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California Independent System Operator Corporation

Report to the Board of Governors Settlements System Audit



Folsom, CA

September 18, 2014

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Agenda

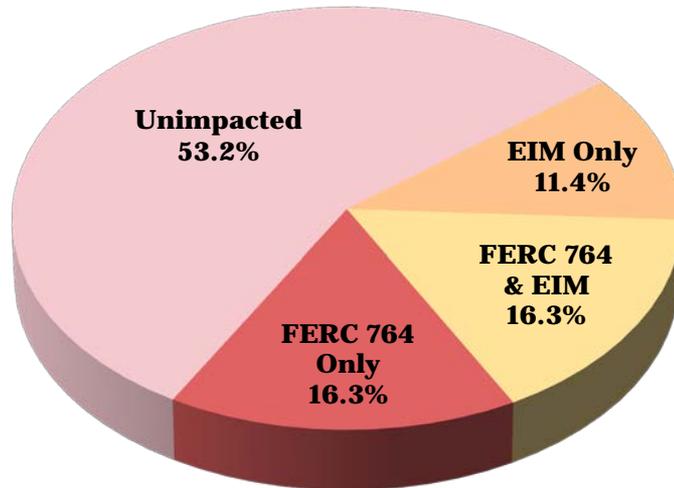
- **Background**
- **Settlements system audit scope**
- **Key audit factors**
- **Expected form of report**
- **Current status and expected timing**

Project background

- Two significant market changes in 2014
 - FERC order 764 – 15 minute scheduling
 - Implemented May 1, 2014
 - Associated changes – RIMPR (Renewable Integration Market and Product Review)
 - EIM expansion
- Issue – ISO desire to gain independent assurance associated with these consequential changes
- Action – PwC targeted independent audit of settlement system changes
- Planned result – audit report on charge codes subject to these market changes

Settlements System Audit Scope

- We are testing the management assertion that quantities and prices are calculated in accordance with the Tariff as approved in related FERC orders
- Scope is targeted
 - includes 73 charge codes
 - excludes charge codes unaffected by these market changes

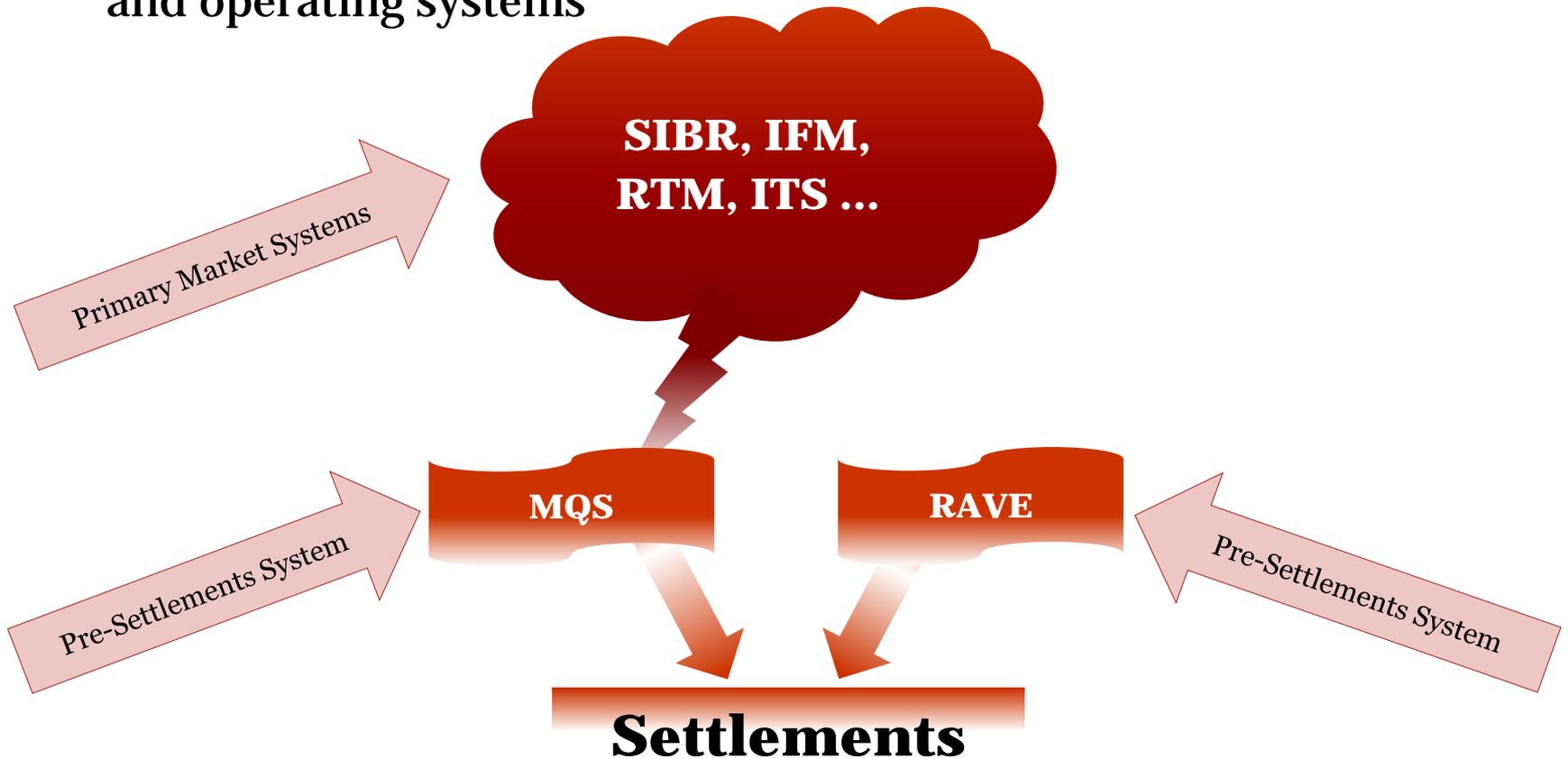


166 Charge Codes

EIM Only	19
FERC 764 & EIM	27
FERC 764 Only	27
<hr/> Impacted	<hr/> 73
Unimpacted	93
<hr/> <hr/> Total	<hr/> <hr/> 166

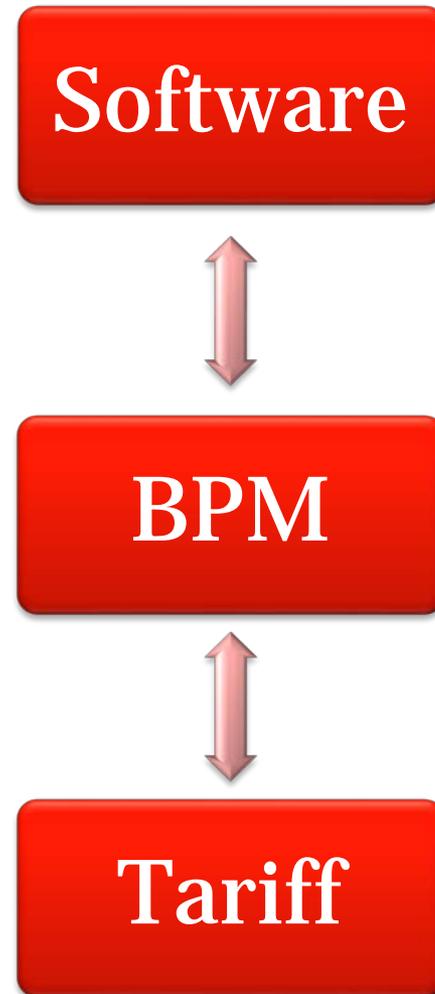
Settlements System Audit Scope

- Audit is focused on the Settlements System
- Project does not cover other systems or processes, including market and operating systems



Key audit factors

- Risk assessment - audit procedures calibrated by risk by charge code
- Core testing - two step process for each charge code – through the BPMs (publically available)
- At go-live - migration testing and updating procedures
- Reporting - to include updated assertion and supporting information



Expected form of report

- PwC opinion on Management Assertion
- Planned composition of the report
 - PwC opinion
 - Summary management assertion - settlements equals Tariff
 - Attachment - scope of charge codes covered
 - Attachment - clarifying Tariff interpretations
 - Attachments - other scope matters, any pending FERC actions or other matters

Current status and expected timing

- **Current status**
 - **Substantially complete with 764 only changes (Spring 2014)**
 - **No unresolved findings**
- **Expected timing**
 - **“As of date” of report to coincide with go-live date**
 - **PwC testing of EIM changes is ongoing**
 - **PwC Testing to be completed after go-live migration**
 - **Report to be issued within 30 days of go-live**

Questions?

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