



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

**Dunkirk Power LLC  
NCR07068**

**May 25 to June 11, 2009**

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

**June 11, 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 Dunkirk Power LLC (Dunkirk), NERC ID #NCR07068 was conducted from May 25 to June 11, 2009. Dunkirk Power LLC was audited for its registered functions of Generator Owner (GO) and Generator Operator (GOP). The audit team evaluated Dunkirk Power LLC's compliance with thirteen 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. The audit was completed using data submitted by Dunkirk Power LLC and telephone and email data exchanges. Of the thirteen standards audited, twelve were judged to be compliant; however, one standard was found to be non-applicable to Dunkirk Power LLC. The thirteen standards contained a total of sixty-one requirements, forty-five of which were judged to be compliant while sixteen were non-applicable to Dunkirk Power LLC.

Dunkirk Power LLC provided a subject matter expert for each standard resulting in a more clear understanding of the Dunkirk Power LLC business model and accelerated the audit process. The evidence provided to demonstrate compliance required requests for additional information and evidence.

The Dunkirk Power LLC audit team responded to requests for further information in an expeditious manner. The audit team would like to thank the Dunkirk Power LLC 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.

## 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 Dunkirk's compliance with the requirements of the reliability standards that are applicable to Dunkirk Power LLC based on Dunkirk'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 Dunkirk's compliance program and culture.

### **Scope**

The audit included all standards identified in the February 17, 2009 audit letter for the previous year. The audit was a regularly scheduled audit, and there were no self-reported violations or compliance investigations involved.

At the time of the audit, Dunkirk was registered for the functions GO and GOP. The audit team evaluated Dunkirk for compliance during the period June 18, 2007 to May 25, 2009.

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

## ***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***

Dunkirk Power LLC was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to Dunkirk Power LLC 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. Dunkirk Power LLC had no open self-reported violations during the audit period.

The audit team leader requested that Dunkirk's employees representing subject matter expertise regarding all the registered functions of Dunkirk Power LLC be made available for interviews should the need arise. These interviews in conjunction with evidence provide the audit team with a basis for professional judgment when validating compliance with reliability standards.

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 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 at 09:00 AM on May 25, 2009 via conference call. The auditor noted that he had signed a confidentiality agreement with NPCC. The audit process was discussed along with a timeline of the audit's duration. As a registered GOP and GO, Dunkirk Power LLC would be audited on thirteen standards. It was noted that the auditor does have the authority to expand the audit beyond the initial set of identified standards and requirements should the need arise. A brief explanation of the audit process was given and the timelines were discussed. Dunkirk Power LLC was given the opportunity to reject the auditor should they feel that there was a possible conflict of interest or they thought the auditor would not be impartial. Dunkirk Power LLC accepted the audit team.

## ***Audit***

The audit was performed off-site by NPCC Staff. The auditor developed a list of questions for Dunkirk Power LLC to answer; the list was then sent to Dunkirk Power LLC for their review. Dunkirk Power LLC then took the time necessary to develop the answers and submitted them by email to the auditor.

## ***Exit Briefing***

The exit briefing was conducted via conference call at 09:00 AM on June 11, 2009. The teleconference was between NPCC staff and representatives of Dunkirk. NPCC staff reviewed the audit process and summarized the findings of the audit. After reviewing all the data, Dunkirk Power LLC was judged to be compliant with twelve of the thirteen standards; however, one of the standards was deemed to be not applicable.

Dunkirk Power LLC was presented an opportunity to question the audit findings and provide comment on the audit. Dunkirk Power LLC representatives thanked the audit team for their efforts in providing clarity and guidance during the audit process.

## ***Company Profile***

Dunkirk Power LLC is registered as the generator owner and operator located in the NRG Energy Inc.'s Northeast Portfolio under the Regional President of the Northeast region and Senior Vice President of Plant Operations. Dunkirk Power LLC provides operating services for the facility which operates within the balancing authority area

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of the New York Independent System Operator (NYISO) and locally within the western area of New York under the jurisdiction of National Grid.

Dunkirk Power LLC is located in Dunkirk, New York within the jurisdiction of the Northeast Power Pool Coordinating Council (NPCC). Dunkirk Power LLC's Plant Manager reports to the Interim VP, NE Operations. The Interim VP reports directly to the Senior Vice President of Plant Operations.

Dunkirk Power LLC is supported through an energy marketing services agreement with NRG Power Marketing Inc, who is registered as the associated Purchasing/Selling Entity and provides scheduling of capacity and ancillary services, bidding and dispatch for this facility.

***Audit Specifics***

The compliance audit was conducted from May 25 to June 11, 2009 at the offices of the NPCC Audit Staff.

<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

**Dunkirk Power LLC**

<b>Title</b>	<b>Organization</b>
Director of Regulatory Compliance	NRG Energy Inc.
EVP & Regional President-Northeast Region	Dunkirk Power LLC
Operations Manager	Dunkirk Power LLC
Plant Manager	Dunkirk Power LLC

## Audit Results

Dunkirk Power LLC provided data used to demonstrate their compliance with the standards identified in the audit letter from NPCC. When the auditor had additional questions, emails were used to request additional documentation until the auditor was convinced that the standards and requirements had been met and Dunkirk Power LLC had demonstrated compliance.

### *Findings*

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
CIP-001-1	R1	Compliant
	R2	Compliant
	R3	Compliant
	R4	Compliant
COM-002-2	R1	Compliant
FAC-008-1	R1	Compliant
	R1.1	Compliant
	R1.2	Compliant
	R1.2.1	Compliant
	R1.2.2	Compliant
	R1.3	Not Applicable
	R1.3.1	Compliant
	R1.3.2	Compliant
	R1.3.3	Compliant
	R1.3.4	Compliant
	R1.3.5	Not Applicable
	R2	Compliant
	R3	Compliant
FAC-009-1	R1	Compliant
	R2	Compliant
IRO-001-1	R8	Compliant
IRO-004-1	R4	Compliant
IRO-005-1	R13	Compliant
PRC-001-1	R1	Compliant
	R2	Compliant
	R2.1	Compliant
	R3	Not Applicable

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<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
	R3.1	Compliant
	R5	Compliant
	R5.1	Compliant
PRC-004-1	R2	Compliant
	R3	Compliant
PRC-005-1	R1	Compliant
	R1.1	Compliant
	R1.2	Compliant
	R2	Compliant
	R2.1	Compliant
	R2.2	Compliant
PRC-017-0	R1- R2	Not Applicable
TOP-001-1	R3	Compliant
	R6	Compliant
	R7	Not Applicable
	R7.1	Compliant
	R7.3	Compliant
TOP-002-2	R3	Compliant
	R13	Compliant
	R14	Compliant
	R14.1	Compliant
	R14.2	Not Applicable - Retired.
	R15	Compliant
	R18	Compliant

### ***Compliance Culture***

The audit team reviewed the Dunkirk Power LLC compliance culture. Dunkirk Power LLC exhibited a serious approach to compliance; this was evident in their procedures and their adherence to those procedures. Dunkirk Power LLC was found to be responsive to follow up requests and questions. The audit team responded to all requests for additional information in a timely manner; the presentation and content of both the original and follow-up information was professionally done. The involvement and support of upper management as evidenced by the training examples given, exhibits a very positive commitment by the corporation to the compliance of the NERC Standards and the reliable operation of the BES.