

Memorandum

To: Audit Committee of the ISO Board of Governors
From: Eric Schmitt, Vice President, Operations
Date: May 7, 2015
Re: **Briefing on the 2015 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 2015 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. For 2015, based in part on stakeholder feedback, processes related to multiple 2014 implementation efforts was selected. Audit scope criteria will include procedures related to the energy imbalance market, FERC 764 (fifteen minute market & intra-hour transmission scheduling) and FERC 789 (new contingency reserve requirements) implementations. Procedures related to tool and task changes on the interchange scheduling desk will also be reviewed.

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 Interchange Schedulers and Generation Dispatchers. The plan is for the audit to cover two periods, tentatively planned for August and October. The completed audit report will be presented to the Audit Committee by December 2015.