

# Memorandum

**To:** ADR/Audit Committee of the ISO Board of Governors  
**From:** Nancy Saracino, Chief Compliance Officer  
**Date:** December 9, 2009  
**Re:** **Compliance Committee Update**

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*This memorandum does not require Board action.*

The *Compliance Program Policy* approved by the Board in January 2007, provides that the Chief Compliance Officer, with support from the Compliance Committee and Executive Management, will administer the Compliance Program “under the oversight of the ADR/Audit Committee of the ISO Board of Governors.” This memorandum is the report of the Compliance Officer and the Compliance Committee with respect to compliance efforts since the last report to the ADR/Audit Committee in September.

## **The comprehensive audit of mandatory reliability standards**

The Compliance Team and all those in the organization who participated in the preparation for the audit achieved a tremendous result in connection with the audit of compliance with the mandatory reliability standards. In October, a team of NERC and WECC auditors were in Folsom for a full week to review the ISO’s procedures, training, operations, planning, and cyber protection protocols. The results were very good and the auditors lauded the efforts of the ISO.

## **Compliance Committee Report**

The Compliance Committee continues to focus on implementation of the *Compliance Program Policy*. In its October meeting, the Committee reviewed areas of possible need for targeted compliance training, above and beyond the general compliance training that all employees receive. With input from Enterprise Risk Management, the Committee identified two areas of need for 2010: document retention and tariff compliance.

Under the Committee’s supervision, the ISO has several ongoing compliance initiatives:

- The legal department and the Compliance Team are working with every business unit to chart its legal responsibilities. The Committee will use the results to confirm the ISO’s compliance with all

laws, regulations, policies and standards, and to standardize controls and processes, including reporting and tracking compliance.

- To facilitate compliance with the ISO's corporate investment policy, which has been a compliance priority, the legal department has been creating a list of publicly traded companies that participate in the ISO markets.
- Another compliance priority has been document retention. The ISO recently posted the newly-created position of Corporate Records Lead to oversee the compliance with the ISO's document retention policy.
- The Committee is reviewing proposed revisions to the Compliance Program Policy in order to update the policy, formally incorporate business ethics into the compliance program, and reflect other revisions based on the experience with implementing the policy. The proposed revisions will be presented to the Board in the first quarter of 2010.

Finally, to underscore the ISO's commitment to compliance, responsibility for complying with legal and regulatory obligations will be specifically included as a core job requirement of every employee in their annual performance plans.