

# **NRG Texas Power, LLC**

**NERC ID # NCR10090**

## **Audit Report**

for Compliance with

## **NERC Reliability Standards**

**Public Version**

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

Audit Date: September 14 - 16, 2009  
Audit Location: NRG Offices, Houston, TX  
Report Date: May 5, 2011  
Prepared By: Bill Lewis, Audit Team Leader

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## TABLE OF CONTENTS

1.0	Executive Summary .....	3
2.0	Audit Process.....	3
2.1	Objectives .....	3
2.2	Scope.....	4
2.3	Methodology .....	4
2.4	Company Profile .....	4
2.5	Audit Specifics .....	5
3.0	Audit Results.....	6
3.1	Findings .....	6
3.2	Conclusion .....	7
3.3.	Compliance Culture .....	7

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## 1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of NRG Texas Power, LLC (NRG) was conducted on September 14 - 16, 2009. The NERC Reliability Standards that are being actively monitored for 2009 were reviewed based on NRG's registration as a GO. The audit team consisted of four representatives from Texas Regional Entity (Texas RE) and one representative from North American Electric Reliability Corporation (NERC).

NRG's staff was requested to provide valid evidence of meeting each and every applicable requirement and sub-requirement contained in each standard that was subject to this audit. NRG staff responded by providing evidence in the form of reports, procedures, studies and other documents. NRG staff then cited specific portions of the evidence that demonstrated compliance. This evidence was 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 NRG was judged to be compliant. Likewise, if any of the requirements or sub-requirements were not fully met, then NRG was judged to have a possible violation of the standard.

This audit report includes information regarding the requirements that were missing for NRG's possible compliance violations. 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 RE's NERC Compliance Monitoring and Enforcement Program. Any further actions related to the possible compliance violation will follow the same process.

The Audit Team found a possible violation in PRC-005-1, R1.

The NERC Notice of Penalty (NOP) is posted on the NERC website at the following URL:  
[http://www.nerc.com/filez/enforcement/FinalFiled\\_ACP\\_NOP\\_20110331.pdf](http://www.nerc.com/filez/enforcement/FinalFiled_ACP_NOP_20110331.pdf)

## 2.0 AUDIT PROCESS

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP), available at [www.nerc.com](http://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.<sup>1</sup> The audit objectives are:

- Independently review NRG's compliance with the requirements of the reliability standards that are applicable to NRG based on the NRG's registered functions.
- Validate compliance with applicable reliability standards from the NERC 2009 CMEP Implementation Plan list of actively monitored standards.

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<sup>1</sup> 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 NRG'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 2009 and any others that may be identified by the audit team at the time of the audit applicable to Generator Owner. The audit was performed by four members of Texas RE and one NERC representative.

Note: For the 2009 compliance program, the monitoring period for the compliance audit will generally be the last six years, the time since NRG's last audit as a GO, the effective date of NRG's registration or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

### 2.2.1 Confidentiality and Conflict of Interest

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

## 2.3 Methodology

Once an audit date was set by Texas RE, NRG 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 NRG'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 immediately following the audit with NRG. The audit team verbally shared its preliminary results with NRG's management.

## 2.4 Company Profile

NRG Texas Power, LLC is a subsidiary of NRG Energy, Inc. which owns and operates a diverse portfolio of power-generating facilities, primarily in Texas and the Northeast, South Central region which consist of Louisiana Generating LLC and Western regions of the United States. The regions are each led by a Regional President that report to the CEO of NRG Energy, Inc. Within the ERCOT Region, NRG Texas Power, LLC has a portfolio of approximately 9,140 MW of merchant generation at seven facilities.

## 2.5 Audit Specifics

Audit Date: September 14 - 16, 2009  
 Audit Location: NRG Offices, Houston, TX

Texas RE Audit Team:

Company/Title
Texas RE/Audit Team Leader
Texas RE/Auditor
Texas RE/Auditor
Texas RE/Auditor
NERC/Observer

NRG Audit Participants:

Company/Title
NRG Texas Power, Engineer
NRG Texas Power, O & M Manager
NRG Texas Power, Regional Engineering Manager
NRG Texas Power, SRB Operations Manager
NRG Texas Power, CBY Operations Manager
NRG Texas Power, THW Operations Manager
NRG Texas Power, Asset Desk Coordinator
NRG Texas Power, Limestone Operations Manager
NRG Texas Power, Director Regulatory Compliance
NRG Texas Power, Compliance Coordinator
NRG Texas Power, GBY Operations Manager
NRG Texas Power, Director Day Ahead Real time operations
Reliant, Director Dispatch and Real time
NRG Texas Power, EMS Manager
NRG Texas Power, VP Texas and South Central Operations
NRG Texas Power, Electrical Specialist
NRG Texas Power, Maintenance Supervisor, Limestone
NRG Texas Power, Operations Supervisor, Limestone
URS, Washington Division, Electrical Supervisor
NRG Texas Power, I&C tech
NRG Texas Power, Electrician Head
NRG Texas Power, Outage Manager

### 3.0 AUDIT RESULTS

#### 3.1 Findings

The Compliance Audit Team found that NRG was non-compliant the following standard and requirement:

<b>Reliability Standard &amp; Requirement</b>
PRC-005-1, R1

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

Reliability Standard	Requirement	Finding
EOP-009-0	R1.	Compliant
EOP-009-0	R2.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant
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
PRC-004-1	R1.	N/A
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Possible Violation
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	N/A
PRC-017-0	R2.	N/A

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### 3.2 Conclusion

The Compliance Audit Team found that NRG was non-compliant with the following standard and requirement:

<b>Reliability Standard &amp; Requirement</b>
PRC-005-1, R1

The possible compliance violation along with this compliance report will be provided to the regional entity enforcement staff for processing per the NERC CMEP. Any further actions related to the possible compliance violation will be through that process.

### 3.3. Compliance Culture

NRG was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of NRG, the extensive participation during the audit by NRG's personnel, the responses provided to the compliance culture questionnaire, the detailed documentation of procedures and records, the internal self audits, and the direct observations made by the audit team confirmed a strong commitment by NRG to promote a healthy compliance culture within organization. The Director of Regulatory Compliance and Compliance Coordinator's efforts for this audit were extremely helpful and were well supported by the other NRG managers who prepared and participated.