

**Minutes of the Market Participant Audit Advisory Subcommittee Meeting  
(MPAAS)**

**March 4, 2003  
Niagara Mohawk Building, Guilderland, NY**

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<b><u>Attendees' Names</u></b>	<b><u>Representing</u></b>
Richard De Jong	NYSEG
Robert Farrell	LIPA
Curt Ashman	NYSEG
Dan Zeppetello	National Grid
Walter Werther	KeySpan
Art Brennan	NYPA
Kathy Logan	Reliant
John Ventura	Con Edison
Marc Rubin	NYISO
Leigh Bullock	NYISO

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**Mr. Brennan, Chairman of MPAAS, called the meeting to order.**

**I. Approval of minutes from December 3, 2002 Meeting**

The Dec 3, 2002 meeting minutes were approved and will be posted on the NYISO website under the link below:

[http://www.nyiso.com/services/documents/groups/mc\\_mp\\_audit\\_advisory\\_comm/meeting\\_materials.html](http://www.nyiso.com/services/documents/groups/mc_mp_audit_advisory_comm/meeting_materials.html)

**II. SAS 70 Type 2 – Status**

Mr. Rubin updated the group on the status of the SAS 70 Type 2 audit. This audit, designed to determine the effectiveness of controls over the long term, is currently in the middle of the scope period. KPMG will be coming in for at least another two visits during the scope period. As a result of the audit, there will be a comprehensive list of Market Participant Controls Responsibilities published in the SAS 70 report.

**III. MPAAS Audit Process Proposal – Status**

Mr. Rubin reported that at the January NYISO Board of Director's Audit & Compliance Committee meeting, the role of MPAAS in the audit process was discussed. The Committee expressed concern about the MPAAS reviewing Internal Audit reports, and decided that such reviews were inappropriate.

The Committee determined that the MPAAS's role would include: involvement in risk assessment, preliminary plan improvements, review of the Internal Audit Plan, periodic status reports on the Plan, and a high level summarized version of audit results.

Various MPAAS members indicated their disappointment with the NYISO Board's decision. They asked whether the Board's decision was considered final, and whether alternative solutions would be considered. They discussed the options available, including reviewing the situation with the Management Committee, and rewriting the MPAAS Charter. The consensus was that the NYISO Board's decision compromised the MPAAS' ability to fulfill the charter approved by the Management Committee.

#### **IV. Enron Audit and Related Financial Issues**

Mr. Rubin reported on the status of the recommendations made in the KPMG report. These recommendations were broken out into three sections: NYISO people, NYISO systems, and NYISO processes.

Mr. Rubin informed the group that NYISO CEO Bill Museler had issued a Billing Policy and Procedures document to staff with guidelines for dealing with billing issue identification and resolution. The purpose of this new policy/procedure is to help ensure that billing issues/errors are resolved in a manner that does not leave Market Participants with outstanding adjustments for lengthy periods of time. The MPAAS questioned the status of the issues brought forth by KPMG. Mr. Rubin advised that the NYISO had implemented many of the items; other implementations were still in progress.

Mr. Brennan questioned the relationship between the Enron audit and the issuance of an unqualified SAS 70 Type 1 report. Mr. Rubin explained that the two were not linked because the Enron issue's cause did not involve a control deficiency.

He also asked whether Enron-type issues were represented in the 2003 IA Plan. Mr. Rubin noted that there were several Customer Settlements/Billing reviews scheduled.

#### **V. NYISO 2003 Internal Audit Plan**

Mr. Rubin discussed the NYISO 2003 Internal Audit (IA) plan. Recommendations from Mr. Rubin, PWC, Deloitte & Touche, and the MPAAS were presented to the Board and benchmarked against PJM and ISO-NE to establish the final list. Per the Board's instructions, the Plan was reconstructed into the following groups: Billing, Financial Management, Human Resource Management, IT, Legal/Regulatory, Market Monitoring, Market Services, Operations/Reliability, Strategic Initiatives, and Wholesale Market Operations, with the heaviest weightings on billing and IT. Mr. Rubin reviewed the list of audit items that were currently labeled "in progress" and provided details on the actual scopes.

In addition, the group reviewed the list of MPAAS-recommended items that did not make the 2003 IA Plan. They discussed the reasons for non-selection, partly to determine their prioritization for the upcoming risk assessment discussions.

## **VI. Audits of Market Participant Facilities**

Gregor Wynnyczuk, from the NYISO's Market Monitoring Unit, explained the process for auditing Market Participant facilities. These audits, which are conducted through the MMU Department, are focused on forced outages and derates. Once it is determined that a physical audit would be performed, a notification is issued to the appropriate contact informing them that a plant inspection has been scheduled. Following the audit, an executive summary is made available to both NYISO Operations and the facility that has been audited. Mr. Wynnyczuk reported that to date, there have been 20 audits completed. The general focus has been on generators but there is the ability to audit transmission services as well.

## **VII. Other Business**

Mr. Ventura will take over as MPAAS chair, effective April 1, 2003. The MPAAS members discussed the need to appoint a new Vice-Chair. They recognized the absenteeism of certain sectors in MPAAS, and encouraged all sectors to participate/serve. An e-mail notice soliciting for candidates to join the MPAAS will be sent out to all sector members.

## **VIII. Next Meeting**

The next MPAAS meeting will be scheduled for May 13<sup>th</sup>.

### Follow-up items

- Local Reliability details – were not included in Uplift, but were included in the Dispatcher Decision reviews
- TCC settlements – are part of the TCC review
- Update on status of billing issues in KPMG report (table - page 30) – following resolution of those labeled “to be determined”.

## **IX. Adjourn**

Meeting was adjourned.