

***California ISO
Audit Results for the 2012
Operational Compliance
Assessment***

**Audit Committee of the
ISO Board of Governors
General Session
December 13 - 14, 2012**

Agenda

Background

Scope of Assessment

Findings

Form of Report

Operational Compliance Assessment

Background

Some form of operational assessment is performed each year.

Board of Governors briefed by ISO management on the 2012 Operational Assessment scope and plan during May 2012.

Like last year, assessment was performed under Attestation standards – our report is an Audit/Attestation opinion.

Management determined the subject of the assessment – day-ahead market processes.

Operational Compliance Assessment

Scope of Assessment

Assessment period determined by PwC:

- August 6 – 15, 2012
- September 19 – 28, 2012

All testing was performed at the Folsom location where day-ahead market activities are routinely completed.

Operational Compliance Assessment

Detailed Scope and Findings

Ref. No.	Day-Ahead Market & Ancillary Service Operating Procedures	Occurrences During 20-Day Assessment Period	Compliance Assessment
1	Minimum On-line Commitment Constraint Setup	4 to 8 times per day, multiple units	No Exceptions
2	Extremely Long Start Commitment Process	Some days, 1 or 2 units per day	No Exceptions
3	Ancillary Services Determination	Each day	No Exceptions
4	Ancillary Service Blocking <ul style="list-style-type: none"> • Generation Limitation • Transmission Limitation 	1 to 8 units per day, multiple hours, 993 total hours None	Exception Noted No Occurrences
5	Constraint Enforcement	Each day	No Exceptions

Operational Compliance Assessment

Detailed Scope and Findings (continued)

Ref. No.	Day-Ahead Market & Ancillary Service Operating Procedures	Number of Occurrences During 20-Day Assessment Period	Compliance Assessment
6 & 7	Closing the DA Market <ul style="list-style-type: none"> • Late Close Market Message • DA Market Input Data Transfer 	None Each day	No Occurrences No Exceptions
8	Setting Initial Unit Commitment Conditions	Each day but one, few units each day	No Exceptions
9	Confirm Market Power Mitigation Execution	Each day	No Exceptions
10	Confirm IFM Execution	Each day	No Exceptions
11	Manual RUC Adjustments	None	No Occurrences
12	Confirm RUC Execution	Each day	No Exceptions
13	Confirm DA Market Results Transfer	Each day	No Exceptions

Operational Compliance Assessment

Exception Finding

Background on Ancillary Service Blocking

- Generation resources with operational limitations are to be blocked from offering Ancillary Services to the day-ahead market.
- Resources and hours to be blocked are communicated to the day-ahead operator through the logging system (SLIC).
- Day-ahead operator enters the blocked resources and respective hours into the Ancillary Service IFM Blocked Resource Input screen prior to market execution.

Exception Condition

- ISO management disclosed noncompliance with respect to one generating unit not being blocked from offering ancillary services to the day-ahead market for six hours within the twenty day scope of the examination.
- During the twenty days, numerous generation resources were blocked from offering ancillary services for 993 total hours.

Operational Compliance Assessment

Form of Report

Management provided PwC management assertion consisting of:

- Procedural Elements extracted from two ISO Operating Procedures (Running the Day-Ahead Market & Ancillary Service Procurement and Availability Validation).
- Criteria to test compliance with Procedural Elements.
- ISO's self-assessment of compliance with the criteria.

Exception condition agreed to by management and therefore included in the management assertion.

PwC opinion covers management's assertion on certain day-ahead processes; does not report directly on subject matter.

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