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Compliance Audit Report Public Version

New York Independent System Operator

NERC ID# NCR07160

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Date of Audit: December 6-9, 2010

New York Independent System Operator
. Compliance Audit Report
December 9, 2010

TABLE OF CONTENTS

Executive Summary	1
Audit Process	1
<i>Objectives</i>	2
<i>Scope</i>	2
Confidentiality and Conflict of Interest	2
<i>Methodology</i>	3
<i>Company Profile</i>	3
<i>Audit Participants</i>	4
Audit Results.....	5
<i>Findings</i>	6
<i>Compliance Culture</i>	9

Executive Summary

A compliance audit of the New York Independent System Operator (NYISO); NERC ID# NCR07160 was conducted from December 6 to December 9, 2010. At the time of the audit, NYISO was registered for the BA, IA, PA, RC, RP, TOP, TP and TSP functions.

The audit team evaluated NYISO for compliance with thirty eight standards and their one hundred and fifty six requirements and associated sub-requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC Reliability Standards for the period of December 7, 2007 to December 9, 2010. NYISO submitted information and documentation for the audit team's evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by NYISO to assess compliance with standards applicable to NYISO at this time.

Based on the information and documentation provided by NYISO, the audit team found NYISO to be compliant with all applicable thirty eight standards and their one hundred and fifty six requirements.

Any Possible Violations will be processed through the NERC and NPCC CMEP.

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

The NPCC 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).¹

Audit Process

The compliance audit process steps are detailed in the NPCC CMEP. The NPCC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

¹ This statement replaces the Regional Entity Self-Certification process.

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.² The audit objectives are to:

- Review compliance with the requirements of reliability standards that are applicable to NYISO based on the functions that NYISO 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 NPCC;
- Validate compliance with applicable regional standards from the NPCC 2010 Implementation Plan list of actively monitored standards;
- Validate evidence of self-reported violations and previous self-certifications;
- Observe and document NYISO's compliance program and culture;
- Review the status of mitigation plans.

Scope

The scope of the compliance audit included the NERC Reliability Standards from the NPCC 2010 Implementation Plan.

At the time of the audit, NYISO was registered for the BA, IA, PA, RC, RP, TOP, TP and TSP functions. The audit team evaluated NYISO for compliance during the period of December 7, 2007 to December 9, 2010.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the audit team are governed under the NPCC Delegation Agreement with NERC and Section 1500 of the NERC Rules of Procedure. NYISO was informed of NPCC's obligations and responsibilities under the agreement and procedures. The work history for each audit team member was provided to NYISO. NYISO 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. NYISO 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 NYISO.

² North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

Methodology

The audit team reviewed the information, data, and evidence submitted by NYISO and assessed compliance with requirements of the applicable standards. Submittal of information and data was sent to NPCC 30 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 NYISO. 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

The New York Independent System Operator, Inc. (NYISO) was formed in 1997, and commenced operations in 1999 as a not-for-profit corporation regulated by the Federal Energy Regulatory Commission (FERC) and governed by a 10-member Board of Directors. The NYISO Code of Conduct, which is contained in Attachment F to the NYISO's Open Access Transmission Tariff, requires that Board members and all employees will be independent from any business, financial or operating ties to any stakeholders in the NYISO's markets.

The NYISO operates the bulk power system contiguous with the New York State geographic boundary.

The NYISO's various authorities are expressly detailed in two Federal Energy Regulatory Commission approved tariffs, commonly called the Open Access Transmission Tariff and the Market Services Tariff. These tariffs are further supported by the Transmission Owner – NYISO Agreement and The NYISO Agreement.

The NYISO directs all bulk power transmission system activities relative to operations including continuous reliability analysis, resource commitment, real-time dispatch and voltage control. Some physical functions such as the adjustment of phase angle regulators or voltage control devices are carried out under direction of the NYISO by the eight transmission owner control rooms. The NYISO administers all electricity markets in New York, including Real time and

Day-Ahead energy, six ancillary services, and provides auctions for financial transmission rights. The NYISO also provides short and long term comprehensive planning functions. Organizationally, the NYISO is comprised of two major areas based on the functional roles of ensuring the reliability of the electric system and administering the electric markets in New York.

Grid Operations is a single department reporting to the Chief Operating Officer and is located in the Power Control Center. Day-ahead resource commitment, real time dispatch and auxiliary market operations are all conducted by the Operations Department. System and Resource Planning is located at the NYISO Krey Corporate Center and also reports to the Chief Operating Officer. System and Resource Planning is responsible for assessing needs over a 10-year horizon and evaluating the feasibility of projects proposed to meet those needs. It accomplishes its assessments through numerous studies the most prominent of which are the Reliability Needs Assessment, the Area Transmission Review and the Comprehensive Reliability Plan.

Together, Grid Operations and Resource Planning ensure the security and reliability of the Bulk Power System.

Other corporate and market support functions are located at the Krey Corporate Center. These include Finance and Accounting, Human Resources, External Affairs and Information Technology.

Audit Participants

The following is a listing of all personnel from the NPCC Audit Team and NYISO who were present and/or participated in the meetings, interviews and assessment.

NPCC Audit Team Participants

Title	Entity
Lead Auditor	NPCC
Manager, NPCC Compliance Violation Investigations	NPCC
Lead Auditor	NPCC
Lead Auditor	NPCC
Lead Auditor	NPCC
Senior Compliance Engineer	NPCC
Compliance Analyst	NPCC

NERC Audit Participant

Regional Compliance Auditor	NERC
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NYISO Audit Participants

Title	Entity
President & CEO	NYISO
Senior Vice President and COO	NYISO
Director, Operations	NYISO
Senior Vice President and CIO	NYISO
Vice President, Enterprise and Customer Services	NYISO
Director, Internal Audit	NYISO
Vice President, System and Resource Planning	NYISO
Assistant General Counsel	NYISO
Supervisor, Reliability Compliance & Assessment	NYISO
Manager, Reliability Compliance and Industry Affairs	NYISO
Manager, Grid Operations	NYISO
Chief System Operator	NYISO
Supervisor, Enterprise Security	NYISO
Auditor Lead	NYISO
Supervisor, Power Systems Application Engineering	NYISO
Manager, Energy Market Operations	NYISO
Supervisor, Configuration Management	NYISO
Manager, Infrastructure Services	NYISO
Manager, Operations Engineering	NYISO
Coordinator, Planning Compliance	NYISO
Manager, Transmission Studies	NYISO
Supervisor, System Operator Training	NYISO
Supervisor, Scheduling	NYISO
Supervisor, Networks and Service Desk	NYISO
Reliability Senior Analyst	NYISO
Reliability Sr. Engineer	NYISO
Reliability Lead Engineer, Reliability Compliance and Assessment	NYISO
Shift Supervisor	NYISO
Associate Operator	NYISO
System Operator	NYISO
System Operator	NYISO
Generation Operator	NYISO

Audit Results

The audit team evaluated NYISO for compliance with thirty eight standards and their one hundred and fifty six requirements and associated sub-requirements in the 2010 NERC Compliance Monitoring and Enforcement Program (CMEP). The audit team reviewed the NERC

Reliability Standards for the period of December 7, 2007 to December 9, 2010. NYISO submitted information and documentation for the audit team’s evaluation of compliance with requirements. The audit team reviewed and evaluated all information provided by NYISO to assess compliance with standards applicable to NYISO at this time.

Based on the information and documentation provided by NYISO, the audit team found NYISO to be compliant with all applicable thirty eight standards and their one hundred and fifty six requirements.

Findings

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

Reliability Standard	Req.	Finding
<u>BAL-002-0</u>	R1.	Compliant
<u>BAL-002-0</u>	R3.	Compliant
<u>BAL-003-0.1b</u>	R1.	Compliant
<u>BAL-003-0.1b</u>	R2.	Compliant
<u>BAL-003-0.1b</u>	R5.	Compliant
<u>BAL-005-0.1b</u>	R2.	Compliant
<u>BAL-005-0.1b</u>	R10.	Compliant
<u>COM-001-1.1</u>	R1.	Compliant
<u>COM-001-1.1</u>	R5.	Compliant
<u>COM-002-2</u>	R1.	Compliant
<u>COM-002-2</u>	R2.	Compliant
<u>CIP-001-1</u>	R1.	Compliant
<u>CIP-001-1</u>	R2.	Compliant
<u>CIP-001-1</u>	R3.	Compliant
<u>CIP-001-1</u>	R4.	Compliant
<u>EOP-001-0</u>	R1.	Compliant
<u>EOP-002-2.1</u>	R1.	Compliant
<u>EOP-002-2.1</u>	R2.	Compliant
<u>EOP-002-2.1</u>	R3.	Compliant
<u>EOP-002-2.1</u>	R4.	Compliant
<u>EOP-002-2.1</u>	R5.	Compliant
<u>EOP-002-2.1</u>	R6.	Compliant
<u>EOP-002-2.1</u>	R7.	Compliant
<u>EOP-002-2.1</u>	R8.	Compliant
<u>EOP-002-2.1</u>	R9.	Compliant
<u>EOP-003-1</u>	R1.	Compliant
<u>EOP-003-1</u>	R2.	Compliant
<u>EOP-003-1</u>	R3.	Compliant
<u>EOP-003-1</u>	R4.	Compliant
<u>EOP-003-1</u>	R5.	Compliant
<u>EOP-003-1</u>	R6.	Compliant
<u>EOP-003-1</u>	R7.	Compliant
<u>EOP-003-1</u>	R8.	Compliant

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<u>EOP-005-1</u>	R1.	Compliant
<u>EOP-005-1</u>	R2.	Compliant
<u>EOP-005-1</u>	R3.	Compliant
<u>EOP-005-1</u>	R4.	Compliant
<u>EOP-005-1</u>	R5.	Compliant
<u>EOP-005-1</u>	R6.	Compliant
<u>EOP-005-1</u>	R7.	Compliant
<u>EOP-005-1</u>	R9.	Compliant
<u>EOP-005-1</u>	R11.	Compliant
<u>EOP-006-1</u>	R2.	Compliant
<u>EOP-006-1</u>	R5.	Compliant
<u>EOP-008-0</u>	R1.	Compliant
<u>FAC-010-2</u> Effective 4/29/09	R2.	Compliant
<u>FAC-011-2</u> Effective 4-29- 09	R2.	Compliant
<u>FAC-014-2</u> Effective 4/29/09	R5.	Compliant
<u>IRO-001-1.1</u>	R3.	Compliant
<u>IRO-001-1.1</u>	R7.	Compliant
<u>IRO-001-1.1</u>	R8.	Compliant
<u>IRO-001-1.1</u>	R9.	Compliant
<u>IRO-002-1</u>	R1.	Compliant
<u>IRO-002-1</u>	R4.	Compliant
<u>IRO-002-1</u>	R5.	Compliant
<u>IRO-002-1</u>	R6.	Compliant
<u>IRO-002-1</u>	R7.	Compliant
<u>IRO-002-1</u>	R8.	Compliant
<u>IRO-003-2</u>	R1.	Compliant
<u>IRO-003-2</u>	R2.	Compliant
<u>IRO-004-1</u>	R1.	Compliant
<u>IRO-004-1</u>	R2.	Compliant
<u>IRO-004-1</u>	R3.	Compliant
<u>IRO-004-1</u>	R4.	Compliant
<u>IRO-004-1</u>	R5.	Compliant
<u>IRO-004-1</u>	R6.	Compliant
<u>IRO-004-1</u>	R7.	Compliant
<u>IRO-005-2</u>	R1.	Compliant
<u>IRO-005-2</u>	R2.	Compliant
<u>IRO-005-2</u>	R3.	Compliant
<u>IRO-005-2</u>	R4.	Compliant
<u>IRO-005-2</u>	R5.	Compliant
<u>IRO-005-2</u>	R7.	Compliant
<u>IRO-005-2</u>	R8.	Compliant
<u>IRO-005-2</u>	R9.	Compliant
<u>IRO-005-2</u>	R10.	Compliant
<u>IRO-005-2</u>	R11.	Compliant
<u>IRO-005-2</u>	R12.	Compliant

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<u>IRO-005-2</u>	R13.	Compliant
<u>IRO-005-2</u>	R14.	Compliant
<u>IRO-005-2</u>	R15.	Compliant
<u>IRO-005-2</u>	R16.	Compliant
<u>IRO-005-2</u>	R17.	Compliant
<u>IRO-006-4.1</u>	R1.	Compliant
<u>IRO-006-4.1</u>	R3.	Compliant
<u>IRO-006-4.1</u>	R4.	Compliant
<u>IRO-006-4.1</u>	R5.	Compliant
<u>NUC-001-2</u> <u>Effective April</u> <u>1, 2010</u>	R2.	Compliant
<u>NUC-001-2</u> <u>Effective April</u> <u>1, 2010</u>	R3.	Compliant
<u>NUC-001-2</u> <u>Effective April</u> <u>1, 2010</u>	R4.	Compliant
<u>NUC-001-2</u> <u>Effective April</u> <u>1, 2010</u>	R6.	Compliant
<u>NUC-001-2</u> <u>Effective April</u> <u>1, 2010</u>	R8.	Compliant
<u>NUC-001-2</u> <u>Effective April</u> <u>1, 2010</u>	R9.	Compliant
<u>PER-001-0.1</u>	R1.	Compliant
<u>PER-002-0</u>	R1.	Compliant
<u>PER-002-0</u>	R2.	Compliant
<u>PER-002-0</u>	R3.	Compliant
<u>PER-002-0</u>	R4.	Compliant
<u>PER-003-0</u>	R1.	Compliant
<u>PER-004-1</u>	R1.	Compliant
<u>PER-004-1</u>	R2.	Compliant
<u>PER-004-1</u>	R3.	Compliant
<u>PER-004-1</u>	R4.	Compliant
<u>PER-004-1</u>	R5.	Compliant
<u>PRC-001-1</u>	R1.	Compliant
<u>PRC-001-1</u>	R2.	Compliant
<u>PRC-001-1</u>	R3.	Compliant
<u>PRC-001-1</u>	R4.	Compliant
<u>PRC-001-1</u>	R5.	Compliant
<u>PRC-001-1</u>	R6.	Compliant
<u>TOP-001-1</u>	R1.	Compliant
<u>TOP-001-1</u>	R2.	Compliant
<u>TOP-001-1</u>	R3.	Compliant
<u>TOP-001-1</u>	R5.	Compliant
<u>TOP-001-1</u>	R6.	Compliant
<u>TOP-001-1</u>	R7.	Compliant
<u>TOP-001-1</u>	R8.	Compliant

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TOP-002-2a	R1.	Compliant
TOP-002-2a	R2.	Compliant
TOP-002-2a	R3.	Compliant
TOP-002-2a	R4.	Compliant
TOP-002-2a	R5.	Compliant
TOP-002-2a	R6.	Compliant
TOP-002-2a	R11.	Compliant
TOP-002-2a	R16.	Compliant
TOP-002-2a	R17.	Compliant
TOP-002-2a	R18.	Compliant
TOP-002-2a	R19.	Compliant
TOP-003-0	R1.	Compliant
TOP-003-0	R2.	Compliant
TOP-003-0	R3.	Compliant
TOP-003-0	R4.	Compliant
TOP-004-2	R1.	Compliant
TOP-004-2	R2.	Compliant
TOP-004-2	R4.	Compliant
TOP-004-2	R5.	Compliant
TOP-006-1	R2.	Compliant
TOP-006-1	R6.	Compliant
TOP-006-1	R7.	Compliant
TOP-007-0	R1.	Compliant
TOP-007-0	R2.	Compliant
TOP-007-0	R3.	Compliant
TOP-007-0	R4.	Compliant
TOP-008-1	R1.	Compliant
TOP-008-1	R2.	Compliant
TOP-008-1	R3.	Compliant
TPL-001-0.1	R1.	Compliant
TPL-002-0	R1.	Compliant
TPL-003-0	R1.	Compliant
VAR-001-1	R1.	Compliant
VAR-001-1	R2.	Compliant
VAR-001-1	R7.	Compliant
VAR-001-1	R8.	Compliant
VAR-001-1	R9.	Compliant
VAR-001-1	R10.	Compliant
VAR-001-1	R12.	Compliant

Compliance Culture

New York Independent System Operator’s compliance culture was reviewed by the audit team. During all contact, NYISO staff was professional in their approach to compliance and understood the importance of the compliance and its role in maintaining reliability and security. For those that participated in the audit, it was clear that all were committed to both compliance and the improved reliability and security that a strong compliance program leads to. NYISO tracks and reports on key reliability and market performance indicators on a monthly basis, and these performance metrics include reliability standards. The performance indicators

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are distributed to NYISO stakeholders, senior staff and the NYISO board allowing a continuing view of reliability indicators and their trends. Additionally, NYISO incentive compensation is tied to maintaining reliability compliance.