



Memorandum

To: Audit Committee of the ISO Board of Governors

From: Eric Schmitt, Vice President, Operations

Date: June 21, 2016

Re: **Briefing on scope of the 2016 operations audit**

This memorandum does not require Committee action.

Tariff section 22.1.2.2 requires Management to conduct an annual independent review of its compliance with the ISO's operations policies and procedures. Management has engaged PricewaterhouseCoopers, LLC to conduct the 2016 review. Management is requesting that PwC conduct an audit in accordance with generally accepted auditing standards, and provide an audit opinion as to whether the ISO's operational processes are in compliance with select operations procedures.

The annual audit scope is determined by stakeholder feedback, PwC input, and Management focus areas. Stakeholders were solicited for audit suggestions during a 3-week period, and the ISO did not receive feedback. For 2016, Management chose to review real-time exceptional dispatch processes. Audit scope criteria will include procedures related to unit commitment priority and preferred resources based on available information, as well as the process of executing verbal dispatches and entering all exceptional dispatch information into the real-time market tool.

PwC will perform the examination based on its independent testing and Management's assertion and will provide the ISO with an audit opinion. The audit will cover the actual operations activities associated with the performance of Real-Time Generation Dispatchers. The plan is for the audit to cover two periods, tentatively planned for July and September. The completed audit report will be presented to the Audit Committee by December 2016.