



NORTHEAST POWER COORDINATING COUNCIL, INC.
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Compliance Audit Report Public Version

**Consolidated Edison Solutions Inc.
CES
NCR07049**

April 3 to April 14, 2009

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

APRIL 14, 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 Solutions Inc. (CES), NERC ID #NCR07049 was conducted between April 3 and April 13, 2009. At the time of the audit, CES was registered for the PSE function. The audit was completed using data submitted by Consolidated Edison Solutions Inc. prior to the off-site audit being started and data provided by way of follow-up emails and phone calls as a result of questions raised during the off-site audit.

The auditor evaluated Consolidated Edison Solutions Inc.'s compliance with six reliability standards and eleven requirements/sub-requirements 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 six standards and eleven requirements and sub-requirements audited for the functions CES is registered for, three standards and their three requirements were judged to be compliant. Three standards and their eight requirements and sub-requirements were judged to be not applicable.

CES provided an overview resulting in a more clear understanding of their business model and accelerated the audit process. The evidence provided to demonstrate compliance was well presented and well organized. The audit team would like to thank the Consolidated Edison Solutions Inc. audit preparation team for the support offered throughout the audit.

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

This audit report depicts all activities performed by the audit team during the audit. Some information discussed during the course of the audit is non-public. Any non-public information included in this report is listed in the Findings section, specifically in the Auditors Notes Summary in the table. This portion of the table will be redacted from the public posting version of this report.

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.¹ The audit objectives are to:

- Independently review Consolidated Edison Solutions Inc. compliance with the requirements of the reliability standards that are applicable to CES based on the CES 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 Consolidated Edison Solutions Inc.'s compliance program and culture.

Scope

The audit included all standards identified in the February 2, 2009 audit letter sent to CES. The audit was a regularly scheduled audit and no self-reported violations or compliance investigations were involved.

At the time of the audit, CES was registered for the function of PSE. The audit team evaluated CES for compliance during the period of June 18, 2007 to April 14, 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.

The audited entity was informed in advance of the audit that the independent contractors executed confidentiality agreements and code of conduct documentation was in place for the NERC representative and regional entity staff. Work history and conflict of interest forms submitted by each audit team member are on file in the NPCC corporate offices. 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.

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

Off-site Audit

Consolidated Edison Solutions Inc. was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to CES 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. CES had not self reported any violations.

Consolidated Edison Solutions Inc. was registered for PSE functions in NPCC and RFC. The assessment of compliance to the applicable standards and requirements will be for both regional entities.

If necessary, the auditor would have requested interviews with Consolidated Edison Solutions Inc. employees representing subject matter expertise regarding all of the registered functions of CES. These interviews in conjunction with the submitted evidence would provide the auditor with a basis for professional judgment when validating compliance with reliability standards.

Methodology

The auditor prepared reliability standards audit worksheets (RSAWs) to evaluate each standard. The RSAWs are used to ensure consistency and to document evidence of compliance or non-compliance 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 on April 8, 2009. The call was led by Garth Arnott and Kim Pitchell, the auditors for NPCC and participating for Consolidated Edison Solutions Inc. was the Manager of Regulatory Affairs. An explanation of the audit process was given and the timelines were discussed. Consolidated Edison Solutions Inc. was given an opportunity to reject the auditor but accepted the auditors and their credentials for this audit.

Audit

The audit was performed off-site by the auditors, Garth Arnott and Kim Pitchell with Sal Buffamante of NPCC assisting. Additional questions were provided to CES by way of emails and phone calls, and the CES staff then took the time necessary to develop the answers and submitted them by way of email and phone calls to the auditors.

Exit Briefing

The exit briefing was led by Garth Arnott and Kim Pitchell by way of a conference call on April 14, 2009 and was attended by staff representing Consolidated Edison Solutions Inc. The auditors reviewed the audit process and summarized the preliminary findings of the audit.

The results of the audit were that of the six standards and eleven requirements and sub-requirements audited for the functions Consolidated Edison Solutions Inc. is registered for, three standards and three requirements were judged to be compliant. Three standards and their eight requirements and sub-requirements were judged to be not applicable.

The exit briefing is also a forum for the auditors to offer informal recommendations for process improvement. These recommendations are not included in the audit report but would be captured in a separate document and sent to CES. This was not necessary for this audit.

Company Profile

Consolidated Edison Solutions Inc. (CES) has two primary business segments: supplying electricity supply to various end-use customers in the PJM, ISO-NE, NYISO and ERCOT regions, and providing traditional “behind the meter” energy efficiency projects to retail customers.

CES’s retail sales are made pursuant to the competitive retail choice rules that have been established by various State Commissions as well as the District of Columbia. The retail sales are made in conjunction with membership and participation in the wholesale ISO/RTO markets that the retail load is located in. CES, either individually or through its affiliated company CEE, purchases the energy, capacity and ancillary services either bilaterally or through the ISO/RTO administered markets to meet the load obligations of its retail customers for the terms of the individual retail contracts. CES is registered as a Purchasing and Selling Entity in the NPCC and RFC regions

Audit Specifics

The compliance audit was conducted off-site between April 3 and April 14, 2009. The audit team members and Consolidated Edison Solutions Inc. staff did an excellent job in completing the audit.

NPCC Audit Team Role	Title	Company
Lead	Contracted Consultant	NPCC-Compliance Audit Program
Regional staff	Manager Compliance	NPCC-Compliance Audit Program
Auditor	Contracted Consultant	NPCC-Compliance Audit Program

Consolidated Edison Solutions Inc.

Title	Audited Entities Organization
Manager Regulatory Affairs	Consolidated Edison Competitive Shared Services
Vice President Regulatory Affairs	Consolidated Edison Competitive Shared Services

Audit Results

The auditors evaluated Consolidated Edison Solutions Inc.'s compliance with six reliability standards and eleven requirements and sub-requirements 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 six standards and eleven requirements and sub-requirements audited for the functions Consolidated Edison Solutions Inc. is registered for, three standards and their three requirements were judged to be compliant. Three standards and their eight requirements and sub-requirements were judged to be not applicable.

Consolidated Edison Solutions Inc. provided an overview resulting in a more clear understanding of their business model and accelerated the audit process. The evidence provided to demonstrate compliance was well presented and well organized. The audit team would like to thank the Consolidated Edison Solutions Inc. audit preparation team for the support offered through the audit.

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.

Consolidated Edison Solutions Inc.

Reliability Standard	Requirement	Finding
INT-001-3	R1.	N/A
INT-001-3	R1.1.	N/A
INT-004-2	R1.	N/A
INT-004-2	R2.	N/A
INT-004-2	R2.1	N/A
INT-004-2	R2.2	N/A

Reliability Standard	Requirement	Finding
INT-004-2	R2.3	N/A
IRO-001-1	R8.	Compliant
IRO-005-1	R13.	NA
TOP--005-1	R4.	Compliant
VAR-001-1	R5.	Compliant

Compliance Culture

The audit team reviewed Consolidated Edison Solutions Inc.'s compliance culture. The regional entity compliance staff may review additional aspects of CES's compliance culture. During all contact, CES staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.