

Memorandum

To: ISO Board of Governors
From: Nancy Saracino, Chief Compliance Officer
Date: September 7, 2012
Re: **Compliance Update**

This memorandum does not require Board action.

The *Compliance and Ethics Program Policy* provides that the Chief Compliance Officer will administer the ISO's compliance program "under the oversight of the Audit Committee of the Board of Governors," and with support from Executive Management and the Compliance and Ethics Committee. This memorandum is the report of the Chief Compliance Officer and the Compliance and Ethics Committee about progress on significant compliance initiatives since the previous report on March 15, 2012.

The Compliance and Ethics Committee met on April 19 and July 10, 2012. A status report on major compliance initiatives follows.

WECC Compliance Audit

ISO staff continues to prepare for the triennial WECC audit of the ISO's compliance with mandatory reliability standards. The audit is scheduled to take place from October 29 through November 8, 2012. With the assistance of outside consultants, ISO staff has completed a sufficiency review of the ISO's evidence of compliance, and is now working to implement the consultants' recommendations for clarification and enhancements. The ISO has already begun providing documentation to the auditors, and will spend the next several weeks identifying witnesses and preparing them for their interviews with the auditors.

Compliance Awareness and Training

In June, ISO personnel completed training on the standards governing critical infrastructure protection. This computer-based training, which the ISO developed in house, enabled trainees to complete the requirement at their own pace and a convenient time. Staff is preparing a similar computer-based training for the company-wide compliance training in September, including a module that addresses how ISO personnel should handle and respond to substantive inquiries from market participants. More detailed training on this

subject is being developed by the Business Planning and Operations group and is targeted toward subject matter experts who receive questions frequently.

Going beyond this foundational training for all personnel, the Corporate Compliance group is preparing further training about the mandatory reliability standards for personnel in operations and grid planning, and training about critical infrastructure protection for managers with responsibility for compliance and select personnel who are subject matter experts in important areas. They plan to deliver this training in the fourth quarter.

Peer Sharing Event

On August 7 and 8, the ISO Corporate Compliance group hosted the first ever peer sharing event for members of the Western Interconnection Compliance Forum. Sixty representatives of utilities in the Western interconnection convened in Folsom to share best practices and lessons learned about compliance with mandatory reliability standards.

Technical Bulletins

The Business Planning and Operations group has been reviewing technical bulletins that the ISO releases to market participants. They have completed a review to identify bulletins that are obsolete, which have been removed from the ISO's website, and developed a standardized template for the bulletins. They are developing a process to ensure this work continues going forward.