

Memorandum

To: ISO Board of Governors

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

Date: October 26, 2010

Re: Briefing on ISO Principles, Policies & Standards Framework

This memorandum does not require Board action.

On April 20, 2006, the ISO Board of Governors approved a corporate framework policy entitled “California ISO Principles, Policies & Standards Framework” (Framework) for the California Independent System Operator Corporation (a copy of the policy is attached to this memorandum for reference). As part of the 2010 corporate policy review initiative, Management has determined that this framework policy is no longer applicable to how the ISO develops and titles its policies and procedures. In addition, the policy contains detailed information, such as department names and individual contributor titles, which are not appropriate in such an overarching policy. Moreover, Management’s preference is to use the title “procedure” rather than “standard” in order to clearly distinguish from mandatory reliability standards.

Management’s current practice with regard to approval of policies and procedures expands beyond the scope of the process reflected in the attached policy. The ISO has established internal committees with executive sponsorship to address policy review matters. The Corporate Secretary continues to take a lead role in the review process and will determine what policies are appropriate for Board review and approval. Consistent with current practice, Board approval will continue to be required for:

- All policies that delegate authority from the Board to Management;
- All policies that impact strategic direction for the corporation;
- All policies that materially change the risk profile of the organization; and
- All policies specifically identified in state statute or the corporation’s bylaws.

Management has determined that the framework policy is no longer necessary, as it may create confusion and has been rendered obsolete by current best practices for policy development. More specifically, regardless of the policy, we have developed, reviewed and maintained corporate-wide policies and procedures that are in alignment with the strategic direction of the Corporation, and will continue to do so. Accordingly, because this policy is not being replaced, and is no longer applicable, we do not believe that Board action is required.