



**Date:** December 5, 2011  
**To:** Board of Directors  
**From:** Mark Ruane, ERCOT Vice President of Credit and Enterprise Risk Management  
**Subject:** Acceptance of 2011 Service Organization Control Audit Report

**Issue for the ERCOT Board of Directors**

**ERCOT Board of Directors Meeting Date:** December 12-13, 2011

**Agenda Item No.:** 8a

**Issue:**

Approval of 2011 Service Organization Control Audit Report, which will be circulated electronically to the Board and will be posted at the publicly available ERCOT.com web site in connection with this Agenda Item for the December 12-13, 2011 Board of Directors (Board) meeting.

**Background/History:**

Per section 1.4.3.1(1) of the ERCOT Nodal Protocols (entitled “Audits to be Performed”), “At least annually, an Appointed Firm shall perform an audit of ERCOT based on Statement on Standards for Attestation Engagements, No. 16 (SSAE16).”

BrightLine Certified Public Accountants & Associates Inc. (BrightLine, formerly known as SAS70 Solutions, Inc.), the Independent Service Auditor, was engaged by ERCOT, subsequent to approval by the Finance and Audit (F&A) Committee of the Board on December 13, 2010, to perform Service Organization Control audits [currently known as SSAE 16 audits and formerly known as Statement on Auditing Standards (SAS) No. 70 audits] for 2011 and 2012.

BrightLine’s opinion on the SSAE16 audit for the period from January 1, 2011 to September 30, 2011 is unqualified.

On December 12, 2011 BrightLine will meet with the F&A Committee to review the proposed 2011 Service Organization Control Audit Report (that is, the 2011 SSAE16 Audit Report). Given the unqualified opinion, the 2011 Service Organization Control Audit Report is expected to be accepted by the Committee for recommendation to the Board.

**Key Factors Influencing Issue:**

1. ERCOT Protocol section 1.4.3.1(1) requires an annual SSAE16 audit be performed.
2. External organizations, including Market Participants, utilize the SSAE16 Audit Report as assurance of the suitability of ERCOT internal controls in connection with certain Sarbanes-Oxley financial reporting requirements.
3. Because most Market Participants’ financial years end December 31<sup>st</sup>, acceptance of the SSAE16 Audit Report in a timely manner will allow the Report to be utilized in connection with preparation of their year-end financial statements.

**Alternatives:**

1. Accept ERCOT staff recommendation for acceptance of the 2011 SSAE16 Audit Report.



2. Delay acceptance or direct further inquiry to ERCOT staff. This alternative runs the risk of creating issues with respect to timely preparation and issuance of Market Participant year-end financial statements.

**Conclusion/Recommendation:**

ERCOT staff respectfully recommends that the acceptance of the 2011 Service Organization Control Audit Report (that is, the 2011 SSAE16 Audit Report) by the Board.



**ELECTRIC RELIABILITY COUNCIL OF TEXAS, INC.**  
**BOARD OF DIRECTORS RESOLUTION**

WHEREAS, Section 1.4.3.1(1) of the ERCOT Nodal Protocols (entitled “Audits to be Performed”) requires that at least annually, an Appointed Firm shall perform an audit of Electric Reliability Council of Texas, Inc. (ERCOT) based on Statement on Standards for Attestation Engagements, No. 16 (SSAE16);

WHEREAS, on December 13, 2010, the Finance and Audit (F&A) Committee of the ERCOT Board of Directors (Board) approved the selection of BrightLine Certified Public Accountants & Associates Inc. (BrightLine, formerly known as SAS70 Solutions, Inc.), as the Independent Service Auditor, to perform Service Organization Control audits [currently known as SSAE 16 audits and formerly known as Statement on Auditing Standards (SAS) No. 70 audits] for 2011 and 2012;

WHEREAS, BrightLine’s opinion on the SSAE16 audit for the period from January 1, 2011 to September 30, 2011 is unqualified;

WHEREAS, after due consideration of the alternatives, the F&A Committee has recommended that the Board accept the Independent Service Auditor’s Report on a Description of a Service Organization’s System and the Suitability of the Design and Operating Effectiveness of Controls (that is, the SSAE 16 audit) for the period of January 1, 2011 to September 30, 2011, as presented by BrightLine at its meeting on December 12, 2011; and

WHEREAS, the Board deems it desirable and in the best interest of ERCOT to accept the F&A Committee’s recommendation to accept the Independent Service Auditor’s Report on a Description of a Service Organization’s System and the Suitability of the Design and Operating Effectiveness of Controls (that is, the SSAE 16 audit) for the period of January 1, 2011 to September 30, 2011;

THEREFORE, BE IT RESOLVED, that the Independent Service Auditor’s Report on a Description of a Service Organization’s System and the Suitability of the Design and Operating Effectiveness of Controls (that is, the SSAE 16 audit) for the period of January 1, 2011 to September 30, 2011 is hereby accepted.

**CORPORATE SECRETARY’S CERTIFICATE**

I, Bill Magness, Corporate Secretary of ERCOT, do hereby certify that, at its December 12-13, 2011 meeting, the ERCOT Board passed a motion approving the above Resolution by \_\_\_\_\_.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of December, 2011.

\_\_\_\_\_  
Bill Magness  
Corporate Secretary