



# Memorandum

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

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

**Date:** May 10, 2010

**Re:** Briefing on the 2010 Operations Review

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*This memorandum does not require Committee action.*

## BACKGROUND

In accordance with the ISO tariff, Management is required to annually conduct an independent review of compliance with operating policies and procedures. At the March 2010 ADR/Audit Committee meeting, we discussed our progress in selecting the scope for this year's operations review and stated we would report back to the Committee our selection. This briefing discusses the area selected and the status of the review.

## STATUS

This year we will review our operations activities associated with operator interventions, specifically, transmission biasing. In selecting the scope for the operations review, we consider suggestions from our market participants, operation staff, and operations management. We also look for areas that have a potential impact on the market results based on operations actions in the control room that are not transparent to the market participants.

The areas we considered for the 2010 operations review scope were:

- transmission line biasing
- pre-market validation
- constraint management
- new market releases, specifically multi-stage generation

Of these areas, pre-market validation and constraint management are still undergoing changes to improve the processes; these areas will be good candidates for future reviews. Activities continue with the implementation of multi-stage generation. Although implementation is projected for later this year, Management was concerned that waiting until multi-stage generation was in production would not provide sufficient time for completing a thorough review by the end of this year. Therefore, transmission line biasing was selected for the scope of the 2010 operations review.

The ISO has identified the reduction of operator intervention as one of its 2010 corporate goals to achieve excellence in grid and market operation. Transmission line biasing is one of the activities associated with operator intervention. Over the next few months, Management will assess the processes and controls associated with transmission line biasing and will work with the independent reviewer to create the procedures which will guide the review. Throughout the development of the agreed-upon procedures, Management will have an opportunity to evaluate our current practices. Any identified gaps in the process or controls will be reported to operation management. We anticipate that the independent review work will be completed by the end of the third quarter.