



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

**Edison Mission Marketing  
and Trading, Inc.  
NCR00083**

**October 15 to October 24, 2009**

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

**October 24, 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 Edison Mission Marketing and Trading Inc. (EMMT), NERC ID #NCR00083 was conducted between October 15 and October 24, 2009. At the time of the audit, EMMT was registered for the PSE function. The audit was completed using data submitted by EMMT prior to the start of the off-site audit and data provided as a result of questions that arose during the audit.

The auditor evaluated EMMT's compliance with 5 reliability standards and 8 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 June 18, 2007 to October 24, 2009 or monitoring timeframes specified in each reliability standard.

Of the 5 standards and 8 requirements and sub-requirements audited for the functions EMMT is registered, all standards, requirements and sub-requirements were judged to be compliant or not applicable.

EMMT 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 EMMT 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:

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

- Independently review Edison Mission Marketing and Trading, Inc.'s compliance with the requirements of the reliability standards that are applicable to EMMT based on EMMT'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 Edison Mission Marketing and Trading, Inc.'s compliance program and culture.

### **Scope**

The audit included all standards identified in the July 29, 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 within the NPCC footprint.

At the time of the audit, EMMT was registered for the function PSE. The audit team evaluated EMMT for compliance during the period of June 18, 2007 to October 24, 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.

### **Off-site Audit**

EMMT was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to EMMT 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. EMMT had not self-reported any violations. EMMT was registered as a PSE in NPCC.

In all cases, the auditors requested interviews with EMMT employees representing subject matter expertise regarding all of the registered functions of EMMT. 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 EMMT via conference call on October 20, 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. EMMT was given an opportunity to reject the auditors but accepted the auditors and their credentials for this audit.

### ***Audit***

The audit lead performed the audit off-site. Prior to calls to EMMT, the auditor developed a list of questions for EMMT and provided the questions via email. EMMT 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 October 24, 2009 between the auditor and EMMT. The auditor reviewed the audit process and summarized the findings of the audit. The results of the audit were that of the 5 standards and 8 requirements and sub-requirements audited for the function EMMT is registered, all standards, requirements and sub-requirements were judged to be not applicable or compliant. EMMT was given an opportunity to question the audit findings and provide comment on the audit. EMMT said they thought the process was very professional and thought it had been a beneficial process.

### ***Company Profile***

Edison Mission Marketing and Trading, Inc. is a wholly owned subsidiary of Edison Mission Group (EMG). EMG is a subsidiary of Edison International. EMG manages the unregulated electric utilities of Edison International.

### ***Audit Specifics***

The compliance audit was conducted between October 15 and October 24, 2009 at the auditor's offices in New York City, NY.

<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

### **Edison Mission Marketing and Trading, Inc.**

<b>Title</b>	<b>Organization</b>
Director, NERC Compliance Program	EMG

## **Audit Results**

EMMT provided 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, e-mails were used to request additional documentation until the auditors were convinced that the standards and requirements had been met and EMMT had demonstrated compliance.

After reviewing all the data, EMMT was judged to be compliant with three 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-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

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
IRO-005-1	R13	Compliant
TOP-005-1	R4	Compliant
VAR-001-1	R5.	Compliant

### ***Compliance Culture***

The audit team reviewed Edison Mission Marketing and Trading Inc.'s compliance culture. The EMG NERC Compliance Group facilitates a NERC Management Team comprised of business unit leaders from EMG operations. The EMMT Managing Director, Operations is a member of the EMG NERC Management Team. The NERC Management Team takes direction from the Director of the NERC Compliance regarding compliance issues. The NERC Compliance Group offers NERC awareness training to business unit leaders and workshops/newsletters are developed as needed to target specific compliance requirements. During all contacts, EMMT staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability.