



Date: December 10, 2019
To: Board of Directors
From: Christine Hasha, Manager, CIP & Corporate Compliance
Subject: Acceptance of 2019 System and Organization Control Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: December 10, 2019

Item No.: 10.1

Issue:

Acceptance of the 2019 System and Organization Control (SOC) Audit Report.

Background/History:

Per Section 1.4.3.1(1) of the ERCOT Protocols (entitled “Audits to be Performed”), “At least annually, an Appointed Firm shall perform a System and Organization Control (SOC) audit of ERCOT regarding ERCOT’s market Settlements operations.” Schellman & Co., LLC (Schellman) was engaged to perform the audit for 2019.

Schellman’s opinion on the SOC audit for the period from October 1, 2018 to September 30, 2019 is unmodified. There was one testing exception in the area of software program change management. The exception has been remediated.

On December 9, 2019, Schellman will meet with the Finance and Audit (F&A) Committee of the Board to review the proposed SOC Audit Report for the twelve-month period ended September 30, 2019 (also known as the “2019 System and Organization Control (SOC) Audit Report”). Given the unmodified opinion, the 2019 SOC Audit Report is expected to be recommended by the Committee to the Board for acceptance.

Due to the confidentiality of the 2019 SOC 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 3.1.1

Key Factors Influencing Issue:

1. ERCOT Protocol Section 1.4.3.1(1) requires an annual SOC audit be performed;
2. Certain external organizations, including Market Participants, utilize the SOC Audit Report as an assurance of the suitability of ERCOT internal controls in connection with certain Sarbanes-Oxley reporting requirements; and
3. Because most Market Participants’ fiscal years end December 31, acceptance of the SOC 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, and the F&A Committee is expected to recommend, that the Board accept the 2019 System and Organization Control Audit Report.



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

WHEREAS, Section 1.4.3.1(1) of the ERCOT Protocols (entitled “Audits to be Performed”) requires that at least annually, an Appointed Firm shall perform a System and Organization Control (SOC) audit of ERCOT regarding ERCOT’s market Settlements operations;

WHEREAS, Schellman & Co., LLC (Schellman) was engaged as the Independent Service Auditor to perform ERCOT’s System and Organization Control audit for 2019;

WHEREAS, Schellman’s opinion on the System and Organization Control audit for the period from October 1, 2018 to September 30, 2019 is unmodified;

WHEREAS, after due consideration of the alternatives, the Finance and Audit (F&A) Committee, at its meeting on December 9, 2019, recommended that the Board of Directors (Board) of ERCOT accept the System and Organization Control audit report for the twelve-month period ended September 30, 2019 (also known as the 2019 System and Organization Control Audit Report), as presented by Schellman; 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 2019 System and Organization Control Audit Report;

THEREFORE, BE IT RESOLVED, that the 2019 System and 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 10, 2019 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, 2019.

Vickie G. Leady
Assistant Corporate Secretary