



To: ERCOT Board of Directors (Board)
From: Vickie Leady, ERCOT Assistant General Counsel and Assistant Corporate Secretary
Date: December 2, 2014
Re: Item 9.1 – Acceptance of 2014 Service Organization Control (SSAE 16) Audit Report

At the December 9, 2014 Board meeting, the Board is scheduled to consider the acceptance of the of 2014 Service Organization Control (SSAE 16) Audit Report as General Session Item 9.1 during the Finance and Audit (F&A) Committee's report to the Board. The Board Decision Template is included with the Board's materials for Item 9.1. However, due to the confidentiality of the 2014 Service Organization Control (SSAE 16) Audit Report, the draft report is available for the Board's electronic viewing solely under Board Executive Session Item ES 9, Draft 2014 Service Organization Control (SSAE 16) Audit Report.



Date: December 2, 2014
To: Board of Directors
From: Allison Atherton, ERCOT Business Process Controls and Risk Manager
Subject: Acceptance of 2014 Service Organization Control (SSAE 16) Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: December 9, 2014

Item No.: 9.1

Issue:

Acceptance of the 2014 Service Organization Control Audit Report.

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 (SSAE 16).”

Subsequent to approval by the Board on November 19, 2013, BrightLine Certified Public Accountants & Associates Inc. (BrightLine), the Independent Service Auditor, was engaged by ERCOT to perform the Service Organization Control audits [currently known as SSAE 16 audits and formerly known as Statement on Auditing Standards No. 70 (SAS 70) audits] for 2014.

BrightLine’s opinion on the SSAE 16 audit for the period from October 1, 2013 to September 30, 2014 is unqualified. There were no testing exceptions.

On December 8, 2014, BrightLine will meet with the Finance and Audit (F&A) Committee of the Board to review the proposed SSAE 16 Audit Report for the twelve-month period ended September 30, 2014 (also known as the 2014 Service Organization Control Audit Report). Given the unqualified opinion, the 2014 Service Organization Control Audit Report is expected to be recommended by the Committee to the Board for acceptance.

Due to the confidentiality of the 2014 Service Organization Control Report, the draft report is available solely for the Board’s electronic viewing in the Board’s Executive Session meeting materials under Agenda Item ES 9.

Key Factors Influencing Issue:

1. ERCOT Protocol Section 1.4.3.1 (1) requires an annual SSAE 16 audit be performed;
2. Certain external organizations, including Market Participants, utilize the SSAE 16 Audit Report as an assurance of the suitability of ERCOT internal controls in connection with certain Sarbanes-Oxley reporting requirements;
3. Because most Market Participants’ fiscal years end December 31st, acceptance of the SSAE 16 Audit Report in a timely manner will allow the Report to be utilized in connection with preparation of their year-end financial statements.



Conclusion/Recommendation:

ERCOT staff recommends acceptance of the 2014 Service Organization Control Audit Report by the Board. The F&A Committee will be considering recommendation of acceptance of this Report at its December 8, 2014 meeting.



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 (SSAE 16);

WHEREAS, on November 19, 2013, the ERCOT Board of Directors (Board) of ERCOT approved the selection of BrightLine Certified Public Accountants & Associates Inc. (BrightLine), as the Independent Service Auditor, to perform Service Organization Control audit [currently known as SSAE 16 audit and formerly known as Statement on Auditing Standards No. 70 (SAS 70) audit] for 2014;

WHEREAS, BrightLine’s opinion on the SSAE 16 audit for the period from October 1, 2013 to September 30, 2014 is unqualified;

WHEREAS, after due consideration of the alternatives, the Finance and Audit (F&A) Committee has recommended that the Board accept the SSAE 16 audit report for the twelve-month period ended September 30, 2014 (also known as the 2014 Service Organization Control Audit Report), as presented by BrightLine at its meeting on December 8, 2014; 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 2014 Service Organization Control Audit Report;

THEREFORE, BE IT RESOLVED, that the 2014 Service Organization Control Audit Report is hereby accepted.

CORPORATE SECRETARY’S CERTIFICATE

I, Vickie G. Leady, Assistant Corporate Secretary of ERCOT, do hereby certify that, at its December 9, 2014 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, 2014.

Vickie G. Leady
Assistant Corporate Secretary