Compliance Audit Report
Public Version

Electric Reliability Council of Texas, Inc.

NERC ID # NCR04056

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

Audit Date:	July 26-30, 2010
Audit Location:	Texas Reliability Entity Office, Austin, TX
Report Date:	September 27, 2010
Prepared By:	Frank Vick, Audit Team Leader

TABLE OF CONTENTS

1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Electric Reliability Council of Texas, Inc. (ERCOT ISO) was conducted on July 26-30, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on ERCOT ISO's registration as a Balancing Authority (BA), Interchange Authority (IA), Planning Authority (PA), Regional Planner (RP), Reliability Coordinator (RC), Transmission Planner (TP) and Transmission Sercvice Provider (TSP).

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 three (3) representatives from Texas Reliability Entity (Texas RE). The audit team reviewed the evidence and documentation provided by ERCOT ISO and conducted interviews with ERCOT ISO's personnel to assess compliance with standards applicable to ERCOT ISO at this time.

There were a total of six (6) reliability standards included in the scope of this audit consisting of twenty-six (26) requirements. Based on the information and documentation provided by ERCOT ISO, the audit team found ERCOT ISO to be compliant with twenty-one (21) applicable requirements. The audit team determined that five (5) requirements were not applicable to ERCOT ISO.

ERCOT ISO met all of the applicable 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 ERCOT ISO's compliance with the requirements of the reliability standards that are applicable to ERCOT ISO based on the ERCOT ISO 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.

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

- 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 ERCOT ISO's compliance culture.

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 BA, IA, PA, RP, RC, TOP and TSP. The audit was performed by three (3) 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 Electric Reliability Council of Texas, Inc. 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 on the ERCOT ISO's registration as a BA, IA, PA, RP, RC, TOP and TSP, or periods specified in individual reliability standards.

At the time of the audit, ERCOT ISO was registered as a BA, IA, PA, RP, RC, TOP and TSP. The audit team evaluated ERCOT ISO for compliance during the specific period of …

June 18, 2007 to July 26, 2010 – (TPL-001, TPL-002, TPL-003, TPL-004)
April 1, 2010 to July 26, 2010 – (NUC-001)
October 19, 2009 – (BAL-003 Spot Check)

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to ERCOT ISO prior to the audit. Work history and conflict of interest forms submitted for each audit team member were provided to ERCOT ISO. ERCOT ISO 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. ERCOT ISO 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 ERCOT ISO.

2.3 Methodology

After the audit date was set, Texas RE sent Reliability Standard Audit Work Sheets (RSAWs) for the list of actively monitored NERC Standards to ERCOT ISO.

The audit team reviewed the completed RSAWs, information, data, and evidence submitted by ERCOT ISO 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 ERCOT ISO 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 ERCOT ISO's management and supervisors. The audit team reviewed documentation provided by ERCOT ISO 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).

The Texas RE audit team interviewed operations, IT, communications, and planning personnel as necessary to clarify or stack the evidence provided by ERCOT ISO 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 Electric Reliability Council of Texas, Inc. and therefore none were reviewed by the audit team.

The audit team conducted an exit briefing immediately following the audit with ERCOT ISO. The audit team verbally shared its preliminary results with ERCOT ISO's management.

2.4 Company Profile

The Electric Reliability Council of Texas (ERCOT ISO) manages the flow of electric power to 22 million Texas customers – representing 85 percent of the state's electric load and 75 percent of the Texas land area.

As the independent system operator for the region, ERCOT ISO schedules power on an electric grid that connects 40,000 miles of transmission lines and more than 550 generation units.

ERCOT ISO also manages financial settlement for the competitive wholesale bulk-power market and administers customer switching for 6.5 million Texans in competitive choice areas.

ERCOT ISO is a membership-based 501(c)(4) nonprofit corporations, governed by a board of directors and subject to oversight by the Public Utility Commission of Texas and the Texas Legislature.

ERCOT ISO's members include consumers, cooperatives, independent generators, independent power marketers, retail electric providers, investor-owned electric utilities (transmission and distribution providers), and municipal-owned electric utilities.

2.5 Audit Specifics

Audit Date: July 26-30, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX

Texas RE Audit Team:

Company/Title	Audit Team Role
Texas RE/Compliance Analyst III	Audit Team Leader
Texas RE/Compliance Engineer III	Auditor
Texas RE/Compliance Engineer III	Auditor

ERCOT ISO's Audit Participants:

Company	Title
ERCOT	Manager, Mid Term Planning
ERCOT	Supervisor, Dynamic Studies
ERCOT	Regulatory Standards Analyst, Sr.
ERCOT	Manager, System Operations
ERCOT	Supervisor, System Development
ERCOT	Outage Coordinator, Sr.
ERCOT	Compliance Engineer, Sr.
ERCOT	Operating Standards Specialist, Sr.
ERCOT	Vice President & Chief Compliance Officer
ERCOT	Manager, Operations & Planning Standards Compliance
ERCOT	Assistant General Counsel
ERCOT	Operations Engineer 3
ERCOT	Operating Standards Engineer 3
ERCOT	Operations Engineer 1
ERCOT	Manager, Regional Planning
ERCOT	Supervisor, Operations Planning
ERCOT	Supervisor, Operations Engineering
ERCOT	Operating Standards Analyst, Sr.
ERCOT	Operating Standards Analyst, Sr.

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that ERCOT ISO 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
BAL-003-0.1b	R1.	Compliant

Reliability Standard	Requirement	Finding
BAL-003-0.1b	R2.	Compliant
BAL-003-0.1b	R3.	Compliant
BAL-003-0.1b	R4.	N/A
BAL-003-0.1b	R5.	Compliant
BAL-003-0.1b	R6.	N/A
NUC-001-2	R1.	N/A
NUC-001-2	R2.	Compliant
NUC-001-2	R3.	Compliant
NUC-001-2	R4.	Compliant
NUC-001-2	R5.	N/A
NUC-001-2	R6.	Compliant
NUC-001-2	R7.	N/A
NUC-001-2	R8.	Compliant
NUC-001-2	R9.	Compliant
TPL-001-0.1	R1.	Compliant
TPL-001-0.1	R2.	Compliant
TPL-001-0.1	R3.	Compliant
TPL-002-0	R1.	Compliant
TPL-002-0	R2.	Compliant
TPL-002-0	R3.	Compliant
TPL-003-0	R1.	Compliant
TPL-003-0	R2.	Compliant
TPL-003-0	R3.	Compliant
TPL-004-0	R1.	Compliant
TPL-004-0	R2.	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

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

3.4. Compliance Culture

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

ERCOT ISO was cooperative with the audit team's needs and information requests throughout the entire audit process. The organizational structure of ERCOT ISO, the extensive participation during the audit by ERCOT ISO'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 ERCOT ISO to promote a healthy compliance culture within organization. The ERCOT ISO compliance team's efforts for this audit were extremely helpful and were well supported by the other ERCOT ISO managers and SME's who prepared and participated during the audit process.

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