

# Memorandum

**To:** Audit Committee of the ISO Board of Governors  
**From:** Eric Schmitt, Vice President, Operations  
**Date:** May 8, 2013  
**Re:** **Briefing on the 2013 Operations Audit Scope**

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***This memorandum does not require Committee action.***

Tariff section 22.1.2.2 requires Management to have conducted an independent review of its compliance with the ISO's operations policies and procedures. Management engaged PricewaterhouseCoopers, LLP to conduct the 2013 review. Management is requesting that PwC provide an audit opinion to ensure that Management is in compliance with certain of its operations procedures. This audit will be conducted in accordance with generally accepted auditing standards to verify that the ISO's operational processes are in compliance with select operations procedures.

Annual audit scope is determined in part by stakeholder feedback, PwC input, and Management. For 2013, Management chose to review the pre-scheduling and real-time scheduling processes. Audit scope criteria will include processes related to evaluation, approval, implementation, curtailment, and after the fact check-out of interchange schedules. Results from the ISO's Interchange Transaction System will be validated against the WECC Interchange Tool.

PwC will perform the examination based on 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 pre-scheduling and real-time scheduling activities over selected periods of time. The plan is for the audit to cover two periods, one in July and one in September. It is structured this way to obtain audit feedback over these processes during periods of different grid conditions. The completed audit report will be presented to the Audit Committee by December 2013.