

# Shell Energy North America (US), L.P.

NERC ID #: NCR05118

## Audit Report

for Compliance with

## NERC Reliability Standards

Public Version

**Confidential Information (including Privileged and Critical  
Energy Infrastructure Information)  
Has Been Removed**

Audit Date: November 10 & 11, 2008  
Audit Location: Texas Regional Entity  
Report Date: January 12, 2009  
Prepared By: Rashida Caraway, Audit Team Leader

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## 1.0 EXECUTIVE SUMMARY

The off-site compliance audit of Shell Energy North America (US), L.P. was conducted on November 10 & 11, 2008. The NERC Reliability Standards that are being actively monitored for 2008 were reviewed based on Shell Energy North America (US), L.P.'s registration as a Purchasing-Selling Entity. Texas Regional Entity (Texas RE) conducted a compliance audit of Shell Energy North America (US), L.P., as a part of its normal six year cycle on the behalf of Texas RE, the Midwest Reliability Organization (MRO), Northeast Power Coordinating Council (NPCC), Reliability First Corporation (RFC), SERC Reliability Council (SERC), Southwest Power Pool (SPP) and Western Electricity Coordinating Council (WECC). The audit team consisted of three representatives from Texas RE.

Based on the review of documentation provided by Shell Energy North America (US), L.P. and the interviews of Shell Energy North America (US), L.P.'s personnel, Shell Energy North America (US), L.P. met all of the NERC Standard requirements.

## 2.0 AUDIT PROCESS

The compliance audit process is detailed in the NERC Compliance Monitoring and Enforcement Program (CMEP), available at [www.nerc.com](http://www.nerc.com). The NERC CMEP generally conforms to the United States Government Accountability Office Government Auditing Standards and other generally accepted audit practices.

### 2.1 Objectives

All registered entities are subject to audit for compliance with all reliability standards applicable to the functions for which the registered entity is registered.<sup>1</sup> The audit objectives are:

- Independently review Shell Energy North America (US), L.P.'s compliance with the requirements of the reliability standards that are applicable to Shell Energy North America (US), L.P. based on their registered functions.
- Validate compliance with applicable reliability standards from the NERC 2008 CMEP Implementation Plan list of actively monitored standards.
- Validate evidence of self-reported violations and previous self-certifications, confirm compliance with other requirements of the reliability standards, and review the status of associated mitigation plans.
- Document Shell Energy North America (US), L.P.'s compliance culture.

### 2.2 Scope

The scope of this compliance audit is inclusive of all requirements of the NERC Reliability Standards that are being actively monitored in 2008 and any others that may be identified by the audit team at the time of the audit applicable to a Purchasing-Selling Entity. The audit was performed by three members of Texas RE and a NERC representative.

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<sup>1</sup> North American Electric Reliability Corporation CMEP, paragraph 3.1, Compliance Audits

For the 2008 CMEP, the monitoring period for the compliance audit will be the past 12 months or periods specified in individual reliability standards. The monitoring period is not limited to the time period for which penalties and sanctions are assessed.

### **2.2.1 Confidentiality and Conflict of Interest**

Confidentiality agreements and code of conduct documentation for the regional entity staff were provided to Shell Energy North America (US), L.P. prior to the audit. Work history and conflict of interest forms submitted by each audit team member were provided to Shell Energy North America (US), L.P. Shell Energy North America (US), L.P. was given an opportunity to object to an audit team member on the basis of a possible conflict of interest or the existence of other circumstances that could interfere with the audit team member's impartial performance of duties. Shell Energy North America (US), L.P. accepted the audit team member participants with no objections.

### **2.3 Methodology**

Once an audit date was set by Texas RE, Shell Energy North America (US), L.P. was sent a pre-audit questionnaire and the Reliability Standard Audit Work Sheets (RSAW) for the list of actively monitored NERC Standards. During the audit, Texas RE reviewed the responses to the RSAWs and pre-audit questions with Shell Energy North America (US), L.P.'s management and supervisors.

The audit team conducted an exit briefing immediately following the audit with Shell Energy North America (US), L.P. The audit team verbally shared its preliminary results with Shell Energy North America (US), L.P.'s management.

### **2.4 Company Profile**

Shell Energy North America (US), L.P. and its subsidiaries are an integral part of the global Shell Trading network, integrating the worldwide energy trading activities of Royal Dutch Shell plc companies. With headquarters in Houston and trading and marketing offices located across North America, Shell Energy offers a comprehensive portfolio of energy-related products and services associated with natural gas and power marketing and trading. Shell Energy markets and trades natural gas, wholesale power and risk products with counterparties and customers across the continent. Its customers include commercial and industrial end users, utilities, producers, generators and aggregators.

### **2.5 Audit Specifics**

Audit Date: November 10 & 11, 2008  
Audit Location: Texas Regional Entity

Texas RE Audit Team:

<b>Name</b>	<b>Company/Title</b>
Rashida Caraway	Texas RE/Audit Team Leader
Brent Torgrimson	Texas RE/Auditor
Mark Henry	Texas RE/Auditor

Shell Energy North America (US), L.P. Audit Participants:

<b>Name</b>	<b>Company/Title</b>
Robert Reilley	VP Regulatory Affairs
Craig Janies	VP South Short Term Power
Tom Seigler	Vice President
Ryan Thomas	Real Time Desk Lead
Robert Cox	Fuel Manager
Tom Nguyen	IT Manager, Plant Systems
Paul Kerr	Manager, Market Affairs

### 3.0 AUDIT RESULTS

#### 3.1 Findings

The Compliance Audit Team found that Shell Energy North America (US), L.P. was compliant with all 2008 actively monitored NERC Standards at the time of the audit.

The following table is a summary of the auditor's notes for those NERC standards reviewed during the audit:

<b>Reliability Standard</b>	<b>Requirement</b>	<b>Finding</b>
INT-001-2	R1.	N/A
INT-004-1	R1.	N/A
INT-004-1	R2.	N/A
IRO-001-1	R8.	Compliant
IRO-005-1	R13.	N/A
TOP-005-1	R4.	Compliant
VAR-001-1	R5.	N/A

### **3.2 Conclusion**

Shell Energy North America (US), L.P. was found in compliance with the standards that were audited.

### **3.3. Compliance Culture**

Based on the information provided in the Audit General Information Request, Shell Energy North America (US), L.P. has a program in place which promotes compliance within the company. Shell Energy North America (US), L.P. was cooperative with the audit team's initial and additional information requests.