

Compliance Spot Check Report Public Version

J. Aron & Company

NERC ID # NCR00256

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

Spot Check Date: October 11, 2012
Spot Check Location: Texas Reliability Entity Offices, Austin, TX
Report Date: November 26, 2012
Prepared By: Bob Collins, Spot Check Team Leader

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1.0 EXECUTIVE SUMMARY

The Table Top compliance Spot Check of J. Aron & Company (JANY), NCR00256, was conducted on October 11, 2012. The 1st Tier NERC Reliability Standard that was included in the Spot Check was reviewed based on the Purchasing Selling Entity (PSE) registration.

This Spot Check was conducted as part of a regularly scheduled compliance review using a Spot Check in lieu of an Audit for the NERC Reliability Standard that is being actively monitored for 2012.

The Spot Check team reviewed the following NERC Reliability Standard: IRO-005-3a: Reliability Coordination-Current Day Operations, Requirement R10, for the period of time identified in the scope of the Spot Check. The Spot Check team consisted of three (3) representatives from Texas Reliability Entity (Texas RE). The Spot Check team reviewed the evidence and documentation provided by JANY and conducted interviews as required with JANY's personnel to assess compliance with standard applicable to JANY at this time.

There was a total of one (1) reliability standard included in the scope of this Spot Check consisting of one (1) requirement. Based on the information and documentation provided by JANY, the Spot Check team found JANY to have no findings of non-compliance with the one (1) applicable requirement.

JANY met the NERC Standard and requirement that was within the scope of this Spot Check. These Spot Check results are further explained in the Spot Check Results Findings section of this report, which includes detailed information of the Spot Check team's findings of applicability and compliance for the NERC Reliability Standard within the scope of the compliance Spot Check.

The Texas RE Spot Check team lead certifies that the Spot Check team adhered to all applicable requirements of the NERC Rules of Procedure (ROP) and Compliance Monitoring and Enforcement Program (CMEP).

2.0 SPOT CHECK PROCESS

The compliance Spot Check 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 Spot Check for compliance with all reliability standards applicable to the functions for which the registered entity is registered.¹ The Spot Check objectives are:

- To independently review JANY's compliance with the 1st Tier requirement of the reliability standard that was applicable to JANY based on the JANY's registered function as a PSE.
- To document JANY's compliance culture.

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

2.2 Scope

The scope of this compliance Spot Check is inclusive of the following NERC Reliability Standards: IRO-005-3a: Reliability Coordination-Current Day Operations. The Spot Check was performed by three (3) members of Texas RE.

The monitoring period for the compliance spot check was from the date of JANY's registration as a PSE to the date of the spot check. JANY's date of registration as a PSE was January 7, 2008.

2.2.1 Confidentiality and Conflict of Interest

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to JANY prior to the Spot Check. Work history and conflict of interest forms submitted for each Spot Check team member were provided to JANY. JANY was given an opportunity to object to a Spot Check team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the Spot Check team member's impartial performance of duties. JANY had not submitted any objections by the stated fifteen (15) day objection due date and accepted the Spot Check team member participants with no objections. There have been no denials of or access limitations placed upon this Spot Check team by JANY.

2.3 Methodology

Once a Spot Check date was set by Texas RE, JANY was sent Reliability Standard Audit Work Sheet (RSAW) for the applicable NERC Standard.

The Spot Check team reviewed the completed RSAW, information, data, and evidence submitted by JANY 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 Spot Check could be requested by Texas RE and submitted by JANY until the last day of the spot check.

The Spot Check team, if applicable, requested and received additional information and sought clarification from subject matter experts (SMEs) during the Spot Check.

During the Spot Check, Texas RE reviewed the responses to the RSAW and auditor questions with JANY's management and supervisors. The Spot Check team reviewed documentation provided by JANY 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.

The Texas RE Spot Check team interviewed JANY's personnel as necessary to clarify or stack the evidence provided by JANY and verify documentation.

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

The Spot Check team provided an exit briefing immediately following the Spot Check with JANY.

2.4 Company Profile

JANY is registered in the ERCOT Region as a Purchasing Selling Entity.

JANY is a New York general partnership with its principal place of business in New York City. JANY is an international commodities dealer that is primarily engaged in the purchase, sale, processing, storage, and shipment of various commodities, including natural gas, precious metals, base metals, currencies, crude oil, and petroleum products. JANY also develops and provides products that assist suppliers and users of these commodities in managing risk associated with their business. JANY operates as a power marketer and is authorized by the Federal Energy Regulatory Commission (FERC or Commission) to sell energy, capacity, and ancillary services at market based rates. JANY does not own or operate any electric generation, transmission, or distribution facilities and does not have a service territory or captive customers.

JANY is registered as a Purchasing-Selling Entity (PSE) in each NERC region, except Florida Reliability Coordinating Council (FRCC). JANY is not registered for, and does not perform, any other reliability function.

JANY is an indirect subsidiary of The Goldman Sachs Group, Inc. (GS Group), a Delaware corporation, with its principal place of business in New York City. In addition to being the parent of JANY, GS Group is the parent of Goldman, Sachs & Co (GS&Co), a broker-dealer registered with the Securities and Exchange Commission. GS Group, through its subsidiaries, owns or controls interests in certain entities that own or operate electric generation, transmission, or distribution facilities (GS Group Energy Affiliates). JANY does not own or control interests in any of the GS Group Energy Affiliates, does not operate any of the GS Group Energy Affiliates' electric facilities, and does not perform reliability functions for any of the GS Group Energy Affiliates.

2.5 Spot Check Specifics

Spot Check Date: October 11, 2012
Spot Check Location: Texas RE Office, Austin, TX

Texas RE Spot Check Team:

Company/Title	Spot Check Team Role
Texas RE/Compliance Engineer III	Spot Check Team Leader
Texas RE/Senior Reliability Engineer	Spot Check Team Member
Texas RE/Compliance Coordinator	Spot Check Team Member

JANY's Spot Check Participants:

Company	Title
JANY	VP Commodities Operations
JANY	Managing Director

3.0 SPOT CHECK RESULTS

3.1 Spot Check Findings

The Spot Check team reviewed the following NERC Reliability Standard: IRO-005-3a: Reliability Coordination-Current Day Operations, for the period of time identified in the scope of the Spot Check. JANY submitted information and documentation for the Spot Check team's evaluation of compliance with requirements. The Spot Check team reviewed and evaluated all information provided by JANY to assess compliance with standards applicable to JANY at this time.

The Spot Check team found JANY to have no findings of non-compliance with the requirement of the NERC Standard reviewed at the time of the Spot Check.

The following table is a summary of the auditor's findings for the NERC standard reviewed during the Spot Check:

Reliability Standard	Req't	Finding
IRO-005-3a	R10.	No Finding

3.2 Other Findings

None

3.3 Conclusion

JANY was found to have no findings of non-compliance with the standard that was included in the scope of this Spot Check.

3.4. Compliance Culture

JANY was cooperative with the Spot Check team's needs and information requests throughout the entire Spot Check process. The organizational structure of JANY, the participation during the Spot Check by JANY's personnel and the responses provided to the compliance culture survey confirmed a commitment to promote a healthy compliance culture within the organization. JANY's primary compliance contact's efforts for this Spot Check were helpful and were supported by the other JANY managers and SMEs who prepared and participated during the Spot Check process.

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

4.0 AREAS OF CONCERN

Redacted.