

# Memorandum

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

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

**Date:** March 13, 2013

**Re: Acceptance of 2012 Code of Conduct Certification Procedures Review**

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*This memorandum requires Committee action.*

PricewaterhouseCoopers LLP completed its review of the California Independent System Operator Corporation's 2012 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, 2013.

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 the 2011 code of conduct audit and continues that effort with the 2012 audit.

The FERC recommendations are reflected within the scope of the attached 2012 Code of Conduct Certification Process report. In particular, the scope of PwC's 2012 review included 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 forms to determine if any exceptions were noted by the employee
- Confirmed the status of "completed" for all employee required training, including training on the code of conduct
- Confirmed that the Legal department conducted an assessment of all disclosed conflicts

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 Audit Committee of the ISO Board of Governors accepts the report issued on January 31, 2013 by PricewaterhouseCoopers LLP for the testing of the ISO's 2012 code of conduct certification procedures, as attached to the memorandum dated March 13, 2013.***