



NORTHEAST POWER COORDINATING COUNCIL, INC.
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Operations and Planning Compliance Audit Report Mandatory Public Version

Hydro-Quebec TransEnergie
Régie ID# - NIR013

Date of Audit: June 30, 2016 – September 29, 2016

Audit Period: The date the applicable standards became effective (April 1, 2015, January 1, 2016 or April 1, 2016) to the documentation submittal date of July 29, 2016.

Date of Report: October 10, 2016

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Executive Summary

Northeast Power Coordinating Council (NPCC) conducted an Off-site Operations & Planning Compliance Audit of Hydro-Quebec TransEnergie (HQT), ID- NIR013 from June 30, 2016 – September 29, 2016.

At the time of the Audit, HQT was registered for the functions of Transmission Owner (TO), Transmission Planner (TP), Transmission Service Provider (TSP), Planning Authority (PA), and Distribution Provider (DP).

The table below identifies key Functions performed on behalf of HQT:

Functional Model Interface	Registered Entity Acronym
Transmission Owner (TO)	HQT
Transmission Planner (TP)	HQT
Transmission Service Provider (TSP)	HQT
Planning Authority (PA)	HQT
Distribution Provider (DP)	HQT

The Audit Team evaluated HQT for compliance with six (6) standards and nine (9) requirements in the 2016 Québec Reliability Standards Compliance Monitoring and Enforcement Program (2016 Annual Implementation Plan). The team assessed compliance with the NERC Reliability Standards for the period the applicable standards became effective (April 1, 2015, January 1, 2016 or April 1, 2016) to the documentation submittal date of July 29, 2016 for the TO, TP, TSP, PA and DP functions.

HQT submitted evidence for the Team’s evaluation of compliance with all requirements. The Team reviewed and evaluated all evidence provided to assess compliance with reliability standards applicable to HQT at this time. Based on the evidence provided, the Team’s findings are summarized in Table 1 below:

	No Finding	Potential Non-Compliance	Open Enforcement Action*	Not Applicable	Total
Reliability Standard Requirements	9	0	0	0	9

*OEA's with newly identified Non-Compliances are counted in the Potential Non-Compliance column only; not in the OEA column. OEA's without newly identified Non-Compliances are counted in the OEA column.

The team notified HQT of zero (0) Areas of Concern and zero (0) Recommendations.

The findings included in this report are the same as the findings presented to HQT during the Exit Briefing. The findings are further explained in the Audit Findings section and the Findings table of the report. The Findings table includes detailed information of the Audit team's findings of applicability and compliance to the NERC Reliability Standards within the scope of the compliance Audit. Potential Non-Compliance will be processed as outlined in the QCMEP. There were no open approved mitigation plans; therefore, the team reviewed none.

The NPCC Audit Team Lead certifies that the Audit Team adhered to all applicable requirements of the NERC Rules of Procedure (ROP), the Québec Reliability Standards Compliance Monitoring and Enforcement Program (QCMEP), and the September 24, 2014 *Agreement on the implementation of the Québec reliability standards compliance monitoring and enforcement program* (September 24, 2014 Agreement).

Audit Process

The compliance Audit process steps are detailed in the QCMEP. NPCC's application of the QCMEP generally conforms to the United States Government Auditing Standards (GAGAS) and other generally accepted audit practices.

Objectives

All registered entities are subject to compliance assessments 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 HQT, based on the functions that HQT is registered to perform;
- Validate compliance with applicable Reliability Standards from the 2016 Annual Implementation Plan list of key areas of focus and additional NERC Reliability Standards selected by NPCC;
- Validate compliance with applicable actively monitored standards and requirements;
- Validate evidence of self-reported non-compliance and previous self-certifications;
- Observe and document HQT's compliance program and culture;
- Review the status of open mitigation plans.

Scope

The scope of the compliance Audit included the NERC Reliability Standards from the 2016 Annual Implementation Plan. This Audit did not include a review of mitigation plans or remedial action directives, as none were open during the Audit. The team did not expand the scope of the Audit beyond what was stated in the notification package.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the Audit Team are governed under the QCMEP and the September 24, 2014 Agreement. HQT was informed of NPCC's obligations and

responsibilities under the agreement and procedures. The work history for each team member was provided to HQT, which was given an opportunity to object to a team member's participation on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with a team member's impartial performance of duties. HQT had not submitted any objections by the stated 15-day objection due date and accepted the team member participants without objection. There were no denials or access limitations placed upon this team by HQT.

Methodology

The Audit Team reviewed the evidence submitted by HQT and assessed compliance with requirements of the applicable reliability standards. NPCC provided HQT with a Request for Information (RFI) prior to commencement of the Audit. HQT provided pre-Audit evidence at the time requested by NPCC. Additional evidence could be submitted until the agreed-upon deadline prior to the exit briefing. After that date, only data or information that was relevant to the content of the report or its finding could be submitted with the agreement of the audit team manager.

The Audit team reviewed documentation provided by HQT and requested additional evidence and sought clarification from subject matter experts during the Audit. Evidence submitted in the form of policies, procedures, emails, logs, studies, data sheets, etc. was validated, substantiated, and cross-checked for accuracy as appropriate. Where sampling was applicable to a requirement, the sample set was determined by a statistical methodology, along with professional judgment.

Findings were based on the facts and documentation reviewed, the team's knowledge of the electric system, the NERC Reliability Standards, and professional judgment. All findings were developed based upon the consensus of the team.

Company Profile

Hydro-Quebec transports and distributes electricity. It counts four divisions.

Hydro-Québec Production generates power to supply the Québec domestic market and sells power on wholesale markets. Over 99% of its electricity is generated using waterpower. The division must provide Hydro-Québec Distribution with an annual maximum volume of 165 TWh of heritage pool electricity to supply Québec customers.

Hydro-Québec TransÉnergie operates the most extensive transmission system in North America to serve its customers inside and outside Québec. It markets system capacity and manages power flows throughout Québec. The division also ensures the development, reliability and long-term operability of its system. Within HQT, the direction Hydro-Québec–Contrôle des mouvements d'énergie (une direction de HQT) (HQCMÉ) acts as Reliability Coordinator for transmission systems in the Quebec Interconnection as well as BA and TOP. Hydro-Québec TransÉnergie's activities are regulated by the Régie de l'énergie, an agency responsible for regulatory supervision of the transmission and distribution of electric power.

Hydro-Québec Distribution provides Quebecers with a reliable supply of electricity. To meet needs beyond the annual heritage pool which Hydro-Québec Production is obligated to supply at a fixed price, it mainly uses a tendering process. The division also encourages customers to make efficient use of electricity and is responsible for customer relations. Hydro-Québec Distribution’s activities are regulated by the Régie de l’énergie.

Hydro-Québec Équipement et services partagés and the Société d’énergie de la Baie James (SEBJ), a subsidiary of Hydro-Québec, design and conduct projects to build and refurbish equipment, mainly for Hydro-Québec Production and Hydro-Québec TransÉnergie. In addition, the Centre de services partagés provides company-wide shared services, including procurement, real estate management, vehicle fleet management, materials management, as well as management of food, lodging and air transportation services.

Audit Participants

Following is a list of all personnel from the NPCC Audit Team, Régie de l’énergie Observers and HQT who were involved with the off-site audit.

NPCC Team

Role	Title	Entity
Audit Team Leader	Manager, Compliance Monitoring	NPCC
Audit Team Leader	Manager, Compliance Monitoring	NPCC
Lead Auditor	Lead Auditor	NPCC
Team Member	Lead Auditor	NPCC
Team Member	Lead Auditor	NPCC
Team Member	Lead Auditor	NPCC

Régie de l'énergie

Role	Title	Entity
Observers	Chargée de projet Équipe - Surveillance de la fiabilité des réseaux	Régie de l'énergie
Observers	Spécialiste en régulation économique Équipe - Surveillance de la fiabilité des réseaux	Régie de l'énergie

HQT Participants

Title	Entity
Chef – Normes de fiabilité et conformité réglementaire	Bureau de conformité (Compliance office)
Chef – Conformité aux normes de fiabilité	Bureau de conformité (Compliance office)

Audit Findings

The following information details the compliance findings for the reliability standards and requirements identified in the scope of this Audit.

Standard	Req.	Finding
EOP-005-2	R11	No Finding
FAC-014-2	R3	No Finding
FAC-014-2	R4	No Finding
FAC-014-2	R5	No Finding
FAC-014-2	R6	No Finding
IRO-001-1.1	R8	No Finding
IRO-004-2	R1	No Finding
IRO-005-3.1a	R10	No Finding
TOP-001-1a	R4	No Finding

Areas of Concern and Recommendations

The team notified HQT of zero (0) Areas of Concern and zero (0) Recommendation.

Compliance Culture

The NPCC Audit Team performed an assessment of HQT's compliance culture in conjunction with the Audit process. HQT was very cooperative during the initial planning stages of the audit in assisting the Audit Team in determining the applicability of standards and requirements in Quebec and offering suggestions on how best to facilitate the exchange of audit documentation throughout the audit. HQT exhibited a positive commitment to compliance with the standards as indicated by their processes and procedures and evidence provided that they were being followed. The HQT Audit Team responded to requests for further information in a very timely and professional manner. They provided documentation supporting the requirements, both in the initial submittal as well as in responding to the follow-up requests. Requests for documents to be supplied in English were promptly satisfied and facilitated the auditors' review of HQT documentation. The auditors would like to acknowledge the HQT Team for their support, cooperation and professionalism.