



Memorandum

To: Audit Committee of the ISO Board of Governors

From: Roger Collanton, Vice President, General Counsel & Chief Compliance Officer

Date: March 17, 2016

Re: **Acceptance of Code of Conduct Certification Process Report for 2015**

This memorandum requires Committee action.

PricewaterhouseCoopers LLP completed its review of the California ISO's code of conduct certification procedures for 2015, for ISO employees, substantially full-time contractors and members of the Board of Governors. PwC issued its report on February 19, 2016.

The tariff requires that an independent accounting firm conduct an annual review of the code of conduct certification process. Furthermore, during the ISO's 2011 FERC audit, which included in its scope the ISO's compliance with independence requirements, FERC recommended that the ISO design better controls for monitoring potential conflicts of interest, including improved disclosure forms, procedures for spot-checking for potential conflicts of interest, and more effective internal auditing of the process. Management worked with PwC to implement FERC's recommendations, starting with the 2011 code of conduct review and continuing to the current 2015 review.

The FERC recommendations are reflected within the scope of the attached Code of Conduct Certification Process Report for 2015, issued by PwC, which also satisfies the tariff requirement. In particular, the scope of the 2015 review included the following:

- Inspected conflict of interest forms for signature and written disclosure of any conflicts;
- Performed independent confirmation of a sample group of employees' responses to conflict of interest form to determine if any exceptions were noted by the employee;

- Confirmed the status of “completed” for all employee required training, including training on the Code of Conduct, and for the certification of the Code of Conduct Acknowledgement forms;
- Confirmed that the Legal department conducted an assessment of all disclosed conflicts, including any prohibited investments in employees’ ISO retirement accounts with Charles Schwab disclosed on the Schwab quarterly prohibited investment reports.

PwC performed these procedures and found no exceptions.

Therefore, Management proposes the following motion:

Moved, that the Audit Committee of the ISO Board of Governors accepts the Code of Conduct Certification Process Report issued on February 19, 2016 by PricewaterhouseCoopers LLP for the testing of the ISO’s code of conduct certification procedures for 2015.

Management appreciates the efforts and collaboration provided by PwC during this review process.