




California ISO  
Your Link to Power

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**Employees Code of Conduct and Ethical Principles**

	<p>Board Policy</p>	<p>Revision Date</p> <p>Version No.</p>	<p>3/26/2010 for an effective date of 5/1/2010</p> <p>3.0</p>
<p>Employees Code of Conduct and Ethical Principles</p>		<p>Policy Adopted</p>	<p>5/6/97</p>

## A Message from the President and Chief Executive Officer

The California ISO relies on integrity for support in all of our activities and for this reason integrity is number one on our list of core values. Any action inconsistent with this core value undermines the California ISO's ability to fulfill its mission, damages the reputation of the California ISO, and increases the California ISO's risk of exposure to liability for non-compliance with applicable laws and regulations.


We all should be proud of the California ISO's integrity, but vigilance is required in order to assure that we can meet the challenges of maintaining it. The principles, policies and standards adopted by the California ISO support integrity and facilitate compliance with applicable legal and regulatory obligations. Integrity must never be sacrificed in the face of increasing workplace pressures, and none of us should ever allow such pressures to be an excuse to violate the letter or spirit of any principle, policy or standard of the California ISO, including first and foremost our Employees Code of Conduct and Ethical Principles.

Every employee at every level is responsible for making sure this does not happen; however, the Executive Team has a special responsibility for maintaining a culture which not only complies with all applicable laws and regulations, but where each person conducts themselves consistent with integrity and the principles, policies and standards of the California ISO. I share in this responsibility and give it the highest priority.

If you ever have any question or concern about this Employees Code of Conduct and Ethical Principles, do not hesitate to raise it immediately. Please talk with your manager, the Chief Compliance Officer, any member of the Compliance Committee, or refer to the information provided in the Guide to the Employees Code of Conduct and Ethical Principles for other options, including a service that allows anonymous reports. Again, I cannot emphasize enough my commitment to our integrity, but I can't do this alone; I need your help, and I appreciate your cooperation in this endeavor.

Very truly yours,


Yakout Mansour  
President and Chief Executive Officer

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## **1. OVERVIEW**

### **1.1 Purpose**

The California ISO (“ISO”) is committed to integrity in all business dealings. The purpose of this Employees Code of Conduct and Ethical Principles (“Code”) is to support the ISO’s core values of integrity, teamwork, excellence, people-focus, and open communication and facilitate compliance with applicable laws and regulations. This Code is supported by a Guide to the Employees Code of Conduct and Ethical Principles, which explains the rules contained in this Code.

### **1.2 Areas Affected**

This Code applies to employees of the ISO (“you”). This Code and the principles, policies and standards described or referenced in it are not an employment contract. The ISO does not create any contractual right by issuing this Code or any principle, policy or standard, or by requiring written certification of compliance. Employment by the ISO is on an “at-will” basis, which means that the ISO can terminate the relationship at will, with or without cause, at any time and without notice, so long as there is no violation of applicable laws or regulations.


## **2. RESPONSIBILITIES**

### **2.1 Individual Responsibilities**

You must be familiar with this Code, as well as all principles, policies and standards that apply to your areas of responsibility. When you have questions about application of this Code or any other ISO principle, policy or standard, you should consult the Guide to the Employees Code of Conduct and Ethical Principles, or seek assistance from your direct supervisor or the Legal Department.

### **2.2 Management Responsibilities**

The responsibilities of employees in a management position go beyond those required of other employees. Management is expected to build and maintain a culture of compliance with applicable laws and regulations and ISO principles, policies and standards. Management is expected to accomplish this by personally leading compliance efforts through frequent meetings with direct reports, monitoring of compliance matters and programs, and encouraging employees to raise integrity issues, to lead by example, and to never allow business results to become more important than compliance. Compliance problems should be prevented by ensuring that the principles, policies and standards tailored to a particular activity are issued and communicated in a timely and effective manner, that possible violations are detected by

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implementing appropriate control mechanisms and conducting periodic compliance reviews, and that potential violations are investigated and prompt corrective action is taken to remedy any identified weakness.

### **2.3 Reporting Violations**

If you become aware of any illegal or improper conduct on the part of an employee, or other conduct inconsistent with this Code, you must promptly report such conduct to your supervisor, the Legal Department or other persons designated by management, as described in the Guide to the Employees Code of Conduct and Ethical Principles.

### **2.4 Consequences for Violations**


Any employee who violates the letter or spirit of this Code or the principles, policies and standards referenced herein or who fails to comply with applicable laws or regulations will be subject to disciplinary action, up to and including termination of employment with the ISO.

## **3. INTEGRITY AND CONFLICTS OF INTEREST**

You must avoid any activity, investment or interest that might reflect unfavorably upon your own integrity and reputation or the ISO's, whether in fact or simply in appearance. You must not use your position with the ISO improperly to benefit yourself, your relatives, friends or other businesses. You have a duty to perform your job or other responsibilities in the best interests of the ISO. You must avoid situations and relationships which compete with your loyalty to the ISO and which might affect or appear to affect your judgment in performing your duties.

You must also avoid any activity that is inconsistent with or opposed to the legitimate best interests of the ISO. Conflicts of interest may arise when individuals become involved in specific circumstances that present dual loyalties. They can be real and factual or apparent and perceived. Conflicts of interest can arise in almost every business setting and there is a well accepted way to address and resolve conflicts of interest.

Many questions relating to conflict of interest issues can be avoided by timely and adequate disclosure of facts. When the facts are known and reviewed, the ISO may consent to involvement by an employee in a situation that otherwise might appear to create a conflict of interest. The intent is not to have a policy that infringes on personal lives; however, it must be recognized that employees assume certain responsibilities of loyalty and trust when accepting employment with the ISO. Disclosure is the key to addressing conflicts of interest issues and all employees will be required to complete a disclosure form.

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The ISO has identified rules with respect to conflicts of interest to address an area of particular concern; however, it is possible to be in compliance with the specific requirements contained in the Code and still have a conflict of interest as described in the general principles above. Accordingly, it is important to keep in mind the spirit of these requirements and to consult the Guide to the Employees Code of Conduct and Ethical Principles or contact the Legal Department if you have any questions or require assistance in evaluating a potential conflict of interest.

### 3.1 Integrity of the Market

You may not act as a broker in connection with any power sale or purchase, or purchase or sell electricity, except for ordinary personal uses or to the extent necessary to carry out the ISO's functions.

Employees may not serve as employees, directors, attorney or consultants for any entity engaged in the generation, transmission, marketing or distribution of electricity within the geographic area of the Western Electricity Coordinating Council unless prior written approval has been granted by the Governing Board in response to a written request supported by specific reasons.

You may not have, directly or indirectly a financial interest in any market participant that would be prohibited by 18 C.F.R. 35.34(j)(1)(i) or any successor provision.


No person shall become an employee unless such person has agreed in writing to dispose of any such financial interests within six months after the time such person is to commence providing services to the ISO.

### 3.2 Treatment of Non-Public Information

The ISO is the custodian of a significant amount of non-public third party information, primarily from market participants. In addition, the ISO has information of its own that is non-public. You are required to treat all non-public information in accordance with the ISO tariff, contractual commitments, the Information Security Policy Standards and Classification, Information Availability Policy and other ISO policies and standards as applicable.

### 3.3 Disclosure

You may not withhold information, except as may be allowed by a recognized legal privilege or appropriate assertion of confidentiality, nor give false information to, or attempt to mislead anyone conducting duly authorized investigations or audits of or relating to the ISO or its business.

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### **3.4 Integrity of Business Records**

The ISO is committed to maintaining the integrity of its business records and requires that honest and accurate business records be maintained. Employees with responsibility to maintain the ISO's business, accounting and financial records shall perform such duties in accordance with management's directions and in conformance with the ISO's policies and procedures.

### **3.5 Other Conflicts**

#### **3.5.1 Political Advocacy**

You may not use funds or resources of the ISO in support of any political party or candidate for elected office. You may not use your position, authority, or influence with the ISO for the purpose of affecting the result of a political election. You may not directly or indirectly coerce, attempt to coerce, command or advise any employee or contractor, to pay, lend, or contribute anything of value or to contribute personal services to a party, committee, organization, agency or person for political purposes.

#### **3.5.2 Unauthorized Use of Corporate Assets**


You may not use any ISO property or services for personal gain and shall not remove or dispose of the materials, supplies or equipment of the ISO without the authorization of the ISO.

#### **3.5.3 Gifts and Gratuities**

You shall not accept directly or indirectly, any gift, favor, meal, transportation, discount, or service ("Gift") that would tend to affect, or give the appearance of affecting, your judgment in the performance of your corporate duties.

The following Gifts ("Exempt Gifts") will be generally presumed to not affect that judgment and thus may be accepted:

- (a) Gifts not from a "business related source" as defined below;
- (b) meals and beverages, provided in connection or conjunction with a business related events, including social events and celebrations to the extent they are in conjunction with a business related event;
- (c) inexpensive non-cash Gifts such as pens, calendars, items of clothing provided as promotional items for a special occasion;
- (d) Gifts from immediate family members; and

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(e) Gifts from other relatives and personal friends that are traditionally exchanged on a personal basis.

A “business related source” means:


- (a) A market participant;
- (b) An existing vendor or contractor or a vendor or contractor seeking the business of the ISO;
- (c) Any entity in the business of the distribution, marketing or development of electric energy;
- (d) Any company that is a service provider or supplier to a market participant.

A Gift is deemed to be indirectly received from a business-related source if it is from one or more of its directors, officers, employees or agents, its subsidiary or parent company, or from any company, trade group or non-profit organization owned, controlled by or that receives a substantial amount of its revenues or funding from one or more business-related sources.

In addition to Exempt Gifts listed above, and subject to the limitations in this paragraph, you may receive a Gift from a business-related source so long as its receipt would not tend to affect, or give the appearance of affecting, your judgment in the performance of your corporate duties. You shall keep a record of every such Gift with a market value exceeding fifty dollars. The record must include the donor, the Gift value, and receipt date. A current, cumulative record shall be available upon request of the ISO. You shall not knowingly accept Gifts, other than Exempt Gifts, totaling more than two-hundred and fifty dollars from any single business-related source in a twelve-month period. You shall not accept cash gifts from any business-related source other than an immediate family member.

You shall not accept compensation or expense reimbursement for any action taken in your corporate capacity from a source other than the ISO, except that you may accept, or be reimbursed for, tuition, meals, transportation, lodging, and incidental expenses related to the attendance of a course or conference, facility tour, or other business gathering if the acceptance is consistent with and furthers the purposes of the ISO. The nature and an estimated of value of this compensation shall be reported to the Corporate Secretary in advance of attendance and shall be limited to the reasonable value of business expense reimbursement for such an event. You must obtain the approval of the ISO before accepting this compensation. The actual value of the compensation shall be reported to the Corporate Secretary within ten days after its receipt.




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#### **4. CORPORATE COMPLIANCE**

The ISO is a Public Utility as defined by the Federal Power Act and is therefore subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”). As such, all rates, terms and conditions of FERC jurisdictional service provided by the ISO must be on file with FERC in the form of a tariff. Pursuant to its FERC-filed tariff, the ISO provides open, nondiscriminatory access to the transmission system and operates markets for wholesale electric energy and energy related services and products. Failure to comply with the tariff and failure to administer the tariff in a manner that treats all participants without preference or undue discrimination can result in FERC imposed penalties and create litigation risk for the corporation. Failure to comply with the tariff and failure to administer the tariff in a manner that treats all participants without preference or undue discrimination is also a violation of the Code. You must strictly enforce any tariff provision relating to transmission service that does not, by its terms, provide for the exercise of discretion. To the extent that the ISO grants a waiver of a non-material rule which provides for discretionary waiver, a written log of each waiver of a rule must be maintained including the circumstances involved, the person authorizing such waiver and the sources of authority for such waiver.

If you believe that a tariff violation has occurred or that the tariff has been administered in a manner that is inconsistent with the obligation to treat all participants without preference or undue discrimination, you must report the conduct to your supervisor, the Legal Department, or to one of the designated persons described in the Guide to the Employees Code of Conduct and Ethical Principles. Any employee who fails to report illegal or improper conduct has violated the Code.

In addition, the ISO and the activities it engages in are subject to legal requirements arising under federal, state and local laws, regulations and ordinances. You must comply with all laws and regulations applicable to the conduct of the business of the ISO and this Code. Questions about the applicability of any law or regulation to their activities should be addressed promptly to your supervisor, the Legal Department, or the Chief Compliance Officer. You must consult with the Legal Department prior to making disclosures to regulators or law enforcement authorities related to compliance.

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## **5. EMPLOYMENT PRACTICES**

### **5.1 Equal Opportunity Employment**

You shall not discriminate against anyone on any unlawful basis, including sex, race, religion, color, national origin, sexual orientation, age, medical condition, physical or mental disability, HIV or AIDS condition, marital status, veteran status, or family leave status.

### **5.2 Harassment**

You may not harass any individual on any of the bases listed in the paragraph above. For information about the types of conduct that constitute impermissible harassment and the ISO's internal procedure for addressing complaints of harassment, please refer to the Employee Handbook.

### **5.3 Workplace Violence Prevention Policy**

Engaging in behaviors identified in the Workplace Violence Prevention Policy, or other behaviors deemed inappropriate in the discretion of ISO management, may result in disciplinary action, up to and including immediate termination of employment. For further information and questions please consult the Workplace Violence Prevention Policy, or contact Human Resources, the Legal Department, or Physical Security, or refer to the Guide to the Employees Code of Conduct and Ethical Principles.


### **5.4 Substance Abuse Prevention Policy**

To further the ISO's interest in avoiding accidents, to promote and maintain safe and efficient working conditions for its employees, and to protect its employees, business, property, equipment, and operations, the ISO has established a Substance Abuse Prevention Policy concerning the use of alcohol and drugs. You shall not possess, use or be under the influence of alcohol or drugs in a manner inconsistent with the Substance Abuse Prevention Policy.

## **6. IMPLEMENTATION**

### **6.1 Training**

The ISO will inform and train its employees on applicable provisions of federal and state law related to this Code, and will direct all of its employees to comply with applicable provisions of federal and state law.

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## 6.2 Communications

The ISO will distribute copies of this Code to all of its employees. Copies of this Code will be provided to any new employee as part of an orientation process. The ISO will direct all of its employees to comply with this Code. All employees will be required to complete an annual disclosure questionnaire regarding compliance with this Code.

## 6.3 Evaluation

The Compliance Committee, with the advice and approval of the Audit Committee as appropriate, will evaluate the ISO's experience and refine the relevant procedures, if necessary, to ensure continued compliance with this Code.

## 6.4 Monitoring

The Chief Compliance Officer will monitor employee compliance with this Code and periodically report to the Audit Committee, but in no circumstance less frequently than annually. The Audit Committee will in turn report to the Board of Governors as required by its charter.

## 7. CONTACTS

There are a number of places in this Code where employees are advised to contact various departments for guidance or advice. The contact information for appropriate individuals in each department is included in the Guide to the Employees Code of Conduct and Ethical Principles.

## 8. ACKNOWLEDGMENT AND DISCLOSURE FORMS

There are two forms every employee must complete in order to comply with this Code. The first form is an acknowledgment form that is generally completed as part of the hiring process. The second form is a disclosure and acknowledgment form that every employee must complete annually. Each year the ISO will establish a deadline for completion of the disclosure form. If you have any questions about either of the forms provided, please contact the Legal Department.

## REVISION HISTORY

VERSION NO.	DATE	DESCRIPTION
1.0	5/6/97	Code of Conduct adopted by Board of Governors
2.0	1/25/2007	Code of Conduct and Ethical Principles adopted by Board of Governors
3.0	3/16/2010	Code of Conduct and Ethical Principles amended by Board of Governors

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