



NPCC, Inc.

NORTHEAST POWER COORDINATING COUNCIL, INC.  
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Régie Identification number :	<b>NIR011</b>		
Registered Entity Name:	<b>Hydro-Québec Distribution</b>		
Registered Entity Acronym:	<b>HQD</b>		
Reliability Standards Scope:	<b>Operations &amp; Planning Standards</b>		
Compliance Monitoring Process:	<b>Compliance Audit</b>		
Distribution:	<b>Public Version. Non-Public Information has been removed, including Privileged Information.</b>		
Regional Entity:	<b>Northeast Power Coordinating Council, Inc. (NPCC)</b>		
Date of Opening Presentation:	<b>May 2, 2018</b>	Date of Closing Presentation:	<b>August 21, 2018</b>
Date of Report:	<b>March 21, 2019</b>	IP Year:	<b>2018</b>
Potential Noncompliance:	<b>None (zero)</b>		
Jurisdiction:	<b>Quebec, Canada</b>		

# Table of Contents

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I. Executive Summary.....	1
II. Compliance Audit Process.....	2
Objectives .....	2
Scope.....	2
Internal Compliance Program .....	2
Confidentiality and Conflict of Interest.....	2
Methodology.....	3
Company Profile.....	3
III. Compliance Audit Findings.....	4
Recommendations .....	4
Positive Observations .....	4
IV. Compliance Culture.....	5
Northeast Power Coordinating Council, Inc. (NPCC) Contact Information.....	5
Appendix 1.....	6
Compliance Audit Participants.....	6

## I. Executive Summary

Northeast Power Coordinating Council, Inc. (NPCC) conducted an Operations & Planning Standards Compliance Audit of Hydro-Québec Distribution (HQD) , NIRO11 from May 2, 2018 to August 21, 2018.

At the time of the Compliance Audit, HQD was registered for the functions of Distribution Provider (DP), Resource Planner (RP), Load Serving Entity (LSE).

The Reliability Coordinator (RC), Balancing Authority (BA) and Transmission Operator (TOP) for HQD is Hydro-Québec - Contrôle des mouvements d'énergie (une direction de HQT) (HOCMÉ). The Planning Authority (PA) and Transmission Planner (TP) for HQD is Hydro-Québec TransÉnergie (HQT).

The Compliance Audit team (the Audit team) evaluated HQD for compliance with seven (7) reliability standards and twelve (12) requirements in the 2018 Québec Reliability Standards Compliance Monitoring and Enforcement Program (QCMEP) Annual Implementation Plan (2018 Annual Implementation Plan). The Audit team assessed compliance with the NERC Reliability Standards for the periods indicated below.

Registered Functions	Reliability Standards	Requirements	Applicable Audit Period
DP/RP/LSE	COM-002-4	R3, R6	January 1, 2018 to July 3, 2018
	IRO-001-4	R2	July 1, 2017 to July 3, 2018
	MOD-032-1	R2	January 1, 2018 to July 3, 2018
	PRC-004-5(i)	R1, R5	April 2, 2017 to July 3, 2018
	PRC-005-2	R1, R3, R4, R5	January 1, 2017 to July 3, 2018
	TOP-001-3	R3	July 1, 2017 to July 3, 2018
	TOP-003-3	R5	July 1, 2017 to July 3, 2018

HQD submitted evidence for the Audit team's evaluation of compliance with all requirements. The Audit team reviewed and evaluated all evidence provided to assess compliance with Reliability Standards included in the audit scope.

Based on the evidence provided, no findings of non-compliance were noted for the 2 reliability standards and 2 requirements applicable to HQD at this time (for the non-applicable standards refer to section III. Compliance Audit Findings). The team notified HQD of one (1) recommendation.

There were no open Mitigation Plans for the Audit team to review.

The Compliance Audit Team Lead certifies that the Audit team adhered to all applicable requirements of the NERC Rules of Procedure (ROP), the QCMEP and the September 24, 2014 Agreement on the Implementation of the Québec Reliability Standards Compliance Monitoring and Enforcement Program (the 2014 Agreement).

## II. Compliance Audit Process

The Compliance Audit process steps are detailed in the QCMEP. NPCC's application for the QCMEP conforms to the United States Generally Accepted Government Auditing Standards (GAGAS) and other 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 Compliance Audit objectives are to:

- Provide reasonable assurance of compliance with the requirements of Reliability Standards included in the audit scope;
- Assess compliance with applicable Reliability Standards included in the audit scope;
- Review evidence of self-reported non-compliances and previous self-certifications;
- Review HQD's compliance program and culture.

### Scope

The scope of this Compliance Audit considered the NERC Reliability Standards in the 2018 Québec Annual Implementation Plan.

The Reliability Standards and Requirements in-scope for this Compliance Audit are illustrated in **Table 2** below:

Registered Function	Standards	Requirement(s)
DP, RP, LSE	COM-002-4	R3, R6
	IRO-001-4	R2
	MOD-032-1	R2
	PRC-004-5(i)	R1, R5
	PRC-005-2	R1, R3, R4, R5
	TOP-001-3	R5
	TOP-003-3	R5

The Audit team did not expand the scope of the Compliance Audit beyond what was stated in the audit notification.

### Internal Compliance Program

Within the scope of the Compliance Audit, HQD's compliance program was reviewed.

### Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the Audit team are governed under the QCMEP and the 2014 Agreement. HQD was informed of Northeast Power Coordinating Council, Inc. (NPCC)'s obligations and responsibilities under the QCMEP and the 2014 Agreement. The work history for each Audit team member was provided to HQD, 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. HQD had not submitted any objections by the stated objection due date based on the QCMEP and accepted the Audit team member participants without objection. There were no denials or access limitations placed upon this team by HQD.

## Methodology

The Electric Reliability Organization (ERO) Compliance Monitoring and Enforcement Manual documents the ERO Enterprise's current approaches used to assess a registered entity's compliance with the NERC Reliability Standards. While the ERO Enterprise does not necessarily perform compliance monitoring activities that must be in accordance with GAGAS and other generally accepted audit practices, NPCC uses these standards as framework to conduct compliance monitoring activities under the QCMEP, and recognizes that these standards provide information used in oversight, accountability, transparency, and improvements operations.

Northeast Power Coordinating Council, Inc. (NPCC) provided HQD with a Compliance Audit notification package to commence the Compliance Audit. HQD provided evidence at the time requested, or as agreed upon, by Northeast Power Coordinating Council, Inc. (NPCC). The Audit team reviewed the evidence submitted by HQD and assessed compliance with the requirements of the Reliability Standards included in the audit scope. Additional evidence could be submitted until the agreed-upon deadline prior to the exit briefing. After that date, only data or information deemed relevant to the content of the report or its finding could be submitted with the agreement of the Compliance Audit Team Lead.

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

The findings were based on the facts and documentation reviewed, the Audit team's knowledge of the Register of entities subject to Reliability Standards (the Register), the NERC Reliability Standards, and the use of professional judgment. All findings were developed based upon the consensus of the Audit team.

## Company Profile

Hydro-Québec generates, transmits and distributes electricity. Each of these functions are performed by separate affiliations within the same company. Hydro-Québec Production (HQP) generates and sells power on domestic and external markets. Hydro-Québec TransÉnergie (HQT) operates one of the most extensive transmission systems in North America for the benefit of customers inside and outside Québec. Hydro-Québec Distribution (HQD) operates the distribution system providing Quebecers with a reliable supply of electricity. It also works to encourage its customers to make efficient use of electricity.

Hydro Quebec Distribution (HQD) doesn't own any transmission facilities. The Québec transmission system operates at 44 kv and above HQD provides electricity throughout the province of Québec with a distribution power grid at 25 kv and 12 kv voltages. HQD neither owns nor operates any Main Transmission System (RTP) facilities. HQD is not interconnected with any other system at the transmission level since they own no RTP facilities.

HQD, as a DP, LSE and RP, delivers all the information and data requested to HQT to ensure the reliability of the RTP. HQD, as a DP, has no RTP reliability responsibilities in real time and doesn't receive any Real-Time Operating instruction from its Transmission Operator or its Reliability Coordinator. HQD does not maintain an operational

Control Center. In Québec area, the annual peak load occurs in the winter. The winter peak load forecast is around 38 000 MW.

### III. Compliance Audit Findings

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Within the framework of this compliance audit, TOP-003-3, R5 and MOD-032-1, R2 are applicable to HQD and they were reviewed to assess HQD's compliance with the 2 Standards and 2 Requirements. Based on the results of this compliance audit no findings of non-compliance were noted for the 2 Reliability Standards and 2 Requirements applicable to HQD.

HQD had self-reported a possible non-compliance for TOP-003-3, R5. The Audit team reviewed the facts and circumstances around this self-report, and determined that the issue did not represent a possible failure to comply with the Reliability Standard.

#### **Reliability Standards and Requirements found not applicable**

The remaining five (5) standards and ten (10) requirements were found to be not applicable to HQD as follows:

1. **PRC-004-5(i) (R1, R5), PRC-005-2 (R1, R3, R4, R5)** - Not applicable because HQD does not own any facility such as those defined in section 4.2 of the standards.
2. **COM-002-4 (R3 & R6), IRO-001-4 (R2) and TOP-001-3 (R3)** - Not applicable because HQD does not perform the actions or have the responsibilities detailed in these standards. These actions and responsibilities have been assigned to HQT who performs these functions as a DP via an operating agreement between the two entities.

#### **Recommendations**

There was one (1) recommendation provided by the Audit team:

1. **TOP-003-3, R5** - HQD should review their schedule and process for providing the data required by their BA and TOP to insure all the required data is available to be provided on time and as detailed by the BA and TOP requirements.

#### **Positive Observations**

The Audit team identified and informed HQD of one (1) positive observation. The specific details of each positive observation are described below.

1. HQD demonstrated a positive commitment to compliance in providing a comprehensive and well organized evidence submittal to NPCC during this audit process.

## IV. Compliance Culture

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**Comments on HQD's compliance culture:** The Audit team performed an assessment of HQD's compliance culture in conjunction with the Compliance Audit process. The assessment was accomplished through a review of responses gathered during the audit process. The Audit Team identified two factors that HQD demonstrates, which characterize a vigorous and effective compliance programs:

- Active engagement and leadership by senior management;
- Prompt detection of problems, cessation of misconduct, and reporting of a possible non-compliances.

### **Northeast Power Coordinating Council, Inc. (NPCC) Contact Information**

Any questions regarding this Compliance Audit report can be directed to:

Northeast Power Coordinating Council, Inc. (NPCC)  
1040 Avenue of the Americas  
10<sup>th</sup> Floor  
New York, NY 10018-3703

On behalf of NPCC, this report was prepared and reviewed by:

<b>Compliance Audit Team Lead</b>	<b>Date</b>
John Muir	September 28, 2018
<b>Management Representative</b>	<b>Date</b>
Salvatore Buffamante	September 28, 2018



## Appendix 1

### Compliance Audit Participants

Following is a list of all personnel from the team and HQD who were directly involved during the meetings and interviews.

<b>Table 3 : Compliance Audit Team</b>		
<b>Role</b>	<b>Title</b>	<b>Entity</b>
Compliance Audit Team Lead	Director of Compliance Monitoring	NPCC
Team Member	Auditor	NPCC
Team Member	Auditor	NPCC
Team Member	Translator	NPCC

<b>Table 4 : HQD Participants</b>	
<b>Title</b>	<b>Entity</b>
Energy Supply Advisor	Hydro-Québec Distribution
Manager Planning and Reliability	Hydro-Québec Distribution