California ISO
Your Link to Power

Presentation to the Audit Committee

December 16, 2009

Agenda

➢ SAS 70 Background

➢ Results of Audit

➢ Scope of Audit

➢ Closing Thoughts

SAS 70 Background

➢ ## Purpose of report

  ➢ To report on the ISO's internal controls relating primarily to its market operations and settlements activities

➢ ## Expected use of report

  ➢ Assurance to market participants who rely on the ISO's processing - the report is required by some market participants and their auditors to comply with Sarbanes-Oxley (404 Attest)

➢ ## Report period

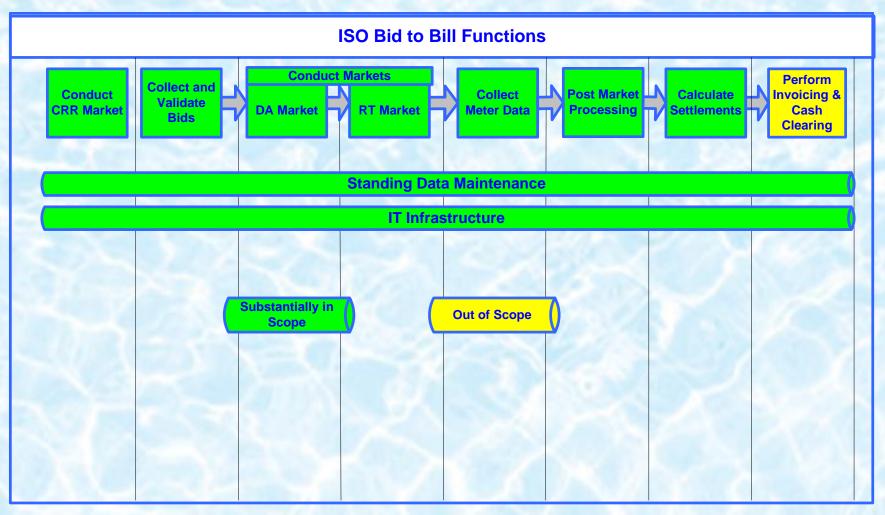 ➢ Report period differed from prior SAS 70 Type 2 – coverage is July 1, 2009 – October 31, 2009.

Results of Audit

➢ PwC opinion and report issued December 4, 2009

➢ The opinion is unqualified

   ➢ Controls were suitably designed and operating effectively

➢ Exceptions identified and disclosed in the report did not impact the opinion

   ➢ Control Objective 11 - Change Management

   ➢ Control Objective 12 - Security

Scope of Audit

➢ Scope is similar to SAS 70 type 1 report issued in August 2009 – the New Market

   ➢ Period of time; not point in time

   ➢ Control objectives unchanged; some changes to activities

   ➢ 9 business process controls (bid to settle); 3 IT infrastructure controls

➢ Processes not included in scope of report

   ➢ Control room and operational judgments and decisions

   ➢ Processes after the settlement statement preparation (such as invoicing and market clearing)

   ➢ Other functions that are transparent to the market

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Scope of Audit

ISO Bid to Bill Functions

Conduct CRR Market	Collect and Validate Bids	Conduct Markets		Collect Meter Data	Post Market Processing	Calculate Settlements	Perform Invoicing & Cash Clearing
		DA Market	RT Market				

Standing Data Maintenance

IT Infrastructure

Substantially in Scope

Out of Scope

Closing Thoughts

➤ Unqualified opinion and quick report issuance are significant accomplishments for the ISO given the sweeping changes to the control environment

➤ ISO Staff have been extremely supportive of this first SAS 70 Type 2 Audit performed related to the new market

➤ Demonstrated a high level of ownership and were responsive to requests for information

➤ Questions