



Tariff Revision Request (TRR)

TRR Number	096	TRR Title	Revisions to Qualify for Exemption from Jurisdiction of the Commodity Futures Trading Commission
Cross Reference #	PRR BRR Other (<i>Specify</i>) _____		
Sponsor			
Name	Joe Ghormley, Senior Attorney		
E-mail Address	jghormley@spp.org		
Company	Southwest Power Pool, Inc.		
Phone Number	(501) 614-3368		
Date	June 13, 2013 (revised June 27, 2013)		
Tariff Section(s) Requiring Revision	Section No. Attachments AE and X Title Tariff Version (effective date)		
Requested Resolution	<input type="checkbox"/> Normal <input checked="" type="checkbox"/> Urgent (provided justification below for urgent request) Urgent consideration is needed due to the CFTC's required changes to minimum financial eligibility criteria for market participants. <u>The updated participation criteria should be considered in the July 2013 Board of Directors meeting so they will be in place by this fall's TCR Auction.</u>		
Revision Description	1. <u>Bilateral Settlement Schedules</u> : Revisions are suggested for provisions of Attachment AE regarding Bilateral Settlement Schedules. The addition of language to Section 8.2 is recommended to clarify that the Bilateral Settlement Schedules are tied to the physical capabilities of the system (i.e., are directly connected to the physical transfer of electricity and involve transactions in which title changes hands). 2. <u>Notice Requirements for Information Requests</u> : Revisions are suggested to Section 1.1 of Attachment AE to add a definition for the CFTC and to Section 11 (including subsections) of Attachment AE to remove requirements that SPP notify members if it provides their information to the CFTC and to clarify that SPP may provide member's confidential information to the CFTC without prior consent. Research is ongoing regarding the FERC's requirements in the same context, and some additional revisions may be required to confirm terminology and whether some existing provisions are intended to include references to the FERC. 3. <u>Minimum Financial Eligibility</u> : Potential revisions to the SPP Tariff		



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	<p>are described to address the minimum capitalization requirements for market participants as imposed by the Dodd-Frank legislation and the CFTC's April 2013 Order. While discussions with the CFTC are ongoing and may result in additional changes, revisions are suggested to Attachment X, Section 3.1.1.8 "Minimum Criteria for Participation" to move most of the current contents of the section to a new section 3.1.1.8.1 "Minimum Capitalization Requirements" and to add a new section 3.1.1.8.2 "Eligibility Requirements" that states the eligibility requirements set forth by the CFTC. Some corresponding revisions in other portions of Attachment X are described for consistency and to ensure that SPP is adequately protected and would be found in compliance with the exemption requirements.</p>
<p>Reason for Revision</p>	<p>Certain conditions must be satisfied for an RTO to qualify for exemption of specified RTO transactions from regulation under the Commodity Exchange Act ("CEA") (as amended by the 2010 Dodd-Frank legislation) and associated regulations of the CFTC.</p>
<p>Stakeholder Approval Required (specify date and record outcome of vote; n/a for those stakeholders not required)</p>	<p>MWG BPWG (n/a) TWG (n/a) ORWG (n/a) Other (specify) (n/a) RTWG MOPC Board of Directors</p>
<p>Legal Review Completed</p>	<p><input type="checkbox"/> Yes (Include any comments resulting from the review)</p> <p><input checked="" type="checkbox"/> No [Legal Review is ongoing as discussions with CFTC that could impact details of revisions continue.]</p>
<p>Market Protocol Implications or Changes</p>	<p><input type="checkbox"/> Yes (Include a summary of impact and/or specific changes & PRR #)</p> <p><input checked="" type="checkbox"/> No</p>



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Business Practice Implications or Changes	<input type="checkbox"/> Yes <i>(Include a summary of impact and/or specific changes & BPR #)</i> <input checked="" type="checkbox"/> No
Criteria Implications or Changes	<input type="checkbox"/> Yes <i>(Include a summary of impact and/or specific changes)</i> <input checked="" type="checkbox"/> No
Other Corporate Documents Implications (i.e., SPP By-Laws, Membership Agreement, etc.)	<input type="checkbox"/> Yes <i>(Include which corporate documents)</i> <input checked="" type="checkbox"/> No
Credit Implications	<input checked="" type="checkbox"/> Yes <i>(Include a summary of impact and/or specific changes)</i> Qualifying for the exemption from CFTC jurisdiction requires modifications to SPP's minimum capitalization/financial eligibility requirements as set forth in Attachment X (SPP Credit Policy) <input type="checkbox"/> No
Impact Analysis Required	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No



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Proposed Tariff Language Revisions (Redlined)

Proposed Revisions to Attachment AE Regarding Bilateral Settlement Schedules

1.1 Definitions B

Bilateral Settlement Schedule

An arrangement between two Market Participants for transfer of Energy or Operating Reserve obligations.

* * *

8.2 Bilateral Settlement Schedules

Market Participants may create Bilateral Settlement Schedules for Energy and Operating Reserve obligations by registering and confirming the parameters of the agreement between buyer and seller as described in the Market Protocols. Both the buyer and seller must confirm the Bilateral Settlement Schedule. Either the buyer or seller may terminate the Bilateral Settlement Schedule at any time. In addition, the Transmission Provider may terminate the Bilateral Settlement Schedule if either party is in Default and the Transmission Provider will resettle with Market Participants as if the Bilateral Settlement Schedule did not exist.

Market Participants may submit Bilateral Settlement Schedule quantities for Energy and Operating Reserve obligation for use in the Day-Ahead Market and may submit Bilateral Settlement Schedule quantities for Energy for use in the Real-Time Balancing Market up to four (4) days following the applicable Operating Day for the initial settlement. New submittals and revisions to previously submitted values may be submitted up to forty-four (44) days following the applicable Operating Day to be included in the final settlement. Submittals not confirmed by both parties will not be included in any settlement execution.

[Transactions related to Bilateral Settlement Schedules for Energy must specify the Settlement Location, the MW amount, the buyer, the seller and which market it applies to \(Day-](#)



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Ahead Market or RTBM), and must be for the physical transfer of Energy, with title of the energy transferring from the seller to the buyer at the Settlement Location specified for the transaction. Market Participants that submit Bilateral Settlement Schedules for Energy shall use reasonable efforts to limit the megawatt hours of such reported transactions to amounts reflecting the expected load and other physical delivery obligations of the buyer under the bilateral contract. The seller receives an increase in load obligation equal to the specified MW amount and the buyer receives a reduction in load obligation equal to the specified MW amount (the equivalent of a Resource settlement) at the specified Settlement Location.

Transactions related to Bilateral Settlement Schedules for Operating Reserve obligation must specify the buyer, the seller, the Operating Reserve product, the MW obligation transfer and the Reserve Zone within which the obligation transfer applies and must be for the physical transfer of energy associated with the Operating Reserve product, with title of the Operating Reserve product transferring from the seller to the buyer at the Reserve Zone specified for the transaction].

The seller receives an increase in Operating Reserve obligation equal to the specified MW and the buyer receives a corresponding decrease in Operating Reserve obligation within the specified Reserve Zone.

*Proposed Revisions to Attachment AE
Regarding Modification of Notice Requirements
Following Receipt of an Information Request from a Regulatory Agency*

1.1 Definitions C

[CFTC](#)

[The Commodity Futures Trading Commission](#)

11.0 Confidentiality Provisions



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This Section 11 shall apply to Confidential Information disclosed by a Market Participant to the Transmission Provider or by the Transmission Provider to a Market Participant or its designee, the Market Monitor, the Commission, [the CFTC](#), or an Authorized Requestor and shall only be applicable to Confidential Information referenced within this Attachment AE, Attachment AF and Attachment AG.

11.1.5 Required Disclosure

- (1) Notwithstanding anything in this Section 11 to the contrary except Section 11.2, Section 11.3 and Section 11.4, if a Receiving Party is required by applicable law, or in the course of administrative or judicial proceedings, other than Commission, [CFTC](#), or state regulatory proceedings or investigations, to disclose to third parties, other than to the Commission, [CFTC](#), or [their its-staffs](#), Confidential Information that is otherwise required to be maintained in confidence pursuant to this Tariff, the Receiving Party subject to such disclosure requirement may disclose such information; provided, however, that the Receiving Party shall not release the data until the affected Disclosing Party(ies) provide written consent or until the affected Disclosing Party's(ies)' legal avenues to prevent the disclosure are exhausted. As soon as the Receiving Party learns of the disclosure requirement and prior to making disclosure, it shall notify the affected Disclosing Party(ies) of the requirement and the terms thereof and the date on which it may be required to disclose the information. The affected Disclosing Party(ies) may direct, at their sole discretion and cost, any challenge to or defense against the disclosure requirement. The Receiving Party shall cooperate with such affected Disclosing Party(ies) to the maximum extent practicable to minimize the disclosure of the Confidential Information consistent with applicable law. To the extent reasonably possible, the confidentiality of Confidential Information subject to this Section 11.1.5 will be maintained with (a) a protective order, (b) other procedures available for protecting confidential data or (c) by



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aggregating data to prevent disclosure of Confidential Information. Each Receiving Party shall cooperate with the affected Disclosing Party(ies) to obtain proprietary or confidential treatment of such Confidential Information by the person to whom such information is disclosed prior to any such disclosure.

- (2) Section 11.1.5(1) does not apply to disclosure of information to the Commission or its staff, [the CFTC or its staff](#), -or to a state regulator or its staff.

11.1.6 Limitations

Nothing contained in Section 11.1 through and including Section 11.1.5 shall require any Receiving Party to violate any law or file a lawsuit in order to prevent disclosure of Confidential Information.

11.2 Confidentiality Provisions Applicable to the Market Monitor Reporting to the Board of Directors

For the purposes of this Section 11.2, references to the Market Monitor shall mean the Market Monitor as defined under Section 3.1 of Attachment AG.

- (1) Notwithstanding anything in this Section 11 to the contrary, in order to enable the Market Monitor to discharge its duties, the Transmission Provider is authorized to provide Market Participant Confidential Information and any other information, data or materials that constitutes Confidential Information under this Tariff to the Market Monitor. For purposes of Confidential Information provided by the Transmission Provider to the Market Monitor, the Transmission Provider will be considered to be a Disclosing Party, and for purposes of this Section 11.2, the Market Monitor will treat both the Transmission Provider and, if known to the Market Monitor, the Market Participant originally providing specific Confidential Information as Disclosing Parties in the event the Market Monitor receives a request for Confidential Information under this Section 11.2.
- (2) The Market Monitor shall use all reasonable procedures necessary to protect and preserve



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the confidentiality of all Confidential Information as defined in Section 11.1 received by it in connection with the discharge of its duties.

- (3) Except as may be required by subpoena or other compulsory process or as set forth in Sections 11.3(1) and 11.3(2), the Market Monitor shall not disclose Confidential Information to any person or entity except to the Commission or its staff or the CFTC and/or its staff, ~~or~~ without prior written consent. Upon receipt of a subpoena or other compulsory process from a source other than the Commission or its staff or the CFTC or its staff for the disclosure of Confidential Information, the Market Monitor shall promptly notify the affected Disclosing Party(ies) that originally provided the data and shall provide all reasonable assistance requested by the affected Disclosing Party(ies) to prevent disclosure, and if possible under the terms of the subpoena or other compulsory process shall not release the data until the affected Disclosing Party(ies) provide written consent or until the affected Disclosing Party(ies)' legal avenues to prevent disclosure are exhausted. To the extent reasonably possible, the confidentiality of Confidential Information subject to this Subsection 11.2(2) will be maintained with (i) a protective order, (ii) other procedures available for protecting confidential data, or (iii) by aggregating data to prevent disclosure of Confidential Information.

11.3 Disclosure to Commission or CFTC

- (1) Notwithstanding any provisions of this Section 11 to the contrary, if the Commission or CFTC or their respective staffs, ~~or~~ during the course of an investigation or otherwise, requests Confidential Information from the Transmission Provider and/or the Market Monitor that is otherwise required to be maintained in confidence pursuant to this Tariff, the Transmission Provider and/or the Market Monitor, as applicable shall provide the requested information to the Commission, CFTC, or their respective ~~its~~ staffs within the time provided for in the request for information. Should the Transmission Provider and/or the Market Monitor require additional time to provide the information requested due to logistical matters such as the volume of information requested or technical complexity



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involved, the Transmission Provider and/or the Market Monitor will promptly communicate that need to the ~~agency/entity/individual~~ requesting the information and ~~they~~ shall establish the time for production of the requested information.

- (2) In providing the information to the Commission or its staff, the Transmission Provider and the Market Monitor shall, consistent with 18 C.F.R. §§ 1b.20 and/or 388.112, request that the Confidential Information be treated as confidential and non-public by the Commission and its staff and that the Confidential Information be withheld from public disclosure. The Transmission Provider and/or the Market Monitor shall promptly notify the affected Disclosing Party(ies) that originally submitted the requested Confidential Information if when it receives from the Commission or its staff notice that the a request for disclosure of Confidential Information previously provided to the Commission or its staff by the Transmission Provider and/or the Market Monitor in order to afford the Transmission Provider and/or the Market Monitor and/or the affected Disclosing Party(ies) opportunity to respond before such information would be made public. The immediately preceding sentence does not apply to requests for information from the CFTC or its staff.
- (3) In providing the information to the CFTC or its staff, the Transmission Provider and the Market Monitor shall, consistent with 17 C.F.R §§ 11.3 and 145.9, request that the Confidential Information be treated as confidential and non-public by the CFTC and its staff and that the Confidential Information be withheld from public disclosure. The Transmission Provider and/or the Market Monitor shall promptly notify the affected Disclosing Party(ies) that originally submitted the requested Confidential Information if it receives from the CFTC or its staff notice that the CFTC intends to release publicly Confidential Information previously provided to the CFTC or its staff by the Transmission Provider and/or the Market Monitor in order to afford Transmission Provider and/or the Market Monitor and/or the affected Disclosing Party(ies) opportunity to respond before such information would be made public.



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11.6 Notice

Notwithstanding any provision in this Section 11 (except as detailed in Section 11.4), the Transmission Provider shall provide at least five (5) business days notice to the Disclosing Party of its intent to provide Confidential Information to any ~~other~~ entity other than the Commission or the CFTC or their respective staffs. The Transmission Provider shall not be required to provide such notice if such disclosure is prohibited by law or Order or required by law or Order prior to five (5) business days.

*Proposed Revisions to Attachment X
Regarding Modification of Financial Eligibility Criteria*

ATTACHMENT X

SOUTHWEST POWER POOL, INC. CREDIT POLICY

ARTICLE ONE

General Provisions

- 1.1 **Policy Statement.** In furtherance of competition and the orderly administration of the Tariff, SPP shall administer, implement and enforce this Credit Policy. This Credit Policy is intended to encourage the maximum participation of large and small participants in all market sectors while minimizing the likelihood of losses due to default and to establish eligibility requirements for market participation.
- 1.2 **Applicability of Credit Policy and Overview.**
 - 1.2.1 This Credit Policy is applicable to each Credit Customer. It applies to each Credit Customer regardless of whether SPP previously extended credit to, or established a Total Credit Limit for, the Credit Customer. .
 - 1.2.2 As a condition to taking any service subject to this Credit Policy, SPP must determine that the Credit Customer satisfies SPP's credit requirements and



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minimum criteria for market participation under this Credit Policy and the terms and conditions for an extension of credit. SPP's determination is a Credit Assessment. The Credit Assessment is based upon quantitative and qualitative credit scoring under the formulae and procedures set forth in this Credit Policy. This Credit Policy provides for initial and ongoing Credit Assessments. In order to facilitate continuous evaluation of credit, it requires the submission of Credit Information to SPP periodically and, additionally, upon the occurrence of certain events. Based upon the ongoing Credit Assessment, SPP is authorized, at any time, to revise a Credit Customer's Total Credit Limit and the terms and conditions for the extension of credit.

1.2.3 SPP shall conduct initial and ongoing Credit Assessments for each Credit Customer, based, as applicable, upon the Credit Application, Credit Information, and Credit Ratings. Credit Information includes: (a) the information contained in and submitted with the Credit Customer's duly executed Credit Application; and (b) updated and additional information the Credit Customer is required to submit from time to time under this Credit Policy. Credit Information and Credit Ratings, if any, shall be sufficient to enable SPP to determine under this Credit Policy whether to approve an extension of credit, and the amount, terms, and conditions thereof, including the extent and nature of any Guaranty or Financial Security.

1.2.4 Based upon its Credit Assessment, SPP will: (a) determine the Credit Customer's Total Potential Exposure; (b) determine the amount of credit the Credit Customer requires; (c) determine whether to grant, and the amount of, any Unsecured Credit Allowance; (d) evaluate any Guaranty the Credit Customer offers to provide, including a Credit Assessment for the proposed Guarantor; ~~and~~ (e) determine the amount of any required Financial Security; and (f) determine if the Credit Customer meets the minimum criteria for market participation under sections 3.1.1.8 and 3.1.1.9. Based on these determinations, which shall include consideration of the Credit Customer's ability to fulfill SPP's requirements to obtain credit, SPP will set the Total Credit Limit for the Credit Customer.

1.3 Components of Credit Policy. This Credit Policy includes the following elements:

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1.3.1 Requirements for the establishment and maintenance of credit applicable to Credit Customers.

1.3.2 The basis for establishing a Total Credit Limit for a Credit Customer in order to extend credit, but diminish the possibility of failure of payment under the Tariff and Agreements.

1.3.3 Forms of Guaranty and Financial Security acceptable to SPP, to be provided if SPP



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does not approve an Unsecured Credit Allowance sufficient to cover the Credit Customer's Total Potential Exposure.

1.3.4 Requirements to facilitate ongoing Credit Assessments.

1.3.5 Specification of Defaults under this Credit Policy and remedies.

1.3.6 Minimum criteria for market participation.

3.1.1.6 **Attestation of Minimum Criteria for Market Participation and Risk Management Capabilities.** Each applying Market Participant shall submit to SPP a notarized statement signed by an authorized officer *in the form attached as "Appendix E" to this Attachment X*:

- a. Attesting that the officer has signature authority to make the statement;
- b. Describing its risk management capabilities and procedures, including whether the applying Market Participant is engaged in hedging;
- c. Identifying the employee(s) of the Market Participant who perform the activities described in (b) above, or if those activities are contracted to an external organization, identifying such organization;
- d. Defining the special training, skills, experience, and industry tenure of those person(s) performing the activities described in (b) above; **and**
- e. Providing any other information that may assist SPP in determining the risk management capabilities of the applying Market Participant; **and**
- f. Certifying that the Market Participant meets the minimum criteria for market participation set forth in Section 3.1.1.8.

Such attestation shall be renewed and updated for each successive year of market participation, *and shall be submitted to SPP no later than April 30 of each year.*

If the minimum criteria for market participation or risk management capabilities of the applying Market Participant are deemed insufficient by SPP for the type of service that will be undertaken or if the attestation is deemed insufficient by SPP to determine the minimum criteria for market participation or risk management capabilities of the applying Market Participant, the applying Market Participant shall be declined participation in all SPP markets. *A Market Participant will have two (2) Business Days*



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from receipt of notice from SPP that its attestation was deemed insufficient to cure any deficiency identified by SPP prior to being declined participation in SPP markets.

3.1.1.8 Minimum Criteria for Market Participation.

3.1.1.8.1 Minimum Eligibility Requirements

In order to be eligible to transact in the Integrated Marketplace, each Market Participant must demonstrate to SPP that it qualifies as one of the following:

- a. An “appropriate person,” as that term is defined under Section 4(c)(3)(A) through (J) of the Commodity Exchange Act (7 U.S.C. § 6(c)(3)(A) through (J)), which includes, for example:
- b. An “eligible contract participant,” as that term is defined in Section 1a(18) of the Commodity Exchange Act (7 U.S.C. § 1a(18)) and in the Commodity Futures Trading Commission’s regulation 1.3(m) (17 C.F.R. § 1.3(m))
- c. A person or business entity that “actively participates in the generation, transmission, or distribution of electric energy” A person or entity that is in the “business of; (1) generating, transmitting or distributing electric energy or (2) providing electric services that are necessary to support the reliable operation of the transmission system” as defined in paragraph 5(g) of the CFTC’s Final Order dated March 28, 2013 (77 FR 3059678 FED REG 19880, page 19914).

A Market Participant may qualify as an “appropriate person” by providing: (i) an unlimited Corporate Guaranty in a form acceptable to SPP as described in Article 6 of this Attachment X and Appendix D of this Attachment X from an entity that demonstrates to SPP that it has at least \$1 million of total net worth or \$5 million of total assets per Market Participant for which that guarantor has issued an unlimited Corporate Guaranty or (ii) a letter of credit in excess of \$5 million in a form acceptable to SPP that the



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Market Participant acknowledges is separate from, and cannot be applied to meet, its credit requirements under this Attachment X.

3.1.1.8.2 Minimum Capitalization Requirements

Each Market Participant that meets the minimum eligibility requirements in Section 3.1.1.8.1 shall also, at a minimum, possess:

- a. A Tangible Net Worth of One Million Dollars (\$1,000,000) as shown in the most recent fiscal year end audited financial statements as described in Section 3.1.1.1; or
- b. Ten Million Dollars (\$10,000,000) in assets as shown in the most recent fiscal year end audited financial statement as described in Section 3.1.1.1; or
- c. A Credit Rating of, or equivalent to, BBB-; or
- d. A Guaranty as described in Article Six of this Attachment X, and approved by SPP, through which the audited financials or Credit Rating of the Guarantor is used to meet at least one of the alternatives specified in (a) through (c) above; or
- e. In the event a Market Participant cannot meet at least one of the alternatives specified in (a) through (d) above, the Market Participant shall, at a minimum, deposit with SPP Two Hundred Thousand Dollars (\$200,000) in Financial Security to be segregated and unavailable to secure any market or transmission activity. Pursuant to election of this alternative, if the anticipated activity at time of application or actual market activity as determined in Article Five, of the Market Participant exceeds One Hundred Thousand Dollars (\$100,000) in Market Exposure, the Market Participant shall provide SPP twice the amount of Financial Security that would otherwise be required of the Market Participant pursuant to Section 4.4.

If the applying Market Participant is unable to meet the minimum criteria for market participation, the applying Market Participant shall be declined participation in all SPP markets.

Failure at any time of a Market Participant to continue to satisfy these minimum criteria for market participation shall be deemed a Material Adverse Change pursuant to Section 3.2.7.



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If the Market Participant is unable to meet these minimum eligibility or capitalization requirements for market participation set forth in this Section 3.1.1.8, the Market Participant shall immediately notify SPP and immediately cease conducting transactions in the Integrated Marketplace. SPP shall terminate a Market Participant's transaction rights in the Integrated Marketplace if, at any time, it becomes aware that the Market Participant does not meet the minimum eligibility or capitalization requirements set forth in this Section 3.1.1.8.

In the event that a Market Participant is no longer able to demonstrate that it meets the minimum eligibility or capitalization requirements set forth in this section, and possesses, obtains, or has rights to possess or obtain any open or forward position in the Integrated Marketplace, SPP may take any such action it deems necessary with respect to such open or forward positions, including, but not limited to liquidation, transfer, assignment, or sale; provided, however, that the Market Participant will be entitled to any positive market value of those positions net of any obligations due to SPP, notwithstanding its ineligibility to participate in the Integrated Marketplace. Nothing in this paragraph shall restrict SPP's ability to enforce SPP's rights to pursue and collect any amounts Market Participants may owe to SPP.

3.1.1.9 Minimum Criteria and Risk Management Verification Process

Through a periodic compliance verification process, SPP shall review and verify Market Participants' minimum criteria for market participation eligibility, risk management policies, practices, and procedures pertaining to the Market Participants' activities in the SPP markets. Such review shall include verification that:

1. The risk management framework is documented in a risk policy addressing market, credit, and liquidity risks;
2. The Market Participant maintains an organizational structure with clearly defined roles and responsibilities that clearly segregates trading and risk management functions;
3. There is clarity of authority specifying the types of transactions into which traders are allowed to enter;
4. The Market Participant has requirements that traders have adequate training or expertise relative to their authority in the systems and SPP markets in which they transact;
5. As appropriate, risk limits are in place to control risk exposures;
6. Reporting is in place to ensure that risks and exceptions are



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- adequately communicated throughout the organization;
7. Processes are in place for qualified independent review of trading activities; and
8. As appropriate, there is periodic valuation or mark-to-market of risk positions.
9. The Market Participant meets the minimum participation criteria set forth in Section 3.1.1.8.

SPP may select Market Participants for review on a random basis and/or based on identified risk factors such as, but not limited to, the SPP markets in which the Market Participant is transacting, the magnitude of the Market Participant's transactions, or the volume of the Market Participant's open positions. Those Market Participants notified by SPP that they have been selected for review shall, upon fourteen (14) calendar days notice, provide a copy of their current governing risk control policies, procedures, and controls applicable to their SPP market activities and shall also provide such further information or documentation pertaining to the Market Participants' activities in the SPP markets as SPP may reasonably request. Market Participants selected for risk management verification through a random process and satisfactorily verified by SPP shall be excluded from such verification process based on a random selection for the subsequent two years. SPP shall annually randomly select for review no more than twenty percent (20%) of the Market Participants.

Each selected Market Participant's continued eligibility to participate in the SPP markets is conditioned upon SPP notifying the Market Participant of successful completion of SPP's verification, provided, however, that if SPP notifies the Market Participant in writing that it could not successfully complete the verification process, SPP shall allow such Market Participant fourteen (14) calendar days to provide sufficient evidence for verification prior to declaring the Market Participant as ineligible to continue to participate in SPP's markets, which declaration shall be in writing with an explanation of why SPP could not complete the verification. If, prior to the expiration of such fourteen (14) calendar days, the Market Participant demonstrates to SPP that it has filed with the Federal Energy Regulatory Commission an appeal of SPP's risk management verification determination, then the Market Participant shall retain its transaction rights, pending the Commission's determination on the Market Participant's appeal. SPP may retain outside expertise to perform the review and verification function described in this section. SPP and any third party it may retain will treat as confidential the documentation provided by a Market Participant under this section, consistent with the applicable provisions of the Tariff.



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4.4 Financial Security Requirement. If a Credit Customer (i) is denied an Unsecured Credit Allowance, or (ii) is granted an Unsecured Credit Allowance that is below its Total Potential Exposure calculated pursuant to Article 5, then the Credit Customer may submit Financial Security to cover or exceed the difference in the amount of the Unsecured Credit Allowance granted to the Credit Customer and the amount of its Total Potential Exposure. A Credit Customer electing to satisfy the alternative criteria for market participation specified in Section 3.1.1.8.2(e)(+) and whose anticipated or actual market activity exceeds One Hundred Thousand Dollars (\$100,000) in Market Exposure shall provide Financial Security that is twice the amount calculated to satisfy its Financial Security Requirement pursuant to this Section 4.4. Any Credit Customer may provide Financial Security in lieu of or in addition to the Unsecured Credit Allowance it was granted. Upon the Credit Customer's request, SPP shall provide a written explanation of how it determined the amount of required Financial Security for that Credit Customer. A Credit Customer also is required to submit Financial Security to cover or exceed its Total TCR Credit Requirement pursuant to Section 5A.8.

Appendix "E" Annual Market Participation Criteria and Risk Management Certification Form

SPP ANNUAL MINIMUM PARTICIPATION CRITERIA - ANNUAL RISK MANAGEMENT CERTIFICATION FORM

I, _____, a duly authorized officer of _____ ("Market Participant"), understanding that Southwest Power Pool, Inc. ("SPP") is relying on this certification as evidence supporting SPP's determination that Market Participant meets the risk management and minimum market participation requirements as set forth in Attachment X to SPP's Open Access Transmission Tariff ("Tariff"), hereby certify that I have full authority to certify and represent on behalf of Market Participant and further certify and represent as follows:

1. Training. Employees or agents transacting in markets or services provided pursuant to the Tariff on behalf of the Market Participant have received, or will receive, applicable training with regard to their participation under the Tariff as a condition of being authorized to transact on behalf of Market Participant. As used in this representation, training is deemed 'applicable' where it is commensurate and proportional in sophistication, scope and frequency to the volume of transactions and the nature and extent of the risk taken by the Market Participant.



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2. Risk Management. Market Participant maintains current written risk management policies and procedures that address those risks that could materially affect Market Participant’s ability to pay its SPP invoices when due, including, but not limited to, credit risks, liquidity risks and market risks.

3. Operational Capabilities. Market Participant has available appropriate personnel resources, operating procedures, and technical abilities to promptly and effectively respond to SPP communications and directions related to, but not limited to, settlements, billing, credit requirements and other financial matters.

4. Minimum Participation Criteria~~Financial Capacity~~. Market Participant ~~maintains that it~~ meets or exceeds the minimum ~~market participation~~~~financial~~ criteria as specified in Section 3.1.1.8 of Attachment X of the Tariff. The Market Participant shall submit audited financial statements for the most recent fiscal year to demonstrate minimum Tangible Net Worth or minimum total assets, or provide a report produced by a Rating Agency to establish its Credit Rating. In the event the Market Participant is unable to meet at least one of these minimum financial requirements, the Market Participant shall maintain with SPP the amount of Financial Security required by Section 3.1.1.8.2(e) of Attachment X to the Tariff.

Comment [JWG1]: What about the Guaranty option?

Date: _____

(Signature)

Print Name: _____

Title: _____

Subscribed and sworn before me _____, a notary public of the State of _____,
in and for the County of _____, this ___ day of _____, 20__.



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(Notary Public Signature)

My commission expires: ____ / ____ / ____

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Proposed Market Protocol Language Revision (Redlined)

n/a

Proposed Business Practices Language Revision (Redlined)

n/a



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Proposed Criteria Language Revision (Redlined)

n/a

Revisions to Other Corporate Documents (Redlined)

n/a