

Pre-Summit Workshop #1
Monday, March 23, 2009

Establishing a NERC Compliance Program

8:50 – 9:00 **Welcoming Comments by the Workshop Chair:**

Laurie J. Oppel, *Managing Director, Energy Practice's Litigation, Regulatory & Markets Group*, NAVIGANT CONSULTING, INC.

9:00–10:30 **NERC Reliability Requirements: Components, Complexities and New Developments**

The NERC operating policies are complex, consisting of sets of requirements for generators, energy suppliers and transmission organizations. NERC, in its role as the Electric Reliability Organization (ERO), and the Regional Reliability Organizations (RROs) provide monitoring and auditing functions, leading to potential enforcement by FERC. Sorting through the activities required by these reliability standards can be daunting. This session will provide a foundation for what utilities and other market participants need to incorporate in their compliance efforts.

Sam Brattini, *Executive Consultant*, KEMA, INC.

Chris Hajovsky, *Director, Regulatory Affairs and NERC Reliability Standards*, RELIANT ENERGY, INC.

Jason Marshall, *Technical Manager*, MIDWEST ISO

John Moot, *Partner, Energy Regulation and Litigation*, Skadden, Arps, Slate, Meagher & Flom LLP

10:30-11:00 Morning refreshment & networking break

11:00-Noon Panel Discussion: **Regional Entity Perspectives**

Regional Reliability Organizations (RROs) form the first line of enforcement of bulk power owners, operators and users. They monitor compliance of their registered entities, assure mitigation of all violations of approved reliability standards, and assess penalties and sanctions for failure to comply. Panelists will discuss experiences with the compliance process, lessons learned, and expectations as the compliance monitoring and enforcement process moves forward.

Moderator:

Brian Goldstein, *Senior Consultant*, NAVIGANT CONSULTING, INC.

Panelists:

Tom Galloway, *Director of Compliance*, SERC RELIABILITY CORPORATION

Dan Schoenecker, VP of Operations, MIDWEST RELIABILITY ORGANIZATION

Noon-1:30 Group Luncheon

1:30-2:15 **Assessing the Impacts of the New CIP Standard on Compliance Systems**

New standards have recently emerged for Critical Infrastructure Protection (CIP). Encompassing computer systems, SCADA, and other critical components of the grid, these standards offer a new wrinkle for compliance managers, and face a similar enforcement regime as the other NERC standards. This presentation will review the new CIP standards and how they impact compliance systems.

Laura Hussey, Manager – Security, Infrastructure and Operations, Edison Electric Institute (tentative)

2:15-3:00 **Understanding How the NERC Discovery, Audit & Reporting Process Works**

- What they are
 - Self-Certification*
 - Self-Reporting*
- What to expect
- Lessons learned so far and the pitfalls to expect

Tom Galloway, *Director of Compliance*, SERC RELIABILITY CORPORATION

3:00-3:30 Afternoon refreshment & networking break

3:30-4:15 **Assessing the Impacts of Organizational Structure on Compliance System Requirements**

The organizational structure of an organization subject to NERC oversight has a major impact on its compliance efforts and systems. This presentation will examine how the scope of an organization's operations and activities affects its compliance needs, and hence how its systems may be tailored.

4:15-5:15 Panel Discussion: **Establishing a NERC COMPLIANCE Program**

The panel will discuss how to develop a compliance program, including how to define and prioritize compliance requirements, map requirements to relevant business activities, assign functional responsibility for compliance activities, and implement the system.

Moderator:

Kirby Dusel, Associate Director, NAVIGANT CONSULTING, INC.

Panelists:

Patrick Brown, *Manager, NERC and Regional Coordination*, PJM Interconnection

Jason Marshall, *Technical Manager*, MIDWEST ISO

5:15 Workshop adjourns

Pre-Summit Workshop #2

Monday, March 23, 2009

Establishing an Energy Trading Compliance Program

8:50 – 9:00 **Welcoming Comments by Workshop Chair**

Celia David, *Director, Energy Practice's Litigation, Regulatory & Markets Group*, NAVIGANT CONSULTING, INC.

9:00–9:45 **Update on Market Manipulation Rules and Enforcement**

This presentation will provide an update on revisions to energy market manipulation rules and their potential impacts on enforcement procedures.

Michael L. Spafford, *Partner*, MCKEE NELSON LLP

9:45-10:30 **FERC and CFTC: What the Evolving Regulatory Framework Means for Energy Trading Compliance Programs**

This presentation will examine the overlap and coordination between FERC and CFTC regarding energy trading, and how their priorities affect compliance.

Regina Speed-Bost, *Partner*, Schiff Hardin LLP

10:30-11:00 Morning refreshment & networking break

11:00- 11:45 **Differentiating Between Legitimate Price-Setting and Market Manipulation in Reporting**

Differentiating between legitimate risk-taking and market manipulation can be difficult in complex energy markets. What criteria can be used to determine whether price reflects supply and demand? This presentation will discuss how to protect your organization in the course of developing and reporting prices.

Geoffrey Aronow, *Partner*, Bingham McCutchen LLP

Charles Cerria, *Associate General Counsel-Trading*, Hess Corporation

11:45-12:30 **Practical Guidance on Organizational Structures that Mitigate Compliance Risks: Has Your Company Taken All Necessary Steps To Promote Compliance with Anti-Manipulation Rules?**

The organizational structure of a company and its affiliates can affect how federal agencies assess penalties for violations of rules prohibiting fraud and market manipulation. This presentation will provide examples of the types of organizational structures that can lead to compliance risks, including structures criticized in recent enforcement actions. The presenters also will discuss how to develop an organizational structure that promotes compliance and provide tips on best practices to ensure sufficient independence and compliance monitoring.

Ginger Menown, *Partner*, KPMG Forensic

Deborah Swanstrom, *Partner*, PATTON BOGGS LLP

12:30 – 2:00 Group Luncheon

2:00-2:30 **Establishing Internal Review and Reporting Mechanisms for Trades**

A critical first step in compliance is establishing a review function on the floor for trades. Who should perform this function? Who should verify communications between trading companies and market operators? This presentation will explore the options for leveraging existing risk management functions to meet FERC compliance requirements.

Mitchell Friedman, *Director of Compliance, Corporate Risk*, Hess Corporation

2:30-3:45 Panel Discussion: **Best Practices for Creating a Compliance System that Meets FERC and CFTC Requirements**

This panel will address how to develop a proactive process for compliance, and get buy-in across the organization. They will discuss how best to integrate internal review and reporting mechanisms into management systems, maintain appropriate documentation, institute training and policy, monitor functionality, and develop guidelines you should follow in assessing a trading organization's compliance management system.

Keynan Dutton, *Compliance Officer*, Shell Energy North America & Shell Trading (US) Company

Mitchell Friedman, *Director of Compliance, Corporate Risk*, Hess Corporation

Andrew S. Katz, Senior Counsel, Northeast Utilities

Stephen R. Melton, Vice President & Deputy General Counsel & Chief FERC Compliance Officer, NiSource Corporate Services Company

3:45-4:15 Afternoon refreshment & networking break

4:15-5:00 **Risk Assessment of Your Energy Trading Compliance Management System**

This presentation will enable you to define the goals and scope for compliance system reviews, as well as identify critical risk factors. It will enable you to develop an approach for conducting regular self-audits and testing of the system and controls, and communicate the results.

Bray Dohrwardt, Senior Director, Government & Regulatory Affairs
Direct Energy, a Centrica plc business