



Compliance Audit Report Public Version

**BP Energy Company
NERC ID# 00005**

**Does Not Contain Confidential Information
(including Privileged and Critical Energy
Infrastructure Information)**

Date of Audit: July 20, 2010

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Executive Summary

A compliance audit of BP Energy Company (BP) was conducted on July 20, 2010. At the time of the audit BP, NERC ID NCR00005, was registered as a Purchasing-Selling Entity (PSE) in the Florida Reliability Coordinating Council (FRCC), Reliability-First Corporation (RFC), SERC Reliability Corporation (SERC), and South West Power Pool Regional Entity (SPP) regions. Also BP, NERC ID NCR10003, was registered as a Purchasing-Selling Entity (PSE) in the Midwest Reliability Organization (MRO), and the Texas Regional Entity (TRE). BP was also registered as a PSE, NERC NCR07021, in the Northeast Power Coordinating Council (NPCC) region, and a PSE, NERC ID NCR05034, in the Western Electric Coordinating Council (WECC) Region.

The audit team evaluated BP for compliance with three (3) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team assessed compliance with the NERC Reliability Standards, and applicable Regional Reliability Standards, for the period of June 18, 2007 to present. The audit period for the Reliability Standards IRO-001-1.1 and VAR-001-1 was from March 11, 2008 and April 29, 2008 to July 20, 2010 for WECC and NPCC respectively. The audit period for the Reliability Standard IRO-005-2 was from March 11, 2008 to July 20, 2010 for WECC.

The audit was conducted following FRCC audit processes and procedures and with the consultation of all the identified regions to assure that all regional compliance concerns were addressed. This audit report marks the completion of BP's compliance review for each region in which BP is registered. BP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by BP to assess compliance with standards applicable to BP at this time.

Based on the information and documentation provided by BP, the audit team found BP to be compliant with three (3) applicable requirements. The audit team determined that three (3) requirements were applicable to BP. The audit team did not identify any violations as a result of this review.

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, and Applicable Regional Reliability Standards, within the scope of the compliance audit.

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

The FRCC audit team lead certifies that the audit team adhered to all applicable requirements of the NERC Rules of Procedure (RoP) and Compliance Monitoring and Enforcement Program (CMEP).*

* This statement replaces the Regional Entity Self-Certification process.

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 an audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.[†] The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to BP, based on the functions that BP is registered to perform;
- Validate compliance with applicable reliability standards from the NERC 2010 Implementation Plan list of actively monitored standards, and additional NERC Reliability Standards selected by FRCC;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document BP's compliance program and culture;
- Review the status of mitigation plans, if any.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the FRCC 2010 Implementation Plan. In addition, this audit included a review of mitigation plans or remedial action directives which have been completed or pending in the year of the compliance audit.

At the time of the audit, BP was registered for the functions of Purchasing Selling Entity. The audit team evaluated BP for compliance during the period of June 18, 2007 to July 20, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the FRCC Delegation Agreement with NERC, and Section 1500 of the NERC Rules of Procedure. BP was informed of FRCC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to BP. BP was given an opportunity to object to an audit team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with an audit team member's impartial performance of duties. BP had not submitted any objections by the stated fifteen day objection due date and accepted the audit team member participants without objection. There have been no denials of or access limitations placed upon this audit team by BP.

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

Methodology

The audit team reviewed the information, data, and evidence submitted by BP and assessed compliance with requirements of the applicable reliability standards. Submittal of information and data were sent to FRCC sixty (60) days before the scheduled date of the entity review. Additional information relevant to the audit could be submitted until the conclusion of the exit briefing. After that date, only data or information which was relevant to the content of the report or its finding can be submitted upon agreement by the audit team lead.

The audit team requested and received additional information and sought clarification from subject matter experts during the audit.

The audit team reviewed documentation provided by BP. Data, information and evidence submitted in the form of policies, procedures, e-mails, 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 electric system (BES).

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.

Company Profile

BP Energy Company is a Delaware corporation and an indirect, wholly-owned subsidiary of BP America Inc., which is an indirect, wholly-owned subsidiary of BP p.l.c. (BP). BP is organized under the laws of England and Wales with its international headquarters in London, UK.

BP Energy Company, a Purchasing Selling Entity, does not own or operate any bulk power or interconnection systems, and its Power Team is engaged in the trading and marketing of electric power within North America.

Audit Participants

The following is a listing of all personnel from the Audit Team and BP who were present during the meetings or interviews.

Audit Team Participants

Title	Entity
Compliance Auditor	FRCC
Compliance Engineer	FRCC

BP Audit Participants

Title	Entity
Regulatory Attorney	BP Energy Company
Attorney	BP Energy Company
Business Manager	BP Energy Company
Power Operations	BP Energy Company
Sr. Advisor Policy & Regulations	BP Energy Company
Power Commercial Manager	BP Energy Company
Operations Assurance Manager	BP Energy Company
IST Compliance	BP Energy Company

Audit Results

The audit team evaluated BP for compliance with three (3) requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit reviewed NERC Reliability Standards for the period of June 18, 2007 to July 20, 2010. BP submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by BP to assess compliance with standards applicable to BP at this time.

Based on the information and documentation provided by BP, the audit team found BP to be compliant with three (3) applicable requirements. The audit team determined that three (3) requirements were applicable to BP. The audit team did not identify any violations as a result of this review.

Findings

The following table details the findings for compliance for the scope identified for this audit.

Reliability Standard	Req.	Finding
IRO-001-1.1	8	Compliant
IRO-005-2	13	Compliant
VAR-001-1	5	Compliant

Compliance Culture

BP's compliance culture was reviewed by the FRCC audit team. The audit team determined that BP has a fully documented Internal Compliance Program (ICP) that has been reviewed and approved by an Authorized Entity Officer, an oversight position has been identified and is staffed and this position is supervised by a high level position and has direct access to the CEO and/or Board of Directors.

The ICP has been disseminated to all employees, and is managed and operated fully independent of the work groups that are responsible for complying with reliability standards.

The ICP is budgeted and fully staffed.

Senior management reviews periodic reports of the Internal Compliance Program and ensures corrective actions are taken when necessary, and the ICP has a semi-annual or shorter review cycle.

The program includes detailed training for employees that have a direct responsibility for compliance with reliability standards and also includes overview awareness training for other employees, and includes internal self auditing for compliance on an annual basis for full compliance with all Reliability Standards applicable to the entity

The BP's ICP includes disciplinary action for employees involved in Reliability Standard violations and has internal controls including self-assessment and self-enforcement to prevent reoccurrence of Reliability Standard violations