



Compliance Audit Report Public Version

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

**DB Energy Trading, LLC
NCR00749**

**Date of Audit
August 25 – 28, 2009**

**Date of Report
September 10, 2009**

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Executive Summary

This 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.

An off-site compliance audit of DB Energy Trading, LLC (DBET) – NCR 00749, was conducted from August 25 – 28, 2009. ReliabilityFirst conducts compliance audits as part of the ReliabilityFirst Compliance Monitoring and Enforcement Program (CMEP). This compliance audit was a Multi-Region Registered Entity (MRRE) audit, and was conducted to assess DBET's compliance with selected Reliability Standards for the Northeast Power Coordinating Council (NPCC), SERC Reliability Corporation (SERC), Western Electricity Coordinating Council (WECC) and ReliabilityFirst regions. At the time of the audit, DBET was registered for the Purchasing Selling Entity (PSE) function that it performs in the ReliabilityFirst, NPCC, SERC and WECC regions.

ReliabilityFirst provided a 90 day notification to DBET which requested data and information to provide evidence of compliance with NERC Reliability Standards within the scope of the audit. DBET submitted material that the Audit Team reviewed and used to assess DBET's compliance with the NERC Reliability Standards. The Audit Team developed findings based on this review and assessment.

The Audit Team assessed compliance with three (3) NERC Reliability Standards, which are applicable to DBET for the function it is registered to perform in the ReliabilityFirst, NPCC, SERC and WECC regions. The three (3) NERC Reliability Standards include three (3) requirements that are applicable to the PSE function. No regional standards were included in the scope of the audit.

DBET was prepared for the audit and provided documentation in a complete and concise manner. The Audit Team did not identify any violations as a result of this review. DBET was found to be fully compliant with the three (3) NERC Reliability Standards and the three (3) corresponding requirements.

There were no ongoing mitigation plans and therefore none were reviewed by the Audit Team.

Audit Process

The compliance audit process steps are detailed in the ReliabilityFirst CMEP. The ReliabilityFirst 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:

- Review compliance with the requirements of the Reliability Standards that are applicable to DBET based on DBET's registered function
- 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
- Document DBET's internal compliance culture
- Validate compliance with other NERC Reliability Standards outside the 2009 implementation plan as selected by *ReliabilityFirst*
- Validate compliance with applicable *ReliabilityFirst* reliability standards that are applicable to DBET

Scope

The scope of the audit included Reliability Standards which were selected by NERC for monitoring by audit in the 2009 CMEP Implementation Plan. *ReliabilityFirst* also monitored all applicable *ReliabilityFirst* standards, self certifications, and mitigation plans as appropriate for the period of time from June 18, 2007 through the date of the audit.

Confidentiality and Conflict of Interest

Confidentiality and Conflict of Interest of the Audit Team are governed under the *ReliabilityFirst* Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. DBET was informed of the *ReliabilityFirst* obligations and responsibilities under the agreement and procedures. The work history of each Audit Team member was provided to the audited entity. DBET 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. DBET did not submit any objections by the stated fifteen day objection due date and by this action has accepted the Audit Team member participants without objection. *ReliabilityFirst* found no conflict of interest for any of the Audit Team members

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

Off-Site Audit

DBET is subject to an audit once every six years as provided by the NERC Rules of Procedure. DBET was provided a 90 day notification of this scheduled audit and at that time all of the necessary documents required by the NERC and Reliability*First* audit process were provided to the entity. The following documents were provided as part of the notification:

- 90 day Notification letter which contained a request for evidence, information, and data submittals
- Compliance Audit Survey
- Audit Agenda as applicable
- Internal Compliance Survey
- Audit Team Work History with discussion of the objection process
- General Instructions of Data or Information Submittals
- Reliability Standard Questionnaire/ Reliability Standard Auditor Worksheets (RSAW'S)

Documents were provided to DBET in electronic format.

Reliability*First* discussed the use of technical experts with the DBET primary compliance contact and indicated that Reliability*First* would welcome the use of technical experts by DBET, as it deemed necessary, to explain their compliance to the Reliability Standards. As such, DBET had been notified to provide any technical experts or personnel that it deemed necessary in order to provide the Audit Team an understanding of the evidence provided to demonstrate compliance with Reliability Standards.

An audit agenda and/or schedule were provided to DBET in advance to allow the necessary time to prepare for the audit. DBET's cooperation and flexibility with the agenda was appreciated by the Audit Team.

The Audit Team reviewed DBET's compliance processes for all applicable standards with DBET technical experts and requested additional information to clarify information previously supplied to the team. These interviews in conjunction with evidence provided, supplied the Audit Team with a basis for using professional judgment when validating compliance to the Reliability Standards.

Methodology

The Audit Team reviewed the evidence provided by DBET for each of the requirements that are applicable to the function performed by the company in order to determine if the company complied with those Reliability Standards and associated requirements. The team reviewed each requirement, discussed the levels of compliance and addressed each team member's observations from the audit to determine its findings from the review.

Opening Briefing

An Opening Briefing was conducted to discuss the following:

- Introduction of Audit Team
- Audit Objective and Scope
- Confidentiality of Information
- Audit Team Expectations
- Discussion on Clarification Calls
- Audit Process
- Exit Briefing and Schedule

Audit

The Audit Team reviewed each requirement and the evidence provided to determine if DBET was compliant with the requirement. The team discussed its findings to determine DBET's compliance to each of the standards. Upon request, DBET provided additional information or clarified existing information during the review of its material with their subject matter experts.

Exit Briefing

The Audit Team presented its preliminary findings to the DBET staff. The team lead explained the findings from the audit. The exit presentation also covered the report process moving forward, and audit feedback forms that the region is using to improve the audit process. DBET was provided an opportunity to ask questions which the Audit Team answered.

Company Profile

DB Energy Trading LLC is registered with NERC/ReliabilityFirst and performs the function as a Purchasing Selling Entity (PSE), in the ReliabilityFirst, NPCC, SERC, and WECC regions. DBET is classified as a Multi-Regional Registered Entity (MRRE) and is responsible for reliability compliance across several regional jurisdictions including ReliabilityFirst, NPCC, SERC, and WECC.

DB Energy Trading, LLC. (DBET) is a registered retail electric supplier and currently operates within the PJM Interconnection. Organizationally, DBET is a subsidiary of Deutsche Bank AG and as such, Federal Reserve Regulations prohibit DBET from owning or operating any Bulk Electric System assets.

DBET operates in a 24/7 environment within the ReliabilityFirst, NPCC, SERC, and WECC regions primarily for the purpose of responding to any requirements associated with their day to day physical schedules.

Audit Specifics

The compliance audit was conducted from August 25 – 28, 2009 at the ReliabilityFirst office in Akron, Ohio.

Audit Team

Audit Team Role	Title	Company
Lead	Senior Consultant, Compliance	ReliabilityFirst Corporation
Member	Associate Compliance Specialist	ReliabilityFirst Corporation

DBET Audit Participants

Title	Organization
Vice President - Compliance	DBET
Vice President – Power Scheduling	DBET

Audit Results

The Audit Team assessed DBET's compliance with three (3) requirements in three (3) NERC Reliability Standards which are applicable to the PSE function.

After reviewing all of the evidence presented, DBET was found to be compliant with three (3) NERC Reliability Standards and three (3) requirements. The Audit Team did not find any Possible Violations (PVs). There were no mitigation plans, self certifications, or applicable regional standards that were in need of review by the Audit Team.

Findings

The following table provides the auditor findings relating to evidence reviewed for compliance with the Reliability Standards within the scope of the compliance audit.

DBET Off-Site Audit Findings Table

Reliability Standard	Requirement	Finding
IRO-001-1	R8	Compliant
IRO-005-2	R13	Compliant
VAR-001-1	R5	Compliant

Compliance Culture

DB Energy Trading has an internal Compliance Program. Due to the limited scope of the NERC Reliability Standards that are applicable to registered PSE's, their program simply consists of the NERC Reliability Standards by region (DBET is a Multi-Regional Registered Entity or MRRE), procedures for self-certification, and periodic due diligence required for self-certification.

The Vice President-Compliance serves as Compliance Officer at DBET and he manages compliance independently from the other DBET business sectors and reports directly to the CFO. The Compliance Officer is responsible for the compliance program and reviews the day to day operational compliance requirements and activities including regulatory reporting requirements of Reliability *First*, other Regional Entities, NERC, FERC, or any other respective Public Utility Commission where DBET is a registered retail electric supplier. The Compliance Officer assumes ownership of the Self-Certification and compliance processes and procedures, and these procedures are not distributed throughout the company.

While senior management supports the compliance and maintains its independence, the role of senior management in compliance is minimal. As needed, the Compliance Officer has access to senior management through the CFO organization.

To date, DBET has not conducted reviews of their business and compliance programs, or training because the business and programs are new and a limited number of standards apply to registered PSE's at this time.

The Compliance Program does not have a compliance specific disciplinary program in place for employees who are involved in Reliability Standards violations. If a Reliability Standard violation were to occur, the disciplinary action for violation by the responsible employee would follow the rules outlined in the DBET corporate Code of Conduct Policy.