



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

**Dynegy Power Marketing, Inc.  
NCR00201  
June 23 to July 7, 2009**

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

**July 7, 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 Dynegy Power Marketing, Inc. (DYNEGY), NERC ID #NCR00201 was conducted between June 23 and July 7, 2009. At the time of the audit, DYNEGY was registered for the PSE function. The audit was completed using data submitted by DYNEGY prior to the start of the off-site audit and data provided as a result of questions that arose during the audit. The audit was performed by NPCC to demonstrate compliance not only within the NPCC footprint but also to show compliance in SERC, SPP and RFC. By auditing for all regions at the same time, it will allow PSEs registered in multiple regions to undergo only one regularly scheduled audit each six years.

The auditor evaluated DYNEGY's compliance with 6 reliability standards and 11 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 6 standards and 11 requirements and sub-requirements audited for the functions DYNEGY is registered for, all standards and requirements/sub-requirements were judged to be compliant or not applicable.

DYNEGY staff provided overviews of each standard, 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 DYNEGY staff for their 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 Dynegy Power Marketing, Inc.'s compliance with the requirements of the reliability standards that are applicable to DYNEGY based on DYNEGY'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 DYNEGY's compliance program and culture.

## **Scope**

The audit included all standards identified in the March 26, 2009 audit letter. The audit was a regularly scheduled audit and no self-reported violations or compliance investigations were involved in the audit. The audit was performed by NPCC to demonstrate compliance not only within the NPCC footprint but also to show compliance in SERC, WECC and RFC.

At the time of the audit, DYNEGY was registered for the function of a PSE. The audit team evaluated DYNEGY for compliance during the period of June 18, 2007 to July 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.

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 members with no objections.

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

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

DYNEGY was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to DYNEGY more than 60 days in advance of the scheduled audit. This was an off-site audit conducted every six years or as determined to be necessary by the region. DYNEGY had not self-reported any violations. DYNEGY was registered as a PSE in NPCC, SERC, WECC and RFC.

In all cases, the auditors requested interviews with DYNEGY employees representing subject matter expertise regarding all of the registered functions of DYNEGY. These interviews resulted in data requests that in conjunction with the submitted evidence would provide the auditor with a basis for professional judgment when validating compliance with reliability standards.

### ***Methodology***

The auditors 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 referenced in the RSAWs.

### ***Audit Overview***

The audit overview was provided to DYNEGY via conference call on June 23, 2009. The audit leader member reviewed his career and noted they had signed confidentiality agreements. A brief explanation of the audit process was given and the timelines were discussed. DYNEGY was given an opportunity to reject the auditors but accepted the auditors and their credentials for this audit.

### ***Audit***

The lead auditor performed the audit off-site. Prior to calls to DYNEGY, the auditor developed a list of questions for DYNEGY and provided the questions via email. DYNEGY then took the time necessary to develop the answers and submitted them by email to the auditor.

### ***Exit Briefing***

The exit briefing was conducted by conference call on June 15, 2009 between the auditor and DYNEGY. The auditor reviewed the audit process and summarized the findings of the audit. The results of the audit were that of the 6 standards and 11 requirements and sub-requirements audited for the functions DYNEGY is registered for, all standards and requirements/sub-requirements were judged to be compliant or not applicable. DYNEGY was given an opportunity to question the audit findings and provide comment on the audit. DYNEGY said they thought the process was very professional and thought it had been a beneficial process.

### **Company Profile**

Dynergy Power Marketing, Inc. purchases and sells electric energy, capacity, and ancillary services in key U.S. markets including four regions across the U.S. Dynergy Power Marketing, Inc. does not own or operate any electrical Bulk Electric System assets.

### **Audit Specifics**

The compliance audit was conducted from June 23 to July 7, 2009 at the auditor's offices.

<b>NPCC Audit Team Role</b>	<b>Title</b>	<b>Company</b>
Regional staff	Manager Compliance	NPCC-Compliance Audit Program
Overall Lead Auditor	Contracted Consultant	NPCC-Compliance Audit Program

### **Dynergy Power Marketing, Inc.**

<b>Title</b>	<b>Organization</b>
Manager- NERC Compliance	DYNEGY

## **Audit Results**

DYNEGY provided hard copies, electronic files and emails containing data used to demonstrate their compliance with the standards identified in the audit letter from NPCC. When the auditor had additional questions, conference calls were used to request additional documentation until the auditors were convinced that the standards and requirements had been met and DYNEGY had demonstrated compliance.

After reviewing all the data, DYNEGY was judged to be compliant with four standards and two standards were not applicable.

## **Findings**

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

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

## **Compliance Culture**

The audit team reviewed Dynegy Power Marketing Inc.'s compliance culture. DYNEGY has an Internal Compliance Program that includes DYPM entity registered as a PSE. This Program is governed by Dynegy Generation Procedure G9-04 and Dynegy's Code of Business Conduct and Ethics. During all contacts, DYNEGY staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.