

PROCEDURE



Market Manual 2: Market Administration

**Part 2.17: Compliance
Auditing of Reliability
Standards for Ontario
Market Participants**

Issue 1.0

This procedure provides guidance on auditing of reliability standards for Ontario Market Participants.

Disclaimer

The posting of documents on this Web site is done for the convenience of *market participants* and other interested visitors to the *IESO* Web site. Please be advised that, while the *IESO* attempts to have all posted documents conform to the original, changes can result from the original, including changes resulting from the programs used to format the documents for posting on the Web site as well as from the programs used by the viewer to download and read the documents. The *IESO* makes no representation or warranty, express or implied, that the documents on this Web site are exact reproductions of the original documents listed. In addition, the documents and information posted on this Web site are subject to change. The *IESO* may revise, withdraw or make final these materials at any time at its sole discretion without further notice. It is solely your responsibility to ensure that you are using up-to-date documents and information.

This document may contain a summary of a particular *market rule*. Where provided, the summary has been used because of the length of the *market rule* itself. The reader should be aware, however, that where a *market rule* is applicable, the obligation that needs to be met is as stated in the “Market Rules”. To the extent of any discrepancy or inconsistency between the provisions of a particular *market rules* and the summary, the provision of the *market rule* shall govern.

Document ID	IESO_PRO_0803
Document Name	Part 2.17: Compliance Auditing of Reliability Standards for Ontario Market Participants
Issue	Issue 1.0
Reason for Issue	First Release
Effective Date	December 7, 2011

Document Change History

Issue	Reason for Issue	Date
1.0	Publication of First release	December 7, 2011

Related Documents

Document ID	Document Title

Table of Contents

Table of Contents	i
List of Tables	iii
Table of Changes	iv
Market Manuals	1
Market Procedures	1
1. Introduction	2
1.1 Purpose.....	2
1.2 Scope.....	2
1.3 Definitions.....	2
1.4 Overview.....	3
1.5 Roles and Responsibilities.....	3
1.5.1 Role of the IESO.....	3
1.5.2 Market Participants.....	4
1.5.3 Market Assessment and Compliance Division.....	4
2. Auditing Program Overview	5
2.1.1 Nature of Audits.....	5
2.1.2 Quality, Consistency and Credibility of Information.....	5
2.2 MACD Implementation Plan.....	6
2.3 Auditors.....	6
2.3.1 Conflict of Interest.....	6
2.3.2 Audit Team Security Clearance.....	7
2.4 Audit Scope.....	7
2.5 Audit Period.....	7
2.6 Escalation Process.....	8
2.7 Interfaces with Compliance Processes.....	8
2.7.1 Self –disclosure.....	8
2.7.2 Mitigation or Compliance Plans.....	8
2.7.3 Possible Non-Compliance.....	9
3. Conducting the Audit	10
3.1 Communications.....	10
3.2 Audit Notification Timing.....	10
3.2.1 Audit Date Notice.....	10
3.2.2 Audit Notification.....	10

3.2.3	Audit Notification Content.....	11
3.2.4	Audit Communications	11
3.3	Off and On-site Audit	11
3.4	Final Audit Report	12
3.5	Audit Information.....	13
3.5.1	Public Disclosure of Lessons Learned	13
3.5.2	Information Handling, Requests, and Confidentiality	14
3.5.3	Detection of Misleading and Deceptive Information	14
3.5.4	Information Retention.....	14
3.5.5	Information Request.....	14
3.5.6	Use of NERC RSAWs, QRSAWs and CANs	15
3.5.7	Reliance on Audit findings from other Reliability Standard Enforcement Agencies	15
4.	Unscheduled Audits	16
5.	Guide to IESO Portal Collaboration	17
5.1	Introduction	17
5.2	How to Access Portal Collaboration.....	17
5.3	Overview	18
5.4	Documents.....	19
5.5	Uploading a Document	19
Appendix A:	Notification Schedule – Q1 2012 Audits.....	A-1
References		1

List of Tables

Table A – Standard Selection Guideline *	10
Table B – Audit Notification and Activity Schedule	13
Table C: Timeline for Q1 2012 Audits	A-1

Table of Changes

Reference (Section and Paragraph)	Description of Change
Section 2.3	Deleted the last sentence
Section 3.52	Deleted part of a sentence

Market Manuals

The *market manuals* consolidate the market procedures and associated forms, standards, and policies that define certain elements relating to the operation of the *IESO-administered markets*. Market procedures provide more detailed descriptions of the requirements for various activities than is specified in the "Market Rules". Where there is a discrepancy between the requirements in a document within a *market manual* and the "Market Rules", the "Market Rules" shall prevail. Standards and policies appended to, or referenced in, these procedures provide a supporting framework.

Market Procedures

The "Market Administration Manual is Volume 2 of the *market manuals*, where this document forms "Part 2.17: Compliance Auditing of Reliability Standards".

A list of the other component part of the "Market Administration Manual" provided in "Part 2.0: Market Administration Overview", in Section 2, 'About This Manual'.

Structure of Market Procedures

Each market procedure is composed of the following sections:

1. '**Introduction**', which contains general information about the procedure, including an overview, a description of the purpose and scope of the procedure, and information about roles and responsibilities of the parties involved in the procedure.
2. '**Appendices**', which may include such items as forms, standards, policies, and agreements.

Conventions

The *market manual* standard conventions are defined in the "Market Manual Overview" document

– End of Section –

1. Introduction

1.1 Purpose

This document provides the procedure that will be followed during audits of compliance with North American Electricity Reliability Corporation (“NERC”) reliability standards and Northeast Power Coordinating Council (“NPCC”) criteria or directories.

1.2 Scope

This procedure is intended to provide *market participants* with a summary of the steps and interfaces involved in the Compliance Auditing of Reliability Standards. It is not to provide a complete background of audit practices but rather to provide *market participants* with sufficient guidance to make auditing expectations clear to them.

The overview information in Section 1.3, below, is provided for context purposes only, highlighting the main actions that comprise the procedure as illustrated in Section 2 and described in Section 3.

The steps described in this document serve as guidance for *market participants* and reflect the authority granted in section 6.1.2 of Chapter 3 of the *market rules* and applicable *IESO* policies and standards.

1.3 Definitions

A list of terms and acronyms used in this *market manual* is found in Chapter 11 of the *market rules*. Unless otherwise defined in this *market manual*, terms and acronyms used in this *market manual* have the meanings ascribed thereto in Chapter 11 of the *market rules*. The terms below shall have the following definitions for the purpose of this *market manual*.

Audit Period: means the period over which a *market participant* shall demonstrate compliance with Reliability Standards. The audit period is a rolling six years from the present..

Day: unless otherwise stated, in this document any reference to “day” means a calendar day. Similarly, any references to “months” refer to calendar periods.

IIA: means the Institute of Internal Auditors.

Information: includes, in any format, records, documents, data, tapes, interviews, demonstrations, inspections etc.

MACD: means Market Assessment and Compliance Division of the IESO.

MACD Audit Program: means the MACD program for auditing of Ontario *market participants* as outlined in the external *market manual*.

MACD Plan: means the MACD audit implementation plan

MP: means Market Participant

NERC fill-in-the-blank standards: means NERC standards which require Regional Entities to develop specific requirements in order to implement the NERC *reliability* standard within each region.

Notification Period: means the period of time between the audit notification and the audit start date.

Q/RSAs: means NERC compliance questionnaires that are incorporated into RSAs

Recommendations: means non-binding suggestions made by MACD to the *market participant* in the interest of interconnected power system *reliability*.

Reliability Standards: means *NERC reliability* standards, *NPCC regional reliability* standards and *NPCC* criteria or directories, unless otherwise stated.

Scope: means all *market participant* applicable Reliability Standards for which *market participants* shall demonstrate compliance during an audit.

SME: means subject matter expert

RSAs: means reliability standards auditing worksheets

1.4 Overview

MPs are required under the *market rules* to comply with Reliability Standards. MACD is accountable for the monitoring and enforcement of compliance with Reliability Standards.

In Ontario, MPs have been mapped to their *NERC* functional role as part of the Ontario Reliability Compliance Program. MACD will conduct Reliability Standard audits to assess the compliance of MPs with Reliability Standards for the purposes of ensuring *reliability*.

MPs can be assessed on compliance with all applicable Reliability Standards that are in-force in Ontario during the Audit Period. During the conduct of an audit, MACD may make focused information requests for any applicable Reliability Standard for a period smaller than the Audit Period.

MACD will provide through audit reporting to MPs, its determinations of compliance and possible non-compliance with Reliability Standards. Where appropriate, MACD will make suggestions for improvement which are non-binding on the MP. MACD will identify such suggestions as “recommendations” in the audit report.

1.5 Roles and Responsibilities

The roles of the *IESO*, MACD and MPs as they relate to the auditing of Reliability Standards, are outlined below.

1.5.1 Role of the IESO

Pursuant to subsection 32.(1) of the *Electricity Act* and the *market rules*, the *IESO* is responsible for establishing and enforcing standards and criteria related to the *IESO-controlled grid*. Chapter 3, section 6 of the *market rules* sets out the rules pursuant to which the *IESO* shall monitor, assess and enforce compliance with the *market rules*. Chapter 3, section 6.1.2 of the *market rules*, provides that the *IESO* shall “undertake such monitoring as it considers necessary to determine whether *market participants* are complying with the *market rules*”. This responsibility and authority has been delegated by the *IESO* to MACD.

According to the *market rules* Chapter 1, section 7.7.2, the *IESO* including MACD is required to comply with all applicable *market rules* which includes adherence to this External Market Manuals.

1.5.2 Market Participants

The *market rules* require MPs to comply with all applicable Reliability Standards (Chapter 5, sections 3.4.2, 3.5.3, 3.6.2 and 3.7.2) as attributed to each MP's mapped NERC functional role and in accordance with the Ontario Reliability Compliance Program *market manual* IMO_PRO_0033.

MPs shall provide all Information requested by the auditor within the deadline specified in the Information request. MPs shall demonstrate compliance with all applicable Reliability Standards. It is important to understand that the burden of demonstrating compliance during an audit lies with the MP. The audit team lead must be satisfied that the MP has met the threshold of sufficient quantity of quality Information to determine compliance with a Reliability Standard.

MPs are expected to:

- Follow the audit plan (i.e. Scope and timing),
- Cooperate and assist during the audit,
- Disclose and explain fully all relevant information,
- Make all necessary arrangements to make requested individuals available for audit participation,
- Make arrangements for the audit team site access and on-site escorts (as required by the MP), and
- Make available processes, equipment, or information technology tools for visual or testing demonstrations.

1.5.3 Market Assessment and Compliance Division

MACD is not required to adhere to the *NERC* Rules of Procedures in exercising its enforcement authorities for establishing audits or audit procedures for Ontario *market participants*.

At MACD's sole discretion, audits may be conducted using any combination of methods including scheduled or unscheduled on-site or off-site audits. To the extent the following techniques are necessary to determine MP compliance with Reliability Standard, MACD may require interviews, inspection or tests of equipment, processes, or information technology tools, and accessibility to Information through requests. In arranging interviews with individuals, inspection or tests of equipment, processes, information technology, and accessibility to Information through requests, MACD will consider MP limitations on coordination/provision of Information within the audit schedule. MACD will not be testing equipment directly but may request the results of a test be reproduced or may observe a test being conducted.

If the audit team finds that immediate action should be taken to correct an identified possible breach, it is to refer such observations to MACD investigative staff.

– End of Section –

2. Auditing Program Overview

MACD will select both MPs and Reliability Standards using a risk based approach. This approach examines factors which inform the impact on *reliability* if a specific MP were to breach applicable Reliability Standards and the likelihood of a specific MP breaching Reliability Standards. In selecting both MPs and Reliability Standards to be audited, MACD will consider among other things, MP specific information, Ontario specific risk and the MACD Plan. Any MP regardless of its impact on reliability and likelihood of breaching may be selected for auditing.

2.1.1 Nature of Audits

An audit is a systematic, independent and documented verification process. This process will obtain and objectively evaluate documented audit Information to determine whether specified criteria are met to demonstrate compliance with applicable Reliability Standards. An audit is an objective assessment of the compliance performance by the MP.

2.1.2 Quality, Consistency and Credibility of Information

The amount of audit work and Information collected for an audit will vary from requirement to requirement of the Reliability Standards to attain the necessary level of assurance as determined by MACD. The MP's compliance will be assessed against Information provided for the activities. If a MP's Information fails to support compliance, it will not automatically result in a non-compliance investigative finding.

It will be necessary for the audit team to have sufficient quantity of quality Information, to be able to assert that compliance has occurred over the Audit Period for the specified Reliability Standards. The quantity of Information refers to the amount of Information collected and the quality of Information refers to the authenticity and accuracy of the Information. To meet the threshold for sufficient quantity and quality of Information, the audit team may require various types of Information to verify compliance.

If it is impractical to analyze all of the Information for the entire Audit Period and Scope, the audit team will analyze a subset of the Information. This is referred to as sampling. The subset will have to be large enough to provide the audit team with sufficient assurance that the sample chosen is representative of the Audit Period. Finally, to provide the appropriate assurance, the audit team may need to verify the Information. Examples of different types of audit procedures that maybe employed ranked by the persuasiveness to support compliance with Reliability Standards are listed from most persuasive to least persuasive:

- Third party (independent) confirmation of a process/control/event
- Duly approved internal documentation
- Physical examination/inspection (vouching, tracing or scanning information or physical inspection)
- Analytical procedures with adequate data
- Observation (staff perform job function while the auditor views)
- Inquiries made of the MP

MPs shall provide all Information requested by the auditor within the deadline specified in the Information request. MPs shall demonstrate compliance with all applicable Reliability Standards. It is important to understand that the burden of demonstrating compliance during an audit lies with the MP. The audit team lead must be satisfied that the MP has met the threshold of sufficient quantity of quality Information to determine compliance with a standard.

2.2 MACD Implementation Plan

The MACD Plan will be the method by which MACD will provide MPs with a subset of Reliability Standards which may be audited. The MACD Plan will be publicly posted and will contain Reliability Standards chosen considering a global view of risk to *reliability*. The MACD Plan, among other things, will consider the *NERC* and *NPCC* implementation plans and specific Ontario-based risks. It will be issued within 60 days following the issuance of the *NERC* and *NPCC* implementation plans. The MACD Plan may be updated and republished anytime during the year. MACD's selection of the standards for each MP will consider the current version of the MACD Plan and any MP specific risk-based information. Additional Reliability Standards not identified in the MACD Plan may be included. The MACD Plan does not limit the Scope of the audit nor the final set of Reliability Standards examined during an audit.

2.3 Auditors

MACD will use a mix of skills, experience and competencies on their audit team. Audit team members will be required to have completed the *NERC* auditor training program. Only a MACD staff member may act as an audit team leader.

All members of the auditing team, whether contracted or MACD staff, are bound to the *IESO's* Code of Conduct. The Code of Conduct is posted on the *IESO* website. Contracted staff are also bound by an information non-disclosure agreement with the *IESO*.

MACD may use a combination of MACD staff, contractors or *IESO* staff as SMEs to form audit teams who will contribute to the audit inquires and audit Information assessments. MACD may include observers for the purposes of training, including Ontario Energy Board (OEB) staff members. Observers will not be permitted to participate in the assessment of audit Information and decisions on determining compliance or findings of potential non-compliance.

The MACD audit team lead is responsible for making all audit related decisions.

2.3.1 Conflict of Interest

MACD will screen all auditors (including subcontractors) for impairments to impartiality and independence. MACD's decision making for auditor member selection will be guided by the IIA standards. All auditors are required to disclose any actual or perceived impairment to their independence and objectivity. MACD will then determine the need for a disqualification of the auditor.

MACD will provide MPs the opportunity to review the individuals selected for the audit team such that they have an opportunity to provide additional information which MACD may not be aware of. MACD will provide the names of the audit team members and a brief biography with the initial audit

notice. The MP can submit an application to reject audit team member(s) on the basis of concerns around the auditor's impairment to independence or objectivity. Refer to section 2.6 for the escalation process.

2.3.2 Audit Team Security Clearance

All audit team members will be subject to the *IESO* security clearance process. Consistent with NERC CIP regulation the *IESO* performs criminal record checks on full-time, part-time, temporary and contracted individuals.

The audit team will follow standard site protocol of the MP.

2.4 Audit Scope

Until further notice, the Scope will be limited to the NERC reliability standards, NPCC regional reliability standards, and only NPCC criteria/directories that are developed in response to NERC fill-in-the-blank standards and may include other items as listed below.

In an audit notice to a MP, MACD may also include items related to investigations or technical feasibility exceptions (TFE) such as:

- Reliability Standards related to ongoing investigations,
- Reliability Standards which were the subject of a completed investigation,
- Confirmation of outstanding or concluded mitigation or compliance plans (voluntary or ordered), or
- Validation of approved TFE compliance or mitigation plans.

Depending on the Information collected during the audit, the audit team may determine a need to expand the Information requests to additional Reliability Standards not identified in the initial notification and/or request Information outside the period identified in the initial Information request. In these cases, MACD will make subsequent Information requests.

2.5 Audit Period

The default Audit Period is rolling six years from the present. However, if the MP has been audited by MACD in the past, the Audit Period for only those Reliability Standard previously audited will begin at the end date of the previous audit to the present. This adjusted Audit Period is only for Reliability Standards previously audited by MACD, for all other Reliability Standards, the Audit Period will be a rolling six years.

The MP must be able to demonstrate compliance with any Reliability Standard, including changes to any Reliability Standard during the Audit Period. The initial Information request included in the audit notification will typically focus on the previous calendar year to the date of the Information request. During the course of the audit, the audit team can request Information to demonstrate compliance for any period during the entire Audit Period. This could include days prior to the Information request. This Audit Period does not become fixed during the course of the audit regardless of the period selected for Information requests.

MACD may shorten the Audit Period for any audit. In such cases, MACD shall notify the MP through the audit notification.

MACD will reconsider the length of the Audit Period in 2016.

2.6 Escalation Process

The MACD audit team leader will be responsible for audit decision making. If there are issues which cannot be resolved with the MACD audit team lead, the MP may make an application for resolution of the disagreement(s) to the Director of MACD or delegate.

The escalation process is as follows.

- i. **Deadlines:** MPs are required to communicate their concerns to the audit team lead immediately upon becoming aware of them. If the issue is not resolved satisfactorily with the audit team lead, applications are required to be submitted within 2 business days after the final discussion with the audit team lead.
- ii. **Application submission:** The MP is to file an application for consideration of any disagreements with the Director of MACD or delegate stating, in writing, its disagreement, the rationale for the disagreement and any proposed changes/accommodations, if applicable.
- iii. **Assessment:** If the Director of MACD or delegate determines the disagreement has merit, he/she will within two weeks of the receipt of the application respond with its decision and reasons regarding acceptance or rejection and any accommodations, if applicable. Alternately, if the application is without merit, incomplete, or late, it will not be processed and the MP will be notified of the rejection.

An application submission does not stay any aspect of the audit process unless the Director of MACD or delegate decides otherwise.

Any disputes regarding audits can be further pursued under the *IESO's* dispute resolution process (Chapter 3, section 2.2). MACD and MPs shall complete the foregoing escalation process before the initiation of a dispute through the *IESO's* dispute resolution process.

2.7 Interfaces with Compliance Processes

This following section looks at the interfaces with the compliance processes as it relates to self-disclosure, mitigation and compliance plans and possible non-compliance.

2.7.1 Self –disclosure

The Ontario sanctioning framework provides for reductions of financial penalties if a possible non-compliance event is discovered and reported by the MP prior to the detection through the audit process. Any possible non-compliance event discovered by a MP during an audit may qualify for penalty reductions. MPs are encouraged to self disclose an incident of non-compliance at any time. The investigations unit of MACD will review the specific circumstances of a self-report and make appropriate adjustments to any penalties which may follow.

2.7.2 Mitigation or Compliance Plans

MPs are encouraged but not required to submit mitigation or compliance plans for possible non-compliance event(s) they discover. The Ontario penalty framework allows for reductions in financial penalty for voluntary correction. Decisions by the MP to implement mitigation or compliance plans identified as possible non-compliances does not constitute an admission of breach and does not prejudice the results of an investigation into the non-compliant incident. The investigations unit of MACD will review the specific circumstances of the voluntary correction and make appropriate adjustments to any penalties which may follow.

2.7.3 Possible Non-Compliance

Any possible non-compliance events of Reliability Standards found as a result of an audit are reported to MACD investigators for follow-up. MACD investigative staff will assess whether non-compliance of the Reliability Standard has occurred and whether enforcement actions are warranted.

– End of Section –

3. Conducting the Audit

MACD has determined that timelines for the first quarter of 2012 will include an expanded minimum notification period of 120 days (on-site) or 104 days (off-site), as applicable (see Appendix A). Audits scheduled after April 1, 2012 will use the timelines as outlined in Section 3.2.1. In either case the audit activities will be the same and as described in this section.

3.1 Communications

There are a number of scheduled opportunities for pre-audit meetings between the audit team and the MP. This does not preclude other discussions at any other time before the audit. If the MP declines to participate in the scheduled pre-audit meetings, the audit will start as scheduled. Successful audits require open and iterative communications between the audit team and the MP for the purposes of understanding processes and procedures, compliance methods and organizational Information, all of which is required to establish sufficiency and appropriateness of Information to demonstrate compliance.

The MP is to designate a single point of contact for the coordination of activities, known as the “audit coordinator”, and identify business unit leaders, functional leaders, or subject matter experts available to the audit team.

3.2 Audit Notification Timing

3.2.1 Audit Date Notice

MACD may provide MPs with an audit date notice in advance of the audit notification. An audit date notice will simply identify MACD’s intent to perform an audit within a date range. The specific details of the audit will follow in the audit notification.

3.2.2 Audit Notification

MACD will notify an MP of an upcoming audit at least 90 days prior to the scheduled audit date. MACD will consider Table A when determining the timing of the notice for 2012 audits only. After 2012, this table will no longer be in effect.

Table A – Standard Selection Guideline *

Notification Period	Number of applicable Reliability Standards requirements
At least 90 days	Up to 210 requirements
At least 6 months	Greater than 210 requirements

*Where an audit notification has been issued along with Information requests and MACD issues subsequent Information request for Reliability Standards not in the initial Information request MACD is not required to consider Table A in its notification timing.

3.2.3 Audit Notification Content

At a minimum, in the audit notification, MACD will provide MPs with the information listed below.

- Audit Scope
- Audit Period
- Pre-Audit survey for organizational Information
- Initial Information Request including applicable Q/RSAs and RSAs
- Schedule of process steps, including dates
- Audit team members, roles and a brief biography
- Whether the audit is on-site or off-site

3.2.4 Audit Communications

- i. Audit Notification: At least 90 days before the audit start date MACD will provide the audit notification to MPs.
- ii. Pre-submission Meeting: As agreed to by MACD and the MP, MACD will arrange a pre-submission meeting with the MP to provide an opportunity for questions. MACD will provide general preparatory information to the MP regarding what the MP can expect during the audit.
- iii. Pre-Audit Survey: Within 30 days of the date of the Audit Notification the pre-audit survey is required to be submitted.
- iv. Pre-audit Submission: MP will be required to submit all pre-audit Information (which includes RSAs) as identified in the initial Information request at least 30 days before the audit start date for evaluation by the auditors.
- v. Pre-audit meeting: After reviewing the submitted pre-audit Information, if necessary, MACD will conduct a follow-up meeting with more specific Information requests and an opportunity for questions and answers for the both the MPs and the auditing team, and to finalize preparation activities. Each subsequent Information request will specify a due date as part of the Information request.
- vi. Pre-audit meeting (on-site only): At least one week before the start of an on-site audit or as agreed to by MACD and the MP, a meeting to discuss on-site logistics will be scheduled. MACD reserves the right to cancel an on-site audit, depending on Information submitted.

3.3 Off and On-site Audit

During the audit, the audit team will conduct the assessment and collect audit Information to determine MP compliance with the Reliability Standards. MACD may collect audit Information through exercising various audit procedures identified in section 2.1.2. The audit team will, to the extent reasonable, explain additional requests for Information. The explanation would be to facilitate

the collection of the appropriate Information and the decision to provide an explanation will reside with the audit team lead.

At the completion of the assessment of an on-site and off-site audit, MACD will provide a summary of its preliminary findings including any of:

- Concerns with Reliability Standards applicability,
- Possible non-compliance and supporting information,
- Recommendations
- Any further information as MACD deems appropriate

The audit team may also identify outstanding follow-up actions. The audit team will communicate the timing of the subsequent process steps. The target is usually six weeks after completion of the audit to issue the draft final report, and a minimum of two weeks for the MP to provide comments.

3.4 Final Audit Report

The issue dates for the draft and final audit reports will be determined in the exit meeting. MPs will have an opportunity to provide comments to the draft audit report following the timelines outlined in the exit presentation. These comments should only be related to factual errors or omissions. Approximately two weeks after the receipt of the MP's comments or as outlined in the exit presentation, MACD will issue a final report to the MP.

The final audit report will contain the following:

- The objective, Reliability Standards examined, Audit Period, time period covered by the Information requests, including any limitations
- Observations made that lead to determination of audit findings
- Audit findings
- Concerns with the applicability of Reliability Standards
- Audit methodology, sampling methods, list of samples
- Recommendations for improvements
- Any further information as MACD deems appropriate

The final audit report will be issued to the MP containing the compliance findings, and if warranted, a separate list of Recommendations will be provided.

The final audit report and the list of Recommendations, if applicable, will be distributed to the authorized representatives of the MP and the audit coordinator.

With the issuance of each final report, MACD will provide a survey to the MP requesting feedback on the various aspects of the audit. For example, the survey will allow the MP to comment on audit team performance and suggest process improvements without any impact on future audits. These surveys are not to replace opportunities provided to a MP to resolve issues as they emerge during the audit.

Audit reports will be treated as confidential under the *IESO market rules*. MACD will not distribute audit reports to *NERC* or *NPCC*, unless authorized by the MP or required by law. MACD may share

aggregate or summary information of the MACD Audit Program with *NERC* or *NPCC*, but this will not include audit reports or audit Information collected.

Chapter 3, Section 5 of the *market rules*, gives the *IESO* the right to release *confidential information* about *market participants* to the OEB upon request and requires notification to MPs.

Table B – Audit Notification and Activity Schedule

Timeline	Activity
No sooner than the date of the <i>NERC</i> Implementation Plan issuance but no later than 60 days	Posting MACD implementation plan
No less than 90 days before audit start date	Audit notification issued
As agreed to by MACD and MP	Pre-submission meeting
Within 30 days of the date of the audit notification	Pre- Audit Survey
At least 30 days before audit start date	MP submits pre-audit material (which includes RSAWs)
As agreed to by MACD and MP (if necessary)	Pre-audit meeting
At least one week before audit (on-site only)	Pre-audit meeting, finalize on-site logistics
As specified by audit notification	Audit start date
Typically six weeks following the completion of the audit	Issue draft audit report to MP
MP to be provided at least two weeks after receipt of the draft report to submit comments	MP submit comments on the draft report
Approximately two weeks after receipt of MP comments	Issue final report to MP

3.5 Audit Information

This section discusses the public disclosure, confidentiality, retention and requests for Information.

3.5.1 Public Disclosure of Lessons Learned

MACD will review the audit report outcomes to assess the value of publicly disclosing any lessons learned. The intent of the disclosure is to communicate lessons learned to the industry to encourage improved *reliability*. To the extent possible, MACD will protect the identity of the MP to which the information pertains without disrupting the value or sufficiency of the information being disclosed. If MACD determines that public disclosure is warranted, the MP will be provided an opportunity to comment on the release and content of the information intended for public disclosure. MACD will consider the comments and may make accommodations. The MP will be notified of MACD's determination. At this point, any disagreements over the release of the information will proceed through the escalation process specified in Section 2.6 of this manual. The information will not be released publicly until the conclusion of the escalation process.

3.5.2 Information Handling, Requests, and Confidentiality

Any audit Information or evidence collected, received or created during the course of an audit will be deemed confidential and will be subject to the application of Chapter 3, section 5 of the *market rules*.

3.5.3 Detection of Misleading and Deceptive Information

Market rule Chapter 1, section 11.2.1 requires MPs to disclose or provide Information that is true, correct and complete at the time at which such disclosure or provision is made. MPs shall not knowingly or recklessly disclose or provide Information that is misleading or deceptive. During the course of an audit, if MACD suspects that Information provided is untrue, incorrect, incomplete, misleading, or deceptive, the MP will be informed of the observation and the audit team will note the matter in the final report along with the substantiation.

3.5.4 Information Retention

MPs are required to retain Information which demonstrates compliance with the Reliability Standards such that during an audit they will have retained all the required Information which spans the Audit Period.

Information shall be retained by the MP for a rolling six year period to the present unless specified differently by the following:

- i. The retention requirements for Reliability Standard as specified in the *market rules*; or
- ii. The retention period specified in the Reliability Standard.

In situations where there is a retention period specified in both the *market rules* and the Reliability Standards, the requirement shall be to retain Information for the longer of the two specified periods.

Notwithstanding the above, if there are any ongoing investigations of potential non-compliance, disputes, or an in effect TFE, all Information regarding, produced during, or as a result of these respective processes must be retained until the processes have concluded, plus a period equal to the longest of the above periods.

The MP shall demonstrate compliance for the entire Audit Period. Where the Information retention period does not cover the entire Audit Period, the MP will not be found in non-compliance solely on the basis of the lack of specific information that has rightly not been retained based on the Information retention period specified above. However, MACD may require the MP to demonstrate compliance through other means.

Where the Information retention period exceeds the Audit Period, the Audit Period will not be expanded to equal the Information retention period.

During the course of the audit, the audit team can request Information to demonstrate compliance during the entire Audit Period. MACD may require the MP to provide Information of compliance for the period prior to 2011, if deemed necessary. For example, a Reliability Standard requirement may specify an activity to be conducted cyclically, once every three years. In these cases, Information of the activity from 2008 could be required to demonstrate compliance for 2011.

3.5.5 Information Request

Information requests can be issued at any time during the audit. Initial Information requests will be provided in the audit notification and subsequent Information requests will be made as deemed necessary. Each Information request will have a specified submission deadline. The audit team lead

will consider deviations to the Information request submission deadlines only under exceptional circumstances and at its discretion.

3.5.6 Use of NERC RSAWs, QRSAWs and CANs

The *NERC* RSAWs (Reliability Standards Audit Worksheets) and QRSAWs (Questionnaire/Reliability Standards Audit Worksheets) are provided as a worksheet to assist MPs in collecting Information for audits of *NERC* standards. The *NERC* RSAWs do not define compliance with *NERC* standards nor do they define the boundaries of Information requests.

MACD may develop internal audit questionnaires, or request other compliance Information as it considers appropriate when RSAWs or QRSAWs are not available for a Reliability Standard. MACD will provide Information collection guidance to MPs where RSAWs and QRSAWs are not available through various means.

MACD will apply Compliance Application Notices (“CANs”) in accordance with *NERC* processes.

3.5.7 Reliance on Audit findings from other Reliability Standard Enforcement Agencies

Ontario MPs are not subject to audits by *NPCC* or *NERC*. To avoid duplication of work, the MP may request that MACD consider the audit findings of these agencies or others, if such audits were performed in the past. In such cases, the MP is required to provide the full and complete confidential audit findings report. MACD will assess this report on a case by case basis as to whether it will rely on the audit findings of the other agency in whole, in part or not at all. In any case, MACD will notify the MP of its decision and the basis for the decision.

– End of Section –

4. Unscheduled Audits

Nothing in this manual restricts MACD's authority to perform unscheduled audits to assess MP's compliance with applicable Reliability Standards at any point in time. Selection of MPs for these unscheduled audits is at MACD's sole discretion. Unscheduled audits may be held on-site or off-site and request Information for a large or small set of Reliability Standards. Unscheduled audits include both the concept of the *NERC* spot checks program and *NERC* unscheduled audit program. As such, Notification Periods may range from zero up to 30 business days at the discretion of MACD. Similarly, where the *NERC* program identifies the authority of *NERC* to perform zero notice audits for a limited set of Reliability Standards, MACD may also conduct zero notice audits only for the same set of Reliability Standards.

The notification process, as described earlier in this manual, only relates to scheduled audits and does not apply to unscheduled audits.

Unscheduled audits notifications, will at a minimum include names of the audit team members and a brief biography, applicable Information requests, date and duration of on-site visit, where applicable. All sections of this manual apply to unscheduled audits except Section 3.2.4 (i, ii and iii) and Table B (Activities 1 -4).

– End of Section –

5. Guide to IESO Portal Collaboration

5.1 Introduction

The Reliability Standards Audit Program portal collaboration community is used to exchange and share documents between MPs and MACD.

This section outlines specific information on functionality within the Reliability Standards Audit Program portal collaboration community. General information on the portal, including logging on and navigating, is available in the [Guide to IESO Portal](#).

For assistance with your user ID and password, please contact **IESO Customer Relations** at customer.relations@ieso.ca or **1-888-448-7777**.

Note: Not all users may see or have the permissions to perform all functionality described within this manual.

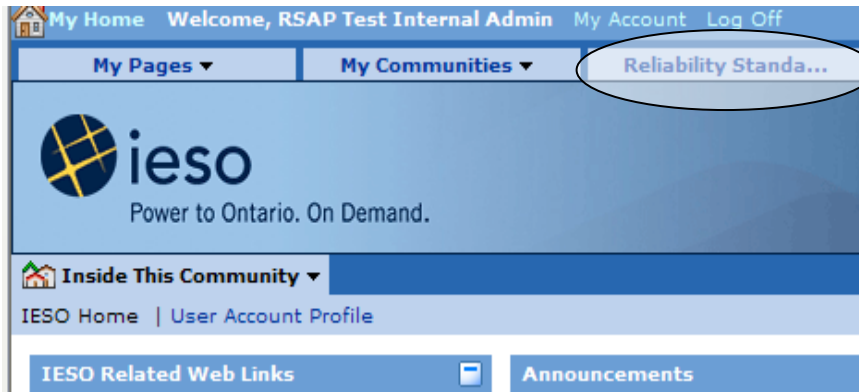
5.2 How to Access Portal Collaboration

Your portal collaboration community can be accessed by:

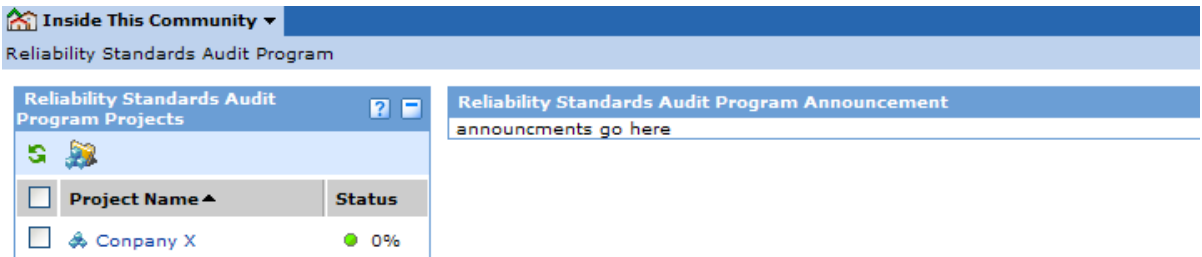
1. Typing <https://portal.IESO.ca/> on your browser or **Ctrl + Click** on the link.
2. Click **Log In**.



3. Enter your **User ID** and **Password**
4. Click the **Reliability Standards Audit Community** tab

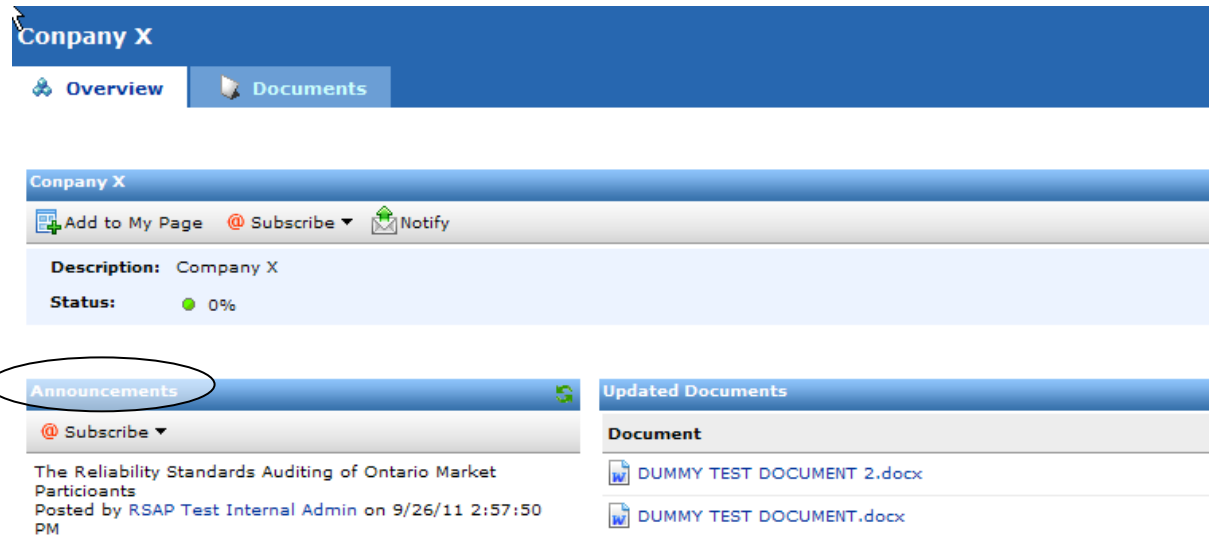


5. Click the link under Project Name. Company X user will see the example below.



5.3 Overview

This page will contain any new **Announcements** that the Reliability Standards Audit leader may *publish*.

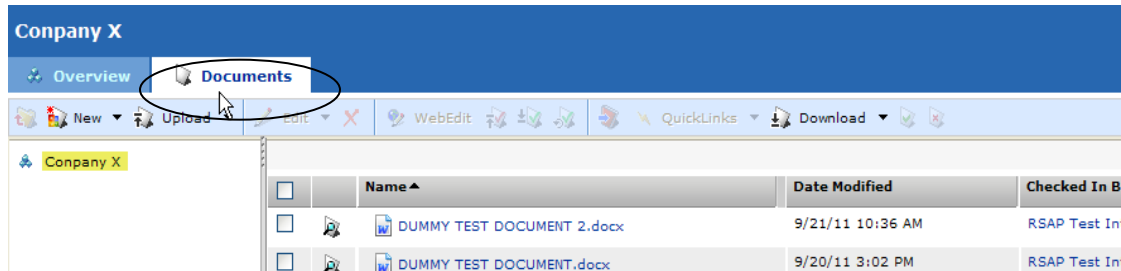


5.4 Documents

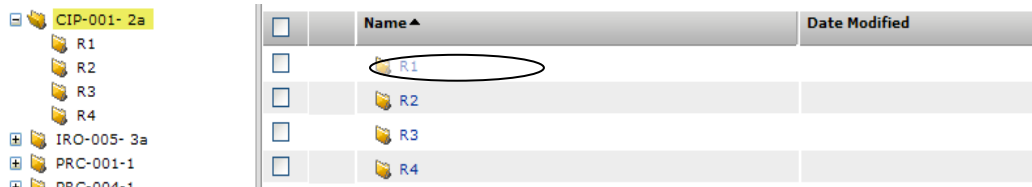
This location contains **folders** which will be used to submit Information. The folders structure is by Reliability Standard. Each folder represents a Reliability Standard that was identified in the initial notification. Information being submitted is to be filed under its appropriate folder.

5.5 Uploading a Document

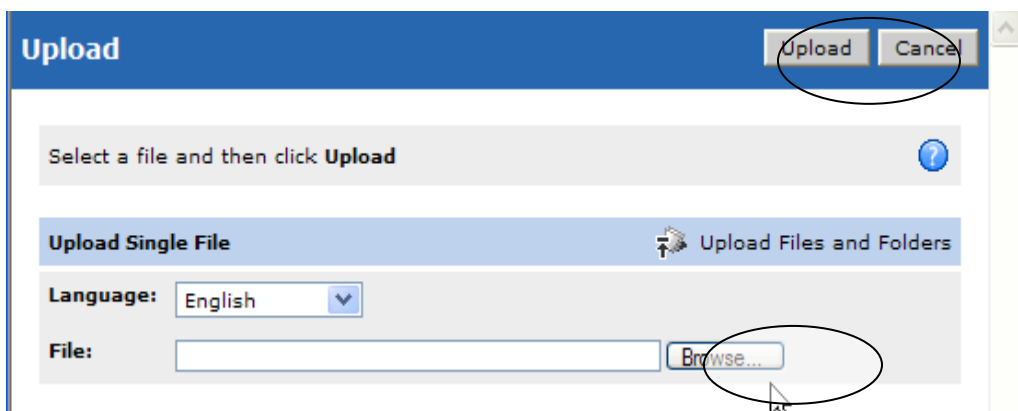
Click on the **Documents** tab to access the documents page for uploading documents.



1. Click on the folder with the standard and then the requirement for which the document relates.



2. Click on the **Upload**.
3. Choose **Single file** to upload
4. A pop-up will appear.
5. Click **Browse** to find the file to upload. Then click **Upload**.



Please contact **IESO Customer Relations** for further information on the process for uploading documents.

– End of Section –

Appendix A: Notification Schedule – Q1 2012 Audits

Table C describes the notification schedule for the Q1 2012 audits. During the first round of audits, MACD will provide MPs more lead time from the date of the first notification (Activity 1) to the start date of the audit (Activity 6); 120 days (on-site) and 104 days (off-site). At a minimum, the amount of time provided to MPs to accumulate the required Information by the pre-audit submission deadline (Activity 3) from the date of the first notification (Activity 1) will be no less than 90 days for on-site audits and 74 for off-site audits. For Q1 2012 audits, the latter minimum times exclude the vacation period of December 26 to January 6.

Table C: Timeline for Q1 2012 Audits

Activity Number	Timeline	Activity Name
1	No less than 120 days before the start date of an on-site audit or 104 days before the start of an off-site audit	Initial notification issued
2	As agreed to by MACD and MP	Pre-submission meetings
3	No less than 90 days from the on-site audit notification and 74 days from the off-site notification	MP submits pre-audit material
4	As agreed to by MACD and MP (if necessary)	Pre-audit meeting
5	At least one week before the start of an on-site audit	Pre-audit meeting – finalized on-site logistics
6	As specified in audit notice	Audit start date
7	Approximately six weeks following the completion of the audit	Issue draft audit report to MP
8	MP to be provided a minimum response time of two weeks	MJP submit comments to draft report
9	Within two weeks of receipt of MP comments	Issue final audit report to MP

– End of Section –

References

Document Name	Document ID
<i>Reliability Compliance Program</i>	IMO_PRO_0033

– End of Document –