

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING
June 4, 2012
Peabody Hotel, Little Rock, Arkansas

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 8:05 a.m. The following members were in attendance: Josh Martin (Director), Julian Brix (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett, Alan McQueen, Lauren Krigbaum, Philip Propes, and Beth Hume. Others in attendance included Larry Altenbaumer (Director).

Mr. Martin referred to draft minutes of the March 27, 2012 meeting and asked for corrections or a motion for approval (3/27/12 Minutes – Attachment 1). Phyllis Bernard moved to approve the minutes as presented; Julian Brix seconded the motion. The motion passed unanimously. Julian Brix noted that this would be his last meeting as a member of the committee due to moving to the Human Resources Committee and Larry Altenbaumer joining the Oversight Committee.

Agenda Item 2 – Review of Past Action Items

Stacy Duckett reviewed the Action Items Report (Action Items Report – Attachment 2).

Agenda Item 3 – Update on Current Activities

Compliance

Philip Propes reviewed activities of the Compliance Department since the last meeting (Compliance Report – Attachment 3). Member Outreach activities continue to increase. At the recent Forum, discussion focused on identifying problem areas and considering ways to address those. The Member Compliance Group met jointly with the Consolidated Balancing Authority Steering Committee. It was productive, but issues are still pending. The department is working on assisting the region with pending CIP Standards as these continue to evolve. SERC will be on-site this week to review the new Data and Operations Center to assess our ability to function as the Reliability Coordinator from the new campus. A great deal of preparation and pre-work has been done such that the on-site review is expected to require only 1 ½ days. Compliance continues its work to coordinate a review of SPP Criteria for relevance. Phyllis Bernard requested a copy of the tracking report. Discussion followed regarding the process around the Regional Entity (RE) audits as impacts member support. Larry Altenbaumer requested an overview of CIP v5 and the focus of each request (documentation, Physical security, process, etc.). Julian Brix requested an update on Compliance Support Site and its use, as well as an update on the Forum. Philip Propes provided an update on the Consolidated Balancing Authority registration discussions as well.

Market Monitoring Unit

Alan McQueen provided an overview of the Market Monitoring Unit (MMU) activities (MMU Report – Attachment 4). Two positions have recently been filled; two others are in process with the expectation to hire soon. Hiring is slow, but they are finding good candidates over time. Larry Altenbaumer supported further consideration of staffing to ensure skills needed are hired; the group concurred. Four FERC staff members are attending the Board of Directors Education Workshop. The MMU recently completed a study on Order 745 impacts. Josh Martin requested an update on addressing questions raised regarding the Annual State of the Market Report and the impact of new transmission on the market. Carl Monroe has assembled a group, including the MMU, to assess and provide reports. Progress continues on the Integrated Marketplace, particularly in systems and data management.

Internal Audit

Beth Hume provided the quarterly activity report for Internal Audit (IA Report – Attachment 5). Interviews are in process for an open position. She then reviewed the audit schedule, noting several audits that will also support review of the Integrated Marketplace. These audits focus on the flow of a process rather than only specific pieces/departments. She noted changes in the audit schedule since the last meeting. Lauren Krigbaum noted audit plans for 2013 – 2014. Any specific requests for audits should be directed to Stacy Duckett or Lauren Krigbaum. Beth Hume reported on the recent on-site reviews by PricewaterhouseCoopers (PwC) on the SSAE16 controls. There is one outstanding issue to resolve, but all went well. At this time, the construction project is trending \$1 million under budget. Internal Audit and Corporate Services are developing a controlled test of the Compliance Line to ensure processes are in place and are working. The Committee requested a review of where outside reports come to SPP, as well as ensuring a test designed to truly test the process. Lauren Krigbaum will also consult with other Regional Transmission Organizations (RTOs) on their processes. The Committee had no questions regarding reviews currently in process. Larry Altenbaumer requested clarification on the Harassment Awareness Training audit. Phyllis Bernard requested clarification that training is broad in subject-matter and policy review. The Oversight Committee asked to view the training module. Internal Audit is planning training for development and writing of controls. Julian Brix requested a review of the SPS/Exelon issue and Internal Audit's engagement in it. Beth Hume provided updates on the other consulting/advising items. She noted continued requests for assistance from Internal Audit across the company and willingness from others to learn how to improve and document processes.

Agenda Item 4 – Strategic Planning and Budgets

Market Monitoring Unit

Alan McQueen reviewed plans/focuses for the remainder of this year and 2013. These include metrics for the Integrated Marketplace and development for market trials and go-live. The MMU is consulting with other RTOs on metrics, as well as consultants. FERC engagement will also be a focus as reporting requests continue to expand. The independence statement for the MMU has been posted on spp.org. No comments have been received to date.

Internal Audit

Beth Hume reviewed Internal Audit's plans for the remainder of 2012 through 2015. As is the case across the company, the primary focus is the Integrated Marketplace preparation. The group also continues to improve the SSAE16 audit process to make it less impactful and truly part of the everyday process. A risk assessment plan for the company is in progress, including a Risk Management Committee to provide oversight. Larry Altenbaumer requested clarification on interaction between Internal Audit and Process Improvement.

Compliance

Philip Propes provided a review of planning for Compliance. The focuses are SPP's compliance as well as support for entities in the region to promote overall compliance across the footprint. Registration for NERC Standards will be an area of review to consider possible changes to benefit the region. The Integrated Marketplace will also be an area of focus for the group. Mr. Propes would like to develop a rotation/in-training program for the Compliance staff. Evidence reviews continue to be in demand. Members have requested function specific training. Mitigation plan support may be a new service. The group is considering other services that may be offered. Phyllis Bernard noted a focus on assisting smaller entities where possible.

Agenda Item 5 – Annual State of the Market Report Wrap-up

Alan McQueen noted a data correction made after the Board meeting. No additional comments were received following the Board meeting. Phyllis Bernard asked to note efforts to monitor third-party participants in the Integrated Marketplace. She also asked to ensure some focus on things that are working in the market. Josh Martin requested explicit discussion of the impact of transmission expansion on market

Oversight Committee Meeting
June 4, 2012

performance. Julian Brix noted issues at seams and impacts to the market. The report has been reviewed with FERC; no comments were received.

Agenda Item 6 – New Action Items

Stacy Duckett reviewed new action items.

- Philip Propes will distribute the Criteria review tracking report.
- Philip Propes will provide an overview of the CIP v.5 and its areas of focus.
- Stacy Duckett will arrange access to Harassment Awareness Training.
- Philip Propes and Alan McQueen will send out respective strategic plan diagrams.

Agenda Item 7 – Future Meetings

The next scheduled meeting is September 27 in Hilton Head, South Carolina. It was requested that an Executive Session be included on all future agendas.

The meeting adjourned at 10:55 a.m.

Executive Session

An Executive Session was held in advance of the meeting at which legal and personnel issues were discussed.

Respectfully Submitted,

Stacy Duckett
Secretary



OVERSIGHT COMMITTEE MEETING

June 4, 2012

The Peabody Hotel

Little Rock, Arkansas

- A G E N D A -

8:00 a.m. – 12:00 p.m. CDT

- 1. Call to Order/Administrative Items Josh Martin
- 2. Action Items Report.....Stacy Duckett
- 3. Update on Current Activities
 - a) CompliancePhilip Propes
 - b) Market Monitoring Unit Alan McQueen
 - c) Internal Audit..... Lauren Krigbaum
- 4. Strategic Planning and Budgets
 - a) Market Monitoring Unit Alan McQueen
 - b) Internal Audit..... Lauren Krigbaum
 - c) CompliancePhilip Propes
- 5. Annual State of the Market Report Wrap-up..... Alan McQueen
- 6. New Action ItemsStacy Duckett
- 7. Future Meetings Josh Martin

2012

September 27

Hilton Head, South Carolina

December 10

Dallas, Texas (day prior to BOD Workshop)

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING

March 27, 2012

Boston Pacific Offices, Washington, DC

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 8:57 a.m. The following members were in attendance: Josh Martin (Director), Julian Brix (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett, Alan McQueen, Lauren Krigbaum, Philip Propes, and Barbara Stroope. Others in attendance included Craig Roach and Vincent Musco (Boston Pacific) and Carol White (FERC).

Carol White noted pending changes with the Market Oversight assignments at FERC.

Mr. Martin referred to draft minutes of the December 12, 2011 meeting and asked for corrections or a motion for approval (12/12/11 Minutes – Attachment 1). Phyllis Bernard noted some clarifications for the minutes. Julian Brix moved to approve the minutes as revised; Phyllis Bernard seconded the motion. The motion passed unanimously.

Agenda Item 4 – 2011 State of the Market Report Plan

Barbara Stroope provided a review of the State of the Market report (SOM Report – Attachment 2). Considerable discussion followed. The report will be presented at the April Board of Directors meeting for final comments, prior to presentation and submission to FERC in May.

Agenda Item 5 – Looking Forward Report

Craig Roach presented a review of the Looking Forward report (Presentation – Attachment 3). Josh Martin and Julian Brix noted the usefulness of this report in strategic planning for Southwest Power Pool. Extensive discussion followed. The report will be presented at the April Board of Directors meeting as well.

Agenda Item 6 – Market Monitoring Unit Independence Statement

Alan McQueen reviewed a previous discussion regarding the creation of a statement clarifying the independence of the Marketing Monitoring Unit (MMU) and a recommendation to post this statement on the MMU page on the SPP website (Independence Statement – Attachment 4). Phyllis Bernard moved to approve; Julian Brix seconded the motion. The motion passed unanimously. The statement will be posted on spp.org following reporting at the April Board of Directors meeting.

Agenda Item 7 – Equity in Transmission Review

Craig Roach reviewed a memo discussing current plans for addressing equity in regional transmission costs as recommended by the Regional Allocation Review Task Force (RARTF) and approved by the Markets and Operations Policy Committee (MOPC) and the Board of Directors/Members Committee (Equity in Transmission Memo – Attachment 5). He noted in the assessment that the plan that has been developed will work as planned, and offered some suggestions for consideration by the Economic Studies Working Group in future assessments. Josh Martin asked that the memo be published for the April Board of Directors meeting.

Agenda Item 3a – Update on Market Monitoring Unit

Alan McQueen reviewed the quarterly activity report for the Market Monitoring Unit (MMU Report – Attachment 6). Staffing is a current focus as there are four openings. Phyllis Bernard suggested checking with Morgan State University based on a recent meeting she attended there as well as other historically black universities. Mr. McQueen noted a new group at FERC, Division of Analytics and Surveillance. This group will be more focused on market activity, gaming and manipulation. We will also have a new liaison with the Division of Energy Market Oversight going forward. Progress has been made internally on data

management and access for market monitoring. The Market Working Group did approve a protocol revision recommended by the MMU for improvement of mitigation. Phyllis Bernard noted specific issues identified by the MMU and concrete steps that are being taken to be able to identify and/or prevent these issues in the new market.

Agenda Item 8 – Events of Interest

Constellation/Exelon Order

Alan McQueen reviewed the Constellation/Exelon order recently issued by FERC. Constellation was found to be manipulating markets and was ordered to pay fines and disgorge profits. This type of gaming is known and readily tracked. In this case, it may not have been addressed early enough. SPP has metrics in place to monitor this. The focus in the MMU now is on new types of manipulation, specifically. The MMU focuses on whether activity makes business sense in determining whether to analyze it more closely and what action is necessary. The MMU has authority to remove a market participant from the market, but would do so only after consulting with the entity. As part of the Constellation penalty, each RTO will receive \$1 million to spend on hardware/software to enhance monitoring going forward. SPP must submit a plan for review and concurrence prior to spending the funds.

Xcel Energy Settlement

Stacy Duckett noted a recent Xcel case, which settled for \$2 million. SPP participated in several requests for information related to this case, but was not otherwise involved.

Agenda Item 9 – Annual Assessment and Org Group Survey Results and Scope Discussion

Stacy Duckett reviewed the org group survey results for the Oversight Committee (OC Assessment, Survey and Scope – Attachment 7). The Committee also discussed draft revisions to the scope based on recent discussions to re-assign certain duties among Board committees. The group asked to see draft scope revisions for the Finance Committee (FC) and the Human Resources Committee (HRC) to provide further feedback.

Agenda Item 3b and 3c – Update on Current Activities

Internal Audit (IA)

Lauren Krigbaum provided the quarterly activity report for Internal Audit (IA) (IA Report – Attachment 8). The department did have some turnover in one position but has recently hired a replacement. The audits focused on IT will be re-set since this hire. The new position will be slightly delayed to avoid a new hire coming in during the SSAE16 audit. The group discussed several audits in detail. The Committee asks the HRC to consider approaches to address some of the management shortcomings identified in recent audits based on IA issues identified and management responses, as well as staff recommendations to address these issues. A review of the Integrated Marketplace continues.

Compliance

Philip Propes updated the Committee on Compliance activities during the quarter (Compliance Report – Attachment 9). Phyllis Bernard relayed some feedback from an entity regarding its responses to the Regional Entity (RE) survey and concerns regarding anonymity. Mr. Propes noted benefits to the Members Compliance Group to date in interacting and coordinating with the RE. He reviewed various outreach activities during the quarter. The department has two openings, one of which will be focused on outreach coordination going forward.

Agenda Item 2 – Review of Past Action Items

Stacy Duckett reviewed the Action Items Report (Action Items Report – Attachment 10).

New Action Items

- Support development of credit risk assessment in compliance with Order 741.

Oversight Committee Meeting
March 27, 2012

Agenda Item 10 – Future Meetings

Josh Martin noted future meetings. The next scheduled meeting is June 4 in Little Rock.

The meeting adjourned to Executive Session at 2:11 p. m.

Executive Session

1. Alan McQueen and Philip Propes provided updates on an inquiry previously reported to the Committee.
2. Stacy Duckett and Philip Propes provided updates on matters currently pending at FERC and SERC.
3. Stacy Duckett provided a report on administrative items for staff (evaluations, salary administration and performance compensation). She will report this information each year at the March meeting.

The Executive Session adjourned at 2:57 p.m.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE
Pending Action Items Status Report
June 4, 2012

Action Item	Date Originated	Status	Comments
Affirm Standards of Conduct are binding post-employment	June 13, 2011	Pending	Draft in process with some other revisions under consideration by the CGC
Means to reflect market maturity and benefits to region	June 13, 2011	Pending	Status update at June 4 meeting



Southwest Power Pool, Inc.
COMPLIANCE DEPARTMENT
Report to the Oversight Committee
June 4, 2012

Member Outreach

Compliance Department staff continues to respond to emails and phone calls from members and registered entities on numerous compliance issues. Some of the topics this past quarter include: Cyber Vulnerability Assessment (CVA), required by CIP-005-3, R4 and CIP-007-3, R8 and Electronic Security Perimeters (ESP); FERC Order 741; Planned Outages and Appendix 12 of SPP Criteria; Substation Critical Cyber Assets.

Member Compliance Group

This quarter the Member Compliance Group (MCG) hosted two calls. The primary focus of the calls has been Balancing Authority (CBA) registration options. In addition to the conference calls, the MCG also hosted a joint face to face meeting with the Consolidated Balancing Authority Steering Committee on May 9th and 10th.

On-site and In-House Review Coordination

Compliance Department staff completed on-site reviews for three different Members on March 26th, and May 14th.

In-house reviews have been conducted for 4 Registered Entities during the 2nd quarter.

The accompanying "Outreach Efforts Report" provides additional detail on these efforts.

CIPWG - Cyber Security Order 706

The CIPWG is facilitated by Compliance Department staff, and it continues to be the primary CIP focused organization in the region. The CIP Version 5 Standards represent significant changes to already challenging CIP Standards. CIPWG participants are working hard to provide increased education and awareness of these pending changes. In addition to reviewing the changes made with the standards, the department has also facilitated multiple calls to compile and review comments within the SPP region.

Corporate Outreach

In addition to the substantial external support provided for SPP Members and Registered Entities, the Compliance Department continues to focus on internal compliance and audit readiness. These processes are captured in our Internal Compliance Program (ICP).

Internal Assessments

The ICP includes annual Self Assessments to ensure that SPP is adhering to and in compliance with NERC Reliability Standards. Self Assessments include the review of each registered function of the RTO, ITO & ICT.

On June 1st, the Compliance Department completed an internal assessment of Reliability Standards TPL-001, TPL-002, TPL-003, and TPL-004.



SPP Criteria

The MOPC requested a wholesale review of the SPP Criteria, and the Compliance Department has been tasked with this exhaustive undertaking. Compliance Department staff met with all appropriate Staff Secretaries to allocate responsibility for each section, and to convey the new review categories. Updates from various working groups are being collected, and Compliance Department staff is developing timelines for each project milestone. Categorization responses were received from each Working Group during the 1st Quarter, 2012.

SPCWG and ORWG are attempting to have their reviews completed by early summer. TWG has formed a Criteria Review Task Force and is moving forward. GWG is also making progress. An arbitrary completion date of 9/4/12 has been set. A completed spreadsheet with recommendations for each section is expected to be presented to MOPC at their October meeting.

Respectfully submitted,

Philip Propes
Director, Compliance

The Searchable Notice of Penalty (NOP) spreadsheet is based on filed NOPs and is provided for informational purposes only. In the event of a conflict between information on the Searchable NOP spreadsheet and filed NOPs, the filed NOPs govern.

4/30/2012	FERC	NP12-26-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$27,000	SNOP	SPP201000278	CIP-006-1	1	Medium	
4/30/2012	FERC	NP12-26-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$27,000	SNOP	SPP200900156	CIP-007-1	1	Medium	
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000234	CIP-002-1	2	High	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000236	CIP-003-1	1	Medium	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000238	CIP-004-1	2; 2.2.1; 2.2.4; 2.3	Medium	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000239	CIP-004-1	4; 4.2	Lower	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000240	CIP-007-1	1.3	Lower	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000241	CIP-007-1	5.2	Lower	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000242	CIP-007-1	5.3	Lower	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000243	CIP-008-1	1	Lower	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000244	CIP-009-1	1	Medium	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000259	CIP-009-1	2	Lower	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000345	CIP-005-1	2; 2.2; 2.4	Medium	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000346	CIP-005-1	3; 3.2	Medium	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000348	CIP-005-1	5; 5.1	Lower	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000349	CIP-007-1	1.3	Lower	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000352	CIP-007-1	4; 4.1; 4.2	Medium	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000353	CIP-007-1	5; 5.1.3; 5.3	Medium	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000354	CIP-007-1	6; 6.1; 6.2; 6.5	Medium	X
3/30/2012	FERC	NP12-22-000	SPP RE	Unidentified Registered Entity	NCRXXXXX	\$12,000	SNOP	SPP201000441	CIP-003-1	3	Lower	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201100544	VAR-002-1.1b	3	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201000258	TOP-002-2a	11	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201000367	PRC-004-1	1	High	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201000368	PRC-004-1	2	High	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201000369	TOP-002-2a	2	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201000375	VAR-001-1	1	High	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201000440	TOP-004-2	6	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201100454	FAC-003-1	1	High	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201100455	FAC-003-1	2	High	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201100457	PRC-008-0	1	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP200900075	EOP-008-0	1.5	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP200900076	EOP-008-0	1.6	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201100541	VAR-001-1	6	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201000256	PRC-005-1	1	High	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201100543	VAR-002-1.1b	2	Medium	X
3/30/2012	FERC	NP12-21-000	SPP RE	Sunflower Electric Power Corporation	NCR01148	\$135,000		SPP201100542	VAR-002-1.1b	1	Medium	X
3/30/2012	FERC	NP12-19-000	SPP RE	American Electric Power Service Corp. as agent for Public	NCR01056	\$90,000		SPP201000356	FAC-003-1	2	High	X



MARKET MONITORING REPORT

Oversight Committee

4 June 2012

Staffing

- The MMU currently has two open positions: a Senior Monitor and a Monitor II. Several strong candidates for the senior are under consideration and we expect the position filled in about a month. We hope to fill the Monitor II position in the next couple of months.
- Two new team members are James Lemley and Michael Ray. James is an internal transfer, joining us from the Data Service group. Michael was in the Engineer Rotation Program for 16 months. He brings experience from the Operations, Transmission Planning and Regulatory departments. We are very pleased to have them as part of the Monitoring group.

Activity Update

- **Federal Energy Regulatory Commission (FERC)**
 - Several FERC staff members will join the Board of Directors Educational Workshop June 4 & 5 and meet with MMU staff on June 6. These individual are new to the SPP market oversight so this is a great opportunity for them to learn about SPP and the SPP markets.
 - After attending the Educational Workshop, FERC staff will visit the SPP offices for a day. The MMU will lead and facilitate discussions about various Market Monitoring issues. RTO staff will also give overviews of several current, hot topics. SPP Operations will also host a tour of the control center.
 - Ongoing weekly and monthly market update discussions with FERC staff continue and the number of people involved is increasing with the implementation of the new Division of Analytics and Surveillance (DAS) at FERC. The MMU now has regular contact with three different FERC divisions: Division of Market Oversight, Division of Investigation, and Division of Analytics and Surveillance.
 - MMU and SPP staff members are working with FERC on documenting how SPP will use the \$1 million settlement allocation from the Constellation case. FERC staff is focusing on enhancing the ability of RTOs day-ahead market rerun capability.
- **EISG Conference** (Energy Intermarket Surveillance Group)
 - Four members of the MMU attended the May meeting of the EISG in Boston, MA
 - SPP staff made a presentation on the loop flow problem in the NE corner of the SPP footprint that is aggravated by the regional differences in the calculations of market flow.



- **Market Studies**
 - The MMU developed the SPP Net Benefits Test to bring SPP in compliance with Order 745. SPP made an Order 745 compliance filing on May 2, 2012 to which the MMU contributed with a description of the Net Benefits Test and the results of applying the test to the thirteen month period begin in May 2011 and ending in May 2012.
 - The MMU developed a flowgate loading metric that will help track the causes of transmission congestion. The resulting report categorizes the flowgate megawatt load into the following groups: economic, uneconomic, wind, and loop.

- **Reporting**
 - 2011 Annual State of the Market report will be posted in June. We continue to make some minor revisions as a result of comments and questions about the draft report presented at the April Board meeting.
 - Prepared reports in support of corporate functions including the Corporate Metrics reports
 - Published regular Market Monitoring reports including the Monthly Metrics Report, monthly MWG market updates (both required by FERC) and the Market Monitoring Snapshot for the Board of Directors.

- **Integrated Marketplace**
 - The BI/Report Work-stream is on track for delivering data for use by the MMU to monitor the new markets. The development of metrics and screens for Marketplace is progressing at an acceptable pace as is the development of data views to support the market monitoring screens.
 - The MWG approved MPRR 71 at the May meeting; this MPRR requires Market Participants to meet their Day-Ahead Must Offer obligation with Resources in Market or Self status. Prior to MPRR 71, a Market Participant would have been able to count a Resource in Reliability Status toward meeting their obligation.
 - The MMU developed training materials on the new mitigation procedures that will apply in the Integrated Marketplace. The materials were first developed for a training session with Operations Engineering and have since been passed along to the SPP Training Department for course development.
 - The MMU is assisting in the writing of requirements documents for the new mitigation rules; these documents will soon be passed to Alstom for software development.

Respectfully submitted,
Alan McQueen
Manager, Market Monitoring and Analysis



Southwest Power Pool, Inc.

INTERNAL AUDIT

Report to the Oversight Committee

June 4, 2012

Staffing

- An incremental headcount position is included in the 2012 budget. The anticipated on-boarding date for the position was moved from March to June/July 2012. This position will support the increasing internal audit work created by the continued growth of SPP and an increasing number of special requests (e.g. Assisting the external auditors during the controls audit, assisting the Compliance group in the performance of "on-site"/documentation reviews of members and customers as part of SPP's member outreach program for compliance support and special review requests received from the Oversight Committee, Finance Committee and/or SPP Senior Management).

Activity Update

- Updated 2011 - 2012 Audit Schedule (see attached)
- Audits Completed Since Last Meeting:
 - **New Facilities Program (Construction and Migration)**

Internal Audit completed reviews of the New Facilities Program (Construction and Migration) process for the periods January 24, 2012 through March 22, 2012 and March 23, 2012 through April 23, 2012. The purpose of the reviews was to determine the established processes are followed, including adequate controls to mitigate risks and to identify any gaps. The reviews also included an assessment of the status of project budgets and construction schedule.

See attached for summary.

- **Reserve Sharing Agreements**

Internal Audit completed a review of SPP's Reserve Sharing System (RSS) processes and procedures, focusing on the activities related to operations, compliance and system support. The purpose of the review was to assess the processes and procedures of the RSS. IA reviewed the process as performed to verify: it is supported by up-to-date and complete process documentation with sufficient information to support and serve the process purpose and deliverables; includes adequate controls to mitigate risks and confirm compliance with reliability requirements; and does not have any process and/or control gaps.

See attached for summary.

- **ComplianceLine Administration**

The purpose of the review was to ensure that SPP's ComplianceLine Hotline continues to help maintain an ethical workplace without fear of retaliation. This line is answered 24 hours a day, 7 days a week for confidential reporting of compliance/ethical concerns and is staffed by a third-party organization. It provides an anonymous avenue for employees to voice concerns when they do not feel comfortable speaking to supervisors or Human Resources employees. All calls are documented and investigated.

See attached for summary.

- **Reviews Currently in Process:**

- **Accounts Payable**

The purpose of this review is to evaluate the process and controls around SPP Accounts Payable, to provide reasonable assurance the process is efficient and that controls are sufficient to adequately safeguard SPP's resources. The review is in the reporting phase.

- **Contract Administration**

The purpose of this review is to evaluate the process and controls around SPP's Contract Administration process, to ensure the process is efficient and the controls are sufficient to ensure adequate safeguarding of SPP's resources. Review is currently in the reporting phase.

- **New Facilities Program (Construction and Migration)**

The purpose of this review is to determine that established processes are followed, including adequate controls to mitigate risks and to identify any gaps. The review also includes an assessment of the status of project budgets and construction schedule.

- **Employee Benefits – Payroll (including a review of the ABRA system)**

The purpose of this review is to evaluate the efficiency and effectiveness of processes and controls around Payroll; ensure compliance with federal/state laws and regulations; confirm confidentiality of personal data is maintained; verify that payroll calculations are accurate and supported with required documents; verify payroll and accounting reporting is accurate; and evaluate the adequacy of configuration settings, monitoring techniques and access restriction mechanisms for ABRA. Review is currently in the testing phase.

- **SPP Compliance Program**

The purpose of this review is to evaluate the efficiency and effectiveness of SPP's Compliance program. Specifically to ensure the 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 planning phase.

- o **Cash Management and Bank Reconciliations**

The purpose of the review is to evaluate the efficiency and effectiveness of processes and controls for SPP's cash management and bank reconciliations processes to provide reasonable assurance the process is efficient and that controls are sufficient to adequately safeguard SPP and customer resources.

- Upcoming Reviews/Audits:

- o New Facilities Program (Construction and Migration)
- o Invoicing/Cash Collections/Payout
- o Tariff Studies: Network Upgrades
- o Shared Access Accounts (Critical Systems)
- o Harassment Awareness Training
- o Administrator Logical Access
- o ICT Quarterly Assessment (Q1 2012) – delayed at the request of Entergy
- o Manage Disputes
- o Off We Go LLC (Rate and Invoices)

- Other Activities

- o IA continues the review of the Integrated Marketplace Program and Integration.
- o Staff continues to engage in Integrated Marketplace discussions; bringing perspective of internal controls, SSAE 16 and business. In the process of planning control writing course for Integrated Marketplace personnel.
- o Control audit work:
 - Completion of continuous, periodic audits
 - Controls training for new personnel
 - Phase 1 of 2012 audit:
 - o Participated in on-site interviews with all control owners
 - o Communicated and acted as liaison between PwC and control owners
 - o Collected and reviewed additional audit item requests



- Two employees provided approximately 120 hours each of direct assistance to the external auditors (attempt to reduce outside service fee)

- Other consulting/advising:
 - SPS/Exelon issue
 - FERC Order 741 (Credit Reform)
 - Deactivation of EIS MP (process development)
 - OOME Make Whole Payments
 - Network Upgrades (process improvement)
 - Generation Interconnection Studies “think tank” (process improvement)

Respectfully submitted,
Lauren Krigbaum
Director, Internal Audit