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Compliance Audit Report Public Version

**Consolidated Edison of NY
March 30-April 6, 2009
NERC ID # NCR07046**

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

April 6, 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.

The off-site compliance audit of Consolidated Edison of NY (CON ED), NERC ID #NCR07046 was conducted between March 30 and April 6, 2009. At the time of the audit, CON ED was registered for the LSE and TO functions. Additional information was submitted by CON ED on March 31, 2009 and April 2, 2009. The audit was completed using data submitted by CON ED and telephone and email data exchanges. The audit team evaluated CON ED's compliance with fourteen reliability standards in the 2009 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed reliability standards identified in the NERC 2009 Implementation Plan for the period of the last twelve months or monitoring timeframes specified in each reliability standard. Of the fourteen standards audited, all were judged to be compliant or not applicable. CON ED provided subject matter experts for each standard resulting in a more clear understanding of the CON ED business model and accelerated the audit process. The evidence provided to demonstrate compliance was complete, thorough and well organized. The audit team would like to thank the CON ED audit preparation team for the support offered through the 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. The following chart is a listing of the compliance requirements for a TO and LSE.

	TO	LSE
Standard Number	Requirement Number	Requirement Number
EOP-002-2		R9.1
FAC-001-0	R1, R2, R3	
FAC-003-1	R1, R2	
FAC-008-1	R1,R2, R3	
FAC-009-1	R1,R2	
IRO-001-1		R8
IRO-004-1	R4	R4
IRO-005-1		R13
PRC-004-1	R1, R3	
PRC-005-1	R1,R2	

PRC-008-0	R1, R2	
PRC-017-0	R1	
TOP-001-1		R4
TOP-002-2		R3,R18

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.¹ The audit objectives are to:

- Independently review CON ED's compliance with the requirements of the reliability standards that are applicable to CON ED based on the CON ED's registered functions.
- 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 CON ED's compliance program and culture.

Scope

A compliance audit will generally include all reliability standards applicable to the Registered Entity monitored in the NERC Implementation Plans in the current and two previous years and may include other reliability standards applicable to the Registered Entity. The scope of a compliance audit is scheduled as part of a regular, periodic scheduled audit. For the 2009 compliance program, the monitoring period for the compliance audit will generally be from the date that CON ED registered or periods specified in individual reliability standards.

At the time of the audit, CON ED was registered for the functions of TO and LSE. The audit team evaluated CON ED for compliance during the period of June 18, 2007 to April 6, 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

¹ North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

audited entity in advance of the audit. Work history and conflict of interest forms submitted by each audit team member were provided to the audited entity. 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

The notice of the audit was sent on January 9, 2009 to the Manager of Standards and Compliance at CON ED, notifying him of the schedule for the off-site Compliance Audit as a Transmission Owner and a Load Serving Entity. Attached to the letter was the following information to assist CON ED in preparation for the audit: a) request for information, b) Combined Pre-Audit Questionnaire and Reliability Standards Audit Worksheets (RSAWs), c) Certification Statement for the audit information, and d) Audit Team members' bios. The list of reliability standards are as follows:

	TO	LSE
Standard Number	Requirement Number	Requirement Number
EOP-002-2		R9.1
FAC-001-0	R1, R2, R3	
FAC-003-1	R1, R2	
FAC-008-1	R1,R2, R3	
FAC-009-1	R1,R2	
IRO-001-1		R8
IRO-004-1	R4	R4
IRO-005-1		R13
PRC-004-1	R1, R3	
PRC-005-1	R1,R2	
PRC-008-0	R1, R2	
PRC-017-0	R1	
TOP-001-1		R4
TOP-002-2		R3,R18

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 auditing standards and best practices that are to be followed by compliance auditors in carrying out their work are described in the Compliance Auditor Manual. The criteria are objective, measurable, complete and relevant to the audit objectives. The auditor identified potential sources of audit evidence and considered the amount and type of evidence needed given the risk and significance when defining the audit methodology.

Audit Overview

The pre-audit overview conference call was conducted on January 28, 2009 with CON ED SMEs and the NPCC auditor assigned to this audit. This call was an opportunity for the lead auditor to specify audit expectations including expected behavior of Registered Entity management. There was a follow-up call on February 17, 2009 with CON ED.

Audit

The audit team reviewed each of the Reliability Standard Audit Worksheets (RSAWs) submitted for each listed standard as well as each of the policies and procedures used by CON ED in meeting the requirements of each standard. Some of these procedures were at the Company level, the Reliability Coordinator level and at the regional level. Additionally, the audit team contacted CON ED on March 30, 2009 seeking clarifications and additional documentation needed to complete the audit. Additional information was sent to the auditor via e-mail and Fed Ex on a timely basis by the company in response to the outstanding questions.

Exit Briefing

The exit briefing was conducted by conference call on April 9, 2009. The meeting was attended by NPCC and CON ED staff members. NPCC staff reviewed the audit process and summarized the findings of the audit. The results of the audit were that all fourteen standards were judged to be compliant or not applicable. CON ED was given an opportunity to question the audit findings and provide comment on the audit.

Company Profile

Consolidated Edison, Inc. is one of the nation's largest investor-owned energy companies. The company provides a wide range of energy-related products and services to its customers through the following subsidiaries: Consolidated Edison Company of New York, Inc., a regulated utility providing electric, gas, and steam service in New York City and Westchester County, New York; Orange and Rockland Utilities, Inc., a regulated utility serving customers in a 1,350 square mile area in southeastern New York State and adjacent sections of northern New Jersey and northeastern Pennsylvania; Con Edison Solutions, a retail energy supply and services company; Con Edison Energy, a wholesale energy supply company; and Con Edison Development, a company that owns and operates generating plants and participates in other infrastructure projects. Consolidated Edison Company of New York, Inc. provides electricity to all of New

York City (except the Rockaway Peninsula in Queens) and most of Westchester County. The total area served is 604 square miles. The peak load of 13,141 MW occurred on August 2, 2006.

Audit Specifics

The compliance audit was conducted between March 30 and April 6, 2009 at NPCC offices in New York City, New York.

Audit Results

CON ED had submitted responses to the pre-audit questionnaire and RSAW. Additional evidence was included such as the procedures, maintenance and testing results of equipment and additional information from the TOP and RC as appropriate. In response to questions raised by the auditor, e-mails with associated responses to the questions were sent on March 31 and April 2, 2009.

The audit team found CON ED to be compliant with thirteen of the fourteen reliability standards and twenty-eight of the thirty requirements and sub-requirements audited. The remaining reliability standard and two requirements were found to be not applicable.

Findings

The following table details findings for compliance with the reliability standards listed in the NERC 2009 Implementation Plan.

Reliability Standard	Requirement	Finding
EOP-002-2	R9.1	N/A
FAC-001-0	R1	Compliant
FAC-001-0	R2	Compliant
FAC-001-0	R3	Compliant
FAC-003-1	R1	Compliant
FAC-003-1	R2.	Compliant
FAC-008-1	R1.1	Compliant
FAC-008-1	R1.2	Compliant
FAC-008-1	R1.2.1	Compliant
FAC-008-1	R1.2.2	Compliant
FAC-008-1	R1.3.1	Compliant
FAC-008-1	R1.3.2	Compliant
FAC-008-1	R1.3.3	Compliant
FAC-008-1	R1.3.4	Compliant
FAC-008-1	R1.3.5	Compliant
FAC-008-1	R2	Compliant

Reliability Standard	Requirement	Finding
FAC-008-1	R3	N/A
FAC-009-1	R1	Compliant
FAC-009-1	R2	Compliant
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-1	R13	Compliant
PRC-004-1	R1	Compliant
PRC-004-1	R3	Compliant
PRC-005-1	R1	Compliant
PRC-005-1	R2	Compliant
PRC-017-0	R1	Compliant
TOP-001-1	R4	Compliant
TOP-002-2	R3	Complaint
TOP-002-2	R18	Compliant

Compliance Culture

CON ED has a central staff reporting to the Manager of Standards and Compliance for maintaining compliance with the NERC Standards. However, with a company of this size, subject matter experts are located throughout the company and maintain the documentation required for compliance with the standards. The completeness of the evidence and the quick response to the auditor's questions indicate that compliance to the standards has a high priority with the company.