

January 6, 2012

Ms. Kimberly Bose
Federal Energy Regulatory Commission
888 First Street, NE
Washington, D.C. 20426

Re: *North American Electric Reliability Corporation*, Docket Nos. RR09-7-000 and RR10-11-000

Dear Ms. Bose,

On December 23, 2010, the North American Electric Reliability Corporation (“NERC”) submitted an informational filing in response to Paragraph 773 of the Federal Energy Regulatory Commission’s (“FERC” or “the Commission”) Order No. 672 issued February 3, 2006,¹ and Rule 402.1.3 of the NERC Rules of Procedure, regarding the status of the initial Three Year Regional Entity Audits and Plan for Future Audits. In that informational filing, NERC committed to report on the completion of initial Audits by the end of 2011. In addition, NERC provided information on its plans to focus efforts to restructure the Regional Entity Audit Program.

NERC is pleased to report that it completed the initial Audit activities of the eight Regional Entities in 2011.² NERC’s Informational Filing submitted on December 23, 2010 described the five Regional Entity Audits³ that were conducted utilizing the Agreed-Upon Procedures (“AUP”) approach, as well as the Spot Check approach based on the AUP to be utilized to conduct the remaining three Regional Entity

¹ *Rules Concerning of the Electric Reliability Organization; and Procedures for the Establishment, Approval, and Enforcement Certification of Electric Reliability Standards*, 114 FERC ¶ 61,104 (2006) (“Order No. 672”). See also *North American Electric Reliability Corporation*, 132 FERC ¶ 61,217 (2010) and *North American Electric Reliability Corporation*, 133 FERC ¶ 61,061 (2010).

² On October 21, 2010, the Commission issued an order approving NERC’s pro forma Delegation Agreement, the revised Delegation Agreements with the Regional Entities, and changes to the Rules of Procedure and certain Bylaws. *North American Electric Reliability Corporation*, 133 FERC ¶ 61,061 (2010). In that order, the Commission stated its expectation that the initial Regional Entity Audits be concluded by the end of 2011. *Id.* at P 28. The Commission also requested that NERC provide its expected completion date of the second round of Audits. *Id.* NERC initiated the second round of Audits in the third quarter of 2011 and expects to conclude them by the end of calendar year 2016, as discussed herein.

³ These Audits included: Midwest Reliability Organization (“MRO”), Northeast Power Coordinating Council (“NPCC”), ReliabilityFirst Corporation (“RFC”), SERC Reliability Corporation (“SERC”), Southwest Power Pool, Regional Entity (“SPP”).

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Audits.⁴ Since that filing, NERC concluded the remaining three Audits by mid-2010 and posted the results on its web site. NERC has completed and closed out the AUP Spot Checks.

With respect to restructuring efforts also described in the December 23, 2010 informational filing, NERC concluded the first Key Reliability Standard Spot Check (“KRSSC”) of the eight Regional Entities regarding PRC-005 and posted the public report on September 14, 2011. NERC has initiated the second KRSSC of EOP-005.

While NERC had targeted December 31, 2011 as the date to finalize the restructured Audit program, it has determined that such efforts should be finalized following the conclusion of the FERC Audit of NERC now underway in FERC Docket No. FA11-21-000. However, NERC intends to continue to conduct KRSSCs of the Regional Entities as described in the December 23, 2010 filing, at this time. Additionally, NERC continues to conduct other general oversight activities, including but not limited to oversight of Regional Entity-led Audits, in accordance with the NERC Rules of Procedure, revised Delegation Agreements and applicable FERC orders.

Sincerely,

/s/ Rebecca J. Michael

Rebecca J. Michael

Associate General Counsel

Corporate and Regulatory Matters

cc: Roger Morie, Federal Energy Regulatory Commission

⁴ The Audit activities for the remaining three Regional Entities: Florida Reliability Coordinating Council (“FRCC”), Texas Reliability Entity (“TRE”), and Western Electricity Coordinating Council (“WECC”), were conducted using a Spot Check program that was based on the AUP program and the exceptions and lessons learned from the full AUP engagements as laid on in the December 23, 2010 informational filing. The three remaining AUP Spot Checks were concluded by midyear and the results are posted on the NERC website as follows: <http://www.nerc.com/files/FRCC%20Spot%20Check.pdf>; <http://www.nerc.com/files/TRE%20Spot%20Check.pdf>; and <http://www.nerc.com/files/WECC%20Spot%20Check.pdf>.

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