



**Federal Energy Regulatory Commission  
January 15, 2009  
Open Commission Meeting  
Staff Presentation  
Item E-1**

"Good morning, Mr. Chairman and Commissioners.

Staff recommends that the Commission issue Item E-1, a draft guidance order on compliance audits conducted by the Electric Reliability Organization and Regional Entities. This order is based on observations of the Office of Enforcement and Office of Electric Reliability staff about audits that the North American Electric Reliability Corporation and Regional Entities conducted in 2008 into compliance by registered entities with Commission-approved Reliability Standards. The Commission has authority to approve procedures for these compliance audits pursuant to section 215 of the Federal Power Act.

In the draft order, the Commission provides the following guidance:

- When NERC leads a compliance audit in place of a Regional Entity, NERC staff, not the Regional Entity staff, should control the audit.
- Audit training should include skills in interviewing and evaluating evidence.
- NERC should make sure audit team requests for information are as consistent as possible among Regional Entities.
- Audit teams should allot sufficient time for pre-audit preparation and review.
- Compliance audit teams should not base determinations about compliance on the level of possible penalties or other sanctions that could be applied.
- NERC and Regional Entities should be as consistent as possible about documentation needed to show compliance.
- Compliance auditors should assess the registered entity's reliability standards compliance program, consistent with the Commission's recent Compliance Policy Statement.
- Compliance auditors should proactively notify registered entities of matters that may develop into violations.

The draft order is intended to improve the consistency of reliability compliance audits and ultimately to increase compliance with Reliability Standards.

We are ready to answer any questions you may have about the draft order."

