



NPCC, Inc.

NORTHEAST POWER COORDINATING COUNCIL, INC.
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Régie Identification Number:	NIR035		
Registered Entity Name:	Kruger Énergie Montérégie S.E.C.		
Registered Entity Acronym:	MON		
Reliability Standards Scope:	Operations & Planning Standards		
Compliance Monitoring Process:	Compliance Audit		
Distribution:	Public Version. Non-Public Information has been removed, including Privileged Information.		
Regional Entity:	Northeast Power Coordinating Council, Inc. (NPCC)		
Date of Opening Presentation:	June 21, 2019	Date of Closing Presentation:	November 8, 2019
Date of Report:	January 8, 2020	Implementation Plan Year:	2019
Potential Non-compliance:	One (1)		
Jurisdiction:	Quebec, Canada		

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I. Executive Summary

Northeast Power Coordinating Council, Inc. (NPCC) conducted an Operations & Planning Standards Compliance Audit of Kruger Énergie Montérégie S.E.C. (MON), NIR035 from June 21, 2019 to November 8, 2019.

At the time of the Compliance Audit, MON was registered for the functions of Generator Operator (GOP) and Generator Owner (GO).

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

The Compliance Audit team (the Audit team) evaluated MON for compliance with eleven (11) reliability standards and eighteen (18) requirements in the 2019 Québec Reliability Standards Compliance Monitoring and Enforcement Program (QCMEP) Annual Implementation Plan (2019 Annual Implementation Plan). The Audit team assessed compliance with the North American Electric Reliability Corporation (NERC) Reliability Standards for the periods indicated below.

Table 1: Compliance Audit Scope and Applicable Period

Registered Functions	Reliability Standards	Requirement(s)	Applicable Audit Period From/To
GO/GOP	FAC-008-3	R6	July 1, 2017 to May 30, 2019
	IRO-001-4	R2	July 1, 2017 to May 30, 2019
	MOD-025-2	R1, R2	October 1, 2017 to May 30, 2019
	MOD-032-1	R2	January 1, 2018 to May 30, 2019
	PER-005-2	R6	July 1, 2018 to May 30, 2019
	PRC-004-5(i)	R1, R3, R5	April 2, 2017 to May 30, 2019
	PRC-005-2	R1, R3, R4, R5	January 1, 2017 to May 30, 2019
	PRC-019-1	R1	January 1, 2017 to May 30, 2019
	TOP-003-3	R5	July 1, 2017 to May 30, 2019
	VAR-002-3	R2, R3	January 1, 2017 to May 30, 2019

Requirements Found Not Applicable

Based on the information and documentation provided by MON, the following nine (9) requirements were found to be not applicable.

- PER-005-2, R6:** This requirement is not applicable because MON does not meet the applicability requirements of section 4.1.5.1 of the standard.
- PRC-004-5(i), R1, R3, R5:** These requirements are not applicable because MON does not own/operate Facilities of the Quebec Bulk Power System (BPS), which is primarily the 735 kV system.

3. **PRC-005-2, R1, R3, R4, R5:** These requirements are not applicable because MON does not own/operate Facilities of the Quebec Bulk Power System (BPS), which is primarily the 735 kV system.
4. **PRC-025-1, R1:** This requirement is not applicable because MON does not have generating facilities that are connected to the Main Transmission System (RTP).

MON submitted evidence for the Audit team’s evaluation of MON’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, the Audit team’s findings are summarized in Table 2 below:

Table 2: Summary of Compliance Audit Findings				
Reliability Standard Requirement(s)	Not Applicable	No Finding	Potential Non-compliance (PNC)	Open Enforcement Action (OEA)
18	9	5	1	3

The Audit team notified MON of two (2) recommendations.

PNCs will be processed as outlined in the QCMEP.

There were three (3) open Mitigation Plans: therefore, all were reviewed by the team.

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 MON's compliance program and culture;
- Review the status of open Mitigation Plans.

Scope

The scope of this Compliance Audit considered the NERC Reliability Standards in the 2019 Québec Annual Implementation. In addition, during the Compliance Audit the Audit Team reviewed the Mitigation Plans or Remedial Action directives that were open during the audit period.

The Reliability Standards and Requirements in-scope for this Compliance Audit are illustrated in **Table 3** below:

Registered Function	Standards	Requirement(s)
GO/GOP	FAC-008-3	R6
	IRO-001-4	R2
	MOD-025-2	R1, R2
	MOD-032-1	R2
	PER-005-2	R6
	PRC-004-5(i)	R1, R3, R5
	PRC-005-2	R1, R3, R4, R5
	PRC-019-1	R1
	PRC-025-1	R1
	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, MON's compliance program was reviewed.

Controls

The Audit team reviewed MON's related internal controls associated with NERC Reliability Standards included in the audit scope.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the Audit team are governed under the QCMEP and the 2014 Agreement. MON was informed of NPCC's obligations and responsibilities under the QCMEP and the 2014 Agreement. The work history for each Audit team member was provided to MON, 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. MON 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 MON.

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 in operations.

NPCC provided MON with a Compliance Audit notification package to commence the Compliance Audit. MON provided evidence at the time requested, or as agreed upon, by NPCC. The Audit team reviewed the evidence submitted by MON 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 MON 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

Kruger Énergie Montérégie S.E.C. « KÉMONT » is the owner of the Montérégie wind farm. Operation of the wind farm is entrusted to Kruger Énergie Inc. KÉMONT and Kruger Énergie Inc. are affiliates of Kruger Inc., which has its head office in Montréal. Founded in 1904, Kruger is an important producer of publication papers, domestic and institutional use papers, softwood lumber and other wood products, recycled fiber based containerboard packaging, wines & spirits and green and renewable energy. It is also one of the main paper and paperboard recycling companies in North America. Kruger owns properties in Quebec, Ontario, British-Columbia, Newfoundland-and-Labrador and in the United States. Founded in 2004, Kruger Énergie Inc. specializes in the development and management of green and renewable energy power plants. Considering the hydroelectric, wind, solar and biomass cogeneration facilities, Kruger owns 38 production sites totaling 540 MW of installed power.

III. Compliance Audit Findings

The following information details the Potential Non-compliance findings for the seven (7) Reliability Standards and the nine (9) Requirements applicable to MON. All other Reliability Standards and Requirements included in the audit scope for this Compliance Audit were reviewed without exception.

Table 4: Findings			
Standard	Requirement	Registered Function	Category of Finding
PRC-019-1	R1	GO, GOP	Potential Non-compliance (PNC)

IV. Recommendations and Positive Observations

Recommendations

There were two (2) recommendations provided by the Audit team. The specific details of each recommendation have been redacted for the public distribution of this report.

Positive Observations

No positive observation was identified by the Audit team.

V. Compliance Culture

The Audit team performed an assessment of MON’s compliance culture in conjunction with the Compliance Audit process. The assessment was accomplished through a review of responses to the Internal Compliance Survey questionnaire and additional information that was gathered during interviews and observations. The Audit Team identified one (1) factor that MON demonstrates, which characterize a vigorous and effective compliance program:

- Active engagement and leadership by senior management.

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
10th Floor
New York, NY 10018-3703

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

Compliance Audit Team Lead	Date
Daniel Kidney	December 6, 2019
Management Representative	Date
Jacqueline Jimenez	January 8, 2020

Appendix 1

Compliance Audit Participants

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

Table 5: Compliance Audit Team		
Role	Title	Entity
Manager, Compliance	Manager, Compliance	NPCC
Compliance Audit Team Lead	Compliance Engineer	NPCC
Team Member	Contract Auditor	NPCC
Team Member	Contract Auditor	NPCC
Observer	Economic regulation specialist	Régie de l'énergie
Observer	Economic regulation specialist	Régie de l'énergie
Observer	Economic regulation specialist	Régie de l'énergie

Table 6: MON Participants	
Title	Entity
Director, Operation and Maintenance	Kruger Énergie Montérégie S.E.C.
Engineer	Kruger Énergie Montérégie S.E.C.