

EMPLOYEES CODE OF CONDUCT

The Code of Conduct for officers, employees and substantially full-time consultants and contractors of the California Independent System Operator Corporation (the "Corporation") shall be as follows:

(a) **STANDARDS**

Non-Participation in Energy Transactions

- (1) Neither the Corporation, its officers, its employees or its substantially full-time consultants or contractors will act as a broker in connection with any power or energy sale or purchase.
- (2) Neither the Corporation, its officers, its employees or its substantially full-time consultants or contractors will purchase electricity, except for ordinary personal uses, or sell electricity except to the extent necessary to carry out the Corporation's functions.
- (3) Unless a request has been made in writing, supported by specific reasons, and unless prior written approval has been granted by the Governing Board, no officer or employee of the Corporation, and no substantially full-time consultant or contractor to the Corporation, may be an employee, director or attorney for, or a substantially full-time consultant or contractor to, any entity engaged in the generation, transmission, marketing or distribution of electricity (a "Market Entity"). Any such request shall be noticed on the agenda of the meeting of the Governing Board at which action on the request is scheduled to be taken and shall be deemed approved by the Governing Board if at least a majority of the Governors then in office vote in favor of granting such request.
- (4) No person shall become an officer or full-time or part-time employee of the Corporation, and no person shall be hired as a substantially full-time consultant or contractor to the Corporation, unless such person has agreed in writing to dispose of securities owned by such person which were issued by a Market Entity or any affiliate thereof within six (6) months

after the time such person is to commence providing services to the Corporation (no later than April 30, 1998, for persons employed by the Corporation on October 30, 1997) in order to assure that such person will not directly or indirectly (e.g., through a family trust, self directed pension or profit sharing plan, or employee benefit plan) own securities issued by a Market Entity or any affiliate thereof. Any question regarding whether particular securities are subject to this divestiture requirement, including shares of mutual funds or other collective investment vehicles owning securities issued by a Market Entity or any affiliate thereof, should be directed to the Corporation's Legal Department.

- (5) No officer or employee of the Corporation, and no substantially full-time consultant or contractor to the Corporation, shall acquire, directly or indirectly (e.g., through a family trust, self directed pension or profit sharing plan, or employee benefit plan) securities issued by a Market Entity or any affiliate thereof. Any questions regarding whether particular securities are subject to this limitation, including shares of mutual funds or other collective investment vehicles owning securities issued by Market Entity or any affiliate thereof, should be directed to the Corporation's Legal Department.

Administration of Tariffs

- (6) It is the policy of the Corporation to offer open-access transmission service on a non-discriminatory basis.
- (7) If there is discretion in the application of any tariff provision relating to the transmission of electricity, including, but not limited to, cost, available transmission capacity, scheduling, dispatching, ancillary services or transmission curtailment priority, the Corporation, its officers, employees and substantially full-time consultants and contractors will apply the tariff provision in substantially the same manner to the same or similarly situated persons.
- (8) The Corporation, its officers, employees and substantially full-time consultants and contractors will strictly enforce any tariff provision relating to transmission service which does not, by its

terms, provide for the exercise of discretion.

- (9) The Corporation, its officers, employees and substantially full-time consultants and contractors will process all similar requests for transmission in a non-discriminatory manner and without undue delay. The Corporation will maintain for public inspection records of all requests for transmission, when each request was received, and the determination of each request.
- (10) To the extent that the Corporation may grant a waiver of a non-material rule which provides for discretionary waiver, the Corporation will maintain a written log of each waiver of a rule, the circumstances involved, the person authorizing such waiver and the source of authority for such waiver and provide the log for review and copying at the request of any interested person at such person's expense during regular business hours at the Corporation's offices.

Non-disclosure of Transactional Information

- (11) The Corporation, its employees, and its substantially full-time consultants and contractors will abide by the Standards of Conduct for Public Utilities set forth in FERC Order 889 and 889A, as those standards are codified in 18 C.F.R. Section 37.1-37.4, as amended, or any successor law.

Use of Information

- (12) No employee shall use any non-public information obtained in his or her capacity as an employee for his or her own personal gain or to the detriment of the Corporation except to the extent authorized by the Corporation's bylaws, any law or any court order.

General

- (13) Corporation officers, employees and substantially full-time consultants and contractors shall comply with all laws and regulations applicable to the conduct of the business of the Corporation and this Code of Conduct. Officers, employees or substantially full-time consultants or contractors who become

aware of any illegal or improper conduct on the part of another officer, employee or substantially full-time consultant or contractor, or conduct inconsistent with this Code of Conduct, shall promptly report such conduct to their supervisor or the General Counsel of the Corporation.

- (14) Corporation officers, employees and substantially full-time consultants and contractors shall not put themselves in a position in which their personal interests and those of the Corporation might be in conflict or which might interfere with the officer's, employee's, consultant's or contractor's ability to perform his or her job as well as possible.
- (15) Corporation officers, employees and substantially full-time consultants and contractors shall not use any Corporation property or services for personal gain and shall not remove or dispose of the materials, supplies or equipment of the Corporation without proper authority.
- (16) Corporation officers, employees and substantially full-time consultants and contractors shall not accept any form of gratuity which would tend to affect, or give the appearance of affecting, their judgment in the performance of their duties. Food, refreshments and entertainment in the course of a luncheon, dinner, other meeting or corporate event, and non-cash gifts, such as pens, pencils, note pads, calendars, clothing or gifts received as a promotional matter or for a special occasion, are examples of acceptable gratuities. Cash in any form or amount is not considered an acceptable gift and is explicitly forbidden. Such individuals shall keep a personal written record of all forms of gratuities with an individual value of \$50 or more ("Recordable Gratuities") they do accept. In no event may an officer, employee or substantially full-time consultant or contractor accept Recordable Gratuities with an aggregate value in excess of \$250 per source per year.
- (17) Corporation officers, employees and substantially full-time consultants and contractors shall not give or offer to give gratuities in any form to anyone for the purpose of influencing their judgment in the performance of their duties.

- (18) Corporation officers, employees and substantially full-time consultants and contractors shall not use funds or resources of the Corporation in support of any political party or candidate for elected office. A Corporation officer, employee or substantially full-time consultant or contractor may not use his or her position, authority, or influence with the Corporation for the purpose of affecting the result of an election or a nomination or a party or public office. An officer, employee or substantially full-time consultant or contractor shall not directly or indirectly coerce, attempt to coerce, command or advise another officer, employee or substantially full-time consultant 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.
- (19) Corporation officers, employees and substantially full-time consultants and contractors with responsibility to initiate or modify entries in the Corporation's accounting records shall perform such duties in accordance with management's directions and in conformance with the Corporation's accounting policies and procedures.
- (20) Corporation officers, employees and substantially full-time consultants and contractors shall not, except as may be allowed by a recognized legal privilege or appropriate assertion of confidentiality, withhold information from or give false or misleading information to anyone conducting duly authorized investigations or audits of or relating to the Corporation or its business.
- (21) Corporation officers, employees and substantially full-time consultants and contractors 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.
- (22) Corporation officers, employees and substantially full-time consultants and contractors shall not be under the influence of alcohol, or possess, use or be under the influence of illegal drugs while on the job or during work hours, including meal breaks.

(b) IMPLEMENTATION

- (1) The Corporation will inform and train its officers, employees and substantially full-time consultants and contractors in appropriate provisions of federal and state law. The Corporation will direct all of its officers, employees, and substantially full-time consultants and contractors to comply with appropriate provisions of federal and state law. The Corporation will monitor its officers, employees and substantially full-time consultants and contractors, and will conduct periodic reviews to ensure continued compliance. The Corporation will instruct its officers, employees and substantially full-time consultants and contractors to contact their supervisors or the General Counsel of the Corporation if they have any questions regarding applicable federal or state law or this Code of Conduct.
- (2) The Corporation will distribute copies of this Code of Conduct to all of its officers, employees and substantially full-time consultants and contractors. Copies of this Code of Conduct will be provided to any new officer, employee and substantially full-time consultant and contractor as part of an orientation process. The Corporation will direct all of its officers, employees and substantially full-time consultants and contractors to comply with this Code of Conduct. All officers, employees and substantially full-time consultants and contractors shall be required to complete an annual disclosure questionnaire regarding compliance with this Code of Conduct and investments in Market Entities; provided, however, that the Governing Board may determine that certain categories of non-management employees, consultants and contractors of the Corporation shall not be required to complete such questionnaire or may complete an abbreviated questionnaire.
- (3) The Governing Board of the Corporation will evaluate the Corporation's experience and refine these procedures, if necessary, to ensure continued compliance with this Code of Conduct.
- (4) The Audit Committee shall monitor compliance with this Code of Conduct and shall make a compliance report to the full

Governing Board at least annually.

- (5) Any officer, employee or substantially full-time contractor or consultant of the Corporation shall be subject to discipline for failure to comply with all applicable federal and state laws or for failure to comply with this Code of Conduct. Discipline may take the form of reprimand, suspension without pay, limitation in the scope of responsibilities, monetary fines, or termination, in accordance with policies approved by the Governing Board.
- (6) The Governing Board shall adopt guidelines and policies for granting waivers of compliance with paragraph (a)(3) of this Code of Conduct.

GOVERNORS CODE OF CONDUCT

The Code of Conduct for Governors of the California Independent System Operator Corporation (the "Corporation") shall be as follows:

(a) **STANDARDS**

Administration of Tariffs

- (1) Governors shall act in accordance with the policy of the Corporation to offer open-access transmission service on a non-discriminatory basis.
- (2) Governors shall act in accordance with the policy of the Corporation to apply each tariff provision in substantially the same manner to the same or similarly situated persons.

Non-disclosure of Transactional Information

- (3) The Governors will abide by the Standards of Conduct for Public Utilities set forth in FERC Order 889 and 889A, as those standards are codified in 18 C.F.R. Section 37.1-37.4, as amended, or any successor law.

Use of Information

- (4) No Governor shall use any non-public information obtained in his or her capacity as a Governor for his or her personal gain, for the gain or an affiliate or to the detriment of the Corporation, any competitors of any entity with which the Governor is affiliated or any suppliers to such competitors or customers of such competitors, except to the extent authorized by the Corporation's bylaws, any law or court order.

General

- (5) Governors shall comply with all laws and regulations

applicable to the conduct of the business of the Corporation and this Governors Code of Conduct. Governors who become aware of any illegal or improper conduct on the part of another Governor, or conduct inconsistent with this Governors Code of Conduct, shall promptly report such conduct to the General Counsel of the Corporation.

- (6) Governors shall not use any Corporation property or services for personal gain and shall not remove or dispose of the materials, supplies or equipment of the Corporation without proper authority.
- (7) Governors shall not accept any form of gratuity which would tend to affect, or give the appearance of affecting, their judgment in the performance of their duties. Food, refreshments and entertainment in the course of a luncheon, dinner, other meeting or corporate event, and non-cash gifts, such as pens, pencils, note pads, calendars, clothing or gifts received as a promotional matter or for a special occasion, are examples of acceptable gratuities. Cash in any form or amount is not considered an acceptable gift and is explicitly forbidden. Governors shall keep a personal written record of all forms of gratuities with an individual value of \$50 or more ("Recordable Gratuities") they do accept. In no event may a Governor accept Recordable Gratuities with an aggregate value in excess of \$250 per source per year. This paragraph (7) shall not apply to compensation, benefits or bonuses paid to a Governor by his or her primary employer.
- (8) Governors shall not give or offer to give gratuities in any form to anyone for the purpose of influencing their judgment in the performance of their duties.
- (9) Governors shall not use funds or resources of the Corporation in support of any political party or candidate for elected office. A Governor may not use his or her position, authority, or influence with the Corporation for the purpose of affecting the

result of an election or a nomination or a party or public office. A Governor shall not directly or indirectly coerce, attempt to coerce, command or advise another Governor, officer, employee or substantially full-time consultant 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.

- (10) Governors shall not give false or misleading information to, and, except as may be allowed by a recognized legal privilege or appropriate assertion of confidentiality, Governors shall not withhold information from anyone conducting duly authorized investigations or audits of or relating to the Corporation or its business.
- (11) Governors 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.
- (12) Governors shall advise the Corporation on an annual basis of any investment in the securities of any entity engaged in the generation, transmission, marketing or distribution of electricity (a "Market Entity"). To the extent that any such securities are issued by an entity which has registered with the Corporation to participate in the election of Governors of any class specified in the Corporation's bylaws, such class affiliation shall be noted in the Governor's report concerning the ownership of such securities. Each Governor's report regarding ownership of securities of Market Entities shall be made available to the public upon request.

(b) IMPLEMENTATION

- (1) The Corporation will inform its Governors in appropriate

provisions of federal and state law. Governors shall comply with all applicable provisions of federal and state law. The Audit Committee will monitor the Governors, and will conduct periodic reviews to ensure continued compliance. Governors shall contact the President or General Counsel of the Corporation if they have any questions regarding applicable federal or state law or this Code of Conduct.

- (2) The Corporation will distribute copies of this Governors Code of Conduct to its Governors and to any new Governors. All Governors shall be required to complete an annual disclosure questionnaire regarding compliance with this Governors Code of Conduct.
- (3) The Governing Board of the Corporation will evaluate the Corporation's experience and refine these procedures, if necessary, to ensure continued compliance with this Governors Code of Conduct.
- (4) Governors shall be subject to discipline for failure to comply with all applicable federal and state laws or for failure to comply with this Governors Code of Conduct. Discipline may take the form of reprimand, monetary fines, or termination, as the other Governors shall determine.



California Independent System Operator Corporation

**Code of Conduct Certification Process
Report of Independent Accountants on
Applying Agreed-Upon Procedures
September 25, 2001**

**Report of Independent Accountants on
Applying Agreed-Upon Procedures**

To the Board of Governors of the
California Independent System Operator Corporation

We have performed the procedures described in this report with respect to your process of obtaining certification by employees, contractors and your Board of Governors that they are complying with the California Independent System Operator Corporation (the "CAISO") Code of Conduct. The scope of these procedures were agreed to by you. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of these procedures.

The procedures we performed and our findings are described at Exhibit I. Such procedures principally consist of our comparison of signed certifications obtained by CAISO management to listings of three classes of CAISO constituents as of July 31, 2001:

- employees
- selected contractors (see description in Exhibit I)
- Board of Governors

The date was selected based on the timing of the CAISO's processes of obtaining such certifications.

Sample copies of the certification forms completed by these constituents are included at Exhibits II and III.

We were not engaged to, and did not, perform an audit or examination, the objective of which would be the expression of an opinion on the level of CAISO's compliance with its Code of Conduct. Accordingly, we do not express such an opinion. Had we performed additional procedures or if we were to perform an audit or more extensive procedures, other matters might have come to our attention that would have been reported to you. This report relates only to these specified items and does not extend to the CAISO Code of Conduct taken as a whole.

This report is intended solely for the use of the Board of Governors and management, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

September 25, 2001

The procedures we performed, and our findings, are described below.

1.) For employees

Procedures performed:

- a.) We obtained a list of all employees of the CAISO as of July 31, 2001.
- b.) We obtained the CAISO payroll register (“Employee Net to Gross Report”) which covered the period including July 31, 2001.
- c.) We compared the employee list and the payroll register to determine if there were any differences between the employees listed in each.
- d.) For all employees included on the employee list obtained above we obtained their certifications to determine if they were signed and whether they contained any written indication of exception to CAISO requirements.
- e.) For a selection of 49 randomly selected employees (approximately ten percent of total employees), we compared the signature included on their certifications to signatures in their personnel file.

Findings – We performed the above procedures without exception.

2.) For contractors

Procedures performed:

- a.) We obtained a list of all contractors that are considered by CAISO management (provided to us through the Human Resources Department) to be substantially full time contractors as of July 31, 2001.
- b.) For all contractors included in this contractor list, we obtained their certifications and determined if they were signed and whether they contained any written indication of exception to CAISO requirements.
- c.) For a selection of 20 randomly selected contractors (approximately ten percent of all contractors on the list), we compared the signature included on their certifications to signatures in files maintained by the Human Resources Department or in other CAISO files.

Findings – We performed the above procedures without exception.

3.) For Board members

Procedures performed:

- a.) We obtained a list of all members of the Board of Governors of the CAISO as of July 31, 2001 – this list was taken from the Board of Governors Meeting Minutes as of June 21, 2001.
- b.) We obtained certifications for all members on the list and determined if they were signed and whether they contained any written indication of exception to CAISO requirements.
- c.) For one randomly selected board member (twenty percent of Board members on the list) – we compared the signature included on their certifications to signatures on file with the CAISO.

Findings – We performed the above procedures without exception.

Policy Agreement and Acknowledgement Form

I, _____, hereby acknowledge that I have received copies of and have read the following materials:

- California Independent System Operator Corporation (“ISO”) Employees Code of Conduct (“Code of Conduct”)
- California ISO Information Security Policy (“Security Policy”)
- California ISO Fitness for Duty Policy (“Fitness for Duty Policy”)

I hereby agree to comply in full with all requirements of the Code of Conduct, the Security Policy, and Fitness for Duty Policy.

Signature

Date

Governor Acknowledgement Form

I, _____, a Governor of California Independent System Operator Corporation, hereby acknowledge that I have received a copy of the Governors Code of Conduct, as amended through February 25, 1999, and do hereby agree to abide by its terms.

GOVERNOR NAME: _____

SIGNATURE: _____

DATE: _____