

Memorandum

To: ISO Board of Governors
From: Nancy Saracino, Chief Compliance Officer
Date: July 6, 2011
Re: **Compliance Committee Update**

This memorandum does not require Board action.

The *Compliance and Ethics Program Policy*, as revised by the Board in March 2010, provides that the Chief Compliance Officer will administer the Compliance Program “under the oversight of the Audit Committee of the Board of Governors,” and with support from Executive Management and the Compliance and Ethics Committee. This is the report of the Compliance Officer and the Compliance and Ethics Committee about progress on compliance initiatives since the previous report on May 11, 2011.

The Compliance and Ethics Committee met on June 2, 2011, and plans to meet again in August. A status report on major compliance initiatives follows.

Rewriting Operating Procedures

Earlier this year, the Operations Compliance and Control group completed a project to revise the ISO’s existing operating procedures to ensure they were clear and correct. During the last month, the team published a new format for these procedures tailored to the new eRecords format that both improves the look and feel, and is easier to access quickly. The team has initiated the second phase of this project that will entail adding new content and building a technical solution to further automate the process of publishing and maintaining the procedures.

Simulator Project

To better prepare floor personnel for emergency scenarios, Operations Compliance and Control initiated simulation training last year. Since the move to the Iron Point facility in January, this training is now conducted in a dedicated simulator room. The operators have completed the first cycle of simulations training in this new room for a total of seven simulations since the start of the program last year. The new room allows for more realism than the previous location as it is a small-scale replica of the new control room. The operators have the same number of monitors, a video board, and the same communications equipment as in the actual control room. The Operations Training Team continues to work to enhance the capabilities of the simulator with a goal of developing twenty working scenarios by the end of 2011.

Compliance Risk Assessment

As part of the corporate initiative to establish a compliance culture, the Corporate Compliance team has initiated an assessment of compliance risks in the areas of the tariff, NERC mandatory standards, and corporate policies. Both Internal Audit and Corporate Compliance will use the results of the assessment to develop and prioritize annual proactive monitoring schedules.

In June, the team, together with outside consultants Kaplan and Walker, conducted interviews with a pilot group to identify, rate and prioritize an initial list of compliance risks related to NERC/WECC reliability standards. The team will prepare a report outlining key compliance risks, their severity, mitigating controls, and corrective actions. Based on the pilot, the methodology will be refined, and the team will execute the risk assessment across the remaining compliance areas of tariff and corporate policies.

eRecords

The Corporate Compliance team has been overseeing the initiative to streamline how the ISO manages records. Nearly all employees have been trained on SharePoint 2010, which will serve as the content repository. The Compliance Team is in the process of verifying file structures, metadata requirements, and records retention schedules. When this work is complete, each business unit will receive a SharePoint site with a preliminary folder structure, and then begin migrating existing records to that site.

Corporate Policy Compliance Program

The corporate policy compliance program will establish a process for the creation, review, approval, maintenance, and monitoring for all corporate policies. The Corporate Compliance team has prepared a draft policy, procedure, and template for creating new policies. The template standardizes policy components for compliance purposes and refreshes the look and feel. Once approved, these documents will guide the team in reviewing existing corporate policies to identify and make necessary updates.