

Compliance Audit Report Public Version

Iberdrola Renewables

NERC ID # NCR10259

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

Audit Date: October 26 – November 1, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX
Report Date: December 21, 2011
Prepared By: Dan Kueker, Audit Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top (Off-Site) compliance audit of Iberdrola Renewables (Iberdrola) was conducted on October 26 – November 1, 2010. The NERC Reliability Standards that are being actively monitored for 2010 were reviewed based on Iberdrola's registration as a Generator Owner, 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 three representatives from Texas Reliability Entity, Inc. (Texas RE). The audit team reviewed the evidence and documentation provided by Iberdrola and conducted interviews with Iberdrola's personnel to assess compliance with standards applicable to Iberdrola at this time.

There were a total of seventeen (17) reliability standards included in the scope of this audit consisting of one hundred seven (107) requirements. Based on the information and documentation provided by Iberdrola, the audit team found Iberdrola to be compliant with thirty six (36) applicable requirements. The audit team determined that sixty seven (67) requirements were not applicable to Iberdrola.

The audit team identified four (4) possible alleged violations during the 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. This audit report includes information regarding the possible alleged violations. This information will be used to help determine the severity level of sanctions and penalties. The possible alleged violations will be processed through the Texas RE's NERC Compliance Monitoring and Enforcement Program. Any further actions related to possible alleged violations will follow the same process. Any Possible Alleged Violations will be processed through the NERC and Texas RE CMEP.

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.

The NERC Notice of Penalty (NOP) is posted on the NERC website at the following URL:
http://www.nerc.com/filez/enforcement/FinalFiled_ANOP_NOC-883.pdf

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:

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

- Independently review Iberdrola's compliance with the requirements of the reliability standards that are applicable to Iberdrola based on the Iberdrola 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 Iberdrola'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 Generator Owner, Generator Operator, and Purchasing Selling Entity. The audit was performed by three 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 Iberdrola Renewables 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 six years based the Iberdrola's registration as a Generator Owner, Generator Operator, and Purchasing Selling Entity, or periods specified in individual reliability standards.

At the time of the audit, Iberdrola was registered as a Generator Owner, Generator Operator, and Purchasing Selling Entity. The audit team evaluated Iberdrola for compliance during the specific period of July 14, 2008 (registration date) to November 1, 2010.

2.2.1 Confidentiality and Conflict of Interest

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

2.3 Methodology

Once an audit date was set by Texas RE, Iberdrola was sent a 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 Iberdrola 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 Iberdrola 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 Iberdrola's management and supervisors. The audit team reviewed documentation provided by Iberdrola 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 Iberdrola 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 Iberdrola Renewables and therefore none were reviewed by the audit team.

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

2.4 Company Profile

Iberdrola Renewables is one of the largest developers, constructors, and operators of wind power projects in North America with more than 4,000 Megawatts (MW) of wind energy in operation. Iberdrola Renewables also owns more than 600 MW of thermal generation throughout the United States. Iberdrola Renewables is part of the Iberdrola Renewables global group, the world's leading provider of wind power with more than 11,000 MW of renewable energy in operation around the world.

In the ERCOT interconnect, Iberdrola Renewables owns and operates two wind generation facilities—the Penascal wind facility located in Kenedy County and the Barton Chapel wind facility located in Jack County.

2.5 Audit Specifics

Audit Date: October 26 – November 1, 2010
Audit Location: Texas Reliability Entity Office, Austin, TX

Texas RE Audit Team:

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

Iberdrola's Audit Participants:

Company	Title
Iberdrola Renewables	Market Structure Manager
Iberdrola Renewables	Regulatory Compliance Analyst
Iberdrola Renewables	Asset Manager
Iberdrola Renewables	Generation Dispatcher
Iberdrola Renewables	Asset Manager
Iberdrola Renewables	Market Structure Manager
Stantec Engineering	Managing Senior Assoc.

3.0 AUDIT RESULTS

3.1 Audit Findings

The Compliance Audit Team found that Iberdrola was non-compliant with the following standards and requirements:

Reliability Standard & Requirement
COM-002-2 R1.
IRO-001-1.1 R8.
PRC-005-1 R1.
TOP-001-1 R3.

Iberdrola was found compliant with all other applicable requirements and standards that were included in the scope of this 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.	Possible Violation
COM-002-2	R2.	Not Applicable
FAC-002-0	R1.	Compliant
FAC-002-0	R2.	Compliant
FAC-008-1	R1.	Compliant
FAC-008-1	R2.	Compliant
FAC-008-1	R3.	Compliant
FAC-009-1	R1.	Compliant
FAC-009-1	R2.	Compliant

Reliability Standard	Requirement	Finding
IRO-001-1.1	R1.	Not Applicable
IRO-001-1.1	R2.	Not Applicable
IRO-001-1.1	R3.	Not Applicable
IRO-001-1.1	R4.	Not Applicable
IRO-001-1.1	R5.	Not Applicable
IRO-001-1.1	R6.	Not Applicable
IRO-001-1.1	R7.	Not Applicable
IRO-001-1.1	R8.	Possible Violation
IRO-001-1.1	R9.	Not Applicable
IRO-004-1	R1.	Not Applicable
IRO-004-1	R2.	Not Applicable
IRO-004-1	R3.	Not Applicable
IRO-004-1	R4.	Compliant
IRO-004-1	R5.	Not Applicable
IRO-004-1	R6.	Not Applicable
IRO-004-1	R7.	Not Applicable
IRO-005-2	R1.	Not Applicable
IRO-005-2	R2.	Not Applicable
IRO-005-2	R3.	Not Applicable
IRO-005-2	R4.	Not Applicable
IRO-005-2	R5.	Not Applicable
IRO-005-2	R6.	Not Applicable
IRO-005-2	R7.	Not Applicable
IRO-005-2	R8.	Not Applicable
IRO-005-2	R9.	Not Applicable
IRO-005-2	R10.	Not Applicable
IRO-005-2	R11.	Not Applicable
IRO-005-2	R12.	Not Applicable
IRO-005-2	R13.	Compliant
IRO-005-2	R14.	Not Applicable
IRO-005-2	R15.	Not Applicable
IRO-005-2	R16.	Not Applicable
IRO-005-2	R17.	Not Applicable
PRC-001-1	R1.	Compliant
PRC-001-1	R2.	Compliant
PRC-001-1	R3.	Compliant
PRC-001-1	R4.	Not Applicable
PRC-001-1	R5.	Compliant
PRC-001-1	R6.	Not Applicable
PRC-004-1	R1.	Not Applicable

Reliability Standard	Requirement	Finding
PRC-004-1	R2.	Compliant
PRC-004-1	R3.	Compliant
PRC-005-1	R1.	Possible Violation
PRC-005-1	R2.	Compliant
PRC-017-0	R1.	Not Applicable
PRC-017-0	R2.	Not Applicable
TOP-001-1	R1.	Not Applicable
TOP-001-1	R2.	Not Applicable
TOP-001-1	R3.	Possible Violation
TOP-001-1	R4.	Not Applicable
TOP-001-1	R5.	Not Applicable
TOP-001-1	R6.	Compliant
TOP-001-1	R7.	Compliant
TOP-001-1	R8.	Not Applicable
TOP-002-2	R1.	Not Applicable
TOP-002-2	R2.	Not Applicable
TOP-002-2	R3.	Compliant
TOP-002-2	R4.	Not Applicable
TOP-002-2	R5.	Not Applicable
TOP-002-2	R6.	Not Applicable
TOP-002-2	R7.	Not Applicable
TOP-002-2	R8.	Not Applicable
TOP-002-2	R9.	Not Applicable
TOP-002-2	R10.	Not Applicable
TOP-002-2	R11.	Not Applicable
TOP-002-2	R12.	Not Applicable
TOP-002-2	R13.	Compliant
TOP-002-2	R14.	Compliant
TOP-002-2	R15.	Compliant
TOP-002-2	R16.	Not Applicable
TOP-002-2	R17.	Not Applicable
TOP-002-2	R18.	Compliant
TOP-002-2	R19.	Not Applicable
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	Not Applicable
VAR-001-1	R1.	Not Applicable
VAR-001-1	R2.	Not Applicable
VAR-001-1	R3.	Not Applicable

Reliability Standard	Requirement	Finding
VAR-001-1	R4.	Not Applicable
VAR-001-1	R5.	Compliant
VAR-001-1	R6.	Not Applicable
VAR-001-1	R7.	Not Applicable
VAR-001-1	R8.	Not Applicable
VAR-001-1	R9.	Not Applicable
VAR-001-1	R10.	Not Applicable
VAR-001-1	R11.	Not Applicable
VAR-001-1	R12.	Not Applicable
VAR-002-1.1a	R1.	Compliant
VAR-002-1.1a	R2.	Compliant
VAR-002-1.1a	R3.	Compliant
VAR-002-1.1a	R4.	Compliant
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

The compliance audit team found that Iberdrola was non-compliant with the following standards and requirements:

Reliability Standard & Requirement
COM-002-2 R1.
IRO-001-1.1 R8.
PRC-005-1 R1.
TOP-001-1 R3.

The possible alleged violation along with this compliance report will be provided to Texas RE's compliance staff for processing through the NERC CMEP. Any further actions related to possible alleged violations will be through that process.

Iberdrola was found compliant with all other applicable requirements and 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

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

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

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