<table>
<thead>
<tr>
<th>Board Policy</th>
<th>Revision Date</th>
<th>Version No.</th>
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<tr>
<td>Charter of the Audit Committee</td>
<td>Policy Adopted</td>
<td>5/22/1997</td>
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Charter of the Audit Committee
**REVISION HISTORY**

<table>
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<tr>
<th>VERSION NO.</th>
<th>REVISION DATE</th>
<th>REVISED BY</th>
<th>DESCRIPTION</th>
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<tr>
<td>1.0</td>
<td>5/22/1997</td>
<td>Legal</td>
<td>Charter adopted</td>
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<tr>
<td>2.0 - 3.0</td>
<td>Various</td>
<td>Various</td>
<td>Charter updates were reviewed and adopted by the Board of Governors between 1997 and 2014.</td>
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<tr>
<td>4.0</td>
<td>12/18/2014</td>
<td>S.Karpinen G. Fisher</td>
<td>Updates to improve readability, minor grammatical changes. Update to clarify the roles and responsibilities of the Audit Committee in relation to the Board of Governors. Updated wording throughout the charter from “shall” to “must”, “will” or “should”.</td>
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This Committee charter establishes the responsibilities and administration of the Audit Committee of the California Independent System Operator Corporation.

This charter is intended as a component of the governance framework within which the Board and its committees direct the affairs of the ISO. While it should be interpreted in the context of applicable law, as well as in the context of the ISO’s bylaws, it is not intended to establish any legally binding obligations.

1. Membership & Qualifications

1.1 Membership:

1.1.1 The Committee must consist of two or more members currently serving on the Board as determined from time to time by the Board.

1.1.2 The Committee members must be elected by the Board. No member of the Committee may be removed except by majority vote of the Board.

1.1.3 One of the Committee members must be appointed by the Board as the Committee’s chair.

1.2 Qualifications:

1.2.1 Each member of the Committee must be financially literate, as that qualification is interpreted by the Board in its business judgment, or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

2. Purpose & Areas of Responsibility

2.1 Purpose: The purpose of the Committee is to assist the Board's oversight of (i) the integrity of the ISO’s financial statements, (ii) the ISO’s compliance with legal and regulatory requirements and (iii) the performance of the ISO’s independent auditors and internal audit function. The Committee is responsible for reviewing the ISO’s financial reporting process, internal controls and codes of conduct of the Board, employees and contractors of the ISO.

2.2 Specifically, the Committee’s areas of responsibility include:

2.2.1 Recommending a firm or firms for the Board to engage as the ISO’s independent auditors, and if warranted, in the discretion of the Committee, recommend the termination of that engagement.

2.2.2 Preapproving engagement letters with the ISO’s independent auditors, including the proposed fees contained therein, for all audit and non-audit engagements and relationships between the ISO and the independent auditors (which determination may be made after receiving input from management, if desired).
2.2.2.1 De minimis exception: Preapproval requirements are waived if:

(i) the engagement relates to non-audit services, (i.e., services in which no audit opinion is produced), if the amount of such non-audit service is less than $50,000;

or

(ii) the service relates to an amendment to a preapproved engagement letter resulting in a change to the fees being charged of less than $50,000 and inconsequential change to the scope.

2.2.2.2 All engagements and amendments exempt under 2.2.2.1 must be brought to the attention of the Audit Committee promptly after execution.

2.2.3 Reviewing the performance of the ISO’s independent auditors.

2.2.4 Assessing the ongoing independence of the ISO’s independent auditors, including assessment of any non-auditing services to be provided to the ISO by the independent auditors.

2.2.5 Providing that the ISO’s independent auditors report directly to the Committee.

2.2.6 Reviewing the planned scope and execution of the independent auditor’s financial statement audit, including any special audit procedures.

2.2.7 Reviewing with appropriate ISO management and the independent auditors (i) all material accounting policies and practices that are used; (ii) all alternative treatments of financial information that have been discussed by the independent auditors and management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors; and (iii) any material financial arrangements of the ISO which do not appear on the financial statements of the ISO.

2.2.8 Reviewing, in its discretion, any material communication between ISO management and (i) independent auditors or (ii) internal audit; including written communications for improvement in processes and related internal controls.

2.2.9 Reviewing with appropriate ISO management, internal auditors, and the independent auditors the adequacy of the internal accounting and control environment, both as it relates to the ISO’s direct financial reporting systems and with respect to the market systems the ISO manages for transactions in the markets administered by the ISO, and satisfy itself that any material weakness in such control environment, and any material weakness in the implementation of any procedures thereunder, are being corrected in a timely manner.

2.2.10 Reviewing with appropriate ISO management, internal auditors and the independent auditors any known or suspected fraud, whether or not material, that
involves management or other employees who have a significant role in the ISO’s internal control over financial reporting.

2.2.11 Reviewing the ISO’s annual financial statements and be informed of any significant disagreement between management and the independent auditor that arose in connection with the audit of those statements, including any problems or difficulties encountered by the independent auditors in the course of any audit work and any restrictions on the scope of the independent auditors' activities or on access to requested information.

2.2.12 Reviewing the ISO’s policies and procedures to help prevent and detect violations of the law and of significant ISO policies and to promote business ethics, including the ISO’s codes of conduct and the ISO’s policies relating to the ethical handling of conflicts of interest.

2.2.13 Monitoring compliance with the ISO’s codes of conduct.

2.2.14 Review the design and implementation of the compliance program and oversee compliance activities.

2.2.15 Review the ISO’s policies and procedures for receipt and treatment of allegations of suspected misconduct.

2.2.16 Review the ISO’s processes for identifying and assessing risks, evaluating the impact on corporate objectives, and managing, reporting, and controlling enterprise risks.

2.2.17 Review, with ISO management and internal audit, the internal audit charter, activities, staffing, and organizational structure of the internal audit function.

2.2.18 Review and approve the annual internal audit plan and all major changes to that plan.

2.2.19 Ensure there are no unjustified restrictions or limitations placed on internal audit’s activities.

2.2.20 Review the effectiveness of the internal audit function, including compliance with professional internal auditing standards.

2.2.21 Periodically meet separately with internal audit management.

2.2.22 Meet periodically with the General Counsel, and outside counsel when appropriate, to review legal and regulatory matters, including (i) any matters that may have a material impact on the financial statements of the ISO and (ii) any matters involving potential or ongoing material violations of law or breaches of fiduciary duty by the ISO or any of its directors, officers, employees or agents or breaches of fiduciary duty to the ISO.

2.2.23 As requested or approved in advance by the Board, institute special investigations and, if appropriate, hire special counsel or experts to assist, the cost of such independent counsel and experts to be borne by the ISO.
2.2.24 Perform such other oversight duties and responsibilities as may be assigned to the Committee, or from time to time, by the Board.

2.2.25 Report regularly to the Board on its activities, as appropriate. In connection therewith, the Committee must review with the Board any significant issues that arise with respect to the quality or integrity of the ISO’s financial statements, the ISO’s compliance with legal or regulatory requirements, the performance and independence of the ISO’s independent auditors, or the performance of the internal audit function.

3. Administration

3.1 The Committee is accountable to the Board.

3.2 In discharging its responsibilities, the Committee is empowered to inquire into any matter it considers appropriate and must have access to all books, records, facilities and personnel of the ISO. The Committee must report to the Board if the ISO fails to provide adequate resources to support the Committee’s activities.

3.3 The Committee will fix its own time and place of meetings, at least quarterly, and prescribe its own rules of procedure, consistent with the requirements of the bylaws. Meetings may be called by the Chair of the Committee or the Chair of the Board. All meetings must be held pursuant to the bylaws and open meeting policy of the ISO with regard to notice and waiver thereof, and written minutes of each meeting must be duly filed in the ISO’s records.

3.4 A quorum of the Committee must consist of both of its members, or, in the event that the Committee consists of more than two members, a quorum must consist of a majority of the members of the Committee.

3.5 The Committee should review this charter on an annual basis and recommend updates to the Board, as appropriate.

3.6 While the Committee has the duties and responsibilities set forth in this charter, the Committee is not responsible for preparing or certifying the ISO’s financial statements, for planning or conducting any audits or for determining whether the ISO’s financial statements are complete and accurate and are in accordance with generally accepted accounting principles.

4. Secretary of the Committee

4.1 Unless otherwise designated by the Corporate Secretary or the Committee in consultation with the Corporate Secretary, the Corporate Secretary will serve as the Secretary to the Committee.