

Compliance Audit Report Public Version

EDF Trading North America, LLC NERC ID # NCR00551

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

Audit Date: February 9-11, 2010
Audit Location: EDF Trading North America, LLC Office, Houston, TX
Report Date: April 26, 2010
Prepared By: Dan Kueker, Audit Team Leader

TABLE OF CONTENTS

| | | |
|------|-------------------------------|---|
| 1.0 | Executive Summary | 3 |
| 2.0 | Audit Process..... | 3 |
| 2.1 | Objectives | 3 |
| 2.2 | Scope..... | 4 |
| 2.3 | Methodology | 4 |
| 2.4 | Company Profile | 5 |
| 2.5 | Audit Specifics | 5 |
| 3.0 | Audit Results..... | 6 |
| 3.1 | Audit Findings | 6 |
| 3.2 | Mitigation Plan Findings..... | 8 |
| 3.3 | Conclusion | 9 |
| 3.4. | Compliance Culture | 9 |

1.0 EXECUTIVE SUMMARY

The On-Site compliance audit of EDF Trading North America, LLC (EDF) was conducted on February 9-11, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on EDF's registration as a Generator Operator and Purchasing-Selling Entity.

The audit team reviewed the NERC Reliability Standards for the period of time identified in the scope of the audit. The audit team consisted of four (4) representatives from Texas Regional Entity (Texas RE). The audit team reviewed the evidence and documentation provided by EDF and conducted interviews with EDF's personnel to assess compliance with standards applicable to EDF at this time.

There were a total of eleven (11) reliability standards included in the scope of this audit consisting of ninety three (93) requirements. Based on the information and documentation provided by EDF, the audit team found EDF to be compliant with twenty seven (27) applicable requirements. The audit team determined that sixty six (66) requirements were not applicable to EDF.

EDF met all of the NERC Standard requirements that were within the scope of this audit. These audit results are further explained in the Audit Results Findings section of this report which includes detailed information of the audit team's findings of applicability and compliance for the NERC Reliability Standards within the scope of the compliance audit.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit, and therefore none were reviewed by the audit team.

2.0 AUDIT PROCESS

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP), available at www.nerc.com. The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

2.1 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:

- Independently review EDF's compliance with the requirements of the reliability standards that are applicable to EDF based on the EDF registered functions included in the scope of this audit.
- Validate compliance with applicable reliability standards from the NERC 2010 CMEP 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 standards, and review the status of associated mitigation plans.
- Document EDF's compliance culture.

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

2.2 Scope

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability Standards that are being actively monitored in 2010 and any others that may be identified by the audit team at the time of the audit applicable to a Generator Operator and Purchasing-Selling Entity. The audit was performed by four members of Texas RE.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE's compliance staff for EDF Trading North America, LLC, and therefore none were reviewed by the audit team.

Note: For the 2010 compliance program, the monitoring period for the compliance audit will generally be the last three years based the EDF's registration as a Generator Operator and Purchasing-Selling Entity, or periods specified in individual reliability standards.

At the time of the audit, EDF was registered as a Generator Operator and Purchasing-Selling Entity. The audit team evaluated EDF for compliance during the specific period of EDF's last audit on August 16, 2007 to February 11, 2010.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to EDF prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to EDF. EDF 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. EDF had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants with no objections. There have been no denials of or access limitations placed upon this audit team by EDF.

2.3 Methodology

Once an audit date was set by Texas RE, EDF was sent Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards.

The audit team reviewed the completed RSAWs, information, data, and evidence submitted by EDF and assessed compliance with requirements of the applicable reliability standards. Initial submittal of information and data were sent to Texas RE on or before the scheduled due date for the submittal. Additional information relevant to the audit could be requested by Texas RE and submitted by EDF until the last day of the review at the audit site.

During the audit, Texas RE reviewed the responses to the RSAWs and auditor questions with EDF's management and supervisors. The audit team reviewed documentation provided by EDF that included data, information and evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. which were validated, substantiated and cross checked for accuracy as appropriate. Requirements which required a sampling to be conducted were developed based upon the significance of the sampling to the reliability of the Bulk Electrical System (BES).

Texas RE audit team interviewed operations personnel and reviewed documents to substantiate that the operations personnel were trained and capable of following the procedures to ensure reliable operations from that entity. The audit team also interviewed IT, communications, and planning personnel as necessary to clarify or stack the evidence provided by EDF and verify documentation.

Findings were based on the audit team’s knowledge of the BES, the NERC Reliability Standards and their professional judgment. All findings were developed based upon the consensus of the audit team.

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE’s compliance staff for EDF Trading North America, LLC, and therefore none were reviewed by the audit team.

The audit team conducted an exit briefing immediately following the audit with EDF. The audit team verbally shared its preliminary results with EDF’s management.

2.4 Company Profile

EDF provided the following profile:

EDF participates in wholesale gas and electricity markets across the United States and Canada. Originally EDF was formed as Eagle Energy Partners in 2003 as a limited Texas Partnership. Chesapeake Natural Gas and Lehman Brothers owned various shares of the partnership until November 2008 at which time EDF Trading Limited UK purchased Eagle and in October 2009 became EDF Trading a limited liability company. EDF continues in the wholesale natural gas and electricity businesses and have diversified into electricity retail businesses and coal supply businesses.

EDF Trading manages approximately 3,500 MW of third party generation resources and 250 MW of Load Acting as a Resource within ERCOT. These Resources are owned by separate customers of EDF and managed as individual entities. EDF Trading maintains one main QSE, four sub-QSEs, and is the Master QSE for a wind sub-QSE. Occasionally EDF schedules power across the DC tie.

2.5 Audit Specifics

Audit Date: February 9-11, 2010
Audit Location: EDF Trading North America, LLC Office, Houston, TX

Texas RE Audit Team:

| Company/Title | Audit Team Role |
|----------------------------------|-------------------|
| Texas RE/Compliance Engineer I | Audit Team Leader |
| Texas RE/Compliance Analyst II | Auditor |
| Texas RE/Compliance Engineer III | Auditor |
| Texas RE/Sr. Compliance Engineer | Auditor |

EDF’s Audit Participants:

| Company | Title |
|----------------|------------------|
| EDF Trading NA | |
| EDF Trading NA | |
| EDF Trading NA | Vice President |
| EDF Trading NA | |
| EDF Trading NA | |
| EDF Trading NA | C.O.O. |
| EDF Trading NA | V.P. East |
| EDF Trading NA | Real-time trader |
| EDF Trading NA | Real-time trader |
| EDF Trading NA | Senior V.P. |

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that EDF was compliant with all 2010 actively monitored NERC Standards reviewed at the time of the audit.

The following table is a summary of the auditor's findings for those NERC standards reviewed during the audit:

| 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 |
| COM-002-2 | R2. | N/A |
| IRO-001-1.1 | R1. | N/A |
| IRO-001-1.1 | R2. | N/A |
| IRO-001-1.1 | R3. | N/A |
| IRO-001-1.1 | R4. | N/A |
| IRO-001-1.1 | R5. | N/A |
| IRO-001-1.1 | R6. | N/A |
| IRO-001-1.1 | R7. | N/A |
| IRO-001-1.1 | R8. | Compliant |
| IRO-001-1.1 | R9. | N/A |
| IRO-004-1 | R1. | N/A |
| IRO-004-1 | R2. | N/A |
| IRO-004-1 | R3. | N/A |
| IRO-004-1 | R4. | Compliant |
| IRO-004-1 | R5. | N/A |

| Reliability Standard | Requirement | Finding |
|-----------------------------|--------------------|----------------|
| IRO-004-1 | R6. | N/A |
| IRO-004-1 | R7. | N/A |
| IRO-005-2 | R1. | N/A |
| IRO-005-2 | R2. | N/A |
| IRO-005-2 | R3. | N/A |
| IRO-005-2 | R4. | N/A |
| IRO-005-2 | R5. | N/A |
| IRO-005-2 | R6. | N/A |
| IRO-005-2 | R7. | N/A |
| IRO-005-2 | R8. | N/A |
| IRO-005-2 | R9. | N/A |
| IRO-005-2 | R10. | N/A |
| IRO-005-2 | R11. | N/A |
| IRO-005-2 | R12. | N/A |
| IRO-005-2 | R13. | N/A |
| IRO-005-2 | R14. | N/A |
| IRO-005-2 | R15. | N/A |
| IRO-005-2 | R16. | N/A |
| IRO-005-2 | R17. | N/A |
| PRC-001-1 | R1. | Compliant |
| PRC-001-1 | R2. | Compliant |
| PRC-001-1 | R3. | Compliant |
| PRC-001-1 | R4. | N/A |
| PRC-001-1 | R5. | Compliant |
| PRC-001-1 | R6. | N/A |
| TOP-001-1 | R1. | N/A |
| TOP-001-1 | R2. | N/A |
| TOP-001-1 | R3. | Compliant |
| TOP-001-1 | R4. | N/A |
| TOP-001-1 | R5. | N/A |
| TOP-001-1 | R6. | Compliant |
| TOP-001-1 | R7. | Compliant |
| TOP-001-1 | R8. | N/A |
| TOP-002-2 | R1. | N/A |
| TOP-002-2 | R2. | N/A |
| TOP-002-2 | R3. | Compliant |
| TOP-002-2 | R4. | N/A |
| TOP-002-2 | R5. | N/A |
| TOP-002-2 | R6. | N/A |
| TOP-002-2 | R7. | N/A |
| TOP-002-2 | R8. | N/A |

| Reliability Standard | Requirement | Finding |
|----------------------|-------------|-----------|
| TOP-002-2 | R9. | N/A |
| TOP-002-2 | R10. | N/A |
| TOP-002-2 | R11. | N/A |
| TOP-002-2 | R12. | N/A |
| TOP-002-2 | R13. | Compliant |
| TOP-002-2 | R14. | Compliant |
| TOP-002-2 | R15. | Compliant |
| TOP-002-2 | R16. | N/A |
| TOP-002-2 | R17. | N/A |
| TOP-002-2 | R18. | Compliant |
| TOP-002-2 | R19. | N/A |
| TOP-003-0 | R1. | Compliant |
| TOP-003-0 | R2. | Compliant |
| TOP-003-0 | R3. | Compliant |
| TOP-003-0 | R4. | N/A |
| VAR-001-1 | R1. | N/A |
| VAR-001-1 | R2. | N/A |
| VAR-001-1 | R3. | N/A |
| VAR-001-1 | R4. | N/A |
| VAR-001-1 | R5. | Compliant |
| VAR-001-1 | R6. | N/A |
| VAR-001-1 | R7. | N/A |
| VAR-001-1 | R8. | N/A |
| VAR-001-1 | R9. | N/A |
| VAR-001-1 | R10. | N/A |
| VAR-001-1 | R11. | N/A |
| VAR-001-1 | R12. | N/A |
| VAR-002-1.1a | R1. | Compliant |
| VAR-002-1.1a | R2. | Compliant |
| VAR-002-1.1a | R3. | Compliant |
| VAR-002-1.1a | R4. | N/A |
| VAR-002-1.1a | R5. | Compliant |

3.2 Mitigation Plan Findings

There were no ongoing or recently completed mitigation plans for the NERC registered functions included in the scope of this audit that had not been previously validated by Texas RE's compliance staff, and therefore none were reviewed by the audit team.

3.3 Conclusion

EDF was found compliant with the all the standards that were included in the scope of this audit.

There were no ongoing or recently completed mitigation plans, and therefore none were reviewed by the audit team.

3.4. Compliance Culture

EDF's compliance culture survey was reviewed by the audit team.

EDF was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of EDF, the extensive participation during the audit by EDF's personnel, the responses provided to the compliance culture survey, the detailed documentation of procedures and records, the demonstrated level of compliance and the direct observations made by the audit team confirmed a strong commitment by EDF to promote a healthy compliance culture within the organization. EDF management's efforts for this audit were extremely helpful and were well supported by the other SMEs who prepared and participated during the audit process.

Additional detailed information pertaining to the compliance culture of EDF can found in the Internal Compliance Survey.