

Memorandum

To: ISO Board of Governors

From: Nancy Saracino, Vice President, General Counsel and Chief Administrative Officer

Date: February 1, 2013

Re: **Decision on ISO Code of Conduct and Ethical Principles**

This memorandum requires Board action.

Management recommends the Board adopt a revised Code of Conduct and Ethical Principles to apply to all employees and board members. We engaged in this undertaking to substantially update the existing Code to move from a legalistic to a more accessible and easy-to-use format. In addition, we felt that by including the helpful guidance currently found in the Guide to the Employees Code of Conduct, as well as other user-friendly attributes, such as questions and answers about specific topics, it could combine the best elements of the Guide and the Code of Conduct into one document. In addition, we wanted to incorporate the distinct provisions of the Governors Code of Conduct to enable the ISO to have just one Code of Conduct applicable to all employees and board members.

After determining that we should combine the three documents above, we reviewed the codes of conduct of other ISOs and RTOs and various large companies with good reputations to ensure best practices. In this analysis, we found that PJM's Code of Conduct was exemplary in its design and approach, so we modeled the visual appearance and organization of the proposed Code on PJM's Code of Conduct.

As a result, with help from our internal graphics design expert, we created a Code that is visually appealing, easily comprehensible, and accessible for ready reference. Its guidance eliminates the need for a Guide to Employees Code of Conduct, and it includes all elements that differentiate the separate Governors Code of Conduct. Further, by enacting this Code, the ISO will fulfill a commitment Management made to FERC audit staff during the last audit to make these improvements to further bolster our strong compliance program. Accordingly, the proposed Code represents an improved tool to promote compliance with the rules that govern the ISO.

The Code contains all of the essential elements of our existing code of conduct, so it is consistent with the rules all ISO employees and board members currently follow. We are confident that the board and employees will find the new Code useful and that it will have a lasting impact on the organization.

The draft Code of Conduct and Ethical Principles is attached. While the draft Code is final in concept, Management anticipates making minor edits in finalizing the document. Management commits to review and update, as needed, the Code on an annual basis. We recommend an effective date of March 1, 2013, to provide time to roll it out to all personnel.

Moved, that the ISO Board of Governors approves the draft ISO Code of Conduct and Ethical Principles, as described in, and attached to, the memorandum dated February 1, 2013, with an effective date of March 1, 2013.

MANAGEMENT RECOMMENDATION

Management recommends the Board approve the draft Code of Conduct and Ethical Principles, effective March 1, 2013