Memorandum

To: ISO Board of Governors

From: Nancy Saracino, Vice President, General Counsel & Chief Administrative Officer

Date: February 9, 2012

Re: Acceptance of 2011 Code of Certification Procedures Review

This memorandum requires Board action.

EXECUTIVE SUMMARY

PricewaterhouseCoopers LLP completed its review of the California Independent System Operator Corporation's 2011 code of conduct compliance processes for our employees, substantially full-time contractors and members of the Board of Governors, and issued its report on January 31, 2012.

The tariff requires that an independent accounting firm conduct an annual review of the code of conduct certification process. Furthermore, in its 2011 audit of the ISO's independence, FERC recommended that the ISO design better controls for monitoring potential conflicts of interest, including improved disclosure forms and procedures for spot-checking of potential conflicts of interest, and more effective auditing. Management worked collaboratively with PwC to comply with FERC's recommendations starting with this audit.

The FERC recommendations are reflected within the scope of the attached 2011 Code of Conduct Certification Process report, issued by PwC on January 31, 2012. In particular the scope of the 2011 review was expanded based on FERCs recommendations to include the following:

- Inspected conflict of interest forms for signature and written disclosure of any conflicts
- Performed independent confirmation of a sample group of employees' responses to conflict of interest form to determine if any exceptions were noted by the employee
- Confirmed the status of "completed" for all employee required training

PwC's report satisfies the tariff requirement for the annual review of the ISO code of conduct certification process. PwC performed these procedures without exception.

Therefore, Management proposes the following motion:

> ***Moved, that the ISO Board of Governors accepts the report issued on January 31, 2012 by PricewaterhouseCoopers LLP for the testing of the ISO's 2011 code of conduct certification procedures.***