



Southwest Power Pool, Inc.  
OVERSIGHT COMMITTEE MEETING

December 6, 2010

SPP Offices, Little Rock, AR

• A G E N D A •

2:00 p.m. – 6:00 p.m. CST

- 1. Call to Order ..... Josh Martin
- 2. Action Items Report..... Stacy Duckett
- 3. Update on Current Activities
  - a. Market Monitoring Unit..... Richard Dillon
  - b. Internal Audit ..... Lauren Krigbaum
  - c. Internal Compliance..... Michael Desselle
- 4. Regional Entity Update..... Stacy Dochoda
- 5. Oversight Assessment and Scope Review..... Stacy Duckett
- 6. FERC Audit Status Report ..... Stacy Duckett
- 7. Boston Pacific Future Markets Review Status Report.....Craig Roach
- 8. 2010 Boston Pacific Contract Discussion..... Craig Roach/Stacy Duckett
- 9. New Action Items ..... Stacy Duckett
- 10. Future Meetings ..... Josh Martin

2011

March 31	TBD
June 13	Dallas (morning prior to the BOD Meeting)
September 29	TBD
December 12	Little Rock (day prior to BOD Meeting)

Executive Session

**Southwest Power Pool**  
**OVERSIGHT COMMITTEE MEETING**  
**September 30, 2010**  
**SPP Offices, Little Rock, AR**

• M I N U T E S •

**Agenda Item 1 – Administrative Items**

SPP Chair Josh Martin called the meeting to order at 10:00 a.m. The following members were in attendance: Josh Martin (Director), Julian Brix (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett, David Hodges, Richard Dillon, Lauren Krigbaum, and Stacy Dochoda. Others in attendance included Larry Altenbaumer (Director) and Craig Roach (Boston Pacific).

Mr. Martin referred to draft minutes of the March 25 and June 8, 2010 meetings and asked for corrections or a motion for approval (3/25/10 and 6/8/10 Minutes – Attachment 1). Julian Brix moved to approve the minutes and Phyllis Bernard seconded the motion. The motion passed unanimously.

**Agenda Item 2 – Review of Past Action Items**

Stacy Duckett reviewed the Action Items Report and addressed questions (Action Items - Attachment 2).

**Agenda Item 3 – Regional Entity Update**

Stacy Dochoda reviewed the letter that was sent to all registered entities to encourage a focus on compliance (RE Update – Attachment 3). The Committee encouraged future letters. Ms. Dochoda then reviewed compliance violation statistics. The increase reflects an outreach program by the Regional Entity (RE) to encourage self reports as appropriate and additional focus on the compliance program. Julian Brix requested a discussion regarding balance of resources on the RE staff focused on compliance and enforcement and on the Compliance staff focused on prevention and support. Ms Dochoda then discussed expectations going forward regarding violations.

**Agenda Item 4 – Update on Current Activities**

**Internal Compliance**

David Hodges provided an overview of compliance activities during the quarter, including the conclusion of SPP's audit conducted by SERC (Compliance Report – Attachment 4). SPP received very positive comments regarding its overall culture of compliance. The recent forum was well attended (90+) and very productive. Compliance and RE staff recently met to continue discussions regarding support that SPP can provide to entities in the region, including how information can be exchanged between these two groups. Mr. Hodges continues to develop means to provide support to entities to facilitate compliance, including a proposal for a fee structure for support for registered entities that are not members to offset these costs.

**Other – Future Markets Project Status Report**

Craig Roach provided a status report on Boston Pacific's (BP) current project to analyze the future markets initiative to provide independent analysis to the SPP Board, particularly to assist it in making decisions where there may not be consensus among the stakeholders (BP Report – Attachment 5). The proposed contact with representative members will be on hold until advised by the Committee to pursue it.

**Agenda Item 6 – 2010 Vendor Engagement**

The Committee discussed vendor engagement in 2011. Craig Roach reviewed BP's proposal for developing the 2010 State of the Market Report. Richard Dillon presented the MMU staff recommendation to develop the report wholly in-house. Following discussion, the Committee tabled further discussion and decision to the Executive Session to be held at the close of the meeting. Josh Martin requested a biography on the new BP staff member for reference.

#### **Agenda Item 4 – Update on Current Activities - continued**

##### Market Monitoring Unit

Richard Dillon reviewed activities of the Market Monitoring Unit (MMU) staff during the last quarter (MMU Report – Attachment 6). He provided an overview of the Market Development and Analysis Organization, as previously requested by the Committee. The staff is meeting with FERC staff in the Office of Electricity Markets and Rates to provide regular updates on design in advance of the Tariff filing to implement the new markets. Mr. Dillon provided a brief update on future market design. The MMU engaged Potomac Economics to assist with its assessment of the market design. The report will be available October 10. FERC has approved SPP's compliance filing in Order 719 related to market monitoring.

##### Internal Audit

Lauren Krigbaum provided an update on audit activities during the last quarter (IA Report – Attachment 7). The SAS70 audit initiates next week. The Internal Audit Charter has been updated to reflect a change in the department's title. Ms. Krigbaum reviewed the current audit plan through 2011. Audits will be expanded to consider various risk factors; this will serve as a basis for developing audit plans. At the request of the Finance Committee, an audit will focus on contracts and invoices/POs given the significant projects in process at this time. Internal Audit (IA) is specifically getting more information on the building construction process. Ms. Krigbaum then reviewed certain audits that were completed during the last quarter. She confirmed that IA is not receiving pushback from management in execution of its responsibilities. Ms. Krigbaum distributed for review the Off We Go, LLC expenses for the annual review required by the Committee. The Committee had no concerns with the expenses as paid.

#### **Agenda Item 5 – Market Design Validation**

Richard Dillon presented a preliminary report on MMU's review of future market design. This review is being conducted by the MMU staff and Potomac Economics. Mr. Dillon reviewed some of the issues that are currently under consideration for recommendation for revisions to market design. These issues remain under discussion for change and/or mitigation but if they remain unchanged, the MMU may request action by the Board.

#### **Agenda Item 7 – Report: Marginal Losses/Gains in PJM Market**

Richard Dillon reviewed a report noting recent activity in the PJM market and how SPP's market design would address this (Marginal Losses/Gains – Attachment 8). As currently designed, this activity could not occur in the SPP market.

#### **Agenda Item 8 – TO Selection Process**

Stacy Duckett noted the new Transmission Owner Selection Process and the role of the Oversight Committee in it (TO Selection Process – Attachment 9). This matter has previously been discussed, but was included on the agenda in the event additional clarification is needed. Josh Martin recommended one revision on page 3; Lauren Krigbaum noted a need to add versioning to the process document.

#### **Agenda Item 9 – New Action Items**

Stacy Duckett reviewed new action items:

- David Hodges is to develop a proposal for providing compliance support to non-members and report at the next meeting.
- Richard Dillon is to update his organizational chart to clearly delineate the MMU staff.
- Lauren Krigbaum is to develop a plan for audit of the construction process and report at the next meeting.

#### **Agenda Item 10 – Future Meetings**

The Committee will next meet on December 6 in Little Rock convening at 2:00 p.m.

The meeting adjourned at 2:20 p.m. to Executive Session.

Oversight Committee Meeting  
September 30, 2010

**Executive Session**

The Committee discussed vendor engagement for 2011 and the process for development and delivery of the 2011 State of the Market Report. The MMU staff will develop the 2010 State of the Market Report. Boston Pacific is asked to provide some analysis of the report as well as a look forward, and other projects as may be requested by the Board.

Respectfully Submitted,

Stacy Duckett  
Secretary



**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE**  
**Pending Action Items Status Report**  
**December 6, 2010**

Action Item	Date Originated	Status	Comments
Stacy Duckett will request initiation of a project for a full review of the SPP OATT and report at the next meeting.	March 25, 2009	Pending	The review is complete. Regulatory and Compliance are in the process of reviewing the report and will provide recommendations and next steps after completion of the report review, end of 1 <sup>st</sup> Q 2011.
			This initiative has started in Regulatory. Substantive completion is expected 4Q09.
R. Dillon to provide MMU org chart	June 8, 2010	Pending	Org chart provided; Dillon asked to update to more clearly delineate MMU staff
D. Hodges to provide update on SPP Criteria review project	June 8, 2010	Completed	
R. Dillon to provide recommendation re: preparation of 2010 State of the Market Report	June 8, 2010	Completed	
Compliance to develop proposal for providing support to entities, perhaps for fee	September 30, 2010	Pending	Status report due at December 6 meeting.
L. Krigbaum to develop plan for audit/oversight of construction process.	September 30, 2010	Pending	Status report due at December 6 meeting.



**Southwest Power Pool, Inc.**

**MARKET MONITOR**

**Report to the Oversight Committee**

***6 December 2010***

**Staffing**

- **Market Design**
  - The section is fully staffed
- **Market Monitoring**
  - Candidates for the Senior Market Engineer (TCR monitoring) position have been interviewed and an offer decision is expected in early December. Resumes for the open Senior Market Monitor position are under review. A second Senior Market Monitor position will be open in January which will be targeted at SAS analytical skills.

**Activity Update**

- **Federal Energy Regulatory Commission (FERC)**
  - FERC staff visit to SPP is now planned for mid January.
  - Semiannual meeting of all monitoring units and FERC Enforcement staff will be on December 6 and 7 at FERC offices
- **Market Design**
  - MMU's preliminary findings regarding the proposed SPP Integrated Marketplace protocols are attached
  - Market Design continues with MWG to finalize the protocols on must offer and Transmission Congestion Rights for January MOPC meeting
  - The market system vendors are in the process of developing the contract budget amounts for the January Board meeting
  - The cost/benefit study will have revised estimates for the January MOPC meeting
- **Regulatory**
  - FERC ruling on SPP request to end MMU audits of Market Participant data retention is expected in mid-December.
  - MMU is conducting a study of recent FERC orders regarding Market Based Rates authorization for SPP Market Participants. The study is to be completed by the end of the year.
- **Other**
  - MMU is currently conducting a review of market power metrics with the support of Potomac Economics
- **MMU 2010 Activity Summary**
  - FERC Coordination
    - MMU/FERC conferences at FERC offices: semi annual
    - Weekly market conference calls
    - FERC staff visit to SPP; March 2010
    - Training sessions; RNU, negative LIPs
  - New Metrics developed
    - Cost of congestion
    - Uneconomic production from available units
    - Supply adequacy
    - Offer review - comparison to estimated marginal costs

- Physical withholding by available units
  - Plant outage tracking
- Reports
  - Monthly: MMU State of the Market Reports; Entergy Metrics; Board Snapshot reports; MWG Market Review
  - Quarterly: Corporate Metrics for the Board
  - 2009 FERC/IRC Annual Metrics Report – under review by IRC
  - FERC ordered reports: Demand Response; External Generation
  - Annual State of the Market report – joint project with Boston Pacific
- Market Behavior Studies
  - Completed: 10
  - In progress: 0
- MMU Internal Reviews/Requests/Joint Studies
  - Operations
    - Completed: 14
    - In progress: 6
    - Coordination meeting with Ops – monthly
  - Transmission Planning
    - Completed: 1
    - In progress: 2
- Other Activities
  - Market Participant annual metrics review
  - Future market protocol – comprehensive review
  - Developed the Market Monitoring Plan and Mitigation Measures for the SPP Integrated Marketplace protocols.
  - PRR reviews - 31; Filed comments - 2
  - Process/project tracking system implementation
  - MMU organization restructuring
  - Seam issues monitoring
  - Established access to outage data

Respectfully submitted,

Richard Dillon  
 Director, Market Development and Analysis

**Southwest Power Pool, Inc.**  
**MMU Review of the Market Design**  
**SPP Integrated Marketplace**  
**November 29, 2010**

**Executive Summary**

The SPP Market Monitoring Unit (MMU) has performed a review of the proposed market design for the SPP Integrated Marketplace. This report will identify both the strengths and weaknesses of the market design and suggest a few changes that will lead to more efficient and competitive markets.

**What's Right**

The SPP Market Design team and the members of the Market Working Group have performed an admirable job in designing the Day-Ahead (DA) and Real-time Balancing (RTB) Markets as well as the Transmission Congestion Rights (TCR) Market. We find that the proposed design provides a framework that should produce efficient outcomes in both the short-run and long-run. In the short-run, the day-ahead and real-time energy and reserves markets provide an efficient means to commit and dispatch the system, coordinating the actions of many buyers and sellers. In the long-term, efficient spot energy and operating reserves markets should facilitate efficient investment and retirement decisions. One key aspect of the design process has been the consideration given to the experiences of the other RTO markets. The Market Design team and MWG have been diligent in learning from the successes and failures of the other RTO markets and they also reviewed proposed changes in the other RTO markets. We found that the SPP market design has adopted many of the best elements of the existing market designs in use or under consideration by the other RTOs. A few of the key features the MMU supports in the current design are as follows:

- (1) Five-minute settlement of the RTB Market;
- (2) Incorporation of Marginal Losses rather than the Average Loss Method;
- (3) Third party participation in the TCR market;
- (4) Virtual Trading in the DA Market;
- (5) Must-Offer Provision in the DA Market;
- (6) Design of the Make-Whole Payment provisions;
- (7) Incorporation of Reserve Zones;
- (8) Mitigation Measures for Virtual Trades;
- (9) Mitigation Measures for Physical Offer Parameters.

Items (1) – (6) will make the SPP Markets more efficient, which will lower costs and result in better price signals for transmission and generation upgrades. Items (7) and (8) will enable SPP to proactively



mitigate potential market manipulation and market power abuse. The Must-Offer provision, Item (5) in the list above, is still under review by the MWG. The MMU agrees that there should be a must offer provision and that there are several acceptable forms of the Must Offer provision. The MMU will continue to monitor the design of this provision. Item (6), the design of the Make-Whole Payment provisions, is an area where the SPP Market Design Team has proposed a superior design as compared to the other markets. The design principal of assigning the cost of the make-whole payments to those that caused the underlying inefficiency has been tediously developed and documented in the protocols.

### **What's Not Quite Right**

As noted in the previous section, the MMU supports the use of reserve zones. These provisions recognize that reserves in one area of the footprint are not necessarily deliverable to another section of the footprint due to congestion on the transmission system. Reserve zones are generally discussed in terms of reliability and the MMU agrees that this is reason enough for the incorporation of reserve zones. However, there are also substantial economic reasons to use reserve zones. Reserve zones force the market to be more in line with the physical realities of electricity flow and hence the locational prices will better reflect the needs of the system. Without reserve zones, the prices in the DA Market may be based on solutions that in reality are not rational and will lead to systematic differences in the DA and RTB locational prices.

The current market design does include reserves zones but there are two provisions that essentially defeat the economic reasons for having reserve zones. The two provisions are briefly stated as follows:

- (1) The Reserve Zone minimum is defined to always be less than or equal to the available reserves in a Reserve Zone. With this provision there will be no indication in the locational price that there is a reserve shortage. This construction will reduce the effectiveness of the scarcity pricing rules and result in incorrect price signals in the DA Market when reserve shortages occur.
- (2) The Internal Reserve Zone Obligation Transfer Schedules will allow a Market Participant to transfer a reserve obligation to a generator that is outside of the reserve zone. To insure that the reserves are deliverable, the transmission capacity into the reserve zone will be limited and hence energy prices could be higher. This provision also exposes the market to potential gaming.

If these two issues remain unresolved over the next few weeks, the MMU will fully address the issues in the body of the final report and request that the SPP Board remove the provisions from the design.



Southwest Power Pool, Inc.  
INTERNAL AUDIT  
Report to the Oversight Committee  
December 6, 2010

**Staffing**

- The Internal Audit department is fully staffed.

**Activity Update**

- Updated 2010 and 2011 Audit Schedule (see attached)
- Audits Completed Since Last Meeting:

- **ICT Quarterly Assessment (Q2 2010)**

The ICT (with the assistance of SPP Internal Audit) conducted a quarterly assessment of the Entergy Available Flowgate Capability (AFC) data retention processes. The purpose of the quarterly assessment was to examine the regular AFC and Weekly Procurement Process (WPP) data retention processes and investigate the FERC Lost, Inaccurate or Mishandled submissions submitted since the last assessment. The ICT also reviewed the pending recommendations and issues from the May 2010 assessment.

See attached for summary.

- **Off We Go LLC**

The objective of the review was to validate the fairness and reasonableness of cost factors associated with reimbursements made to and requested by Off We Go, LLC for the period April 1, 2010 through October 31, 2010. The review includes an examination of all invoices, payments and supporting documentation.

See attached for summary.

- Reviews Currently in Process:

- **Digital Certificates**

The purpose of this review is to determine at a high level how digital certificates are created, utilized, and managed by SPP. The objective is to better gauge our current certificate activities so that a more uniform, simplified, and fully compliant method can be created for both certificate generation and management. Review is in the reporting phase.



- **Employee Benefits (Time-off)**

The purpose of this review is to evaluate the efficiency and effectiveness of processes and controls for SPP's employee benefits as they relate to personal time off (PTO) tracking and monitoring, recording and reporting, yearly rollover process, and system accuracy. Due to system issues, this review was placed on hold for two months. The review is in the testing phase.

- **Corporate Credit Cards**

The purpose of this review is to evaluate the process and controls around SPP's corporate American Express (AMEX) cards and the US Bank Visa cards to ensure the process is efficient and the controls are sufficient to ensure adequate safeguarding of SPP's resources. The review is in the testing phase.

- **Incident and Problem Management – Remedy**

The focus of this review is to assess the process of managing incidents from creation to closure. Specifically that the process, as performed: is supported by up-to-date and complete process documentation such that sufficient information is captured to support resolution and serve the process purpose and deliverables; is timely; includes adequate controls to mitigate risks; and to identify and report any gaps. The review is in the reporting phase.

- **Transmission Services Study Process**

The purpose of this review is to: evaluate the efficiency and effectiveness of process controls around the Transmission Service study process; ensure compliance with SPP policies/tariff and legal/federal requirements; verify contracts/agreements are complete and executed properly; verify supporting documentation is retained and complete; and ensure study accounting is reported and accurate. A draft report has been issued for management response.

- **ICT Quarterly Assessment (Q3 2010)**

The purpose of the quarterly assessment is to examine the regular AFC and Weekly Procurement Process (WPP) data retention processes and investigate the FERC Lost, Inaccurate or Mishandled submissions submitted since the last assessment. The review is in the reporting phase.

- **SPP Compliance Program**

The focus of this review is to assess the efficiency and effectiveness of SPP's compliance department. Specifically to ensure the Compliance Program is distributed corporate-wide; compliance training for relevant staff is occurring; open communications with SPP member regarding, FERC Orders, NERC Standards, SPP Tariff and SPP Criteria; regular self-audits of SPP, Inc. is conducted; self-assessment and self-enforcement actions to prevent reoccurrence of potential or actual violations are completed; and self-certification is properly reported. The review is in the testing phase.



- **Fixed Assets**

The focus of this review is to assess the adequacy and efficiency of current Capital Management policies and procedures as they relate to asset procurement, tracking and monitoring, recording and reporting, disposal of assets, and depreciation. The review is in the planning phase.

- **IT Systems (EMS)**

Internal Audit (IA) will perform a review to evaluate the efficiency and effectiveness of processes and controls for SPP's EMS process. The focus of this review is to assess the process of EMS access and security. Specifically to verify adequate controls are in place around user access, shared account management, password management and patch management to mitigate risks and maintain a secure environment. The review is in the planning phase.

- **CIP Review**

The purpose of this review is to assess SPP's compliance with the requirements set forth by NERC standard CIP-003-3 which is focused on Cyber Security — Security Management Controls. The objective is to determine where process deficiencies and gaps exist in SPP's current security management controls, security management policy and procedures, and security management operations ( the day-to-day business practices) as they relate to the requirements mandated by CIP-003-3.

- **Upcoming Reviews/Audits:**

- Procurement Process
- Bank Reconciliations
- Form 5500 Process (401(k)/Pension Plan)
- ICT Quarterly Assessment (Q4 2010)
- Business Continuity Plan
- Project Management- selected projects

- **Other Activities**

- Staff engaged in Future Markets discussions; bringing perspective of internal controls, SAS 70 and business
- Staff completed a 10-week internally developed Regulatory training class
- New hire employee orientation training presentation on audit basics
- SAS 70-related work:



- Preparation for Phase 2 of 2010 audit
  - Review wording of control activities
  - Collect and review SAS 70 updated process documentation
  - Collect, review and upload PwC business process advance item requests
  - Schedule on-site interviews with all control activity owners
- Phase 2 of 2010 audit
  - Participate in on-site interviews with all control owners
  - Communicate and act as liaison between PwC and control owners
  - Collect and review additional audit item requests
  - Two employees provided approximately 40 hours each of direct assistance to the external auditors (attempt to reduce outside service fee)
- Reporting for 2010 audit
  - Updated changes from 2009 controls to 2010 controls
  - Update narrative portion of SAS 70 report for changes
  - Facilitate/coordinate management response section of report

Respectfully submitted,  
Lauren Krigbaum  
Director, Internal Audit



**Compliance Department**  
**Report to the Oversight Committee**  
**December 6, 2010**

**Compliance Staffing**

The Director position has been posted and interviews are being scheduled for next month. There is one vacancy (lead compliance engineer) that I have held off seeking to replace pending a review and redistribution of roles and responsibilities amongst the current staff. Having now completed this review, I am preparing a replacement requisition for Officer consideration. Additionally, a Senior Events Analysis position has been approved for hire in 2011.

**Compliance Audits**

SERC has conducted a Compliance Audit September 27 – October 1, 2010. The audit included the SPP RTO, ICT, and ITO functions. The report is pending publication, but was very positive with one possible reportable event under review.

**Compliance Forums**

The Compliance Forums continue to be a great success and well-attended by stakeholders. Compliance Forums for 2011 are being scheduled. The first will follow the SPP RE forum and will be held on March 30 in Tulsa, Oklahoma. The next forum will be hosted by KCPL in Kansas City, but the date has not yet been determined.

**Compliance Outreach**

The department is continuing to host a minimum of two conference calls each month for compliance support in addition to the forums, adding other calls as needed/requested. Participation is very high, averaging 30 participants per call.

Today we have 7 members and 3 non-member registered entities that have requested compliance assistance in 2011. This assistance includes mock audits, developing a compliance program, and documentation reviews. The requests are expected to increase with the current number of alleged violations in the SPP region.

The department continues to meet monthly with RTO Operations and Engineering managers to discuss updates to NERC reliability standards, standards under development, and NAESB updates.

The department is continuing to facilitate internally and externally the development of NERC Standards. Compliance serves as a liaison between the stakeholders and Charles Yeung.

A "Compliance 101" Program designed for smaller entities that need to gain a basic understanding of what a compliance program should contain was completed and sent to Coops and Munis. A monthly conference call is being held with these registered entities.

**FERC Order 729 and 676-E**

SPP is on track to be compliant with the new MOD standards in Order 729 by April 1, 2011.

Respectfully submitted,

Michael Desselle  
VP, Process Integrity



Helping our members work together to keep the lights on...  
today and in the future

Stacy Dochoda – SPP RE General Manager  
SPP Oversight Committee Meeting  
December 6, 2010



## Statutory, FERC, ERO & Regional Entity Authority

Federal Power Act  
Section 215

- Authorizes Electric Reliability Organization (ERO)
- Allows Delegation to Regional Entities
- ERO to develop standards approved by FERC

Federal Energy Regulatory  
Commission

- Approves ERO
- Approves Regional Entity Delegation
- Approves Standards
- Approves Penalties

North American Reliability  
Corporation

- Decides whether to delegate to REs
- Develops and Approves Standards
- Approves Penalties
- Oversees RE performance (metrics & audits)

Regional Entity

- Responsibilities & Authority provided by Delegation Agreement

## Current Top Concerns at FERC on ERO Issues

### Standards

- Prioritization – What Are Top Reliability Concerns ?
- Response to Commission Directives
- Length of time to adopt new or revised standards
- Self-Regulatory model (other industry experience)
- Standards on Geomagnetic Pulse, Large Transformers, Cyber-Security

### Process

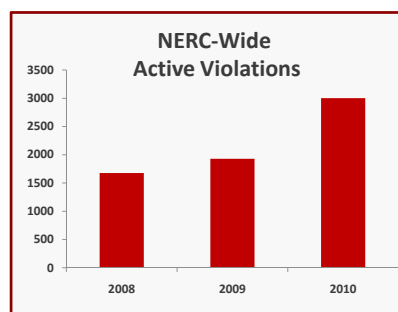
- Possible conflicts of interest where stakeholders involved in compliance
- Prioritization of resources where risks greatest
- Enforcement backlog
- Consistency
- Identifying patterns



## Current Environment

### Increase in violations

- More experienced auditors & increased resources
- Information sharing among REs, NERC and FERC
- Improved processes (pre-audit, increased sampling)
- Increased number of standards
- CIP standards
- Outreach and education (> 580 hours in 2010) leading to self-reports

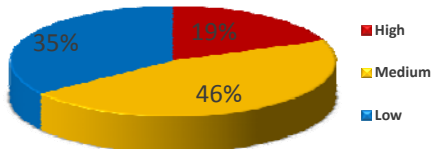




## How is the SPP Region doing?

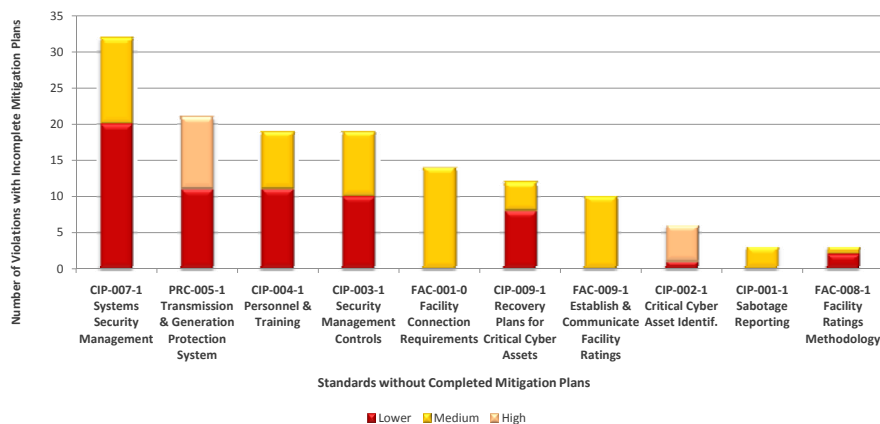
- 94% compliant in first 693 audits
- 97% compliant to-date on 2<sup>nd</sup> 693 audits
- 57% compliant in CIP Spot Checks
- 444 violations as of 10/31/11 (43 entities of 126)

SPP RE  
Total Violations by Violation Risk Factor  
as of November 11, 2010



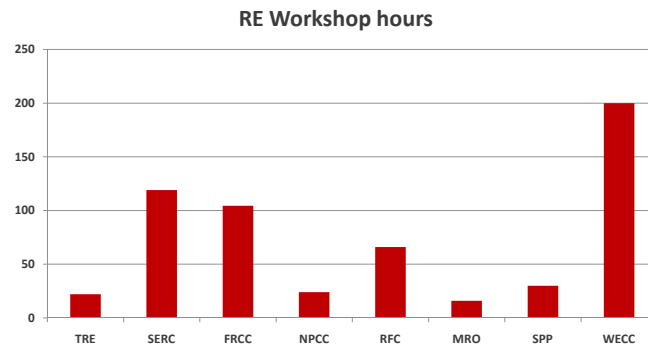
## How is the SPP Region doing?

Top Ten Violated Standards by Violation Risk Factor – Unmitigated  
as of November 9, 2010



## What can we do at SPP to improve?

### Increase training resources



## What can we do at SPP to improve?

- **Prioritize & streamline (Advocacy at NERC and FERC – Technical Conference)**
- **Culture of reliability /ownership/accountability**
- **Encourage attitude of working with NERC and FERC to improve - Avoid Us vs. Them**
- **Initiate Events Analysis Working Group – Lessons learned**
- **Recognize that new markets will bring new players, wider risk reward distribution, changing use of Bulk Power System**
- **Ensure member driven focus does not harm reliability**



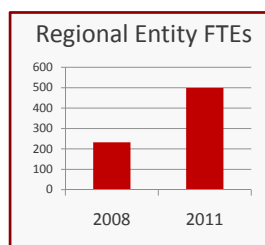
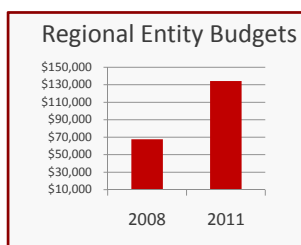
Helping our members work together to keep the lights on...  
today and in the future

Stacy Dochoda – SPP RE General Manager  
FERC Technical Conference  
November 18, 2010



## Accomplishments in Enforcement

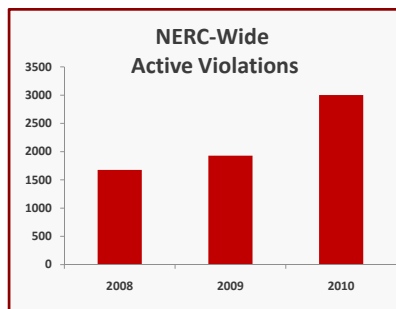
- Penalties scaled to match seriousness of violation
- Implementation of zero penalties where appropriate
- Less rework between Regional Entities & NERC
- Increased resources at Regional Entities and NERC



## Current Environment

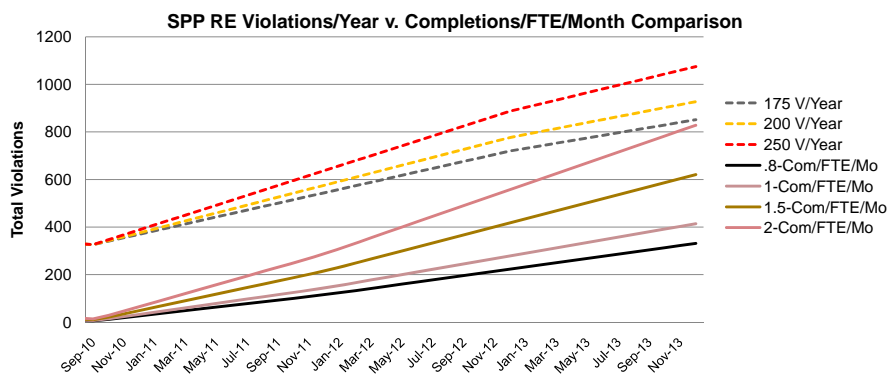
### Increase in violations

- More experienced auditors & increased resources
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- Improved processes (pre-audit, increased sampling)
- Increased number of standards
- CIP standards
- Outreach and education (> 580 hours in 2010) leading to self-reports



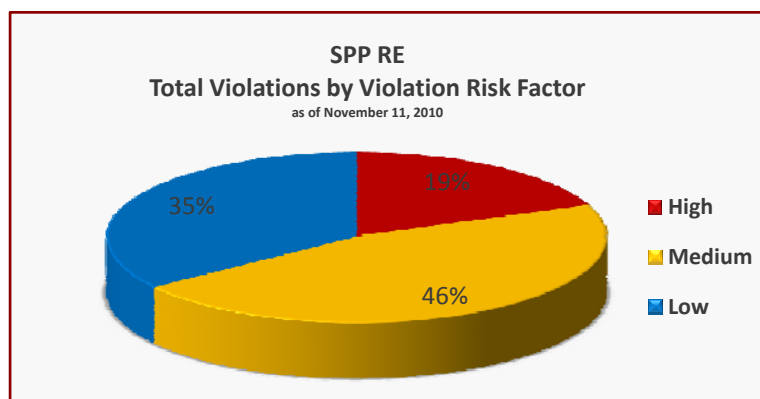
## Moving Forward – Elements of Success

- Streamline violation processing
- Risks if we don't (SPP RE example)



## Moving Forward – Elements of Success

- **Prioritize resources – Spend money and time where it will matter most**



## FERC Guidance on NOPs

- **Some orders provide guidance to Regional Entities & NERC for future NOPs**
- **Typically 500 violations in final draft form at any time awaiting administrative clean-up by Regional Entities and NERC**
- **Request Commission guidance apply in a way that avoids rework of violations already in final draft form**

SPP Organizational Group Self-Evaluation/Assessment  
(August 2009 – July 2010)

GROUP NAME: **Oversight Committee**

CHARTER/SCOPE UPDATE: Attached Charter/Scope has been reviewed: **Y - N**

MEMBER ROSTER/ATTENDANCE:

Member	Company	# Present	# Absent
Martin, Josh (Chair)	Director	4	0
Bernard, Phyllis E.	Director	4	0
Brix, Julian	Director	4	0
Duckett, Stacy	Staff Secretary	4	0

\*Only on Committee for part of the assessment period.

Please list the number of members represented in the following areas:

Trans/Owners	Trans/Users	Directors
NA	NA	3

Sectors							
IOU	Coop	Muni	State/Fed	IPP/Marketer	Alt Power/Public Interest	Lg Retail	Sm Retail
NA	NA	NA	NA	NA			

AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS):

MEETINGS HELD TO DATE:           **Live: 4     Teleconference: 0**

AVERAGE LENGTH OF MEETINGS: **4:12**

NUMBER OF VOTES TAKEN: **3**

\*MEETING COST(S): **\$28,215.08**

MAJOR ACCOMPLISHMENTS/ISSUES ADDRESSED BY THE GROUP:

- 1. Enhanced reporting from Internal Audit**
- 2. Expanded reporting from Market Monitoring staff (including monthly update)**
- 3. Considerable participation by committee members in Compliance education and support activities**

MAJOR PENDING ISSUES BEFORE THE GROUP:

- 1. Market Monitoring oversight of new market services/design**
- 2. Expansion of Compliance support for registered entities**
- 3. Continued engagement with Regional Entity management for coordination with compliance support**

\* Meeting costs include hotel expenses (room rental, A/V, food and beverage), estimate of teleconference expenses, and Director fees for attendance.



**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE**  
**Organizational Group Scope Statement**  
**September 2009**

**Purpose**

The Oversight Committee (OC) is responsible for overseeing the process of monitoring compliance to SPP and NERC policies, including market monitoring, internal audit, and internal compliance with NERC operating Standards.

**Scope of Activities**

1. Oversee the process of monitoring compliance to SPP and NERC policies;
2. Independently review activities of the Staff;
3. Hear and rule on appeals from Members regarding penalty assessment or fine distribution, other than those resulting from the Compliance Monitoring and Enforcement Program, prior to dispute resolution proceedings;
4. Recommend Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Criteria;
5. Grant specific additional authority to the Staff responsible for the compliance monitoring function when needed to perform challenging investigations;
6. Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
7. Perform such other functions as the Board of Directors may delegate or direct.

**Representation**

The Oversight Committee (OC) shall be comprised of three members from the Board of Directors appointed by the Board of Directors. Each representative of the OC shall continue to be a representative thereof until the Board of Directors appoints his/her successor. Where a vacancy occurs, the Board of Directors will fill the vacancy.

**Reporting**

The Oversight Committee reports to the Board of Directors.