

Memorandum

To: Audit Committee of the ISO Board of Governors
From: Eric Schmitt, Vice President, Operations
Date: December 6, 2018
Re: **Acceptance of the Operations audit**

This memorandum requires Committee action.

EXECUTIVE SUMMARY

PricewaterhouseCoopers, LLC (PwC) completed the California Independent System Operator Corporation Compliance Assessment relating to Specified Control Room Operational Processes and issued its report dated December 6, 2018 (attached). The compliance assessment evaluated processes related to the reliability coordinator data request and specifications for data provision process. This compliance assessment was completed with no exceptions noted. Management presents the report for the Committee's acknowledgement and proposes the following motion:

Moved, that the Audit Committee of the ISO Board of Governors accepts the audit opinion issued on December 6, 2018 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2018, as attached to the memorandum dated December 6, 2018.

BACKGROUND

In accordance with tariff section 22.1.2.2, Management engaged PwC to perform the annual independent review of compliance with the ISO's operations policies and procedures. Management directed that PwC provide an audit opinion conducted in accordance with generally accepted auditing standards to verify that the ISO's operational processes were in compliance with select operations procedures representing generally accepted good utility practice.

The annual audit scope is determined by stakeholder feedback, PwC input, and Management focus areas. Stakeholders were solicited for audit suggestions for a 3-week period, and the ISO did not receive feedback. For 2018, Management chose to review the reliability coordinator data request and specifications for data provision process. The audit scope was limited to the procedural elements which were publicly available, objectively verifiable, and were executed by ISO personnel.

This examination scope affords an independent assessment of whether the processes in place are being followed, providing valuable feedback for continuous improvement of the ISO's operational processes.

This year the audit included examination of ICCP data transferred to Peak RC as documented in Procedure 3130A of Real-time Network Measurement Data and Real-time Balancing Authority Data exchanges that occurred during observed times on June 12, 2018 and August 23, 2018. The assessment criteria were identified prior to the testing period.

RESULTS

The review included processes set forth in the following Operating Procedure:

- 3130A "Implementation Details for the Reliability Coordinator Data Specification", effective 12/27/2017.

The selected operating procedure elements comprise only the data exchange requirements with Peak RC that relate to Inter-Control Center Communications Protocol ("ICCP") data transfer method of real-time network measurement data and real-time balancing authority data. Real-time network measurement data and real-time balancing authority data are categories of data that are provided to the Peak RC as part of situational awareness and monitoring of bulk electric system in real time to ensure reliability and security of the system.

There were no events occurring with respect to Operating Procedure Elements #2.15, 2.19, and 2.21 during the observation periods.

CONCLUSION

Management recommends that the Audit Committee accept the audit opinion issued on December 6, 2018.