

Memorandum

To: Audit Committee of the ISO Board of Governors
From: Roger Collanton, Vice President, General Counsel & Chief Compliance Officer
Date: December 10, 2014
Re: **Compliance Committee update**

This memorandum does not require Committee action.

The *Compliance and Ethics Program Policy* provides that the Chief Compliance Officer will administer the ISO's compliance and ethics program "under the oversight of the Audit Committee of the Board of Governors," and with support from Executive Management and the Compliance and Ethics Committee. The Compliance and Ethics Committee met on August 27 and November 18, 2014. This is the Chief Compliance Officer's update on significant compliance initiatives.

Records management

During the latter part of 2015, the records management team has focused primarily on promoting effective management of email. The mandatory annual training for employees included a presentation on best practices for email, including recommendations to help employees reduce the volume of email retained unnecessarily. To the same end, the records management and technology teams implemented a set of new automated processes for handling corporate email on December 1. These enhancements, coupled with a planned reduction in the size of mailboxes in 2015, are designed to encourage users to promptly move official email records to the appropriate electronic records repositories.

In the area of paper records, the records management program team expects to complete a review by the end of this year of the 3219 boxes of records stored off site at Iron Mountain. To date, 1648 of those boxes have been destroyed, either because the records were expired according to the ISO's records retention schedule or because the boxes were being used to store non-records, such as extra copies of reports. This review has resulted in cost savings for storage and has reduced organizational risk associated with storing records for longer than required. The records remaining in storage are either not yet expired or subject to legal hold. Going forward, the team plans to facilitate annual reviews of the off-site inventory to identify and dispose of eligible records in a timely manner.

In 2015, the records management team plans to further mature the program by implementing additional policies and tools to effectively organize and manage active records, as well as identify and dispose of expired electronic records.

Reliability Standards Agreements

The ISO has been party to several “Reliability Standards Agreements” with its participating transmission owners. These agreements allocate responsibility between the ISO and the transmission owners for compliance with certain mandatory reliability standards relating to the transmission operator function. The original agreements were created when the reliability standards were first deployed in 2007. In light of accumulated experience with the standards, compliance and regulatory enforcement, it was determined that these agreements did not accurately reflect the responsibility for the various tasks and functions performed under the reliability standards. Thus, in 2011 the ISO’s Corporate Compliance and Legal departments undertook an effort to revise the agreements. This has been a significant undertaking, which was initially resisted by the PTOs, but ultimately had strong support from NERC and WECC. The revised agreements, which are now called “Coordinated Functional Registration Agreements,” are fully executed with three of the five PTOs that had Reliability Standards Agreements. The ISO expects the remaining two agreements will be executed by year end.

Compliance training

All ISO employees recently completed annual compliance training, which covered, among other topics, the code of conduct, prevention of sexual harassment and workplace violence, records management and protecting the security of the grid. Substantially full-time contractors also completed compliance forms similar to those completed by employees. Training for those contractors, however, is handled by their employers.

The ISO is also conducting training for managers and leads relating to the prevention of sexual harassment (in compliance with AB 1825) and will complete this training by year end. The ISO is providing similar training to the Board of Governors itself as part of broader compliance training for the Board.