



To: ERCOT Board of Directors (Board)
From: Vickie Leady, ERCOT Assistant General Counsel and Assistant Corporate Secretary
Date: December 1, 2015
Re: Item 10.1 – Acceptance of 2015 Service Organization Control (SSAE 16) Audit Report

At the December 8, 2015 Board meeting, the Board is scheduled to consider the acceptance of the of 2015 Service Organization Control (SSAE 16) Audit Report as General Session Item 10.1 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 10.1. However, due to the confidentiality of the 2015 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 3.1.1.



Date: December 1, 2015
To: Board of Directors
From: Allison Atherton, Business Process Controls and Risk Manager
Subject: Acceptance of 2015 Service Organization Control (SSAE 16) Audit Report

Issue for the ERCOT Board of Directors

ERCOT Board of Directors Meeting Date: December 8, 2015

Item No.: 10.1

Issue:

Acceptance of the 2015 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).” BrightLine Certified Public Accountants & Associates, Inc. (BrightLine) was engaged to perform the audit for 2015.

BrightLine’s opinion on the SSAE 16 audit for the period from October 1, 2014 to September 30, 2015 is unqualified. There were no testing exceptions.

On December 7, 2015, BrightLine will meet with the Finance and Audit (F&A) Committee of the Board to review the proposed SSAE 16 Audit Report, dated October 31, 2015, for the twelve-month period ended September 30, 2015 (also known as the 2015 Service Organization Control Audit Report). Given the unqualified opinion, the 2015 Service Organization Control Audit Report is expected to be recommended by the Committee to the Board for acceptance.

Due to the confidentiality of the 2015 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 3.1.1.

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; and
3. Because most Market Participants’ fiscal years end December 31, 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, and the F&A Committee is expected to recommend, that the Board accept the 2015 Service Organization Control Audit Report.



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, BrightLine Certified Public Accountants & Associates Inc. (BrightLine) was engaged as the Independent Service Auditor to perform ERCOT’s Service Organization Control audit, also known as the SSAE 16 audit, for 2015;

WHEREAS, BrightLine’s opinion on the SSAE 16 audit for the period from October 1, 2014 to September 30, 2015 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, dated October 31, 2015, for the twelve-month period ended September 30, 2015 (also known as the 2015 Service Organization Control Audit Report), as presented by BrightLine at its meeting on December 7, 2015; 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 2015 Service Organization Control Audit Report;

THEREFORE, BE IT RESOLVED, that the 2015 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 8, 2015 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 2015.

Vickie G. Leady
Assistant Corporate Secretary