



NPCC, Inc.

NORTHEAST POWER COORDINATING COUNCIL, INC.  
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Régie Identification Number:	<b>NIR012</b>		
Registered Entity Name:	<b>Hydro Quebec Production</b>		
Registered Entity Acronym:	<b>HQP</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>February 23, 2018</b>	Date of Closing Presentation:	<b>August 10, 2018</b>
Date of Report:	<b>August 10, 2018</b>	IP Year:	<b>2018</b>
Potential Noncompliance:	<b>None (zero)</b>		
Jurisdiction:	<b>Quebec, Canada</b>		

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## I. Executive Summary

Northeast Power Coordinating Council, Inc. (NPCC) conducted an Operations & Planning Standards Compliance Audit of Hydro-Québec Production (HQP), NIR 012, from February 23, 2018 to August 10, 2018.

At the time of the Compliance Audit, HQP was registered for the functions of Generator Operator (GOP), Generator Owner (GO). The Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP) for HQP is Hydro-Québec - Contrôle des mouvements d'énergie (une direction de HQT) (HQCMÉ). The Planning Authority (PA), Transmission Planner (TP), and Resource Planner (RP) for HQP is Hydro-Québec TransÉnergie (HQT).

The Compliance Audit team (the Audit team) evaluated HQP for compliance with 16 reliability standards and 30 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	Requirement(s)	Applicable Audit Period
GO/GOP	COM-002-4	R3, R6	January 1, 2018 to April 25, 2018
	EOP-005-2	R13, R14	April 1, 2016 to April 25, 2018
	FAC-003-3	R3	July 1, 2017 to April 25, 2018
	FAC-003-3	R1, R2, R6, R7	January 1, 2018 to April 25, 2018
	FAC-008-3	R6	July 1, 2017 to April 25, 2018
	IRO-001-4	R2	July 1, 2017 to April 25, 2018
	MOD-025-2	R1, R2	October 1, 2017 to April 25, 2018
	MOD-026-1	R2	January 1, 2018 to April 25, 2018
	MOD-027-1	R2	January 1, 2018 to April 25, 2018
	MOD-032-1	R2	January 1, 2018 to April 25, 2018
	PRC-001-1	R3, R5	January 1, 2016 to April 25, 2018
	PRC-004-5(i)	R1, R5	April 2, 2017 to April 25, 2018
	PRC-005-2	R1, R3, R4, R5	January 1, 2017 to April 25, 2018
	PRC-019-1	R1	January 1, 2017 to April 25, 2018
	PRC-024-1	R1, R2	October 1, 2017 to April 25, 2018
	TOP-003-3	R5	July 1, 2017 to April 25, 2018
VAR-002-3	R2, R3	January 1, 2017 to April 25, 2018	

HQP submitted evidence for the Audit team's evaluation of HQP's 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 13 Reliability Standards and 19 Requirements applicable to HQP at this time (for the non-applicable standards refer to section III. Compliance Audit Findings). The team notified HQP of two (2) recommendations.

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 Reliability Standards included in the audit scope;
- Review evidence of self-reported non-compliances and previous self-certifications;
- Review HQP'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:

Table 2: Compliance Audit Scope		
Registered Functions	Standards	Requirement(s)
GO/GOP	COM-002-4	R3, R6
	EOP-005-2	R13, R14
	FAC-003-3	R1, R2, R3, R6, R7
	FAC-008-3	R6
	IRO-001-4	R2
	MOD-025-2	R1, R2
	MOD-026-1	R2
	MOD-027-1	R2
	MOD-032-1	R2
	PRC-001-1	R3, R5
	PRC-004-5(i)	R1, R5
	PRC-005-2	R1, R3, R4, R5
	PRC-019-1	R1
	PRC-024-1	R1, R2
	TOP-003-3	R5
	VAR-002-3	R2, R3

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

## **Internal Compliance Program**

Within the scope of the Compliance Audit, HQP'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. HQP 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 HQP, 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. HQP 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 HQP.

## **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 HQP with a Compliance Audit notification package to commence the Compliance Audit. HQP 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 HQP 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 Audit team lead.

The Audit team reviewed supporting documents provided by HQP 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, the NERC Reliability Standards, and the use of professional judgment. All findings were developed based upon the consensus of the Audit team.

## **Company Profile**

HQP is registered as a GO/GOP and is the largest generation asset owner in the province of Quebec. It owns 50 generating facilities (hydro, thermal) of 50 MVA or above and currently has three hydro plants under construction. HQP owns and operates facilities connected to the Main Transmission System. Its facilities are not classified as Bulk Power System (BPS). HQP does have facilities required for system restoration.

## **III. Compliance Audit Findings**

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Based on the results of this Compliance Audit, no findings of non-compliance were noted for the 13 Reliability Standards and 19 Requirements applicable to HQP.

### **Reliability Standards Found Not Applicable**

1. **PRC-004-5(i), PRC-005-2** - Not applicable because HQP does not own elements that are part of BPS.
2. **FAC-003-3** - Not applicable because HQP does not own any applicable lines as defined in section 4.3 of the standard.

## **Recommendations**

There were Two (2) recommendations provided by the Audit Team:

1. **TOP-003-3 R5:**

Identify and train backup resources as soon as possible in order to ensure the timely reporting of test results within the required delays.

2. **MOD-025 R1, R2:**

Review test result forms and submissions to ensure all required elements of standard Attachment 2 are included, even if some are not applicable to the particular unit.

## **Positive Observations**

No positive observation was identified by the Audit team.

## IV. Compliance Culture

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The team performed an assessment of HQP’s compliance culture in conjunction with the Compliance Audit process. The assessment was accomplished through a review of responses gathered during the audit process. This included an assessment of factors that characterize vigorous and effective compliance programs including:

- Prompt detection of problems and reporting of 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 Northeast Power Coordinating Council, Inc. (NPCC), this report was prepared and reviewed by:

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



## Appendix 1

### Compliance Audit Participants

Following is a list of all personnel from the team and HQP 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/Auditor	NPCC
Team Member	Audit Coordinator	NPCC

<b>Table 4: HQP Participants</b>	
<b>Title</b>	<b>Entity</b>
Chief - Governance, Obligations and Business Relationship	HQP
Compliance and relationship Advisor	HQP
Engineer	HQP
Engineer	HQP
Management Support Advisor	HQP