

SSAE No. 18

What it Means for ERCOT's SOC 1 Reports



Discussion Agenda

- SOC 1 and SSAE 18 Overview
- Impact to ERCOT's SOC 1 Planning and Reporting
- Action Items and Next Steps

Learning Objectives

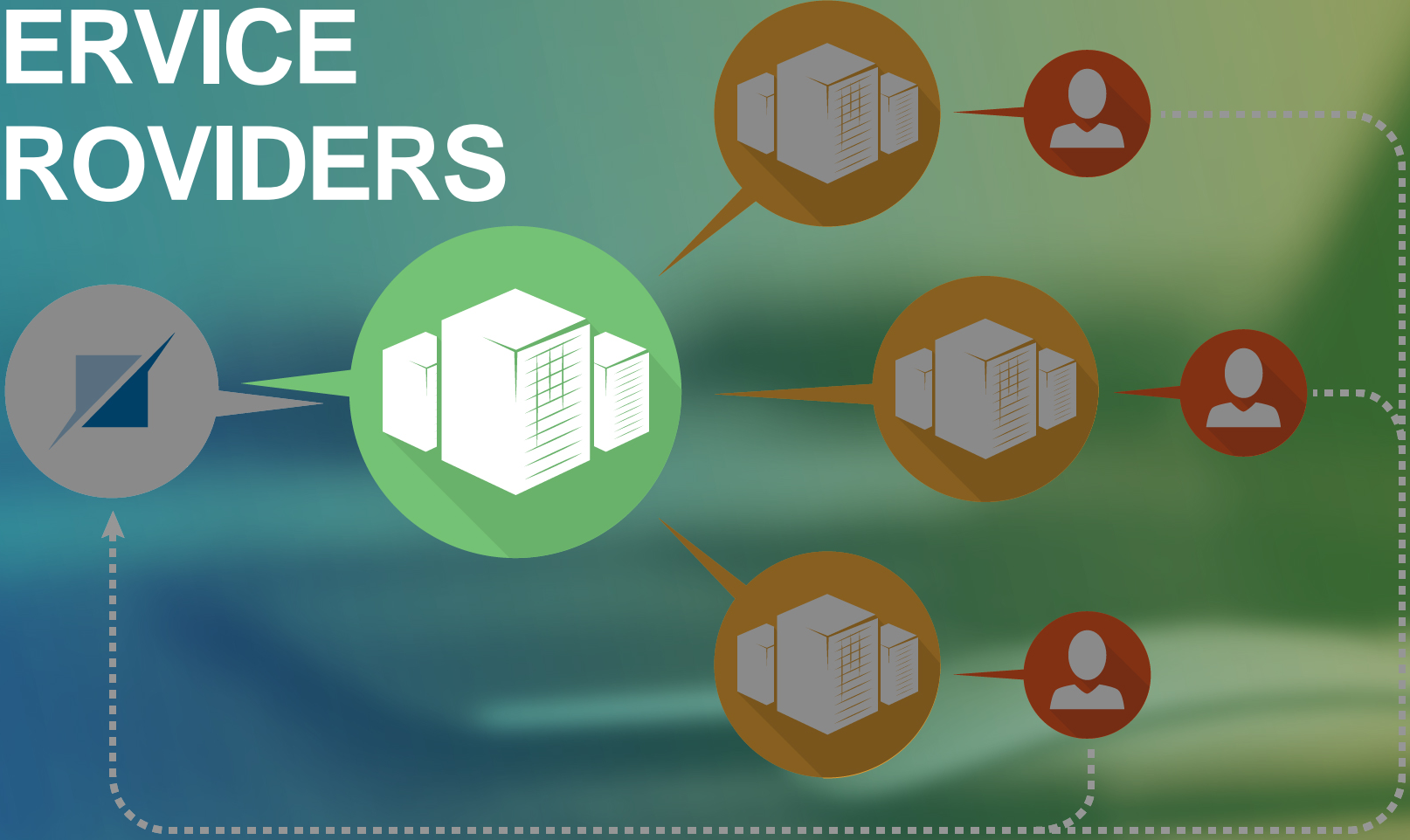
- Purpose and Intent of SOC 1 Reporting
- AICPA Clarity Project and Attestation Code
- Key SSAE 18 Areas of Emphasis
- What to Expect for the Next SOC 1

Executive Summary

SSAE 18 is the standard that revises the attestation code, and will impact the ERCOT SOC 1 in three primary ways. ERCOT compliance management personnel have already addressed all three items, and the overall impact is expected to be minimal.

What is SOC 1 Reporting?

SERVICE PROVIDERS



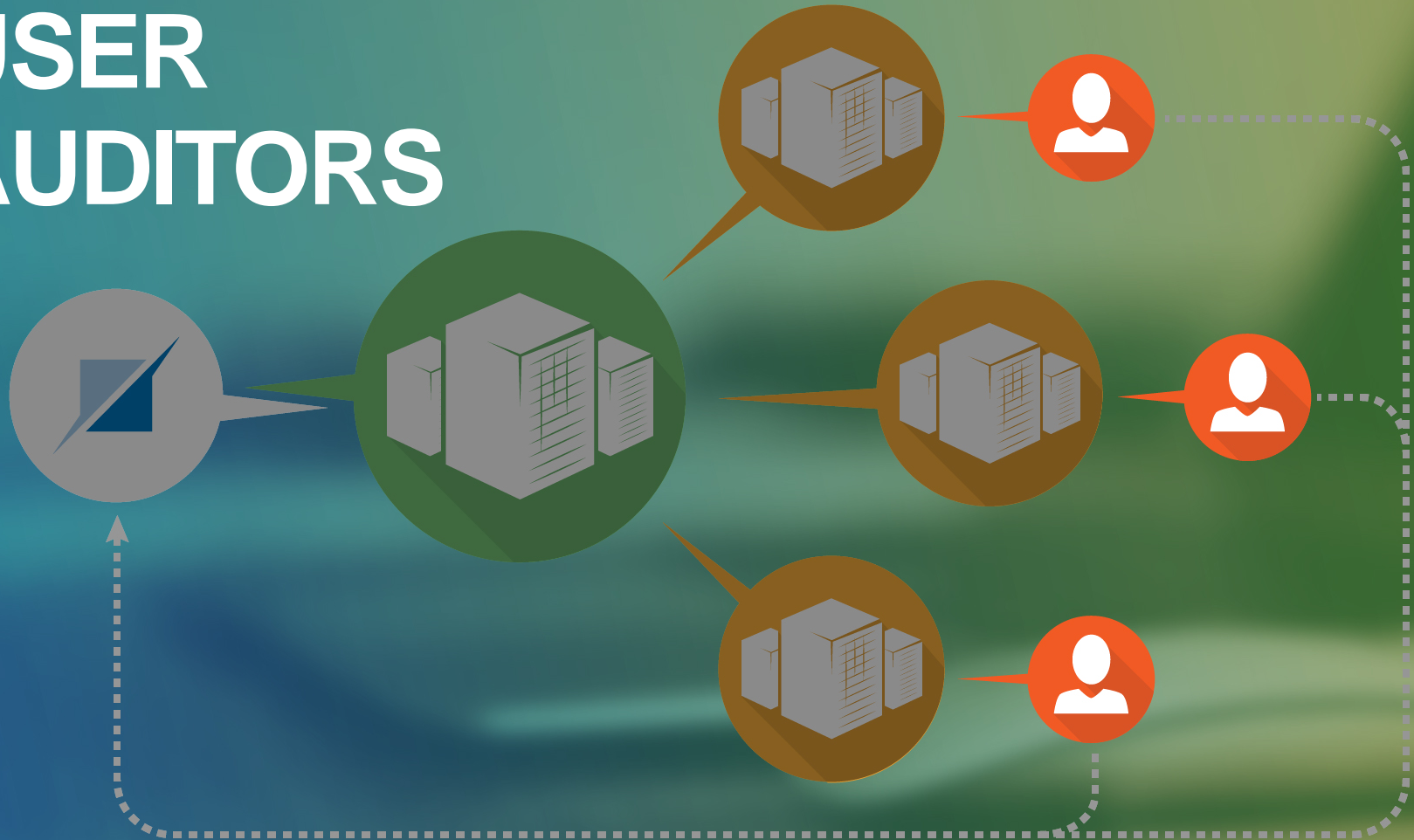
USER ENTITIES



SERVICE AUDITORS



USER AUDITORS



LMP PRICE VALIDATION

Control Objective Specified by the Service Organization: Control activities provide reasonable assurance that LMP pricing calculations are accurate.

#	Control Activity Specified by the Service Organization	Test Applied by the Service Auditor	Test Results
	Validate reasonableness of the LMPs, MCPCs, and SPPs from the DAM.		
5.1.1	After the DAM is executed, DAM Control Room personnel utilize the DAM PVT to analyze if the prices and dispatch values calculated by the MMS are reasonable prior to posting results to the market.	Inspected the DAM price validation report for a sample of dates during the review period to determine that DAM Control Room personnel utilized the DAM PVT to analyze if the prices and dispatch values calculated by the market were reasonable prior to posting results to the market for each sampled date.	No exceptions noted.
5.1.2	By 10:00 AM of the second business day following the	Inspected the DAM price validation report for each	No exceptions noted.

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Opinion

In our opinion, in all material respects, based on the criteria described in ERCOT's assertion in Section 2,

- a. the description fairly presents the settlement operations system that was designed and implemented throughout the period October 1, 2015, to September 30, 2016;
- b. the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the period October 1, 2015, to September 30, 2016, and user entities applied the complementary user entity controls contemplated in the design of ERCOT's controls throughout the period October 1, 2015, to September 30, 2016; and
- c. the controls tested, which together with the complementary user entity controls referred to in the scope paragraph of this report, if operating effectively, were those necessary to provide reasonable assurance that the control objectives stated in the description were achieved, operated effectively throughout the period October 1, 2015, to September 30, 2016.

Description of tests of controls



What is SSAE 18?

What is the Clarity Project?

SSAE No. 18 Overview: The Language and Codification

- **SSAE = Statement on Standards for Attestation Engagements**
 - *The AICPA governs the performance attestations through attestation standards*
 - *The collection of attestation standards reside in a codification (Attestation Code)*
 - *The Code includes the standards for performing SOC 1 (currently known as SSAE 16) and all other attestations*
- The AICPA underwent an effort to clarify the Attestation Code for greater understandability. This “Clarity Project” effectively concluded with the issuance of SSAE No. 18.

SSAE No. 18 Overview: The Language and Codification

The Old Code (abbreviated illustration)



Section 101
SSAE 10 - 12 & 14



Section 201
SSAE 10 & 11



Section 301
SSAE 10, 11, & 17



Section 401
SSAE 10



Section 501
SSAE 15



Section 601
SSAE 10



Section 701
SSAE 10



Section 801
SSAE 16

SSAE No. 18 Overview: The Language and Codification

The New Code (abbreviated illustration)



Section 105
SSAE No. 18



Section 205
SSAE No. 18



Section 210
SSAE No. 18



Section 215
SSAE No. 18



Section 305
SSAE No. 18



Section 310
SSAE No. 18



Section 315
SSAE No. 18

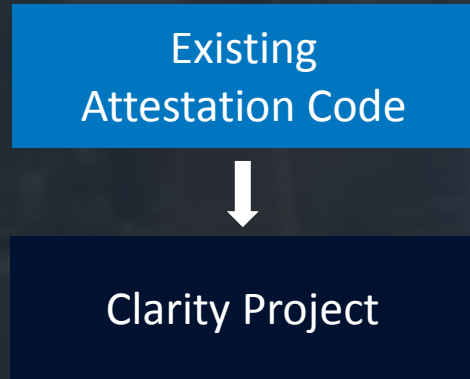


Section 320
SSAE No. 18

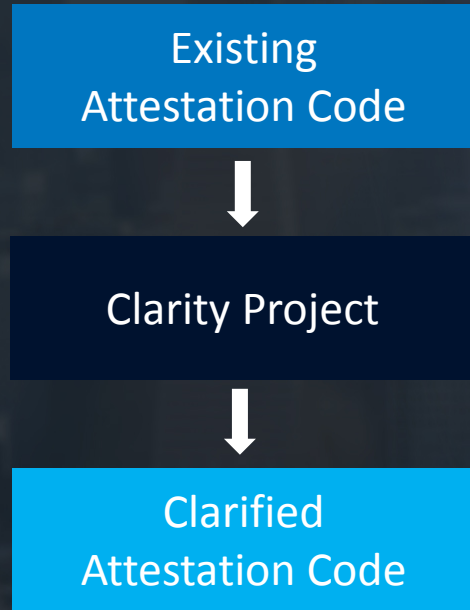
SSAE No. 18 Overview: Another Point of View

Existing
Attestation Code

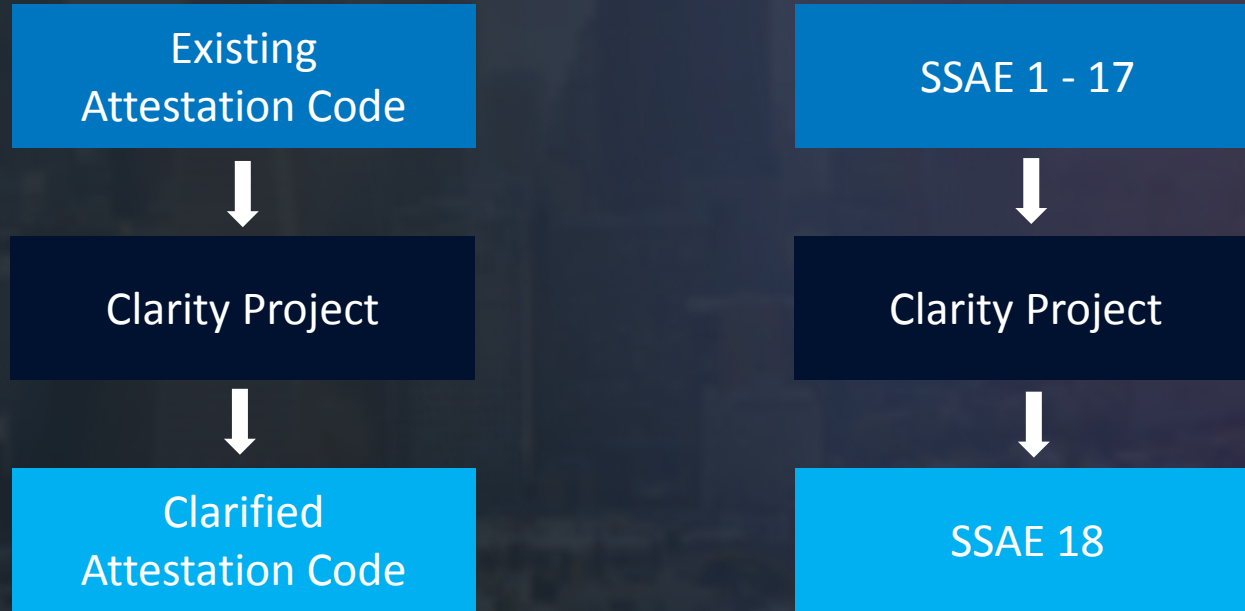
SSAE No. 18 Overview: Another Point of View



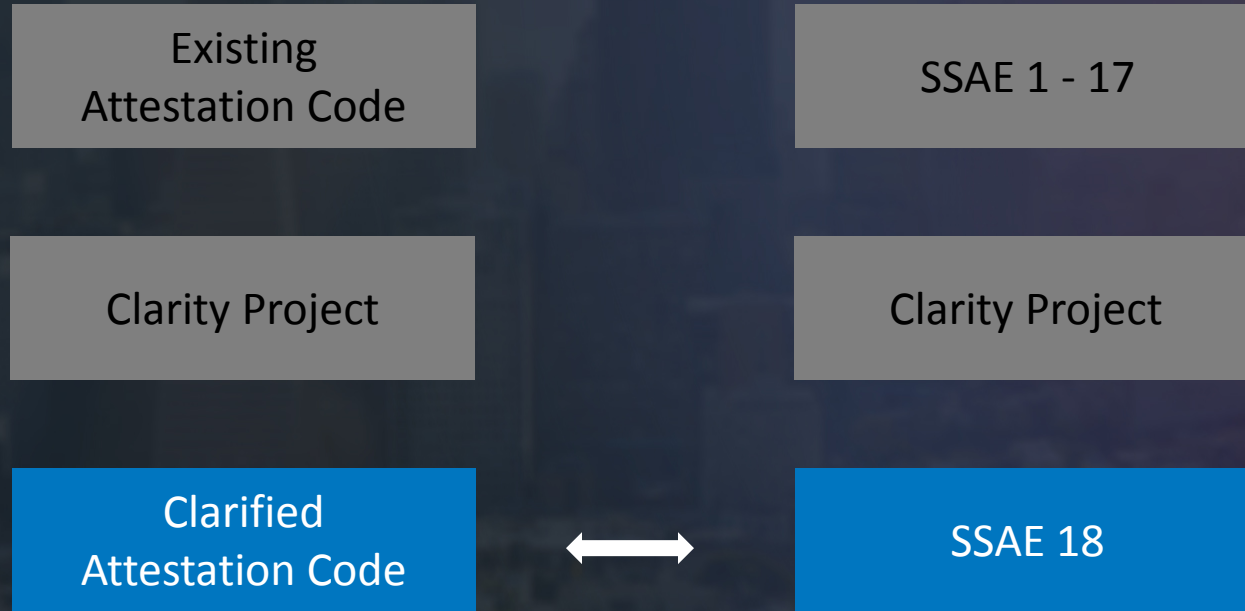
SSAE No. 18 Overview: Another Point of View

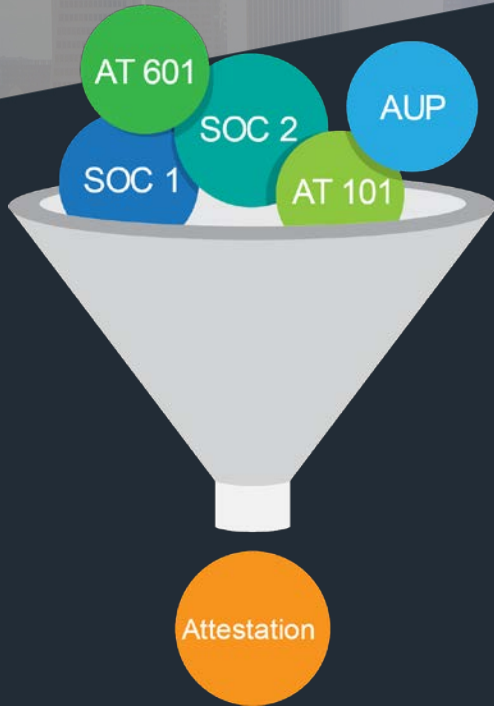


SSAE No. 18 Overview: Another Point of View



SSAE No. 18 Overview: Another Point of View





What's in a name?

Impact to ERCOT SOC Reporting

- Modification to Assertion Criteria
- Reliability of Audit Evidence
- Monitoring of Subservice Organizations

1. Modification to Assertion Criteria

- The criteria within the assertion letter (*Section 2 of your report*) will now include a specific reference to the complementary controls your organization would expect of your relevant third party service providers.
- This is designed to ensure that any SOC 1 control objectives which are dependent on effective controls at key vendors (subservice organizations) are adequately described in your report.

1. Modification to Assertion Criteria

ACTION ITEMS

- None remaining.
- Schellman has revised the assertion letter and report to accommodate this change. Schellman will discuss any identified complementary controls with ERCOT personnel during the controls testing for review and acceptance.

2. Reliability of Audit Evidence

- Increased emphasis on the accuracy and completeness of information received from ERCOT.
- Schellman will perform additional analysis of ERCOT populations, system configurations, review documentation, and approval processes.

2. Reliability of Audit Evidence

ACTION ITEMS

- Ensure compliance with minimum evidence guidelines.
- Schellman has published Minimum Evidentiary Matter guidelines for ERCOT, and mapped IRL requests to the applicable guideline. This was included in the IRL and delivered to the ERCOT compliance team.

3. Monitoring Subservice Organizations (SSOs)

- Responsibility for the oversight of relevant third party organizations (e.g. software administrative support services, contracted physical security officers, third party data processors or analysts, etc.).
- Common methods for service organizations to perform monitoring and oversight procedures may include:
 - Reviewing the SSOs controls reports – e.g. SOC 1, SOC 2, PCI, etc.
 - Interviewing SSO personnel – control / vendor assessment questionnaires
 - Regular site visits – periodic audits of the SSO facilities and operations

3. Monitoring Subservice Organizations (SSOs)

ACTION ITEMS

- The listing of vendors that may be considered subservice organizations has been provided to the ERCOT compliance team for investigation and review.
- Final determination of vendor SSO status and necessary treatment is pending as of 3/15.

A dark blue background with a white silhouette of a city skyline in the upper left. The skyline includes several skyscrapers, with the most prominent one having a pointed top. The background is divided into dark and light blue sections by diagonal lines.

Questions & Answers

A silhouette of a city skyline, including a prominent skyscraper with a pointed top, is visible in the upper left background. The background is a dark blue gradient with a diagonal white line.

For additional information:
[Accounting Today Whitepaper](#)