

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING
December 9, 2013
SPP Corporate 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 8:41 a.m. The following members were in attendance: Josh Martin (Director), Larry Altenbaumer (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett, Philip Propes, Alan McQueen, Lauren Krigbaum, Paul Suskie, and Ben Bright. Others in attendance included Julian Brix (Director).

Mr. Martin referred to draft minutes of the September 26, 2013 meeting and asked for corrections or a motion for approval (9/26/13 Minutes – Attachment 1). Phyllis Bernard moved to approve the minutes as presented; Larry Altenbaumer seconded the motion. The motion passed unanimously.

Agenda Item 2 – Review of Past Action Items

Stacy Duckett stated that an Action Items Report would be discussed at the next meeting.

Agenda Item 3 – Quarterly Activity Reports

Market Monitoring Unit

Alan McQueen presented the Market Monitoring Unit report (MMU Report – Attachment 2). There is one open position in the MMU due to a resignation resulting from a relocation. FERC was here for education sessions during the quarter – these were very productive sessions. Reporting to FERC has shifted from monthly to quarterly to allow more time for the MMU staff to prepare for the Integrated Marketplace. MMU is also working on the Executive Dashboard for the corporate metrics. Mr. Martin asked about engagement among MMUs to discuss best practices; Mr. McQueen noted regular formal opportunities, as well as regular informal opportunities. Also noted is a plan/recommendation to have the Board engage an entity to audit MMU, probably in 2015, as requested by the Tariff. A proposal will be forthcoming. Additional late functionality related to opportunity costs are in process, but all realize it may be late. Parallel operations have started and are going very well. MMU now has responsibility to calculate a requested must offer, although the group prefers the must offer does not exist. Phyllis Bernard asked about metrics, etc. built in to monitor any gaming potential for opportunity costs. Mr. McQueen noted it will require hand calculation by MMU staff and can't be automated. He also noted how opportunity costs might exist. All were interested in seeing an example at a future time. MMU recently issued a list of Frequently Constrained Areas as requested, which includes usual areas where constraints appear. This was reviewed with the Market Working Group (MWG) and the Regional Tariff Working Group (RTWG); and slightly revised based on the feedback. Market and Operations Policy Committee (MOPC) considered this at the meeting on Friday, December 6, and requested clarity in the process going forward since this requests an annual review and presentation. The MMU will do so. Larry Altenbaumer commended Alan McQueen for the report.

Internal Audit

Lauren Krigbaum reviewed the quarterly activity report for Internal Audit (IA Report – Attachment 3). There is a change related to the Fixed Asset Audit, moving it to the second quarter due to staffing limits within accounting, and it will be included in the Financial Statements audit. Ms. Krigbaum then reviewed audit reports since the last meeting. In particular, she noted details of the TCR process review since there were several recommendations for improvements in the process and/or controls. The group also completed the regular review of Off We Go, noting the rate declined. Most reviews now are focused on the Integrated Marketplace, including a quarterly report for Nick Brown. All required training has been completed and been helpful in conducting process reviews/advising. An engagement was initiated with KPMG, the new controls auditors, with all to be completed by December 20. There is a gap for the EIS Market, for which Ms.

Krigbaum recommends Internal Audit do the audit and report to the Board of Directors. Mr. Altenbaumer will note this at the Finance Committee meeting today as well.

Compliance

Philip Propes reviewed quarterly activities of the Compliance Department (Compliance Report – Attachment 4). The Outreach Program continues to be widely used. In response to more of a gap between those with significant compliance experience and those new to the area, Compliance is adding a Compliance 101 Series to the forums. Mr. Martin asked how we will market the offering; Mr. Propes noted meetings for municipals, cooperatives, etc. and SPP's planned participation to advise of offerings. Compliance oversaw three audits (including Balancing Authority certification) since the last meeting. Mr. Martin requested clarification of the CIP status; Mr. Propes noted V5 has been approved, but no implementation date set as yet. Entities are currently audited to CIP V3. Mr. Propes noted Grid Ex II and participation by SPP as a region. CIPWG is meeting next week to discuss and document lessons learned. These will also be distributed to the Oversight Committee.

Agenda Item 5 – 2014 Audit Plan

Lauren Krigbaum noted the Audit Plan and adjustments since the last meeting. Internal Audit is still considering how to address the request from Jim Eckelberger to determine a process for reviewing the modeling process and report back to him. Internal Audit will also include the Order 1000 process review in future years.

Agenda Item 6 – Order 1000

Paul Suskie noted Order 1000 requirements, and introduced Ben Bright as Manager of this new area. Mr. Bright then reviewed the process under development, and particularly the role of the Oversight Committee, specifically in considering conflicts (Order 1000 Update – Attachment 5). Josh Martin suggested further defining “affiliations” as noted in the Industry Expert Candidate Application. Staff will add “Do Not Invest List” entities, and consider other pertinent lists, including any definitions of “affiliates” at the FERC and/or state level. The Industry Expert Pool will be the focus in 2014; the first Industry Expert Panel will be in 2015. Staff is requested to review the part of the process that requires the Members Committee to vote in advance of the Board of Directors as to whether this creates a conflict.

Agenda Item 4 – Looking Forward

Craig Roach reviewed the Looking Forward Report topics, and requested discussion/direction from the Oversight Committee. The Committee liked the list with a couple of refinements. Boston Pacific will proceed accordingly.

Agenda Item 7 – New Action Items

- Engage an entity to audit MMU.
- IA is to audit the EIS Market and report to the Board of Directors.
- CIPWG is to discuss and document lessons learned and distribute to the OC.
- Determine a process for reviewing the modeling process and report back to Jim Eckelberger.
- Staff will add “Do Not Invest List” entities, including any other pertinent lists to the Industry Expert Candidate Application.

Agenda Item 8 – Future Meetings

Josh Martin noted future meeting dates. The March meeting will be in Washington, D.C. The meeting adjourned at 11:44 a.m.

Oversight Committee Meeting
December 9, 2013

Executive Session

Larry Altenbaumer moved to approve the Boston Pacific contract for 2014; Phyllis Bernard seconded. The motion passed unanimously.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING
December 9, 2013
SPP Corporate Offices, Little Rock, AR

• A G E N D A •

9:00 a.m. – 2:00 p.m. CST

- 1. Call to Order/Administrative Items Josh Martin
- 2. Action Items Report..... TBD
- 3. Update on Current Activities
 - a. Market Monitoring Unit Alan McQueen
 - b. Internal Audit Lauren Krigbaum
 - c. Compliance Philip Propes
- 4. Looking Forward Report..... Craig Roach
- 5. 2014 Audit Plan Lauren Krigbaum
- 6. Order 1000 (Oversight Committee Duties) Paul Suskie/Ben Bright
- 7. New Action Items TBD
- 8. Future Meetings Josh Martin

2014

March 27	TBD
June 9	Little Rock
September 25	TBD
December 8	Little Rock, AR (day prior to BOD Workshop)

Executive Session

Southwest Power Pool
OVERSIGHT COMMITTEE MEETING

September 26, 2013

Chicago O'Hare Airport, American Airlines Admiral's Club

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 9:50 a.m. The following members were in attendance: Josh Martin (Director), Larry Altenbaumer (Director) and Phyllis Bernard (Director). Staff in attendance included Stacy Duckett, Philip Propes, Alan McQueen, and Lauren Krigbaum. Others in attendance included: Jim Eckelberger (Director); John Rhea (OGE); and Craig Roach and Vincent Musco (Boston Pacific).

Mr. Martin referred to draft minutes of the June 10, 2013 meeting and asked for corrections or a motion for approval (6/10/13 Minutes – Attachment 1). Phyllis Bernard moved to approve the minutes as presented; Larry Altenbaumer seconded the motion. The motion passed unanimously.

Agenda Item 2 – Review of Past Action Items

Stacy Duckett referred to the Action Items Report and asked for questions (Action Items Report – Attachment 2).

Agenda Item 34 – Quarterly Activity Reports

Market Monitoring Unit

Alan McQueen reviewed the quarterly activities for the Market Monitoring Unit (MMU Report – Attachment 3). FERC staff from the Division of Analytics and Surveillance will be in Little Rock to meet and discuss how the MMU is preparing for go-live. This will be a good opportunity for education and engagement. Several behavioral studies were triggered during the quarter by monitoring; all except one have been closed. The MMU reports to regulators have been shifted from monthly to quarterly. Considerable work is ongoing in preparation for market launch. Martin requested clarification of engagements with other departments and ensuring avoidance of conflicts with design in particular. The group discussed this and has no concerns. Systems development continues and progress is being made. Jim Eckelberger requested an understanding of engagement with other MMUs for lessons learned. Mr. McQueen reviewed this for the Committee.

Internal Audit

Lauren Krigbaum reviewed the quarterly activity report for Internal Audit (IA Report – Attachment 4). Focus remains on the Integrated Marketplace and areas that impact this initiative. The group continues to adjust audit plans and schedules to maximize effectiveness of audits. Ms. Krigbaum then referred to audits completed during the quarter. In particular the Privileged Accounts Audit was closed to allow more development internally; another audit is planned for 2014. Grandfathered Agreements have had rigorous review and assistance in developing cross-functional processes. More process is needed than in the past due to impact on the Integrated Marketplace. During the quarter, IA conducted a Readiness Review of Credit and Risk Management for the Integrated Marketplace. Several recommendations have been made and are in discussion. Regarding Business Continuity, the Committee strongly encouraged ensuring there is a plan that anticipates the lack of access to phones; this scenario is one Staff has plans to develop. Other audits are in process as noted in the report.

Compliance

Philip Propes reviewed quarterly activities of the Compliance Department (Compliance Report – Attachment 5). He reported that SPP's Operations and Engineering Audit (covering 68 standards and 1120 requirements) closed out with no findings and only two recommendations. The SERC audit team was very complimentary of SPP. This has been the primary focus of the group, including Subject Matter Expert (SME)

training for auditor interviews. This work will also support the upcoming Balancing Authority (BA) certification process for Integrated Marketplace in November. It also supports member compliance where they rely on SPP for certain functions. The group discussed preparation for BA certification, including observation of parallel operations to demonstrate BA functions. The group reviewed various outreach activities provided during the quarter. The Regional Compliance Working Group continues to meet and organize its priorities. The group continues to also work to increase participation by non-member registered entities. Coordination between the Regional Entity (RE) and Compliance continue to improve as well. Mr. Propes noted the upcoming Grid Ex II exercise in November. SPP is participating as a region, working with the Critical Infrastructure Protection Working Group to coordinate. The Committee is pleased with efforts and very supportive.

Agenda Item 4 – 2014 Audit Plan

Lauren Krigbaum presented a draft 2014 Audit Plan for review by the Committee, noting some new areas for audit. The final schedule will be presented in December. Jim Eckelberger suggested a review in 2015 of modeling in planning (proposed vs. actual) to see if it is achieving what was anticipated when approved. The MMU may be able to assist. In addition, consider a review of the Order 1000 process. Ms. Krigbaum will research and develop proposals for each.

Agenda Item 5 – Summary of Audit Activities

Stacy Duckett noted the Audit and Monitoring Activities Report (Audit and Monitoring Activities Report – Attachment 6). The group discussed. Larry Altenbaumer noted the flexibility staff exercises and the benefit gained from it and commended that process. Ms. Krigbaum expressed appreciation to the Committee for allowing that because all do not. Staff will continue to refine the report, adding other oversight in the organization. The report will be included on the December Board agenda.

Philip Propes mentioned the lack of regulation on security for the market systems as compared to operation systems. The Committee suggested this could be a topic for discussion at the ISO/RTO Council level to determine status among the RTOs, and whether/how issues might be elevated to policy level. Phyllis Bernard noted the SEC has a frame-work for this that might be useful to review. Ms. Duckett will visit with Nick Brown as to appropriate steps.

Agenda Item 6 – Recent Issues in Other Markets

Alan McQueen reviewed issues in other markets and potential impact in the SPP Market functions.

Agenda Item 7 – Contract for 2014 Support

Craig Roach and Vincent Musco joined the meeting to discuss a contract for 2014, presenting options for services to include (Boston Pacific Presentation – Attachment 7). The Committee would adjourn to executive session to determine how to proceed and provide direction to Staff on the contract proposal. Jim Eckelberger asked how Boston Pacific could assist with the resolution of Order 1000 inter-regional issues, focusing on economics, being able to transmit to the south and east, particularly wind in SPP. The group discussed, but made no plans at this time

Agenda Item 8 – New Action Items

- Audit and Monitoring Activities report on December agenda.
- Staff to consider cyber security issues specific to market systems, and actions SPP can/should take as well as discussion at IRC.

Agenda Item 9 – Future Meetings

Josh Martin noted future meeting dates. Advise on location for December meeting; March in Washington, D.C.; September is still TBD.

The meeting adjourned at 2:45 p.m.

Oversight Committee Meeting
September 26, 2013

Executive Session

The Committee discussed the Boston Pacific proposal and directed development of the 2014 contract with the Looking Forward Report and advise the Board as requested.

Respectfully Submitted,

Stacy Duckett
Secretary

MARKET MONITORING REPORT

Oversight Committee

10 December 2013

Activity Update

- **MMU Staffing**
 - One open position, Sr. Monitor/Engineer as a result of a resignation. Position has been posted internal and external. Several good applicants have been interviewed. No decision on making an offer.
- **Federal Energy Regulatory Commission (FERC)**
 - FERC staff visit to SPP offices on Sep 30 – Oct 2 was well received. Four staff members from the Division of Analytics and Surveillance reviewed MMU draft metrics, screens, and dashboards for the day-ahead market start-up.
- **Market Studies**
 - The MMU opened six behavior studies since mid-September and closed 5 studies.
- **Reporting**
 - The first Quarterly State of the Market report will be published in December for the autumn season (September-November). The last monthly report was released on September 16.
 - MMU continues to develop monthly Market Monitoring reports that are presented to the MWG and biweekly Price Event Reports for FERC.
 - MMU staff members are working with SPP Executives and other departments to identify and construct market metrics for an executive dashboard and Board level reports.
- **Integrated Marketplace**
 - MMU metrics utilizing the new Business Intelligence tool to track parallel operations are now functional. This is a major milestone for the Data Warehouse project and reflects well on all the hard work of many SPP staff members.
 - Several MMU staff members were instrumental in developing analysis and educational material on the Transmission Congestion Rights program review for market participants (Change Working Group and Market Working Group). The subsequent favorable “go-no go” recommendation by the CWG reflects positively on the entire SPP team that support the CWG. It is important for the MMU to support these activities while remaining independent and unbiased.

- **Integrated Marketplace** *(continued)*
 - MMU continues to be on track for completing metrics needed to effectively monitor all Marketplace activities.
 - The BI/Reporting Workstream continues to make good progress though remains in yellow status because of the number of system releases and resulting changes in database tables. Although the overall work-stream is in yellow status, enough work has been completed that the MMU's tasks are on track.
 - The MMU assisted SPP Regulatory and the Market Working Group in the response to FERC's September 19 Order. The Order required several changes to the Monitoring and Mitigation Plans. The MMU submitted testimony to FERC in support of the changes.
 - The MMU submitted a Protocol Revision Request that will allow participants to include opportunity costs in energy offers.
 - The MMU Resource data collection system needed to develop a shadow calculation of all mitigated offer curves is now functional with MP beginning to submit data required for market start up. One module, fuel cost policy, is in test phase and on schedule. One late requirement, opportunity costs, is being defined with a projected completion date of March 1, market start.
 - A new version of the Integrated Marketplace clearing engine was delivered on 11/27/2013; the MMU will commit several resources to software testing for month of December.
 - The MMU developed and implemented a process for calculating the Day-Ahead Market must offer penalty. The process is being tested as part of Structured Market Trials Scenario 7.
 - The MMU is working with SPP's Internal Audit group to finalize on process that falls under SSAE16 controls.

Respectfully submitted,
Alan McQueen
Director, Market Monitoring and Analysis



Southwest Power Pool, Inc.

INTERNAL AUDIT

Report to the Oversight Committee

December 9, 2013

Staffing

- The Internal Audit department is fully staffed.

Activity Update

- Updated 2012 – 2014 Audit Schedule (see attached)
- Audits Completed Since Last Meeting:

- **TCR Internal Readiness Review**

The Internal Audit (IA) department conducted a TCR Integrated Marketplace Readiness Review. Readiness reviews differ from formal audits in that they are designed to identify gaps in processes, systems, controls and documentation that are designed to meet targets, requirements, and/or SPP Protocols (also referred as "protocols" for this report) defined in a project plan. The review included determining:

- The adequacy of proposed business processes and system business requirements in meeting project and protocol requirements.
- The functionality of the iHedge/TCR system and related components as evidenced by documented testing results and TCR market trials.
- That a business continuity plan is documented and up-to-date prior to the "go-live" date to ensure continuity of operations.
- That up-stream and down-stream system interfaces have been thoroughly tested to ensure that they are functioning as intended.
- That proposed control objectives and activities (business and SSAE 16) are designed to address the risks associated with proposed business processes and related IT systems and are properly evidenced by supporting documentation.

See attached for summary.

- **Off We Go LLC (Invoices)**

The Internal Audit department performed a review of reimbursements made to Off We Go, LLC for use of their private aircraft for the period of May 1, 2013 through October 31, 2013. In addition, Off We Go LLC's insurance policy was reviewed to confirm it meets the requirements listed in the Private Aircraft section of SPP's Expense and Travel Policy.

See attached for summary.

- **Off We Go LLC (Rate)**

The Internal Audit department completed a review of costs and consumables in support of the November 2013 rate adjustment charged for use of the Off We Go, LLC private aircraft. The review was completed, in part; to fulfill Southwest Power Pool, Inc.'s (SPP) commitment to FERC Office of Enforcement's recommendation that SPP should *"perform an analysis to validate the fairness and reasonableness of any cost factors submitted by the CEO and CFO for purposes of reimbursement."*

See attached for summary.

- **Reviews Currently in Process:**

- **Invoicing/Cash Collections/Payout**

The purpose of the review is to evaluate the efficiency and effectiveness of processes and controls in providing reasonable assurance that invoices, payments collected and payouts are timely and accurate for SPP's Market and Transmission Settlements process. The review is in the reporting phase.

- **Fixed Assets**

The purpose of this review is to ensure the fixed asset management process as performed: is supported by up-to-date and complete process documentation with sufficient information to support and serve the process purpose and deliverables; is accurate and complete in the acquiring, recording, monitoring, depreciating and disposing of fixed assets; includes adequate controls to mitigate risks; and does not have any process and/or control gaps. The review is in the testing phase and was placed on hold to ensure Integrated Marketplace internal readiness reviews were completed in a timely manner.

- **SPP Compliance Hotline Administration**

The purpose of the review is to ensure that SPP's Compliance Hotline continues to help maintain an ethical workplace without fear of retaliation. This line is answered 24 hours a day, seven 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. The review is in the reporting phase.

- **Legacy Applications (Integrated Marketplace)**

The Internal Audit department is reviewing SPP's Legacy Applications in preparation for the Integrated Marketplace. The objectives of the audit are to verify the precision of the interfaces with other Integrated Marketplace applications, as well as, review the adequacy and accuracy of data retention for sunset applications and any data conversions to new applications. Our procedures will include interviews with Information Technology staff, review of

proposed process documentation, verifying testing results and providing a summary report. The review is in the testing phase.

- **Market Participant Registration and Modeling Internal Readiness Review (Integrated Marketplace)**

Internal Audit is conducting a Market Participant Registration and Modeling Integrated Marketplace Readiness Review. Readiness reviews differ from formal audits in that they are designed to identify gaps in proposed process documentation that is developed to meet targets, requirements, and/or protocols defined in a project plan rather than determining actual conformance with these requirements. As a part of our overall review procedures, we will conduct interviews with management and staff, review the proposed business processes and related documentation, and verify the results of CMT MCST system testing. The review is in the testing phase.

- **Settlements Internal Readiness Review (Integrated Marketplace)**

The Internal Audit department is conducting a Market Settlements Integrated Marketplace Readiness Review. Readiness reviews differ from formal audits in that they are designed to identify gaps in proposed process documentation that is designed to meet targets, requirements, and/or protocols defined in a project plan rather than determining actual conformance with these requirements. As a part of our overall review procedures, we will conduct interviews with management and staff, review the proposed business processes and related documentation, and verify the results of Market Settlement system testing. The review is in the reporting phase.

- **Portal Internal Readiness Review (Integrated Marketplace)**

Internal Audit is conducting an Internal Readiness Review on the Marketplace Portal for Integrated Marketplace. Readiness reviews differ from formal audits in that they are designed to identify gaps in proposed process documentation that is designed to meet targets, requirements, and/or protocols defined in a project plan rather than determining actual conformance with these requirements. As a part of our overall review procedures, we will conduct interviews with management and staff, review the proposed processes and related documentation, and verify the testing results for the Marketplace Portal. The review is in the testing phase.

- **EADS/BI Internal Readiness Review (Integrated Marketplace)**

The Internal Audit department is conducting an Internal Readiness Review on EADS/BI for Integrated Marketplace. Readiness reviews differ from formal audits in that they are designed to identify gaps in proposed process documentation that is designed to meet targets, requirements, and/or protocols defined in a project plan rather than determining actual conformance with these requirements. As a part of our overall review procedures, we will conduct interviews with management and staff, review the proposed processes and

related documentation, and verify the testing results for EADS/BI. The review is in the testing phase.

- **Market Monitoring Unit (MMU) Internal Readiness Review (Integrated Marketplace)**

Internal Audit is conducting an Internal Readiness Review on the Market Monitoring Unit processes as they impact the Integrated Marketplace. Readiness reviews differ from formal audits in that they are designed to identify gaps in proposed process documentation that is designed to meet targets, requirements, and/or protocols defined in a project plan rather than determining actual conformance with these requirements. As a part of our overall review procedures, we will review the proposed business processes and related documentation review the proposed business processes and related documentation and conduct process walk-throughs with departmental management and staff. The review is in the testing phase.

- **Customer Relations Internal Readiness Review (Integrated Marketplace)**

The Internal Audit department is conducting a Customer Relations Integrated Marketplace Readiness Review. Readiness reviews differ from formal audits in that they are designed to identify gaps in proposed process documentation that is designed to meet targets, requirements, and/or protocols defined in a project plan rather than determining actual conformance with these requirements. As a part of our overall review procedures, we will review the proposed business processes and related documentation review the proposed business processes and related documentation and conduct process walk-throughs with departmental management and staff. The review is in the testing phase.

- **Upcoming Reviews/Audits:**

- Markets Internal Readiness Review (Integrated Marketplace)
- CBA Internal Readiness Review (Integrated Marketplace)
- Remedy System
- SPP Compliance Program
- Project Expense Reporting
- Enterprise Disputes Process
- Credit Stack Process

- **Integrated Marketplace Internal Readiness:**

- IA continues to review the Integrated Marketplace Program and Integration for SPP's President and CEO.
 - Attended SPP Working Group Meetings (e.g. Change Working Group)
 - Attended Marketplace Leadership Team (MLT) meetings

- Interviews (e.g. workstream owners, project managers, other key employees/contractors)
- Reviews of select workstream components
- Staff continues to engage in Integrated Marketplace discussions; bringing perspective of internal controls, SSAE 16 and business.
 - Concluded work with Congestion Hedging personnel concerning the development of TCR control objectives/activities, business processes and desk procedures
 - Working with Settlements personnel concerning the development of Settlements control objectives/activities and facilitation of process risk assessment workshops
 - Working with Operations personnel concerning the development of control objectives/activities and participating in process risk assessment workshops
 - Facilitated risk assessment workshops with IT and business owners related to data transfers/interfaces
 - Working with IT personnel concerning the development of new control activities and revision of current control activities for Integrated Marketplace
 - Reviewing process/procedure documentation completed by workstream personnel
 - Advising on documentation of workstream/system testing
 - Facilitation of External Readiness Review being conducted by KPMG
- Other Activities
 - Controls audit (SSAE 16) work:
 - Completion of periodic audits
 - Business – 54 completed to date, 13 in process (37 total control activities)
 - IT – 28 completed to date, 0 in process (28 total control activities)
 - Phase 2 of 2013 audit:
 - Control owner surveys
 - Facilitated/coordinated testing for on-site visit in October/November
 - Communicated and acted as liaison between PwC and control owners
 - Collected and reviewed additional audit item requests
 - Two employees provided approximately 120 hours each of direct assistance to the external auditors (reduces outside service fee)
 - Drafted SPP's portion of audit report narrative, including Management's response to the exception noted
 - Other consulting/advising:
 - Credit Stack process
 - FERC Order 1000
 - Enterprise dispute process
 - Contractor off-boarding process improvement initiative (LEAN)

Respectfully submitted,
Lauren Krigbaum
Director, Internal Audit



**Southwest Power Pool, Inc.
SPP Compliance Department
Director Report to the SPP Oversight Committee
Q4 2013**

Outreach 2013:

The SPP Compliance Department defines outreach as a two-way communication between the department and the member entities. We establish and promote involvement, assist in behaviors, attitudes and actions with the goal of improving the foundation of regional compliance.

The SPP Compliance Outreach Program has successfully increased Forum participation by 15% over last year's numbers. Sign-ups to the SPP Compliance Contacts exploders for communications have increased by 125 enrolled participants over this time last year. This clearly demonstrates the value of the SPP Compliance Outreach Program.

Along with that growth comes the added responsibility of continually improving our outreach services and evaluating the effectiveness of the program. New initiatives for 2014 include adding a newly designed Compliance Support Site (CSS) where member entities can exchange information, collaborate on common causes and support Q&A all under a protected and moderated environment.

The Quarterly Compliance Forums will begin to offer a Compliance 101 Series for those who are new to the compliance arena. With more wind farms and small entities new to the NERC Registration, as well as turnover and attrition at member entity companies, this offering will assist in getting participants on the right path to succeed.

Continued collaboration between SPP RTO Compliance Staff and the SPP RE has resulted in improved coordination between programs. This effort is apparent in the agendas and subsequent surveys, with more consistent approaches to topics, speakers and break-out sessions being favorably received.

The Entity Evidence Reviews continue to add high dollar savings for participating member entities. Post survey results clearly show the efforts, knowledge and one-on-one engagement at the on-site reviews by Compliance staff add value. This service repeatedly gains positive reviews on surveys from our Member Entities. **100% satisfaction was had on each of the 10 completed reviews in 2013.**

CIP, O&P¹ and BA Compliance 2013:

2013 found the SPP Compliance Department with not one, but two full on-site audits, as well as an on-site BA certification by SERC.

SPP Compliance responsibilities for NERC Standards and Requirements:

Area of Responsibility	O&P	CIP	BA
Standards	59	9	45
Requirements	960	159	576

Audit reports are being finalized by SERC and results are expected soon.

¹ The ERO modified the general audit term from 693 to O&P (Operations and Planning) to more accurately describe the division in audit duties.

Compliance Department 2013:

Staff support to the Regional Compliance Working Group (RCWG), the Critical Infrastructure Protection Working Group (CIPWG), the Events Analysis Working Group (EAWG) as well as internal groups to SPP will continue in 2014.

RCWG:

The Regional Compliance Working Group (RCWG) met in Little Rock, AR on Monday, October 7, 2013 at the SPP Corporate Center.

Robert Rhodes (SPP Staff) was in attendance to host an open discussion on how the RCWG and the SPP Reliability Standards Group could begin a collaborative effort with combined resource support to cover targeted areas and gain membership involvement.

Group discussion also included creating a process for compilation of comments from all committees that RCWG members attend. Additionally, to propose agenda items back to those working groups from RCWG members.

Rachel Hulett (SPP Staff) provided a presentation on Requirement 6, Attachment B Criteria, the current SPP Planning Coordinator (PC) activities as well as the coordination and distribution of the list of facilities for the 2014 Standard change in PRC-023-2.

The next meeting will be held February 24, 2014 in Dallas, TX.

For more information, please contact kvanbrimer@spp.org.

EAWG:

The purpose of the Event Analysis Working Group (EAWG) is to foster a culture of reliability excellence within the SPP region by reviewing event analysis reports prepared by registered entities after a system disturbance event to ensure an appropriate root cause analysis has been performed and by sharing lessons learned within the SPP Region. For multi-entity events within the region, the EAWG will prepare an event analysis report. The EAWG will provide an independent assessment using a team with expertise from each technical area within SPP (CIPWG, SPCWG, ORWG, GWG, and TWG).

Meetings and conference calls are event driven.

For more information, please contact the EAWG Staff Secretary mrobinson@spp.org.

CIPWG:

The CIPWG held three quarterly meetings and will have a final meeting for the year on December 17.

The CIPWG formed a GridEx Task Force this year to facilitate Member participation in the NERC Grid Exercise which was held on November 13-14. Detailed information is available with your meeting materials as Attachment A.

*The next meeting will be held **December 16&17 in Little Rock, AR at SPP Corporate Center.***

For more information, please contact the CIPWG Staff Secretary, lbingham@spp.org .

Metrics:

Departmental metrics were on target in Q4 2013, with all metric goals in the green.

<u>Metric Type</u>	<u>Metric Goal</u>	<u>Target Date</u>	<u>Dashboard</u>
Qualitative	706 (CIP) Post Audit Activities Lessons Learned	Q4	On Target
Qualitative	693 (O&P) Post Audit Activities Lessons Learned	Q4	On Target
Qualitative	BA Certification Pre Certification Preparation	Q4	On Target
Quantitative	Outreach Services Quarterly Forum - 1 Evidence Reviews – 4 Newsletter – 1 Compliance Calls – 1 Webinars - 1	Q4	Target Met

Respectfully submitted,

Philip Propes
Director, Compliance

NERC's GridEX II

On November 13-14, 2013 NERC conducted their second continent-wide tabletop exercise of grid security. Participation was widespread through the electrical industry, government and academic players and other stakeholders.

SPP participated in this tabletop exercise as a Full Player organization. SPP's participation was as a Reliability Coordinator (RC) for the SPP Region. This allowed SPP Members to utilize familiar processes in their efforts for GridEx II. RC, Engineering and other Operations staff coordinated information and efforts with their contacts in the SPP Region as well as with other RCs who were working through the exercise in their areas. SPP also participated in the efforts of the other ISO/RTO players who were working through the exercise.

The SPP Operations staff was supported by subject matter experts in many areas of the IT Department including Telecom, Network and Security, Server Administration, Service Management, the IT Command Center, IT Applications-Reliability, IT Applications-Support, and Desktop Support. Participants from the Compliance, Communications, Facilities, Process Improvement and Executive departments also provided support in their respective areas.

SPP worked with local FBI, DHS, and Fusion Center participants and national resources such as the ES-ISAC, BPSA and others as needed and as required by the exercise.

SPP's focus during the exercise was to address information as it was received from a technical or operational perspective, ensure that operational resources were available and ensure that the Reliability Coordinator function was supported. This involved discussion of support processes with all participants and coordination with SPP Members. As the scenario brought new information about events in the SPP Region to light, all participants worked together to ensure that information was available when and where it was needed. This included discussing tasks such as IT support plans, situational awareness resources, communication plans for internal departments as well as any external communications needed and command and control practices.

Many members of the SPP CIP Working Group participated in this exercise at their respective locations with their staff. Coordination of these efforts and communication about the situation was facilitated by the SPP CIPWG GridEx Task Force (GETF), chaired by Chris Beckman of Arkansas Electric Cooperative Corporation. The GETF has been working for much of 2013 to ensure that members would be able to coordinate during this exercise. Lessons learned from the exercise will be reported to the SPP CIP Working Group.

The NERC Grid Exercise provided SPP a valuable opportunity to coordinate activities, test response plans, and improve responses to events within our Region.

FERC Order 1000 Oversight Committee Update

December 9, 2013

Ben Bright

bbright@spp.org · 501-614-3965

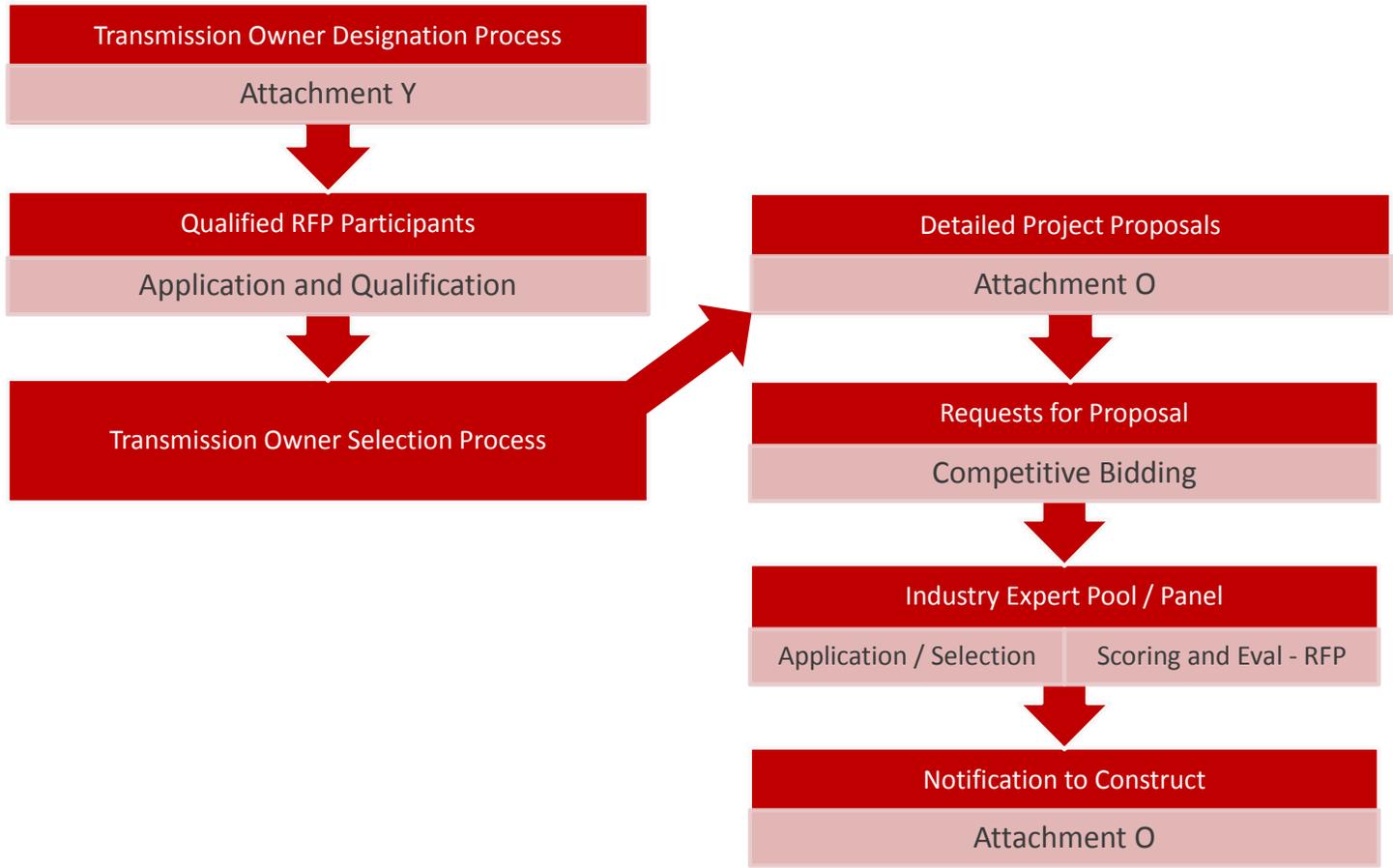


Helping our members
work together to
keep the lights on...
today and in the future

Today's Agenda

- Order 1000 Process
- Industry Expert Pool and Panel Defined
- Industry Expert Process
- 2014 Timeline and Next Steps

Order 1000 Process

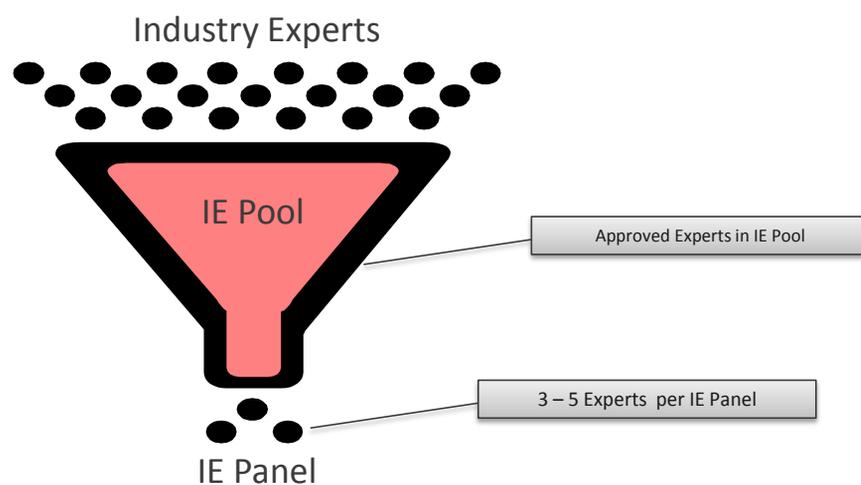


Industry Expert Pool and Panel Processes

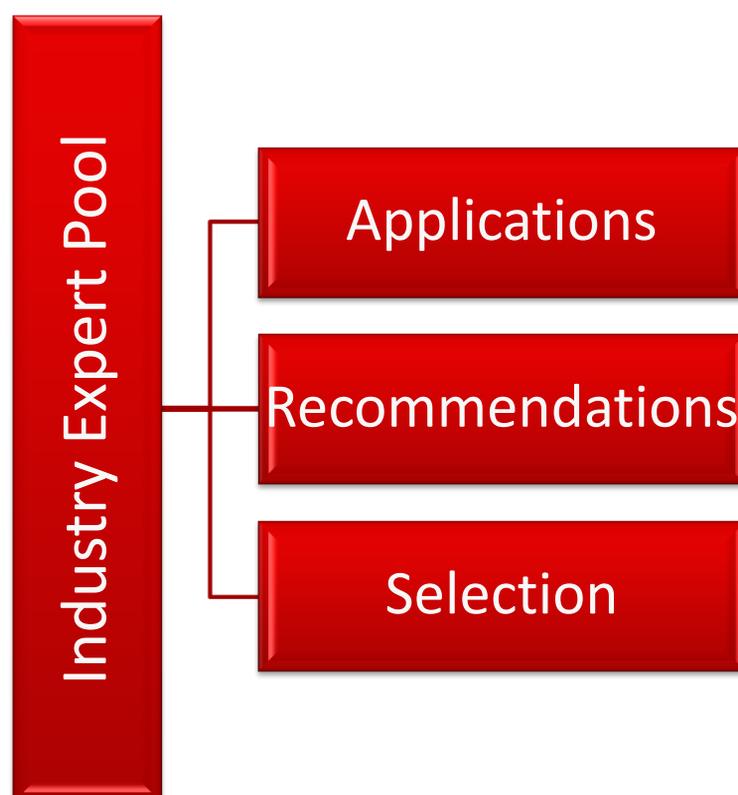


Industry Expert Terms Defined

- **Industry Expert Pool:** A group of industry experts recommended to the SPP BOD by the Oversight Committee.
- **Industry Expert Panel:** A 3 -5 person group of industry experts selected from the pool by the Oversight Committee who are engaged to review and evaluate proposals submitted in response to the Transmission Owner Selection RFP. The SPP BOD may approve the use of multiple industry expert panels.



Industry Expert Pool Process



Industry Expert Pool Process

- Industry Expert applicants must complete an application and submit it to SPP. The Industry Expert candidate shall have documented expertise on file with the SPP in one or more of the following areas:
 1. Electric transmission engineering design
 2. Electric transmission project management and construction
 3. Electric transmission operations
 4. Electric transmission rate design and analysis
 5. Electric transmission finance.
- The proposed application period for Industry Expert candidates for 2015 will be June 1 – September 1, 2014.



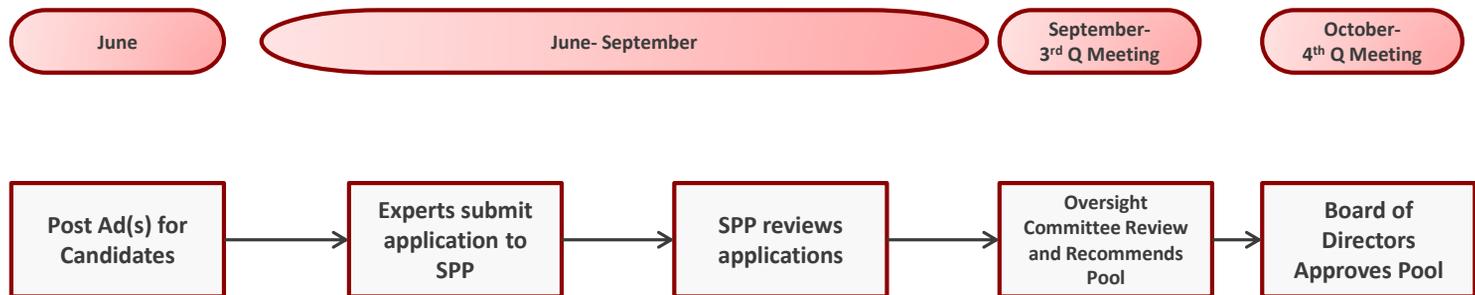
Industry Expert Pool Process

- SPP Staff plans to solicit industry expert candidates through:
 1. Press releases in trade publications
 2. Direct contact
 3. SPP website
- SPP Staff will provide initial review of candidate application and disclosure documents and bring to the Oversight Committee for review
 - Candidate affiliations with any SPP stakeholder or QRP will be flagged and addressed with the Oversight Committee
- Industry expert pool must be recommended to the SPP BOD by the Oversight Committee in a meeting prior to the approval of Competitive Upgrades



Industry Expert Pool Selection High Level Process Flow

Year 1



- Applications to be a part of the Industry Expert Pool will be evaluated by SPP then reviewed with the Oversight Committee at the September meeting.
- The Oversight Committee will present the recommended candidate pool to the Board of Directors at the October meeting.

* Detailed process flows can be found in the Appendix

Staff Guidance

- SPP Staff Review of Applications
Staff recommends that a panel including Executives from Legal/Regulatory; Engineering and Process Integrity make candidate recommendations to the Oversight Committee
- Industry Expert Application
Staff recommends that attached draft application be used to solicit industry experts to be evaluated for the industry expert pool.

Industry Expert Panel Process



Industry Expert Panel

- Once a Request for Proposal (RFP) is issued the Oversight Committee will select an Industry Expert Panel made up of Industry Experts that are from the Pool.
- SPP will validate that the Expert remains available and interested to fulfill this responsibilities. If so, the candidate will be asked to complete Participant and Confidentiality Agreements.
- The Panel will “review, score and rank” all RFP responses. Then, create an internal report detailing the process, data, results of its deliberation and recommend RFP proposal and an alternative RFP proposal for each Competitive Upgrade assigned.
- The Panel will have 60 days to complete this task but may appeal to the Oversight Committee for a 30 day extension.



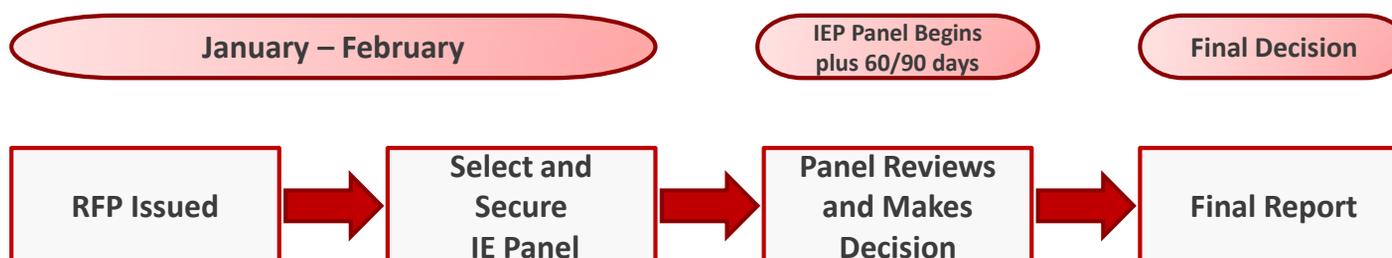
Industry Expert Panel



- Two redacted versions of the internal report will be produced :
 1. Board of Directors Report
 - Respondent names will be excluded on this version of the report
 2. Public Report
 - Respondent names and Confidential Information will be excluded from this version of the report
- No later than 14 calendar days prior to the Board of Directors meeting where the Board is reviewing the recommendations, the public report will be posted on the SPP.org website.
- Board of Directors will make final determination of Designated Transmission Owner and issue an NTC

Timeline

Year 2



Oversight Committee 2014 Timeline

- **Current 2014 Meeting Schedule**
 - March 27
 - June 9
 - September 25
 - December 8
- **Oversight Committee Industry Expert Tasks**
 - Process Review Update – March 27
 - Process Review and Update - June 9
 - IEP Pool Recommendation – September 25
 - Process Review and Update – December 8