

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

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NORTHEAST POWER COORDINATING COUNCIL, INC.  
1515 BROADWAY, NEW YORK, NY 10036-8901 TELEPHONE: (212) 840-1070 FAX: (212) 302-2782

# **Compliance Audit Report**

## **Public Version**

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

**Barclays Bank PLC**  
**NCR09030**

**February 23 to April 7, 2009**

**4/8/2009**

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## Executive Summary

This final 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 Barclays Bank PLC, NERC ID # NCR09030 was conducted from February 23 to April 7, 2009. At the time of the audit, Barclays Bank PLC was registered for the Purchasing Selling Entity function.

The audit team evaluated Barclays Bank PLC for compliance with five reliability standards that included six requirements in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards identified in the NERC 2009 Implementation Plan for the audit period of the current year and previous from June 18, 2007 unless a different retention period is specified in an individual reliability standard. Barclays Bank PLC submitted information and documentation to aid the audit team's evaluation of compliance with requirements and provided a subject matter expert for the standards. When the evidence provided to demonstrate compliance or non-applicability required additional requests for information and evidence, the audit team made requests to Barclays Bank PLC. The audit was conducted using the data submitted by Barclays Bank PLC, as well as telephone and email data exchanges. The audit team reviewed and evaluated all information provided by Barclays Bank PLC to assess compliance with the standards applicable to the Purchasing Selling Entity function.

The Audit Team evaluated Barclays Bank PLC on six requirements of five Reliability Standards. Based on the information and documentation provided by Barclays Bank PLC, the audit team found Barclays Bank PLC to be compliant with one of the six requirements of the five NERC Reliability Standards being audited. The audit team determined that the remaining five requirements of the other four NERC Reliability Standards were not applicable to Barclays Bank PLC.

These audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's determination of applicability and compliance for the Reliability Standards within the scope of the compliance audit.

There were no ongoing or recently completed mitigation plans and, therefore, none were reviewed by the audit team.

## 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.

### **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:

- Independently review Barclays Bank PLC's compliance with the requirements of the reliability standards that are applicable to Barclays Bank PLC based on Barclays Bank PLC's registered function.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards and additional NERC reliability standards selected by NERC.
- Validate compliance with applicable Regional Standards from the NPCC 2009 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications and confirm compliance with other requirements of the reliability standard.
- Review the status of associated mitigation plans.
- Observe and document Barclays Bank PLC's compliance program and culture.

### **Scope**

The audit included all standards identified in the letter sent to Barclays Bank PLC on December 22, 2008 for the previous year. The audit was a regularly scheduled audit and no self-reported violations, made pre or post June 18, 2007, no mitigation plans, or compliance investigations were involved. There were no separate requests made by

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

Compliance Enforcement to the entity to supply information as it pertains to compliance other than for this regularly scheduled audit.

At the time of the audit, Barclays Bank PLC was registered for the function of PSE. The audit team evaluated Barclays Bank PLC for compliance during the period of June 18, 2007 to April 7, 2009.

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

Confidentiality and Conflict of Interest of the audit team are governed under the Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. Confidentiality agreements executed by the independent contractors and code of conduct documentation for the NERC representative and regional entity staff were provided to the audited entity in advance of the audit. The audited entity 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. The audited entity accepted the audit team member participants with no objections.

### ***Off-site Audit***

Barclays Bank PLC was provided with a pre-audit request letter identifying the standards and requirements subject to audit, which included: INT-004-1 R1, R2; IRO-001-1 R8; IRO-005-1 R13; TOP-005-1 R4; and VAR-001-1 R5. The audit letter was sent to Barclays Bank PLC more than 60 days in advance of the scheduled audit.

This is an off-site audit conducted every six years or as determined to be necessary by the region. Barclays Bank PLC had no self-reported violations, made pre or post June 18, 2007, mitigation plans, or compliance investigations that were involved.

The audit team leader requested that Barclays Bank PLC employees representing subject matter expertise regarding the registered function of Barclays Bank PLC be made available for interviews should the need arise. These interviews, in conjunction with evidence submitted, would then provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

Generally accepted government auditing standard 3.31 - Auditors must use professional judgment in planning and performing audits and attestation engagements and in reporting the results.

Generally accepted government auditing standard 3.39 places responsibility on each auditor and audit organization to exercise professional judgment in planning and performing an audit or attestation engagement; it does not imply unlimited responsibility, nor does it imply infallibility on the part of either the individual auditor or the audit organization. Absolute assurance is not attainable because of the nature of evidence and the characteristics of fraud. Professional judgment does not mean eliminating all possible limitations or weaknesses associated with a specific audit but rather identifying, considering, minimizing, mitigating, and explaining them.

### ***Methodology***

The audit team prepared reliability standard audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance, non-compliance or non-applicability with the standards. All relevant documents are considered and to the extent they form a portion of the audit trail are included in the RSAWs.

### ***Audit Overview***

The audit overview was conducted at 12:15 PM on February 24, 2009 via telephone call. The call was between the NPCC auditor and the Associate Director, US Commodities Compliance, of Barclays Bank PLC. The auditor reviewed his career and noted that he had signed a confidentiality agreement. A brief explanation of the audit process was given and the audit timelines were discussed. The auditor stated that the auditor has the ability and authority to expand the audit beyond the initial set of the standards and requirements identified in the audit notification letter should the need arise. The auditor also stated that Barclays Bank PLC might be required to obtain corroborating evidence from other entities in order to substantiate Barclays Bank PLC's compliance evidence.

Barclays Bank PLC was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest, any concerns regarding the auditor's background or if they thought that the auditor would not be impartial. Barclays Bank PLC accepted the auditor.

### ***Audit***

The auditor performed the audit off-site. The auditor reviewed the information submitted by Barclays Bank PLC and then developed a list of questions and requests for further information and corroborating evidence from both the ISO-NE and NYISO; the list was then sent to Barclays Bank PLC for their review and response. For some of the required information, including their own primary evidence, the Barclays Bank PLC team

responded in a less than timely manner prompting additional requests which extended the audit period.

### ***Exit Briefing***

The exit briefing was conducted via conference call at 11:00 AM on Tuesday April 7, 2009, between the NPCC auditor and the Associate Director, US Commodities Compliance, and a representative of Commodities Logistics of Barclays Bank PLC. The NPCC staff reviewed the audit process and summarized the findings of the audit for each standard and requirement. After reviewing all the data, Barclays Bank was found to be compliant with one of the five standards. The remaining four standards for the PSE function were deemed to be non-applicable to Barclays Bank PLC.

The auditor noted that Barclays Bank PLC must in the future optimize its response time in obtaining internal and external corroborating evidence. Barclays Bank PLC will review its retrieval processes and make any enhancements which are appropriate.

Barclays Bank PLC was presented an opportunity to question the audit findings and provide comment on the audit. Barclays Bank PLC commented that NPCC should consider directly requesting the ISOs to provide corroborating evidence, as another Regional Entity has done. Also, they commented that the level of corroborating evidence was more than another Regional Entity audit required for a PSE function and looked forward to providing comments.

### ***Company Profile***

#### **Narrative Description of Barclays Bank PLC:**

Barclays Bank PLC (Barclays) is a foreign bank organized under the laws of the United Kingdom and, along with its affiliates and subsidiaries, is an international financial services group engaged primarily in commercial banking, investment banking, and asset management. As part of its commodities business, Barclays engages in wholesale trading of electricity, capacity, and ancillary services in various wholesale energy markets in the United States, including the New York State and New England regions that are part of the NPCC territory.

Barclays' power marketing business is comprised of a U.S. Power Trading Desk, a U.S. Real-Time Power Trading Desk, and a Sales Desk that are located in Barclays' New York City offices. Logistical support teams, including scheduling and billing functions, and other back office support teams, such as credit, market risk, product control and

information technology functions, are located primarily in Barclays' New York City and Whippany, New Jersey offices. NERC e-Tagging functions are performed by Barclays' power schedulers and members of its U.S. Real-Time Power Trading Desk.

In various market power analyses filed with the Federal Energy Regulatory Commission (FERC) since 2004, Barclays has submitted that neither it nor any of its affiliates: (a) own or control generation or transmission facilities or engage in the day to day operations of such facilities; or (b) have a franchised service territory. The Commission accepted Barclays' most recent market power analysis on August 8, 2008 in a letter order in Docket No. ER04-734-003 granting Barclays Category 1 Seller status. The following representations were made to the FERC in that most recent analysis:

- Neither Barclays nor any of its affiliates own or control electric generation facilities in North America.
- Neither Barclays nor any of its affiliates own or control any electric transmission or distribution facilities in North America.
- Neither Barclays nor any of its affiliates have a franchised service area in the U.S. for the sale of electricity.

There have been no material changes with respect to these representations as set forth in Barclays' most recent market power submission to the FERC.

As indicated in its market-based rate authorization applications and subsequent quarterly compliance filings made with the FERC in Docket No. ER04-734-000, Barclays and its affiliates take passive or non-controlling positions in unaffiliated companies that own electric generation, transmission or pipelines. For example, Barclays or its affiliates have investment interests in a broad array of public utilities or their holding companies (e.g., Edison International, AES Corp., XCEL Energy, Inc.). The interests held by Barclays and its affiliates in such companies are solely for investment purposes and Barclays does not have control over the day to day operations of these companies. FERC limits Barclays' holdings as principal in these public utilities to no more than five percent of their voting equity securities. Barclays submits a quarterly compliance report to the FERC listing Barclays' holdings as principal or otherwise in public utilities that exceed one percent of the utilities' voting equity securities.

Also, note that as a condition of Barclays' July 22, 2004 authorization from the Federal Reserve Board (the Fed) to engage in physical commodity transactions, including purchases and sales of physical electric power, Barclays is not authorized to own, operate, or control facilities for the extraction, transportation, storage, or distribution of commodities, which likely include electric generation, transmission, or distribution facilities. Additionally, the Fed has not authorized Barclays to process, refine, or

otherwise alter commodities, which further limits Barclays from owning or operating generation facilities that transform fuel commodities such as coal or natural gas into electric power.

### **Audit Specifics**

The compliance audit was conducted from February 23 to April 7, 2009 at the offices of the NPCC Audit Staff in New York City, New York.

<b>Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Member	Manager Compliance Audit Program	NPCC-Compliance Audit Program

### **Barclays Bank PLC**

<b>Title</b>	<b>Organization</b>
Associate Director, US Commodities Compliance	Barclays Bank PLC
Commodities Logistics	Barclays Bank PLC

## **Audit Results**

Barclays Bank PLC provided data used to demonstrate their compliance or non-applicability with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation. After reviewing all the data, Barclays Bank PLC was found to be compliant with one of the five standards applicable to the PSE function, i.e. TOP-005-1 requirement R4. The remaining four standards for the PSE function were deemed to be non-applicable to Barclays Bank PLC.

The evidence provided by Barclays Bank was reviewed and validated using the following:

- Corroborating evidence from the NYISO and ISO-NE.
- Discussions with the Barclays Bank PLC representatives.

- Reliability Standard Audit Worksheets (RSAW) summary, summary of auditor notes, or auditor worksheets used by the NPCC.

### ***Findings***

The following table details the summarized auditor notes relating to evidence reviewed for compliance with the reliability standards listed in the NERC 2009 Implementation Plan. This table can also include details summarizing auditor notes relating to evidence reviewed for reliability standard requirements for self-reported violations, ongoing mitigation plans, and other discussions.

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
INT-004-1	R1	Not Applicable
INT-004-1	R2, R2.1, R2.2, R2.3.	Not Applicable
IRO-001-1	R8	Not Applicable
IRO-005-1	R13	Not Applicable
TOP-005-1	R4	Compliant
VAR-001-1	R5	Not Applicable

### ***Compliance Culture***

The audit team reviewed Barclays Bank PLC's compliance culture. During all contacts, the Barclays Bank PLC team representatives were accessible and pleasant in their approach.

During this audit, Barclays Bank PLC demonstrated a commitment to compliance with NERC standards and maintaining reliability as evidenced by its compliance with all applicable standards.