

# *California ISO*

## *PwC Report on the 2013 Market Controls Audit*

Audit Committee Meeting  
General Session  
December 18-19, 2013

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# ***Agenda***

Background

Results of Market Controls Audit

Scope of Report

Looking Forward

Closing Thoughts

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# ***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 Attestation 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**
  - October 1, 2012 – September 30, 2013

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## ***Results of Examination***

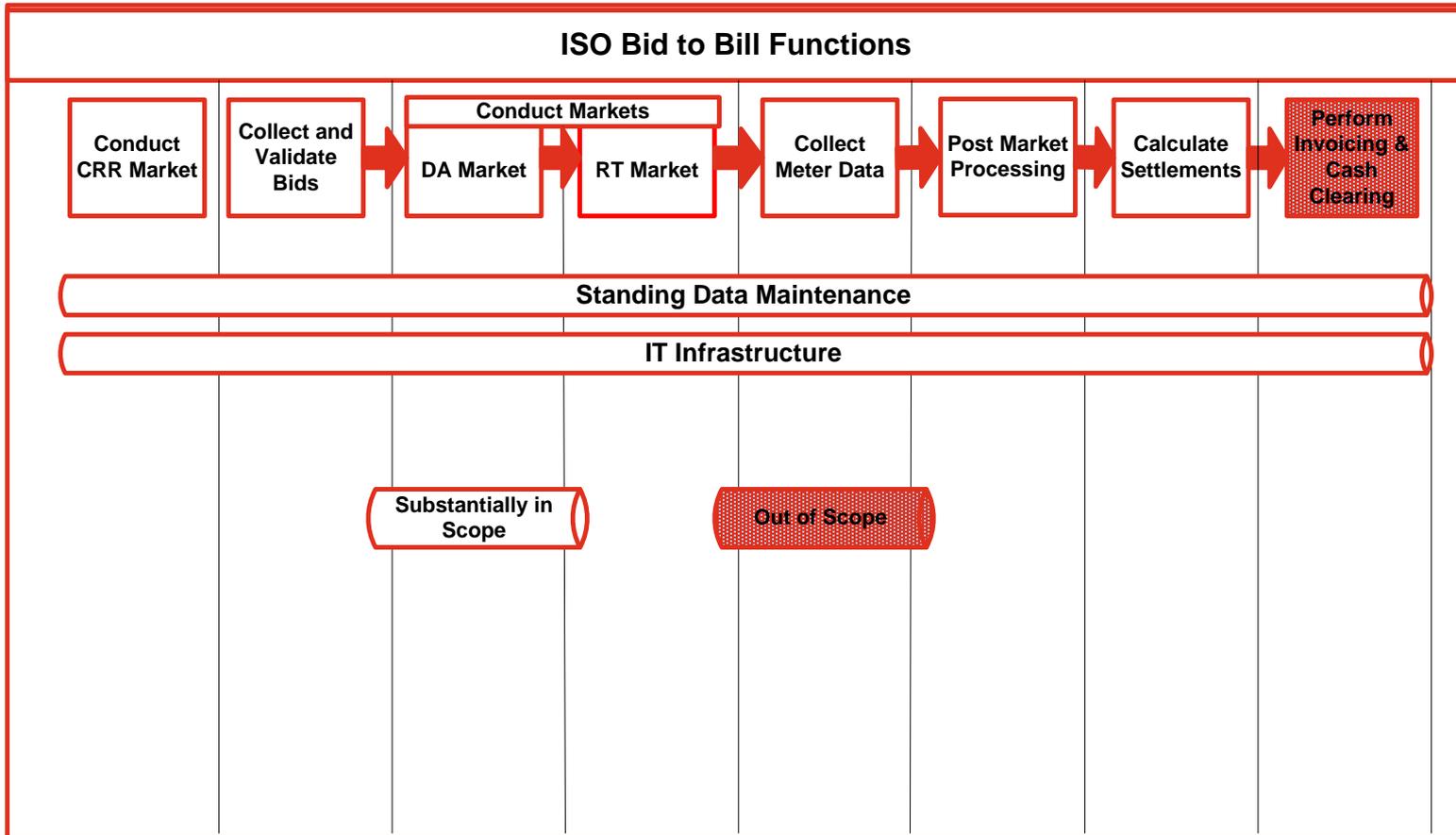
- PwC opinion and report were issued on December 6, 2013
- The opinion is unqualified
  - System description is fairly stated
  - Controls were suitably designed
  - Controls were operating effectively
- Exceptions were identified during our testing for two control activities
  - Exceptions identified in the following areas:
    - Meter setup and initiation process
    - Change control monitoring process
  - Disclosed in the results section of the report
  - Determined to not impact the achievement of the related control objectives, and therefore did not impact the opinion

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# ***Scope of Report***

- **Scope is similar to prior year market controls report issued in December 2012**
- **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)
  - Certain 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



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# ***Audit Process Improvements***

- Applied lessons learned from prior year for increased productivity
- Restructured Testing Approach
  - Accelerated some testing to January to accommodate Critical Systems workload cycle
  - Consolidated update testing approach to a comprehensive single iteration – resulting in audit and data gathering efficiencies
- Pre-validation process through interviews with control activity owners before commencement of testing the data.
- Reporting process improvements – including earlier completion of draft report by management (in advance of period end date)

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# ***Looking Forward***

- **The next attestation period has already begun – started on October 1, 2013**
- **PwC and ISO staff have begun planning for next year’s internal controls audit**
  - **Continuous process improvement cycle**
  - **Debrief on 2013 and lessons learned for 2014**
  - **Recommendations related to potential controls improvement are being shared with management**
  - **No significant changes in control environment are anticipated by management in 2014**

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## ***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 ISO Board and Audit Committee
- Questions?

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# ***Thank you***

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