

Memorandum

To: Audit Committee of the ISO Board of Governors
From: Eric Schmitt, Vice President, Operations
Date: December 11, 2017
Re: **Acceptance of the 2017 Operations audit**

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 8, 2017. The compliance assessment evaluated transmission outage processes. This compliance assessment was completed with no exceptions noted. Management presents the report for the Committee's acknowledgement and proposes the following motion:

Moved, that the Audit Committee of the ISO Board of Governors accepts the audit opinion issued on December 8, 2017 by PricewaterhouseCoopers LLC for the testing of specified operational processes for 2017, as attached to the memorandum dated December 11, 2017.

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.

The annual audit scope is determined by stakeholder feedback, PwC input, and Management focus areas. Stakeholders were solicited for audit suggestions for a 3-week period, and the ISO did not receive feedback. For 2017, Management chose to review the transmission outage process. The audit scope was limited to the procedural elements which were publicly available, objectively verifiable, and executed by ISO personnel.

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 operational processes.

This year the audit included examination of outage card data associated with the procedure performed by Operations Engineers and Real-Time Transmission Dispatchers for transmission outage requests. The population of transmission outages included requests created after April 1, 2017 for outages started during the period of May 1, 2017 through July 31, 2017. The assessment criteria were identified prior to the testing period.

RESULTS

The review included processes set forth in the following operating procedure:

- 3210, Transmission Outages, effective July 7, 2017

The audit focused on four procedure elements within this operating procedure which include sections 3.3.2, 3.3.3, 3.3.6 and 3.5.4. The selected operating procedure elements comprise only the transmission outages coordination procedures selected on the basis that they related to "CAISO area" outages designated in the ISO Outage Management System ("OMS") as final approval required, and the operating procedures were executed solely by ISO personnel. The elements of the ISO's operating procedures Management included in its assertion were selected on the basis that they were integral to the scope described above and could be objectively compared against actual operating practice.

The ISO exported the population of outage cards for the assessment period from the ISO OMS. PwC applied the assessment criteria to select samples for evidence collection. The ISO collected the requested outage cards and screenshots for PwC auditor examination.

PwC observed no exceptions.

CONCLUSION

Management recommends that the Audit Committee accept the audit opinion issued by PwC on December 8, 2017.