



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

**IPA Operations Inc.
NCR#07122**

November 18 to December 14, 2009

December 14, 2009

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

TABLE OF CONTENTS

Executive Summary	3
Audit Process	3
Objectives	3
Scope.....	4
Confidentiality and Conflict of Interest.....	4
Offsite Audit	4
Methodology	5
Audit Overview.....	5
Audit.....	5
Exit Briefing.....	5
Company Profile.....	5
Audit Specifics.....	6
Audit Results.....	6
Findings.....	7
Compliance Culture	8

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 offsite compliance audit of IPA Operations Inc. NCR# 07122 was conducted between November 18 and December 14, 2009. The audit was completed using data submitted by IPA Operations Inc. prior to the offsite audit being started, and data provided by way of follow-up emails, phone calls and FTP as a result of questions raised during the offsite audit.

The auditor evaluated IPA Operations Inc.'s compliance with seven reliability standards and twenty-six 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 seven standards and twenty-six requirements and sub-requirements audited for the functions IPA Operations Inc is registered for, seven standards and their twenty-six requirements and sub-requirements were judged to be compliant.

IPA Operations 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 auditor would like to thank the IPA Operations Inc audit preparation team for the support offered throughout the audit.

This audit report depicts all activities performed by the auditor 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:

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

- Independently review IPA Operations Inc.'s compliance with the requirements of the reliability standards that are applicable to IPA Operations Inc based on the functions IPA Operations Inc is registered for.
- Validate compliance with applicable reliability standards from the NERC 2009 Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standard, and review the status of associated mitigation plans.
- Validate compliance with applicable Regional Standards from the NPCC 2009 Implementation Plan list of actively monitored standards.
- Document the IPA Operations Inc. compliance culture.

Scope

The audit included all standards identified in the September 9, 2009 audit letter. The audit was a regularly scheduled audit and no self-reported violations or compliance investigations were involved.

Confidentiality and Conflict of Interest

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 participant with no objections.

Offsite Audit

IPA Operations Inc. was provided with a pre-audit request letter identifying the standards and requirements subject to audit. The audit letter was sent to IPA Operations Inc. more than 60 days in advance of the scheduled audit. This is an offsite audit conducted every six years or as determined to be necessary by the region.

IPA Operations Inc. is registered for the GOP function in NPCC.

If necessary, the auditor would have requested interviews with IPA Operations Inc. employees representing subject matter expertise regarding all of their registered functions. 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 auditor worksheets (QRSAs) to evaluate each standard. The QRSAs 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 portion of the audit trail are included in the QRSAs.

Audit Overview

The initial audit overview was conducted on December 8, 2009. The call was led by Kim Pitchell, the auditor for NPCC and participating for IPA Operations Inc. was Billy Shaw. An explanation of the audit process was given and the timelines were discussed. IPA Operations Inc. was given an opportunity to reject the auditor but accepted the auditor and his credentials for this audit.

Audit

The audit was performed offsite by the auditor Kim Pitchell with Sal Buffamante of NPCC assisting. Additional questions were provided to IPA Operations Inc. by way of emails and phone calls and the IPA Operations, Inc staff then took the time necessary to develop the answers and submitted them by way of email and FTP to the auditor.

Exit Briefing

The exit briefing was led by Kim Pitchell by way of a conference call on December 14, 2009 and was attended by Billy Shaw for IPA Operations Inc. The Auditor reviewed the audit process and summarized the preliminary findings of the audit.

The results of the audit were that of the seven standards and twenty-six requirements and sub-requirements audited for the functions IPA Operations Inc. is registered for, all standards and their requirements and sub-requirements were judged to be compliant.

The exit briefing is also a forum for the auditor 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 IPA Operations Inc. This was necessary for this audit.

Company Profile

IPA Operations Inc. is the company subject to this NPCC off site audit. International Power plc is one of the world leading power generation companies with interests in seventeen countries across the globe and more than 30,000 MW of generating capacity.

IPA Operations operates three plants in NPCC; ANP Bellingham and ANP Blackstone connect to the 345kv, and Milford Power LP connects to the 115kv.

IPA Operations does not own, operate or maintain a transmission system.

Audit Specifics

The compliance audit was conducted off-site between November 2 and November 16, 2009. .

NPCC Audit Team Role	Name	Title	Company
Lead	Kim Pitchell	Contracted Consultant	NPCC-Compliance Audit Program
Regional staff	Sal Buffamante	Manager Compliance	NPCC-Compliance Audit Program

IPA Operations Inc.

Name and Title		Audited Entity's Organization	
Billy Shaw	Director- Compliance	IPA Operations Inc	

Audit Results

The auditor evaluated IPA Operations Inc.'s compliance with seven reliability standards and twenty-six 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.

The results of the audit were that of the seven standards and twenty-six requirements and sub-requirements audited for the functions IPA Operations Inc. is registered for, all standards and their requirements and sub-requirements were judged to be compliant.

IPA Operations 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 auditor would like to thank the IPA Operations 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.

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.

IPA Operations Inc .

Reliability Standard	Requirement	Finding
CIP-001-1	R1.	Compliant
CIP-001-1	R2.	Compliant
CIP-001-1	R3.	Compliant
CIP-001-1	R4.	Compliant
COM-002-2	R1.	Compliant
IRO-001-1	R8.	Compliant
IRO-004-1	R4.	Compliant
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R2.1.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R3.1.	Compliant
PRC-001-1	R5.	Compliant
PRC-001-1	R5.1.	Compliant
TOP-001-1	R3.	Compliant
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R7.1.	Compliant
TOP-001-1	R7.3.	Compliant

Reliability Standard	Requirement	Finding
TOP-002-2	R3.	Compliant
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R14.1	Compliant
TOP-002-2	R14.2	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R18.	Compliant

Compliance Culture

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