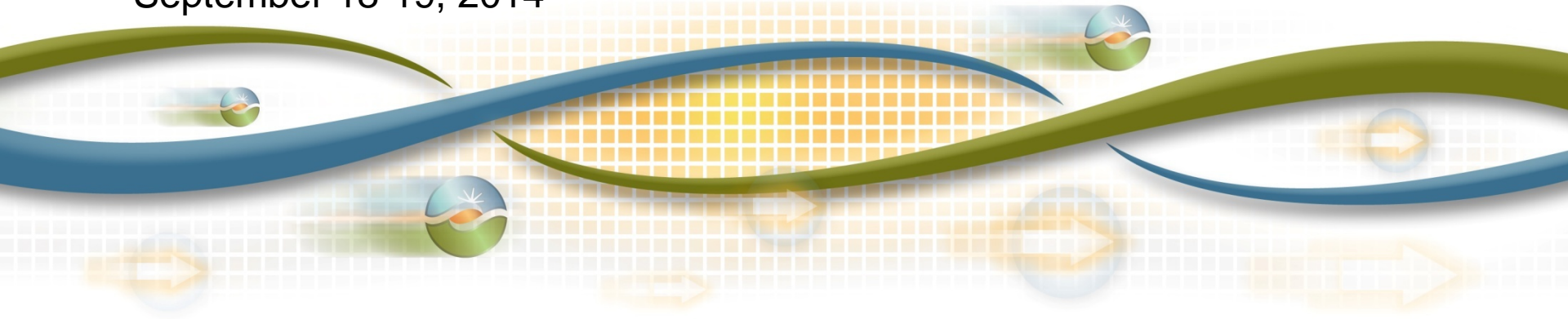


# Decision on elimination of annual operations review

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Board of Governors Meeting  
General Session  
September 18-19, 2014



# Operations review background:

- Since 1998, tariff section 22.1.2.2 has required annual independent review of operational policies and procedures
- Each year the ISO seeks market participant input on suggested scope
- Management reports review results to the Board with opportunity for market participant comment
- Review results are provided to market participants upon request
- Past 4 years participants have not responded to request for input or commented on review results

# Since 1998, the compliance landscape has evolved significantly.

- 2008 formation of ISO compliance program includes:
  - NERC Reliability Standards and WECC Regional Standards effective June 2007
    - Requires annual self certification
    - On-Site audit every three years
  - FERC audit on ISO tariff
  - Annual SSAE 16 settlements audit
  - Annual financial audit
- Expanded focus of Internal Audit team in 2010
  - Audits conducted based on risk assessment
  - Audits focused on operational practices include:
    - Real time transmission, outage management, training, network model maintenance, bid collection and validation and market clearing

# Stakeholder process:

- Proposal posted to stakeholders on August 22, 2014
- Stakeholders support the elimination of the annual operations review requirement
- Conference call held on September 4, 2014 to walk through proposal
  - One comment received from SCE regarding benefits in conducting multiple reviews

Management is seeking Board approval to eliminate the annual operations review requirement for the following reasons:

- Eliminates redundancy
- Reduces expense
- Aligns with other ISOs
- Retains market participants ability to raise concerns
- Retains the ISO's ability to perform audits to address concerns