MARKET PARTICIPANT AUDIT ADVISORY SUBCOMMITTEE MEETING

March 9, 2006

LOCATION: White Plains, NY

Meeting Minutes

Attendees' Names   *Representing*

MPAAS Members

Robert Farrell   LIPA
Walter Werther   KeySpan
John Ventura   Con Edison
Arthur Brennan   NYPA
Dan Zeppetello (telephone)   National Grid

MPAAS Guests
Rich De Jong   Energy East
Lora Gescheidle   Central Hudson
Les Pardo   NYPA
Diane Seitz   Central Hudson

NYISO Staff

Marc Rubin
Leigh Bullock (telephone)
Wayne Bailey

I. Approval of Minutes from October 20, 2005

The minutes from the October 20, 2005 MPAAS meeting were approved with revisions and will be posted on the NYISO website.

II. Review of Action Items

Mr. Rubin reported that there were no open action items. Mr. Farrell asked for a status on the SAS 70 meeting with KPMG.

Action item: Mr. Rubin will follow up with KPMG on this.

Note: a BAWG meeting (attended by MPAAS members) with KPMG was held on May 25, 2006.

III. Audit Briefings under the new briefing protocol and discussion of the briefing

Mr. Rubin provided verbal COSO-type briefings on the following audits performed by Internal Audit (IA):
- 5-34 – PTS Application Review
- 5-36 – True-Ups
- 5-37 – Station Power
- 5-41 – Scheduling System Control & Dispatch Service
- 5-43 – Real-Time Systems
- 5-47 – Accounting for Inadvertent Energy
- 5-52 – Interconnection Cost Allocation
- 5-53 – HR – Background

IV. Audit Briefings for other completed audits

Mr. Rubin provided audit briefing overviews of other IA-completed audits:

- 5-11 - Contracts
- 5-16 – ICAP Project Process Review
- 5-38 – TCC Project Process Review
- 5-44 – DSS Application Review
- 5-45 – Vendor Audits
- 5-48 – Quarterly TCC Validation – 2Q2005
- 5-50 – Quarterly TCC Validation – 3Q2005

V. 2005 SAS 70 Type 2 Discussion Update

Mr. Rubin briefed the group on the 2005 SAS 70 Type 2 audit. KPMG has been focusing on finalizing audits for their other clients but is expected to soon finalize the forthcoming NYISO SAS 70 agreement letter (for the period ending November 15, 2006).

Mr. Rubin discussed logistics, rotation of staff, audit timeframe (11/16/05 – 11/15/06)

MPAAS members requested a meeting with the auditors to discuss the details of the SAS 70 audit. A concern was raised that the SAS 70 audit should have the ability to recognize deficiencies. The MPAAS also stressed the need to be more diligent regarding instructions for auditors and brought up the failure to implement the update of Attachment N in 2004. MPAAS stated that the SAS 70 report was missing significant issues that should have been mentioned as not being corrected. The TCC audit (TCC auction software) was also used as an example.

MPAAS Members also stated the NYISO's information flow process must be included and reported on.

Action item: Mr. Rubin will schedule a meeting with the auditors and MPAAS members to discuss MPAAS issues.

VI. Update on the TCC Audit.

Mr. Ventura reported on the TCC audit. The anticipated completion date is the third week in March. A findings draft will be circulated to the NYISO by Ernst & Young for review, and then distributed to the TCC holders and Transmission Owners for comment. A conference call will be scheduled prior to the issuance of this report.

Mr. Ventura informed the group that the first round of adjustments that were based on Mike Cadwalader's observations had been distributed to the different participating groups. This will be part of the billing corrections. The expected completion date for the audit is early April.

There were no changes to Mr. Cadwalader's report.

VII. Internal Audit Plan Update

Mr. Rubin provided an update on the 2006 Internal Audit Plan. He reported that the carry-forward list is smaller than last year. He noted there has been significant progress and most of the audits have been issued. There is only one that is still in the fieldwork stage.

Mr. Rubin reviewed the listing of COSO-designated audits with the MPAAS. He reported that there has not been disagreement from management on any of the audits and added that they have agreed to address any issues/resolutions discussed by MPAAS.

Action Item: Mr. Rubin to find out if the NYISO reconciles inadvertent with other control areas.

VIII. Other Issues

- New Building

    Mr. Rubin noted that a Project Process review for the new building is underway

- **BAWG Issues**
    Mr. Rubin reported on the BAWG Issues. MPAAS asked how the ICAP team is responding to the log of BAWG issues.

- **ICAP Automation**

    Mr. Rubin provided an update on the ICAP Automation. A Technical Conference has been scheduled for March 16th. MPAAS members asked for the ICAP automation date. Mr. Rubin will get back to them on this date.

- **TCC Automation**

  Mr. Rubin provided an update on the TCC Automation.

- **Other**

  MPAAS members brought up Web-Based Reconciliation deficiencies. The echo-back issue was discussed (Con Edison does not get an echo back) and the MPAAS stated that the right focus is not being placed on this and it needs to be raised to a higher level.

  Con Edison's interrelationship between its Sarbanes-Oxley work and the NYISO's SAS 70 audit report was also discussed

IX. Next Meeting

The next MPAAS meeting will be held in June.

Open Items

- Mr. Rubin to determine: does the NYISO reconcile Inadvertent with other control areas.

- Mr. Rubin to determine the status of ICAP billing issues raised by the BAWG in February 2006, related to detailed process issues

- Mr. Rubin to follow up with business owners related to Mr. Ventura's comments that, without an echo-back capability for Con Ed, there is inequality of treatment.