



**The Finance & Audit (F&A) Committee is
expected to consider
F&A Committee Agenda Item 4:
*Recommendation regarding Acceptance of
2014 Service Organization Control (SSAE 16)
Audit Report*
at its meeting on December 8, 2014.**

**The Board of Directors is expected to hear the
F&A Committee's recommendation on this matter
as part of the F&A Committee Report at
the Board meeting on December 9, 2014.**

**Attached are the Committee and Board materials
in relation to these agenda items.**



Item 4: Recommendation regarding Acceptance of 2014 Service Organization Control (SSAE 16) Audit Report

Allison Atherton

Business Process Controls and Risk Manager

Finance & Audit Committee

ERCOT Public

December 8, 2014

2014 Service Organization Control Audit Report Acceptance

- **Statement on Standards for Attestation Engagements No. 16 (SSAE16) is the AICPA audit standard for reporting on controls at service organizations. ERCOT’s SSAE16 audit covers the controls surrounding the settlement operations.**
- **The F&A Committee Charter specifies that “based on its review and discussions with management and the independent auditor, the Committee shall provide a recommendation to the Board whether the Company’s SSAE16 audit report should be accepted.”**
- **The draft SSAE16 audit report for the twelve (12) months ending September 30, 2014 (i.e., the 2014 Service Organization Control Audit Report) is available for the F&A Committee’s consideration for recommendation to the Board.**

Request for Recommendation to the Board

- **With regard to the draft 2014 Service Organization Control Audit Report:**
 - It is expected to be issued with an unqualified opinion.
 - There were no internal control testing exceptions.

Request for Recommendation to the Board (continued)

- **ERCOT staff respectfully requests the F&A Committee recommend acceptance of the 2014 Service Organization Control Audit Report to the Board of Directors.**
- **The Board meeting materials for this topic are hereby provided for the F&A Committee's consideration. Please refer to Board Agenda Item 9.1 for the Board decision template.**
- **Due to the confidentiality of the 2014 Service Organization Control Audit Report, the draft report is available solely for the F&A Committee's electronic viewing under F&A Committee Agenda Item ES 3.1 and the Board's electronic viewing under Board Agenda Item ES 9.**

<Vote>



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