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|--|---|-------------------------------|-------------------------|
| Regie Identification Number (NIR): | 026 | | |
| Registered Entity Name: | Ville de Sherbrooke (Hydro-Sherbrooke) | | |
| Registered Entity Acronym: | SHER | | |
| Compliance Monitoring Process: | Compliance Audit | | |
| Distribution: | Public Version. Non-Public Information has been removed, including Restricted Information. | | |
| Regional Entity: | Northeast Power Coordinating Council, Inc. (NPCC) | | |
| Date of Opening Presentation: | February 15, 2022 | Date of Closing Presentation: | October 14, 2022 |
| Audit Period Start Date: | January 1, 2018 | Audit Period End Date: | January 20, 2022 |
| Date of Report: | 11/15/2022 | Implementation Plan Year: | 2022 |
| Potential Non-compliance to O&P standards ¹ : | None (zero) | | |
| Jurisdiction: | Quebec, Canada | | |

¹ O&P stands for Operations and Planning.

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I. Executive Summary

Northeast Power Coordinating Council, Inc. (NPCC) conducted an offsite Operations & Planning Compliance Audit of Ville de Sherbrooke (Hydro-Sherbrooke) (SHER), NIRO26 from April 14, 2022 to October 14, 2022.

At the time of the Compliance Audit, SHER was registered for the functions of Distribution Provider (DP).

The Reliability Coordinator (RC), Balancing Authority (BA), and Transmission Operator (TOP) for SHER is Hydro-Québec - Contrôle des mouvements d'énergie (une direction de HQT) (HQCMEÉ).

Hydro-Québec TransÉnergie (HQT) performs the functions of Planning Authority (PA), Transmission Planner (TP), and Resource Planner (RP) for the registered entities in Quebec.

The Compliance Audit team (the Team) evaluated SHER for compliance with four (4) Reliability Standards and four (4) Requirements and regional Requirements in the 2022 Québec Reliability Standards Compliance Monitoring and Enforcement Program (QCMEP) Annual Implementation Plan (2022 Annual Implementation Plan). The Team assessed compliance with the requirements for the period of January 1, 2018 to January 20, 2022.

SHER submitted evidence for the Team's evaluation of compliance with requirements. The Team reviewed and evaluated all evidence provided to assess compliance with selected requirements applicable to SHER at the time of Compliance Audit.

Table 1: Summary of Compliance Audit Findings

| Reliability Standard Requirement(s) | Not Applicable N/A | No Finding (NF) | PNC ² outcome Violation* | PNC outcome SICM** | PNC outcome Notice of No Non-Compliance |
|-------------------------------------|--------------------|-----------------|-------------------------------------|--------------------|---|
| 4 | 4 | 0 | 0 | 0 | 0 |

* Per the QCMEP, Violation means the identification, by the Régie de l'énergie, of a failure by a registered entity to comply with a Reliability Standard that is applicable to the registered entity.]

** SICM abbreviated term of the Simplified Identification, Correction and Monitoring Procedure following discovery of a non-compliance

The Team notified SHER of no Recommendations.

There were no open Mitigation Plans for review by the Team.

The Compliance Audit Team Lead (the Team Lead) certifies that the Team adhered to all applicable requirements of the NERC Rules of Procedure (ROP), the QCMEP and the September 15, 2022 Amended and Restated Agreement on the Implementation of the Québec Reliability Standards Compliance Monitoring and Enforcement Program (the 2022 Agreement).

² PNC – Potential Non-Compliance.

II. Compliance Audit Process

The Compliance Audit process steps are detailed in the QCMEP. NPCC's application for the QCMEP generally conforms to the United States Generally Accepted 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 Compliance Audit objectives are designed to:

- Provide reasonable assurance of compliance with applicable requirements included in the Compliance Audit scope; and
- Review SHER's internal compliance program and controls.

Scope

The scope of this Compliance Audit considered the Reliability Standards in the 2022 Quebec Annual Implementation Plan, Inherent Risk Assessment (IRA), and Compliance Oversight Plan (COP) of SHER completed by NPCC.

The reliability Standards and Requirements in-scope for this Compliance Audit are illustrated in Table 2: Compliance Audit Scope.

| Registered Function | Standards | Requirement(s) |
|----------------------------|------------------|-----------------------|
| DP | COM-002-4 | R3 |
| DP | PRC-004-6 | R5 |
| DP | PRC-005-6 | R3 |
| DP | PRC-006-NPCC-2 | R3 |

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

Internal Compliance Program

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

Controls

The Team reviewed SHER's related internal controls associated with Requirements in scope.

Confidentiality and Conflict of Interest

Confidentiality and conflict of interest of the team are governed under the QCMEP and the 2022 Agreement. SHER was informed of NPCC's obligations and responsibilities under the QCMEP and the 2022 Agreement. The work history for each Team member was provided to SHER, 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. SHER had not submitted any objections by the stated objection due date based on the QCMEP and accepted the Team member participants without objection. There were no denials or access limitations placed upon this Team by SHER.

Methodology

The Electric Reliability Organization (ERO) Compliance Monitoring and Enforcement Manual (Manual)³ 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 SHER with a Compliance Audit notification package to commence the Compliance Audit. SHER provided evidence at the time requested, or as agreed upon, by NPCC. The Team reviewed the evidence submitted by SHER and assessed compliance with the requirements included in the Compliance Audit scope. 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 Team Lead.

The Team reviewed documentation provided by SHER 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 professional judgment as mentioned in the Manual.

The findings were based on the facts and documentation reviewed, the team's knowledge of the Register of entities subject to Reliability Standards (the Register), the Main Transmission System (RTP), the NERC Reliability Standards, the Quebec appendices of these standards and professional judgment. All findings were developed based upon the consensus of the Team.

³ [ERO Enterprise Compliance Monitoring and Enforcement Manual v5.0.pdf \(nerc.com\)](#).

Company Profile

This information has been redacted for the public distribution of the report.

III. Compliance Audit Findings

Based on the results of this Compliance Audit, no findings were noted for the four (4) Reliability Standards and the four (4) Requirements applicable to SHER.

Based on the information and documentation provided by SHER, the following four (4) Requirements were found to be not applicable.

1. **COM-002-4, R3;**
2. **PRC-004-6, R5;**
3. **PRC-005-6, R3;**
4. **PRC-006-NPCC-2, R3.**

IV. Recommendations

Recommendations

There were no Recommendations made by the Team during the engagement.

V. Compliance Culture

SHER's compliance culture was not formally reviewed by the Team as part of the compliance audit. Assessment of SHER's internal compliance program will be reviewed by NPCC Enforcement on an as needed basis.

Appendix 1

Compliance Audit Participants

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

| Table 4: Compliance Audit Team | | |
|---------------------------------------|--------------------------------|--------------------|
| Role | Title | Entity |
| Compliance Audit Team Lead | Senior Compliance Analyst | NPCC |
| Director, Compliance | Director, Compliance | NPCC |
| Team Member | Senior Compliance Engineer | NPCC |
| Team Member | Senior Compliance Engineer | NPCC |
| Team Member | Senior Compliance Engineer | NPCC |
| Observer | Economic Regulation Specialist | Régie de l'énergie |
| Observer | Economic Regulation Specialist | Régie de l'énergie |

| Table 5: SHER Participants | |
|--|------------------|
| Title | Entity |
| Head of Operations and Services Division | Hydro-Sherbrooke |
| Head of Engineering Division | Hydro-Sherbrooke |
| Director, Services Hydro-Sherbrooke | Hydro-Sherbrooke |