



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING
March 20, 2014
Boston Pacific Offices, Washington, D.C.

• A G E N D A •

9:00 a.m. – 3:00 p.m. EDT

- 1. Call to Order/Administrative Items Josh Martin
- 2. Action Items Report..... Stacy Duckett
- 3. Order 1000 Update..... Ben Bright
- 4. 2013 Annual State of the Market Report..... Alan McQueen/Barbara Stroope
- 5. Looking Forward Report..... Craig Roach
- 6. Integrated Marketplace Update..... All
- 7. Quarterly Activity Reports
 - a. Compliance Philip Propes
 - b. Market Monitoring Unit Alan McQueen
 - c. Internal Audit Lauren Krigbaum
- 8. Review Annual Assessment..... Stacy Duckett
- 9. Future Meetings Josh Martin
 - 2014
 - June 9 Little Rock, AR (morning prior to the BOD Education Workshop)
 - September 25 TBD
 - December 8 Little Rock, AR (day before BOD Organizational Effectiveness Meeting)

Executive Session (as needed)

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 p.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
Pending Action Items Status Report
March 20, 2014

Action Item	Date Originated	Status	Comments
Staff to develop a proposal for a process to address vetting of industry experts to ensure lack of conflicts in the Order 1000 process	Sept 27, 2012	Pending	Order 1000 process project has been initiated; includes development of details for OC role. Order has been received from FERC; SPCTF has been re-engaged to determine next steps overall.
Staff provide summary of various audit and oversight activities in the organization	June 10, 2013	Discuss	Presented at September meeting. Staff will further refine, including a resource estimate, and present at December BOD meeting. UPDATE: missed the December BOD meeting, but will prepare for April meeting or June BOD Education Workshop.
Staff consider approach to review and discuss cyber security issues related to market systems (versus reliability systems).	Sept 26, 2013	Pending	Staff will review, including possible work through the IRC. UPDATE: Staff will be holding cyber tabletop exercises in March, 2014. These exercises will include a market-related attack and will highlight possible strengths and weaknesses in this area.
The Committee will consider engagement of an outside firm to audit/assess MMU metrics and processes.	Dec 9, 2013	Pending	Any engagement will occur in 2015, or later.
Internal Audit will cover the gap period between the end of PWC's engagement for controls audit of the EIS market.	Dec 9, 2013	Pending	Internal Audit will cover this four-month period and report out. The gap period reviews are currently in process.
Compliance staff is to circulate the CIPWG post GridEx document to the committee.	Dec 9, 2013	Completed	Propes sent to committee members March 7, 2014; R. McClanahan presented at MOPC as well.
Internal Audit to develop approach for assessing SPP modeling processes and effectiveness.	Dec 9, 2013	Pending	Will work with Engineering and Compliance to develop.
Staff further develop definition of "affiliates" for Order 1000 process.	Dec 9, 2013	Pending	This may also be impacted by pending filing at FERC in re: prohibited investments.

Memorandum

To: Southwest Power Pool, Inc. Operators acting as Reliability Coordinators

From: Carl Monroe, Executive Vice President and Chief Operating Officer

CC: Bruce Rew, Vice President, Operations
Don Shipley, Director, Reliability Coordination
Carlie Brown, Jr., Manager, Real Time Operations
Terry Oxandale, Lead Shift Supervisor, Operations
Warren Brown, Shift Supervisor, Operations
Darrell Anthony, Shift Supervisor, Operations
Ron Holloway, Shift Supervisor, Operations
Billy Whitfield, Shift Supervisor, Operations
Gary Kirkley, Shift Supervisor, Operations
Garry Lehmkuhl, Shift Supervisor, Operations
All Southwest Power Pool Transmission Operators
SPP Oversight Committee

Date: March 1, 2014

Effective Date: March 1, 2014

Re: SPP Operator, Reliability Coordination and Balancing Authority, authority to take emergency action

This memo is provided to assure that SPP Operators acting as the Reliability Coordinator or Balancing Authority in accordance with NERC Reliability Standards and the SPP RC Reliability Plan are clearly advised of their authority in emergency situations.

In accordance with North American Electric Reliability Council (NERC) reliability standards and the SPP RC Reliability Plan, all SPP Operators acting as Reliability Coordinators and/or Balancing Authority Operators have authority to take any and all appropriate emergency actions to maintain the secure and reliability operation of the bulk power transmission system, up to and including the shedding of firm load. If after performing analysis utilizing the appropriate tools and in accordance with SPP and NERC procedures, an Operator initiates an emergency action which includes a load shed directive he/she will not be subject to disciplinary action.

If you have any questions, please contact Terry, CJ, Don, Bruce, or me.

Sincerely,



Carl A. Monroe
Executive Vice President and Chief Operating Officer
Southwest Power Pool
201 Worthen Drive, Little Rock, AR 72223
501-614-3218
cmonroe@spp.org



**Southwest Power Pool, Inc. (SPP)
Compliance Department
First Quarter 2014 Director Report to the Oversight Committee**

Executive Summary

2014 has already been an eventful year with the Integrated Marketplace and Consolidated Balancing Authority launch on March 1, 2014. From a compliance perspective, SPP will add 45 Standards and 576 Requirements to our current oversight responsibilities, and close interaction with our legacy Balancing Authorities will be crucial for ongoing compliance.

This is also an important year for cyber security at SPP and within the entire industry. With media stories, threat reports, FERC directives, and an Executive Order, cyber security for critical infrastructure has moved fully into the spotlight. SPP will once again take a pro-active approach in this arena by introducing enhanced security metrics, rigorous incident response exercises, and live, hands-on training.

2014 Department Metrics

Department Metrics for 2014 have been aligned with the Compliance Department Strategic Plan and the SPP Business Model. The focus areas span the integrated market, member value, and continuous improvement.

2014 SPP Compliance Department Goals and Metrics				
Topic Area	Metric Type	Goal	Target Quarter	Status
Compliance	Quantitative	BA Compliance - 45 Additional Standards 576 Additional Requirements	Q1	
Compliance	Quantitative	Complete Tariff Compliance Review Project - Phase 1	Q2	
Outreach	Qualitative	Build, Pilot and Launch the New CSS SharePoint	Q2	
Outreach	Qualitative	Outreach Events - Collaboration with SPP Talent Management, CIPWG and SPP RE	Q2	
Security Oversight	Quantitative	Develop and distribute security oversight metrics, focusing on security issues, warnings, alerts, and associated response efficiency.	Q2	
Administrative	Quantitative	Improved budget forecasting and tracking: reduce budget forecast/actual gaps by at least 15%.	Q1, Q2, Q3, Q4	
Compliance	Quantitative	Equal to or Greater than Thirty (30) O&P Internal Standard Spot Checks - SPP Functional Registrations	Q1, Q2, Q3, Q4	
Compliance	Quantitative	Equal to or Greater than Thirty (30) CIP Internal Standard Spot Checks - SPP Functional Registrations	Q1, Q2, Q3, Q4	
Compliance / Outreach	Quantitative	Equal to or Greater than Six (6) Evidence Reviews (O&P)	Q1, Q2, Q3, Q4	
Compliance / Outreach	Quantitative	Equal to or Greater than Three (3) Evidence Reviews (CIP)	Q1, Q2, Q3, Q4	
Compliance / Outreach	Qualitative	Continue Working Group efficiency projects: RCWG and CIPWG.	Q1, Q2, Q3, Q4	
Outreach	Quantitative	Four (4) Forums - Feb, June, October and December Two (2) Meet and Greet Networking Events	Q1, Q2, Q3, Q4	

Security Metrics

SPP's security metrics will provide insights into our Cyber Security Program and will be grouped into the following categories:

- Numbers of production hosts feeding our SIEM, number of vulnerable hosts, number of IPS events for a given time period, etc.
- Risk extrapolations based on our vulnerability assessments
- Comparative benchmarks that measure how our cyber security program compares with other organizations subject to compliance with NERC CIP Standards

Outreach

January Compliance Call:

42 participants were on the call to discuss the BES Definition Phase 1 and 2, NERC changes on the PRC, COM and FAC Standards and the upcoming CIP Version 5 Technical Seminars. Post call recaps that are sent out with highlights assist those that were unable to participate.

February Forum:

Dallas, TX was the kick off location for the first Quarterly Compliance Forum of 2014. There were 107 registered participants for the event which exceeds the programs registrations to date.

The keynote speaker was NERC's Director of Compliance, Jerry Hedrick. Jerry outlined the new Compliance initiatives and pilot programs for the year, as well as opened the floor for Q&A. This was Jerry's second visit to our Forum.

Out of 55 survey responses, the overall Forum was rated 51 good to excellent and only 4 average. The interactive standard sessions on the most violated standards and the audit experiences by the member entities received the highest marks for interest and educational learning.

Member Assistance:

The Compliance Staff assisted SPP Member Entities by answering over 65 ad hoc calls and emails this Quarter. The turnaround rates for the group from receive to return is less than 24 hours in most cases.

Subject Matter Expert (SME) WebEx Training Sessions:

Subject Matter Experts (SMEs) Audit Preparation was the topic which brought the collaboration of the SPP Compliance Outreach Program and the SPP Professional Development Team together. Over 150 Member Entity participants joined in for the 2 WebEx sessions offered in Q1. A Train the Trainer package on this topic is being compiled for release in mid-April.

Entity Evidence Reviews:

A WebEx option versus an on-site option was successfully piloted and launched for the Entity Evidence Review Team in 2014. The option of hosting it via WebEx offers a cost saving advantage for SPP, while being able to continue to provide the same one on one personal service the Member Entities are accustomed too. One evidence review was conducted this quarter.

Compliance

Compliance Oversight of SPP Integrated Market (IM) Go-Live

The SPP RTO Compliance Department was well-represented in the lead-up to the SPP IM go-live, which happened in earnest at 12:00 a.m. on March 1, 2014. Several members of SPP RTO Compliance attended the SPP IM go-live event, from 7:00 p.m. on February 28, 2014 through the early morning of

March 1, 2014, to make sure that any compliance related issues that arose were promptly addressed. This included a real-time review of the ramp-in deployment tests, as well as a review and monitoring of reliability metrics, including Area Control Error (ACE), Load and Frequency values, and the Generator commitment status for all relevant units within the SPP footprint.

Thankfully, no NERC compliance-related issues arose, and the SPP Integrated Market enjoyed a smooth start-up.

Internal Compliance Reviews:

The SPP Compliance Department has implemented a Pre-Audit Review Process to examine a limited amount of Standards each year. The reviews are categorized as CIP Standards, Operations, and Engineering. These reviews will help maintain compliance within SPP, as well as prepare for 2016 Audit.

Engineering has accepted the schedule for Compliance to review four Standards in Q1:

- FAC 010-2.1
- FAC 013-2
- FAC 014-2
- PRC 023-2

CIP Compliance

The RE Workshop held in Dallas, TX on February 25-26 included a session covering CIP-002-5.1 (BES Cyber System Categorization) and CIP-005-5 (Electronic Security Perimeter). CIP Version 5 Revisions has been added as a standing agenda item to the monthly Compliance Call. A status of the drafting team's efforts, common themes from the development effort and Member impact will be the focus of this report from SPP staff to the call participants. The June 4-5 Compliance Forum to be held in Little Rock, AR is being planned as a CIP-focused event and will have speakers and work activities

SPP NERC Standards Audit – September, 2013 - Follow-Up and Lessons Learned

The SPP RTO Compliance Department compiled lessons learned from the September, 2013 audit of SPP by SERC of the applicable NERC Reliability Standards, and shared its findings with SPP Operations, SPP Engineering, and SPP Training.

Draft Balance Resources and Demand Standard Field Test

Waiver of CPS2 Compliance Requirements:

A confirmation letter was received from NERC stating that SPP, as a new participant in the Draft Balance Resources and Demand Standard Field Test, will receive a waiver from compliance with CPS2 found in the BAL-001 Reliability Standard, "Real Power Balancing Control Performance."

Tariff Review Project:

The Tariff Review Project is a comprehensive review of our Open Access Transmission Tariff to determine corporate wide compliance. Tariff language clarity/necessity is also being studied. I am currently reviewing Attachment AE (Market Settlements) with Tony Alexander and staff. The Transmission Settlements department is in the process of reviewing Section V – Recovery of Costs for Base Plan Upgrades and Approved Balanced Portfolios including Schedules 1-11. The Legal Department has confirmed their compliance with getting all Service Agreements executed, tracked and reported to FERC on behalf of SPP and Risk Management has completed their review of Attachment X – Credit Policy.

Working Groups

SPP Event Analysis Working Group (EAWG)

Based on the concerns raised at the SPP Board of Directors', January 28, 2014 meeting, concerning the increase of Misoperations within the SPP footprint during the calendar year, 2013, the SPP EAWG has begun working with the SPP System Protection and Control Working Group (SPCWG) to review the

causes and sub-causes of Misoperations of Protection System elements between 100 kV and 161 kV, in order to share lessons learned with the relevant entities, with the goal of reducing the number of SPP Misoperations in the future.

Regional Compliance Working Group (RCWG)

The RCWG met on February 27, 2014 in Dallas, TX. In their first meeting of 2014, the group's discussions were on key issues to be undertaken in the new year. These include raising compliance awareness, process for resolution of issues, collaboration and coordination of the standards process and collective Balancing Authority (BA) Compliance.

The group filled two open voting seat vacancies with Mike Stafford from Grand River Dam Authority (GRDA) and Michael Deloach from American Electric Power (AEP).

The next meeting of the RCWG is scheduled for May 13, 2014 and will be hosted by Omaha Public Power District (OPPD) in Omaha, NE.

Critical Infrastructure Protection Working Group (CIPWG)

The SPP Critical Infrastructure Protection Working Group (CIPWG) met on March 11 in Garden City, KS. The meeting was hosted by Sunflower Electric Power Corporation. The attendees discussed the SPP Strategic Plan, future plans for an SPP-wide exercise, and a status of items from the December planning session. Status on the work of CIP Version 5 Revisions Standards Drafting Team was discussed. Attendees heard a presentation by an entity currently transitioning to CIP Version 5 and had a discussion of the work involved for that effort.

Respectfully submitted,

**Philip Propes
Director, Compliance**

MARKET MONITORING REPORT
Oversight Committee
20 March 2014

Activity Update

- **MMU Staffing**
 - MMU is fully staffed. Jason Robinson transferred on March 1 from the TCR group filing the open Sr. Monitor/Engineer position. Jason's experience with SPP financial transmission rights will provide the group with the expertise need to evaluate Congestion Hedging and other related issues.
 - One staff member is out temporarily on medical leave - currently 3 months

- **Federal Energy Regulatory Commission (FERC)**
 - Conference calls with FERC staff are now weekly because of all the new discussion topics associated the start-up and operations of the Integrated Marketplace.
 - MMU is presenting the ASOM initial assessment to FERC staff on March 18.
 - MMU will be presenting a winter market impact assessment to FERC on April 1 as part of their Technical Conference.
 - SPP is in fully compliance with FERC Order 760 at the start of Marketplace. The order requires a large set of market data delivered to FERC on a daily basis. Some staffers are already asking questions regarding their review of that data.

- **Market Studies**
 - The MMU has closed all EIS behavior studies - no further action required. Currently have four active studies involving Marketplace issues - no major concerns at this time.

- **Reporting**
 - MMU is creating the final EIS Quarterly State of the Market report that will be published in March, winter season (December-February).
 - MMU continues to develop monthly Market Monitoring reports that are presented to the MWG and we are now having weekly Price Event Reports for FERC because of increase in issues associated with the startup of the Integrated Marketplace.
 - The SPP Business Intelligence tool is now operational. A wide range of market reporting functions are now available to all company staff. Data analysis can be share across departments using a user friendly interface. The executive dashboard is the first interdepartmental example of this new enterprise wide capability.

MARKET MONITORING REPORT (CONTINUED)
Oversight Committee
20 March 2014

· **Integrated Marketplace**

- MMU staff members have transitioned from Marketplace development work to actual monitoring of the new markets. Some work continues on data and metric validation now that the market systems are fully functioning.
- Daily monitoring of the Day Ahead Must Offer Requirement is fully functional. Actual calculation of penalties started with initial settlement statements on market day 7. Preliminary results indicate some but no large penalties. This process is a SOC1 control.
- MMU metrics utilizing the new Business Intelligence tool to track actual market issues are now functional.
- The MMU is working with a vendor to develop a system for determining opportunity costs for inclusion in mitigated offers. The system will serve both MMU and MP needs. MPs are not required to use this system and retain responsibility for results they use in their mitigated offers.
- MMU on-call monitor has had a very busy first week fielding over 20 calls. Direct calls to individual staff members exceeded 40, mostly focusing on mitigated offers and physical parameters. This is a very steep learning curve for many market participants.
- MMU contributed to Market Operations first week of the Market presentations
- Reference parameters for physical operating parameters were established and entered into the Market Operator's Interface

Respectfully submitted,
Alan McQueen
Director, Market Monitoring and Analysis



Southwest Power Pool, Inc.
INTERNAL AUDIT
Report to the Oversight Committee
March 20, 2014

Staffing

- The Internal Audit department is fully staffed.

Activity Update

- Updated 2013 – 2014 Audit Schedule (see attached)
- Audits Completed Since Last Meeting:

- **SPP Compliance Hotline Administration**

The Internal Audit department completed a review of the SPP Compliance Hotline administration process. The purpose of the review was to verify that SPP's Compliance Hotline is administered in accordance with documented policies and procedures while meeting its intended objectives and continues to help maintain an ethical workplace without fear of retaliation.

See attached for summary.

- **Integrated Marketplace Internal Readiness Reviews**

In an effort to support SPP's Integrated Marketplace Readiness workstream and SPP management, the Internal Audit department completed internal readiness review activities for the following Integrated Marketplace workstreams/systems:

1. Market Settlements
2. Post Operations Processing System (POPS)
3. Portal
4. Customer Relations
5. Balancing Authority
6. Markets
 - a. Tariff Administration and Interchange
 - b. Day-Ahead Market and Day-Ahead Reliability Unit Commitment
 - c. Real-time Balancing Market

The reviews focused on the following objectives:

- Adequacy of proposed business processes and system business requirements in meeting project and protocol requirements
- Functionality of systems and related components as evidenced by documented testing results, market trials and integrated deployment testing
- Business continuity plan is documented and up-to-date prior to the go-live to ensure continuity of operations; as well as, a revision plan to assure a smooth

transition from Integrated Marketplace back to the pre-determined state, if required

- Up-stream and down-stream system interfaces have been thoroughly tested to ensure that they are functioning as intended
- Proposed control objectives and activities (business and SOC1) are designed to address the risks associated with proposed business processes and related IT systems and are properly evidenced by supporting documentation, if applicable
- Adequacy and completion of required training
- Completion of desk qualification requirements

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.

- **Integrated Marketplace Internal Readiness Reviews**

The Internal Audit department is in the process of completing reviews for the following the Integrated Marketplace workstreams:

- Legacy Applications
- Market Participant Registration and Modeling
- Enterprise Analytical Data Store (EADS)/Business Intelligence (BI)
- Forensics (Markets Workstream)
- Market Monitoring Unit (MMU)

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, verify the testing results for each workstream/system, 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.

The internal readiness review of the MMU included only those functions that have a direct impact to the financial results of market participants through the SPP RTO Day Ahead, Reliability Unit Commitment, Real Time Balancing and Market Settlements processes. The scope of this review was narrowly focused on the points of impact the RTO and the resulting SSAE 16/SOC1 control objectives and activities and did not include a review of the internal MMU processes.

The reviews are in the reporting phase.

- Upcoming Reviews/Audits:
 - Remedy System
 - SPP Compliance Program
 - Project Expense Reporting
 - Enterprise Disputes Process
 - Credit Stack Process
 - Software Licensing
 - Fixed Assets
 - Interchange
 - Accounts Payable
 - Off We Go LLC (Rate)
 - Off We Go LLC (Invoices)
 - Transmission Settlements
 - Database Management

- Integrated Marketplace:
 - IA completed the review of the Integrated Marketplace Program 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 continued to have a high level of interaction and collaboration with Integrated Marketplace Program personnel; bringing the perspective of internal controls (SSAE 16/SOC1 and business)
 - Assisted SPP control owners in the drafting of Integrated Marketplace control objectives and activities (business and IT) in preparation for SPP's external readiness assessment and SOC1 Type 1 audit
 - Facilitated the External Readiness Review conducted by KPMG
 - Reviewing proposed supporting documentation for control activities in preparation for the SOC1 Type 1 audit
 - Staff beginning to be engaged in Integrated Marketplace Phase II project work

- Other Activities
 - Assisted SPP Controller during Financial Statement audit (facilitated on-site visit of IT Auditor)
 - EIS/Transmission Service Settlements Markets audit work:
 - Gap period (November 1, 2013 to February 28, 2014) reviews are in process:
 - 17 business control objectives with 67 total control activities
 - Three IT control objectives with 28 total control activities



- Integrated Marketplace controls audit (SSAE 16/SOC1) work:
 - Confirmation of proposed control objectives and activities:
 - 28 business control objectives with 77 total control activities
 - Seven IT control objectives with 34 total control activities
 - Drafting SPP's portion of audit report narrative
 - Facilitated/coordinated testing for SOC1 Type 1 audit
 - Communicated and acted as liaison between KPMG and control owners
 - Collected and reviewed additional audit item requests
- Other consulting/advising:
 - Credit Stack process
 - Enterprise dispute process
 - Contractor off-boarding process improvement initiative (LEAN)
 - Grandfather Agreement process development
 - "Make the Right Call" program (MP data requests)

Respectfully submitted,
Lauren Krigbaum
Director, Internal Audit

SPP Organizational Group Self-Evaluation/Assessment
(August 2012 – July 2013)

GROUP NAME: **Oversight Committee**

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

MEMBER ROSTER/ATTENDANCE:

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

AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS): **11**

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

AVERAGE LENGTH OF MEETINGS: **5:00**

NUMBER OF VOTES TAKEN: **4**

*MEETING COST(S): **\$36,485.93**

MAJOR ACCOMPLISHMENTS/ISSUES ADDRESSED BY THE GROUP:

- 1. Oversight of reporting groups' preparation for Integrated Marketplace startup**
- 2. Oversight of reporting groups' respective roles in Integrated Marketplace implementation and ongoing operations**
- 3. Oversight of compliance-related processes and verification activities used to ensure compliance with numerous external audits**
- 4. Oversight of expanded regional compliance outreach activities**

MAJOR PENDING ISSUES BEFORE THE GROUP:

- 1. Oversight of reporting groups' respective roles during first year of Integrated Marketplace operations**
- 2. Oversight of reporting groups' respective roles in Integrated Marketplace development**
- 3. Balancing Authority consolidation and ongoing compliance oversight**
- 4. Committee role in Order 1000 implementation**

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

2013 Organizational Group Survey Analysis

Overview
Respondents were asked to select a score from 1 - 5 with 1 being a strong disagreement to the statement and 5 being a strong agreement with statement.
Table below shows overall response rates and overall effectiveness scores by Organizational Group in alphabetical order.
The Finance and Oversight Committees tied for highest overall effectiveness. This is the second year in a row for that. The lowest effectiveness score was the ORWG.
Overall average effectiveness is 4.3, a new record
Every score across all groups and questions was 3.2 or higher.

Group	Response rate					Overall effectiveness				
	2013	2012	2011	2010	2009	2013	2012	2011	2010	*2009
Business Practices Working Group	71%	60%	64%	82%	n/a	4.4	4.2	4.3	4.6	3.8
Change Working Group	63%	61%	44%	65%	38%	4.1	3.9	4.3	4.2	3.3
Corporate Governance Committee	100%	88%	88%	75%	43%	4.5	4.7	4.4	4.5	3.2
Cost Allocation Working Group	67%	67%	50%	33%	27%	4.7	4.3	3.8	4.0	3.3
Credit Practices Working Group	75%	80%	67%	n/a	n/a	4.0	4.5	4.0	n/a	n/a
Critical Infrastructure Protection Working Group	53%	71%	75%	69%	27%	4.5	4.3	4.6	4.6	4.3
Economic Studies Working Group	63%	81%	67%	71%	38%	4.1	4.2	3.5	3.9	4.3
Finance Committee	86%	86%	86%	86%	30%	4.8	4.8	4.5	4.2	3.7
Generation Working Group	50%	60%	22%	50%	38%	4.3	4.4	3.5	4.2	2.8
Human Resources Committee	86%	71%	100%	86%	40%	3.8	3.6	3.7	4.3	3.3
Market Working Group	74%	41%	63%	81%	38%	3.9	4.1	4.3	4.2	3.2
Markets and Operations Policy Committee	37%	46%	48%	47%	33%	4.3	3.8	3.7	3.9	3.2
Model Development Working Group	100%	77%	100%	92%	48%	4.0	4.0	3.9	3.9	2.8
Project Cost Working Group	65%	63%	N/a	N/a	N/a	4.4	4.5	N/a	N/a	N/a
Operating Reliability Working Group	67%	94%	87%	77%	38%	3.7	4.2	4.2	4.2	3.6
Operations Training Working Group	70%	92%	83%	92%	45%	4.4	4.5	4.6	4.7	3.7
Oversight Committee	100%	100%	100%	100%	100%	4.8	4.8	4.8	4.8	3.5
Project Cost Working Group	65%	63%	n/a	n/a	n/a	4.4	4.5	n/a	n/a	n/a
Regional Tariff Working Group	67%	52%	71%	67%	43%	4.7	3.7	4.2	4.2	3.5
Seams Steering Committee	70%	40%	N/a	N/a	N/a	4.0	4.3	N/a	N/a	N/a
Strategic Planning Committee	83%	92%	100%	92%	43%	4.2	4.4	4.3	4.2	3.1
Systems Protection and Control Working Group	62%	69%	77%	77%	38%	4.5	3.9	4.5	3.5	3.6
Transmission Working Group	54%	82%	79%	67%	41%	3.9	3.9	3.7	4.0	3.4
Average	71%	71%	74%	74%	42%	4.3	4.2	4.1	4.2	3.5

** Note: Overall effectiveness was measured in a different way in 2009*

Oversight Committee	2013	2012	2011	2010
Number of members	4.0	5	4	4
Number of responses	4.0	5	4	4
Response rate	100%	100%	100%	100%
Overall effectiveness score	4.8	4.8	4.8	4.8
Lowest score				
Highest score				

Question	Average score			
	2013	2012	2011	2010
The agenda reflects the actions to be taken during the meeting.	4.5	4.6	4.3	4.5
Meeting materials are provided in a timely manner.	4.5	4.4	4.5	4.3
The information provided prior to the meeting is utilized during the meeting.	4.3	4.4	4.5	4.5
The information presented in meetings is clear.	4.0	4.4	n/a	n/a
Meeting minutes are an accurate reflection of the meeting.	4.3	4.6	4.3	4.5
Additional comments:				
Membership represents the diversity of the SPP organization.	3.3	3.2	3.5	3.5
Membership has the necessary expertise and/or skills to accomplish its goals.	4.3	4.4	4.3	4.5
Members come prepared to meetings.	4.5	4.8	4.8	5.0
Members are committed to participate and accomplish the group's goals.	4.8	4.8	5.0	5.0
Members are supportive and respectful of the individual needs and differences of group members.	4.5	4.2	4.8	4.5
Additional comments:				
Membership structure of the committee precludes the typical representation of SPP's membership				
Members are engaged during the meeting.	4.8	4.6	4.3	4.0
Decisions are identified and action is recommended.	4.8	4.8	4.8	4.5
Facilitation is sufficient to guide discussion.	4.5	4.4	4.8	4.5
Dissenting voices are heard.	4.5	4.2	4.5	4.5
I depart with a feeling that we have accomplished something.	4.3	4.6	4.5	4.3
Additional comments:				
Committee secretary does a very good job of helping facilitate the overall conduct of the meeting; a significant portion of each meeting is dedicated to staff's reports- there is considerable variability in the detail that is presented- some reports could be streamlined a bit. Nonetheless, staff participation and support is if very high quality				
The chair seeks input, and organizational group members are able to influence key decisions and plans.	4.8	4.8	4.8	4.8
The chair is supportive and respectful of the individual needs and differences of group members.	4.5	4.8	4.8	4.5
The chair keeps the group on task to achieve appropriate outcomes.	4.8	4.8	5.0	4.8
The chair ensures follow-through on questions and commitments.	4.8	4.4	4.8	4.5
Additional comments:				
Josh does a very good job of conducting the meeting consistent with the agenda and insuring all voices are heard during discussions; he also insures that action items are noted and addressed.				
Please provide three or more recommendations for improvement of this particular group and/or SPP's overall organizational group structure				
Comment for all committees: I would recommend that each year (perhaps during December when we go through the effectiveness review) each committee develop a calendar and corresponding set of objectives, including targeted improvement initiatives, for the following year. This could then be used to help assess the extent to which the committee achieved these objectives over the course of the year.				
Other comments				
None- this is a very professional and very well-run committee with good leadership by the chair and support by the secretary and staff.				