

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

Consolidated Edison Company of New York, Inc.,)
Orange and Rockland Utilities, Inc., and) Docket No. TS04-____-000
Rockland Electric Company, Inc.)

ORDER 2004 COMPLIANCE PLAN
OF
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.,
ORANGE AND ROCKLAND UTILITIES, INC., AND
ROCKLAND ELECTRIC COMPANY, INC.

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ORDER 2004 COMPLIANCE PLAN

I. INTRODUCTION

On November 25, 2003, the Federal Energy Regulatory Commission (“FERC” or the “Commission”) issued Order No. 2004, amending the Commission’s regulations and adopting uniform Standards of Conduct applicable to all transmission owners. Order 2004 adds certain new requirements for transmission owners, such as the training of employees and the posting on the OASIS or Internet website of written procedures implementing the Standards of Conduct. Under Section 358.4(e)(1) of the Commission’s regulations, each transmission owner is required to file by February 9, 2004, a plan for implementing the Standards of Conduct by June 1, 2004 (“Compliance Plan”). Transmission owners were also asked to identify the projected costs of complying with the Standards of Conduct.

This Compliance Plan is being submitted on behalf of the Consolidated Edison, Inc. (“CEI”) transmission providers: Consolidated Edison Company of New York, Inc. (“Con Edison”), Orange and Rockland Utilities, Inc. (“O&R”), and Rockland Electric Company (“RECO”) referred to herein as the “Companies.”¹

Since the Commission’s issuance of Order 889, the Companies undertook various measures to ensure the separation of their merchant and transmission functions. For example, in addition to physically separating the merchant and transmission functions, the Companies instituted various measures designed to ensure the security of transmission and transmission customer information within the transmission operations area. These security measures include physically relocating merchant function and transmission function employees, secure pass-card

¹ CED Rock Springs, a wholly-owned subsidiary of Con Edison Development (an affiliate of Con Edison, O&R and RECO), is making a separate compliance filing. CED Rock Springs, which owns generating units in Maryland, co-owns with Old Dominion, two 900 foot transmission lines and a substation in Maryland.

entry for the transmission control room, password protected computer files, and firewalls on certain computer systems. Accordingly, the Companies' operations are already structured to meet the Order 2004 goals and objectives.

As a result, the Companies' efforts to comply with Order 2004 generally relate to satisfying the new and additional requirements relating to:

- a. Appointing of a Chief Compliance Officer;
- b. Establishing written procedures for the implementation and future monitoring of the Companies' compliance with the Commission's Standards of Conduct;
- c. Training employees in the requirements of the Commission's Standards of Conduct; and
- d. Complying with the requirements relating to posting on the OASIS or the Internet organization charts, employee job descriptions and employee transfers.

Attachment A to this Compliance Plan is a list of the steps the Companies currently plan to take to meet the foregoing requirements by June 1, 2004.

II. ABOUT THE COMPANIES

Con Edison is a regulated utility operating in New York City and Westchester County in New York State. Con Edison is engaged in the transmission, distribution, limited generation and wholesale and retail sale of electric power, the generation, transmission, distribution and retail sale of steam, and the distribution and wholesale and retail sale of gas.

O&R, a regulated utility operating in Orange, Rockland and parts of Sullivan counties in New York State, is engaged in the transmission, distribution and retail sale of electric power and the wholesale and retail sale of gas.²

² O&R is a gas transmission provider that is exempt from the Commission's requirements to apply the standards of conduct to its relationship with its affiliated LDC Pike because Pike does not engage in off system sales.

RECO, a wholly owned utility subsidiary of O&R, is a regulated utility operating in the northern parts of Bergen and Passaic Counties and small areas in northern Sussex County, New Jersey, engaged in the transmission, distribution and wholesale and retail sale of electric power.

Both Con Edison and O&R are wholly-owned subsidiaries of CEI and are participants in the NYISO electricity markets. RECO is a wholly-owned subsidiary of O&R and a participant in the PJM electricity markets.

Con Edison and O&R plan to individually take steps to meet the Order 2004 requirements. O&R and Con Edison will also take steps to ensure RECO's compliance with Order 2004.³ As such, each of the Companies will train its employees and post its organizational charts and job descriptions, except in instances where a Con Edison organization provides services to both transmission companies, as, for example, wholesale merchant function and certain support services. In those instances, Con Edison will provide the necessary training and meet the necessary posting requirements. Where appropriate, O&R's postings will refer to the Con Edison postings.

III. CHIEF COMPLIANCE OFFICER

Section 358.4(e)(6) of the Commission's regulations require Transmission Providers to designate a Chief Compliance Officer, who will be responsible for Standards of Conduct compliance.

The Companies have appointed James P. O'Brien, Con Edison's Vice President and General Auditor, as its Chief Compliance Officer. Mr. O'Brien is currently designated as CEI's Ethics and Compliance Officer and is thereby already responsible for ensuring compliance with various code of conduct requirements, including Section 301 of the Sarbanes-Oxley Act. The

³ As mentioned supra, RECO is a wholly-owned subsidiary of O&R. RECO does not have any separate employees. For example, O&R employees operate the RECO transmission system, while Con Edison employees provide merchant function and certain support services to RECO.

appointment of CEI's Ethics and Compliance Officer to this position is intended to demonstrate to the Companies' employees, customers, competitors, regulators and other interested persons the seriousness of the Companies' commitment to complying with the Commission's requirements.

In addition, in order to provide support to the Chief Compliance Officer, the Companies plan to appoint additional individuals to assist Mr. O'Brien in the compliance effort (i.e., responding to questions regarding Order 2004 requirements and administering the required training programs).

IV. DEVELOPMENT AND USE OF WRITTEN PROCEDURES

A. Commission Requirements

Section 358.4(e)(3) of the Commission's regulations requires that the "Transmission Provider must post on the OASIS or Internet website, current written procedures implementing the standards of conduct in such detail as will enable customers and the Commission to determine that the Transmission Provider is in compliance with the requirements of this section by June 1, 2004 or within 30 days of becoming subject to the requirements of Part 358." Further, Section 358.4(e)(4) of the Commission's regulations requires that the Companies' employees be given copies of the written procedures as part of the training effort.

B. Development of Procedures

As a first step in developing written procedures, the Companies have established a team comprised of representatives from various functional areas to review their operations in the context of the goals and objectives of the Order 2004 Standards of Conduct and identifying the nature and extent of their access to and/or handling of transmission and transmission customer information. The Companies anticipate the written procedures to be developed, distributed and

posted by June 1, 2004, will address, among other matters:

1. Compliance with the “No Conduit” rule.
2. Protection of transmission and transmission customer information, including the use of password protected computers and locked file cabinets as a means of keeping certain information secure.
3. Use of the Companies’ computer systems.
4. OASIS/Internet posting of job descriptions and organization charts, including the initial and future update of such job descriptions and organization charts.
5. Training.

V. EMPLOYEE TRAINING

A. FERC’s Training Requirements

Section 358.4(e)(6) of the Commission’s regulations requires the training of the Companies’ employees with respect to the Standards of Conduct. The regulations also require that employees receive written procedures detailing how the Companies will implement and monitor compliance with the standards of conduct and sign an affidavit indicating that they have been trained.

B. Development of a Training Program

The Companies have established a training team comprised of representatives from Law, Auditing, Information Resources, Human Resources and The Learning Center (Con Edison’s training facility). The team will:

1. Develop a training module;
2. Develop an electronic training system;
3. Develop the training schedule; and
4. Develop an electronic method of attestation.

The Companies plan to complete the required training by the June 1, 2004 target date according to the following schedule:

Phase 1: merchant function and transmission and reliability employees.

Phase 2: shared support personnel, including Law, Auditing, Accounting, Risk Management, Information Resources, and Gas Operations.

Phase 3: remaining employees for which training is required.⁴

The Companies believe that the Commission's goals will be met by training conducted pursuant to Phases 1 and 2.

VI. ORGANIZATIONAL POSTING REQUIREMENTS

A. FERC's OASIS/Internet Posting Requirements

In accordance with section 358.4(b) of the Commission's regulations, the Companies will post the business units, required job titles and descriptions, and chains of command, including officers and directors. The Companies plan to be in compliance by June 1, 2004.

B. Use of the NYISO and PJM OASIS Systems

As part of the process, that led to the establishment of the New York Independent System Operator, Inc. ("NYISO"), the Commission approved the agreement between the NYISO and the New York Transmission Owners, including Con Edison and O&R (the ISO/Transmission Owners Agreement),⁵ pursuant to which the New York Transmission Owners assigned to the NYISO the obligation to operate the OASIS system in New York State. Similarly, the PJM Interconnection operates the OASIS system for the transmission owner in PJM. Accordingly,

⁴ The Companies note that the issue of which employees must be trained is currently before the Commission on rehearing. The phased in approach is designed to first train those employees for which training is not an issue and leave for later in the schedule those employees for whom the need for training is subject to rehearing. If the Companies are required to train all of their employees (i.e., complete phases 1, 2 and 3), then approximately 14,000 employees will be subject to this requirement.

⁵ See *Central Hudson Gas & Electric et al.*, Order Conditionally Authorizing Establishment of Independent System Operator, 83 FERC ¶ 61,352 (1998).

Con Edison's organization charts and job descriptions will be posted on its Internet web site, and O&R's and RECO's organization charts and job descriptions will be posted on the O&R web site. Links to the Con Edison and O&R web sites can be found on the NYISO and PJM OASIS websites.

C. Development of Job Descriptions and Organization Charts

The Companies have established a team comprised of representatives from various functional areas, including representatives from Human Resources and Information Resources, which is responsible for meeting the Commission's organizational posting requirements. This team will coordinate the development of all necessary job descriptions and organization charts and ensure that such charts and job descriptions are posted on the Internet by the June 1, 2004 deadline.⁶ This team will also establish a procedure for the prompt posting of job transfers. In order to facilitate the timely posting of job descriptions and organization charts, the Companies intend to appoint posting coordinators within the Companies.

VII. COMPLIANCE COSTS

Based on the Companies' understanding of the Order 2004 requirements, the Companies currently estimate that the costs of compliance will be largely related to employee time associated with developing procedures and participating in training. However, the costs of implementation may be significantly affected by the Commission's responses to the matters pending rehearing. The Companies do not anticipate incurring any costs regarding the separation of the merchant and transmission functions nor with respect to the development of measures to protect the security of transmission information because the Companies previously took these actions in response to Order 889.

⁶ The Companies note that the scope of job descriptions and organization charts associated with the posting requirement is before the Commission on rehearing.

VIII. CONCLUSION

The Companies believe that this Compliance Plan meets the Commission's requirements for compliance with the Standards of Conduct and Order 2004.

Dated: February 9, 2004

Respectfully submitted,
Consolidated Edison Company of New
York, Inc., Orange & Rockland Utilities,
Inc., and Rockland Electric Company, Inc.

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Attachment A

Order 2004 Compliance Plan Implementation Steps

Action Item

1. Appoint Chief Compliance Officer.
2. File Compliance Plan.
3. Procedure Development.
 - a. Complete departmental survey.
 - b. Draft procedures.
 - c. Circulate procedures for review.
 - d. Post/distribute procedures.
4. Training.
 - a. Develop training module.
 - b. Conduct Phase 1 training: merchant function and transmission employees.
 - c. Conduct Phase 2 training: support and shared personnel.
 - d. Conduct Phase 3 training: remaining employees.
5. OASIS/Internet Posting Requirements.
 - a. Develop organization charts.
 - b. Develop job descriptions.
 - c. Post revised material.