

# Memorandum

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

**From:** Eric Schmitt, Vice President, Operations

**Date:** December 11, 2013

**Re:** Acceptance of the 2013 Operations audit

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***This memorandum requires Committee action.***

## EXECUTIVE SUMMARY

PricewaterhouseCoopers, LLC (PwC) completed the California Independent System Operator Corporation Compliance Assessment relating to Specified Control Room Operational Processes and issued its report dated December 6, 2013. The compliance assessment evaluated real-time scheduling processes and was completed with no exceptions noted. Management recommends that the Committee accept the report as submitted and proposes the following motion:

***Moved, that the Audit Committee of the ISO Board of Governors accepts the audit opinion issued on December 6, 2013 by PricewaterhouseCoopers LLC for the testing of specified control room operational processes for 2013, as attached to the memorandum dated December 11, 2013.***

## BACKGROUND

In accordance with tariff section 22.1.2.2, Management engaged PwC to perform the annual independent review of compliance with the ISO's operations policies and procedures. Management directed that PwC provide an audit opinion conducted in accordance with generally accepted auditing standards to verify that the ISO's operational processes were in compliance with select operations procedures representing generally accepted good utility practice. For 2013, Management selected the real-time scheduling operational process for the scope of the Operations Audit because of its importance to market participants and its impact on operations.

Although the real-time scheduling process is a necessary function of ISO operations, the tagging and scheduling of energy on the interties must be properly executed and

consistent with the needs of the grid. Validation of the current real-time scheduling processes is important as the ISO heads into the deployment of the 15-minute scheduling option under FERC Order No. 764. This examination scope affords an independent assessment of whether the processes in place are being followed, providing valuable feedback for continuous improvement of the ISO's control room processes.

This year the audit included both the Alhambra and Folsom control rooms. The auditors observed the Folsom control room on August 19 - 25, 2013, and the Alhambra control room September 24 – 28, 2013.

PwC performed the audit based on an attestation examination that results in an audit opinion. The examination included:

- The actual operations activities associated with real-time scheduling.
- The validation of the information provided in the operators logs.
- The validation of the information sent to the WECC Reliability Coordinator.

## **RESULTS**

The real-time scheduling processes are set forth in the following six Operating Procedures:

- Pre-Schedule and Check-Out Validation Operating Procedure #1510
- NERC Tagging Requirements Operating Procedure #2510
- Real-Time and After the Fact Check Out Operating Procedure #2520
- Manual Dispatch on Interties Operating Procedure #2530
- Interchange Schedule Curtailments Operating Procedure #2540
- Unscheduled Flow, Operating Procedure #3510

The audit focused on ten operating procedure elements within these six Operational Procedures. The elements of the ISO's Operating Procedures included by Management in its assertion were selected on the basis that they were integral to the real-time scheduling function and could be objectively compared against actual operating practice.

The twelve-day audit period at the two control centers included a total of 60 hours in which PwC directly observed operator actions. These hours included all days of the week as well as all hours of the day. All but two of the Real-Time Schedulers were on-

shift during observation hours. Evidence was also collected for hours in which there was no PwC auditor conducting direct observation evidence.

Of the ten operating procedure elements audited, four were validations that occurred every hour. Six elements were event-based and of those six, five occurred during the audit period. One event-based element did not occur within the audit period.

No exceptions were noted during the twelve-day audit period.

## **CONCLUSION**

Management recommends that the Audit Committee accept the audit opinion issued on December 6, 2013.