving Entity shall have procedures for the recognition of and for making their operating personnel aware of sabotage events on its facilities and multi-site sabotage affecting larger portions of the Interconnection.

On September 12, 2008, Texas RE conducted an Audit addressing possible noncompliance with this Reliability Standard. Specifically, ERCOT did not provide evidence that it had procedures in place for recognition of sabotage events. The ERCOT lists of possible events which require response were not related to a sabotage event. The operator interviews confirmed that the control room procedures and training did not contain criteria for the recognition of sabotage events. As a result, Texas RE initially determined ERCOT was in violation with CIP-001-1, R1 as a Balancing Authority, a Reliability Coordinator and a Transmission Operator.

ERCOT is registered for more than one function and CIP-001-1, R1 applies to ERCOT in several functions. According to Appendix 4B of the Rules of Procedure, Section 3.10, if several functions are performed by the same entity, a violation should be assessed against the entity and not against each function. Based on this, Texas RE determined that ERCOT ISO should have one violation of CIP-001-1, R1 (TRE200800052) as a result of the September 12, 2008 Audit.

Accordingly, Texas RE is dismissing ERCOT's violations of TRE200800053 and TRE200800054. If you have any questions or concerns, please contact Rashida Caraway, 512-583-4977 or rashida.caraway@texasre.org.