

***PwC Report on the 2012
Market Controls
Examination (SSAE 16)***

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

Agenda

Background

Results of Market Controls Examination

Scope of Report

Looking Forward

Closing Thoughts

Background

- **Form and Purpose of Report**
 - To report on the ISO's internal controls relating primarily to its market operations and settlements activities
 - Reporting under the SSAE 16 Audit Standard
- **Expected use of report**
 - Provide assurance to market participants who rely on the ISO's controls related to the ISO's market settlements
 - The report is required by some market participants and their auditors to comply with Sarbanes-Oxley (404 Attest)
- **Report period**
 - November 1, 2011 – September 30, 2012
 - Period end date changed from October 31 to September 30 to facilitate attestation wrap-up and reporting process and to align with other organizations in the industry

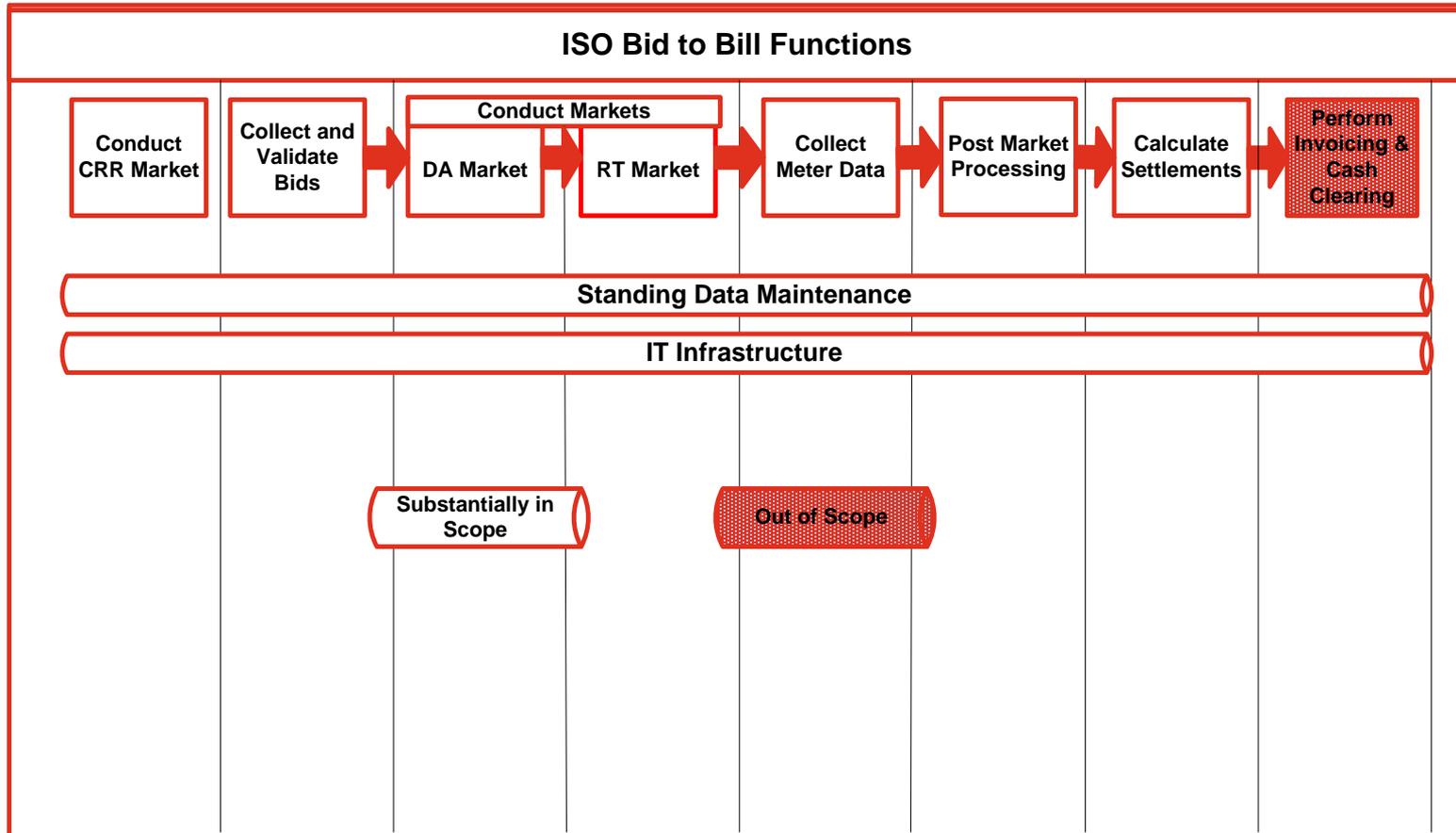
Results of Examination

- PwC opinion and report are planned to be issued this week
- The opinion is unqualified
 - System description is fairly stated
 - Controls were suitably designed
 - Controls were operating effectively
- Two exceptions were identified during our testing
 - Disclosed in the results section of the report
 - Determined to not impact the achievement of the control objective, and therefore did not impact the opinion
- Revised approach to testing the ISO meter initiation process
 - Prior year controls included the Meter Certification process
 - Revised control excludes Meter Certification process and focuses on the meter setup and MV-90 settings completed in the meter data validation worksheet process

Scope of Report

- **Scope is similar to prior year market controls report issued in December 2011**
- **Processes not included in the scope of report**
 - Control room and operational judgments and decisions
 - Processes after the settlement statement preparation (such as invoicing and market clearing)
 - Other functions that are transparent to the market
- **Testing of controls**
 - Covers 12 main areas (the 12 control objectives)
 - Over 60 different control activities tested
 - Over 1600 transactions/items tested

Scope of Processes Covered



Looking Forward

- The next audit period has already begun – started on October 1, 2012
- PwC and ISO staff have begun planning for next year's internal controls audit
 - Continuous process improvement cycle
 - Debrief on 2012 and lessons learned for 2013
 - Recommendations related to potential controls improvement are being shared with management
 - No significant changes in control environment are anticipated by management in 2013

Closing Thoughts

- The ISO continues to demonstrate a high level of ownership for the control environment and ownership of the controls report
- Benefits of the attestation include:
 - Direct assurance to market participants/ auditors
 - Internal assurance to ISO management related to market controls
 - Process improvement feedback from PwC
 - Governance coverage by Audit Committee and ISO Board of Governors
- Questions?

Thank you

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