

# Memorandum

**To:** ADR/Audit Committee of the ISO Board of Governors

**From:** Jim Detmers, Vice President of Operations

**Date:** July 10, 2009

**Re:** **Briefing on the 2007 and 2008 Operations Review and the 2009 Review Scope**

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*This memorandum does not require Board action.*

## EXECUTIVE SUMMARY

On January 29, 2009 PricewaterhouseCoopers, LLC (PwC) issued its final report regarding the California Independent System Operator Corporation's (the ISO) 2007 and 2008 operations review. PwC presented its findings and the ISO accepted those findings at the February 11, 2009 ADR/Audit Committee of the ISO Board of Governors meeting, with commitment to follow up with a report on Management's actions to address the exception conditions. Additionally, Management recommends the proposed scope of activities for the 2009 operations review.

## BACKGROUND OF BRIEFING ON 2007 AND 2008 OPERATIONS REVIEW

In accordance with tariff section 22.1.2.2, an independent accounting firm conducts the annual operations review. Since startup, Management has engaged PwC to perform the annual review.

Management and stakeholders have gained valuable feedback from these assessments. Management has used the results and recommendations to improve ISO processes and procedures. Often, targeted training has also resulted from these recommendations.

For 2007 and 2008, the scope of the assessment included:

- Publishing of final day-ahead schedules to market systems; and
- Communication and publishing of transmission de-rate/re-rate information.

## **ISSUES IDENTIFIED**

PwC found:

- Market participants were not notified of final day-ahead market schedules in a timely manner on some occasions;
- Some scheduling and transmission logs (SLIC logs), were not created; and
- Some SLIC logs were inconsistent with relevant corresponding data in associated SLIC logs and market notices posted to the Open Access Same Time Information System (OASIS).

## **MANAGEMENT ACTIONS**

The implementation of the new market brought enhanced functionality to publishing notification. When the final day-ahead schedules are published to OASIS, automatic notification of publishing is done through the market participant portal. After publishing, the day-ahead operator validates through the market status dashboard, that broadcasting was successful.

A complete re-write of *M-424, Existing Transmission Contract Calculator (ETCC) Update* was initiated and deployed with the market launch, April 1, 2009. The new procedure:

- Consolidates the responsibilities of SLIC logging, ETCC data entry, and market messaging onto one desk, eliminating potential for error due to multiple operators inputting the same data into multiple systems; and
- Simplifies the market message, directing participants to the appropriate OASIS page for the published changes.

## **NEXT STEPS**

Management is continually evaluating the new procedures and processes associated with the new market implementation and has received substantial feedback through interaction with stakeholders regarding some key areas of our new operation. Discussion has also taken place with PwC regarding improvements that can be made in our review process to make it more timely and meaningful.

## **PROPOSED SCOPE FOR THE 2009 OPERATIONS REVIEW**

With the implementation of the new market systems, Management suggests taking a long term approach on continuous improvement and monitoring. This approach will:

1. Establish critical areas of focus;

2. Expand the current schedule to include self-reviews, periodic internal reviews, and the annual operations review;
3. Leverage the results to improve our performance;
4. Institute continuous monitoring and controls where necessary in those areas; and
5. Validate the adequacy of the improvements through both internal and external walkthroughs of the revised processes.

Key areas of concern to be focused on in the new environment will include:

- *M-402, Exceptional Dispatch procedure which provides guidance for issuing, making notification, and logging of exceptional dispatch;*
- *GOT-005, Transmission Limit Biasing* guide which assists the operator in adjusting the market transmission model limits when actual flows are not in line with model flows;
- *M-401F, Pre-Market Validation* procedure, which details the two-day-ahead market run process which the Validation Review Team uses to evaluate solutions, pricing, and constraints; and
- Constraint Management, a collaborative effort between the engineering and operations groups to validate constraints predicted in the two-day-ahead market process run.