

I. Summary

The IESO is forming a working group to develop the processes that will be followed by the Market Assessment and Compliance Division (“MACD”) and market participants during audits of compliance with North American Electricity Reliability Corporation (“NERC”) reliability standards and Northeast Power Coordinating Council (“NPCC”) criteria.

II. Introduction

Market participants are required under the Market Rules to comply with reliability standards and criteria. MACD is accountable for the monitoring and enforcement of compliance with reliability standards and criteria. The reasons for auditing market participants for compliance with reliability standards and criteria include:

- To enable MACD to assess the risk market participant non-compliance poses to reliable operations. This type of assessment is used to inform enforcement program decisions (e.g. monitoring program, or areas of investigations).
- Address non-compliance that can occur because of the complexity of the standards.
- Address non-compliance that can occur when new market participants are learning how to operate within the market rules.

MACD is seeking stakeholder input on establishing an auditing process that conforms as closely as possible to generally accepted auditing practices. The output of the working group will be an auditing process which makes clear the expected actions and activities of both market participants and MACD. These activities and expectations will be captured in an external Market Manual.

In Scope:

The scope of this engagement is to gather feedback from stakeholders on how to adapt the existing NERC/NPCC auditing program to develop an auditing process that meet the needs of Ontario market participants while adhering to generally accepted auditing practices. The auditing process will include the auditing phases of planning, field work, and reporting.

Out of Scope:

- Interpretations of compliance with NERC and NPCC reliability standards and criteria.
- Content reviews of audit support material such as Ontario Reliability Standard Audit Worksheets.
- Enforcement decisions: for example, whether there is a need to conduct audits; the scope, depth, and nature of the audit; evidentiary requirements; treatment of non-compliance referrals; interfacing of audits with other investigative processes; disclosure of audit results; criteria for the selection of market participants to be audited; the cycle of audits; and the monitoring method.

III. Stakeholders

Working group participation is open to all market participants required to comply with NERC/NPCC standards and criteria which includes authorized market participants with bulk power system connected facilities and traders.

IV. Decision Making Process

Feedback from this initiative will be used to develop a manual which will then be available for stakeholder review through the normal baseline process.

All stakeholder views collected through this initiative will be considered by MACD. MACD decisions, along with rationale, will be fully communicated to stakeholders, as will an explanation of how stakeholder input was taken into account.

V. Goals and Objectives and Overall Approach

Goal:

The goal of the stakeholder engagement is to develop an Ontario adapted NERC/NPCC audit process which adheres as closely as possible to generally accepted auditing practices.

Objectives:

1. To allow stakeholders the opportunity to provide feedback to MACD on their business needs around the auditing process (e.g., audit preparation materials, timing of deadlines, etc.).
2. To gather input from market participants on how the auditing process may be implemented in a transparent, efficient, and effective way.

Approach:

The implementation of this stakeholder engagement plan will be in accordance with the IESO's approved [stakeholder engagement principles](#). The plan will be subject to review and update as the process evolves and stakeholder comments are incorporated, and as revisions are warranted. The stakeholder engagement approach will involve the formation of a small working group of stakeholders from various sectors. It is anticipated that the group will meet to review auditing processes and offer feedback on a proposed approach. Written feedback may also be solicited. For details on the working group, see the posted Terms of Reference.

All materials will be posted. Web-based postings provide all interested stakeholders with an efficient, low-cost method to be informed with the opportunity to communicate their views via e-mail to stakeholder.engagement@ieso.ca. All stakeholder input will be posted on the IESO website.

VI. IESO Sponsor

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VII. Decision Making Steps and Schedule of Activities

Stakeholder Engagement Schedule		
Activity	Expected Actions	Target Date for Completion
1. Publish stakeholder engagement plan for feedback from stakeholders. Solicit volunteers for stakeholder group.	Stakeholders to provide written feedback and submit nominations for volunteers	April 19, 2011
2. Deadline for written input from stakeholders on the stakeholder engagement plan and volunteers for the group.	IESO to post stakeholder feedback	April 26, 2011
3. Posting of revised stakeholder engagement plan incorporating feedback from stakeholders.	IESO to publish revised stakeholder engagement plan and list of members in working group	April 29, 2011
4. First meeting. (Face to Face)	Review and finalize Terms of Reference for working group, review meeting and project schedule.	Week of May 2-6
5. Second meeting: any one of (face-to face, teleconference, webcast)		Week of May 16-20
6. Third meeting any one of (face-to face, teleconference, webcast)		Week of May 30-June 3
7. Fourth meeting any one of (face-to face, teleconference, webcast)	Final review of Auditing practices	Week of June 13- June 17
8. Audit Process finalized	Final auditing process posted	June 30, 2011
9. Report to the Reliability Standards Standing Committee and end of SE		June, 2011
10. Audits begin		Fall, 2011