



**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE MEETING**  
**June 8, 2015**  
**Executive Conference Room**  
**SPP Corporate Campus, Little Rock, AR.**

**• A G E N D A •**

8:00 a.m. – 12:00 p.m. CDT

- 1. Call to Order/Administrative Items ..... Josh Martin
- 2. Action Items Report..... Michael Desselle
- 3. Quarterly Activity Reports
  - a. Order 1000 Update ..... Ben Bright
  - b. Compliance ..... Kim Van Brimer
  - c. Internal Audit ..... Lauren Krigbaum
  - d. Market Monitoring Unit ..... Alan McQueen
- 4. 2014 Annual State of the Market Report..... John Hyatt
- 5. Future Meetings ..... Josh Martin
  - 2015
  - September 24                      Chicago, O'Hare Airport
  - December 7                         Little Rock, AR (day before BOD Organizational Effectiveness Meeting)
- 6. Lunch with MMU (OC to adjourn to 1C Conference Room)

**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE MEETING**  
**March 26, 2015**  
**Boston Pacific Offices, Washington, DC**

• M I N U T E S •

**Agenda Item 1 – Administrative Items**

Josh Martin called the meeting to order at 8:36 AM. Members in attendance: Josh Martin (Director), Larry Altenbaumer (Director), and Phyllis Bernard (Director) and Paul Suskie (Staff Secretary). In person attendance included Alan McQueen (SPP MMU Staff), Lauren Krigbaum and Michael Desselle (SPP Staff), Vincent Musco and Sam Choi (Boston Pacific), Stephen Flanagan, Nick Coughlin, Danielle Rourke, Jason Stanek, Dillon Kolkmann, and Susan Pollonais (Federal Energy Regulatory Commission (FERC) Staff). On the phone was Shaun Scott, Kim VanBrimer, and Ben Bright (SPP Staff).

Larry Altenbaumer made a motion and Phyllis Bernard seconded it to approve minutes from the December 8, 2014 meeting (Minutes 12/8/14 – Attachment 1). Phyllis Bernard made a motion and Larry Altenbaumer seconded the motion to approve minutes from the February 3, 2015 meeting (Minutes 2/3/15 – Attachment 2), both motions passed with unanimous approval.

The Committee went into Executive Session to listen to the FERC Audit Process and FERC Market Oversight Reports provided by Mr. Nick Coughlin and Mr. Jason Stanek, respectively (Role of Oversight Committee in SPP's Governance Structure – Attachment 3).

**Agenda Item 4 – Action Items Report**

Josh Martin reviewed the Action Items Report (Action Items Report – Attachment 4) referring to updates in the report.

**Agenda Item 5 – Order 1000 Update**

Ben Bright (SPP Staff) provided the Order 1000 Update (Order 1000 Update – Attachment 5).

ITP 10 – Ben Bright noted that in the January Board of Directors' meeting ITP10 was approved which included one potential competitive project -- the Sunflower Walkemeyer 115 kV line. This project is being re-evaluated and will be re-addressed with the MOPC and Board of Directors in April 2015.

IEPs - In February, the Oversight Committee directed SPP staff to wait until April to contract with the Industry Expert Pool. Mr. Bright provided a sample of the letter he sent to the Industry Experts communicating the delay.

Mr. Bright explained that this is an annual process. The next steps for the Industry Expert Pool (IEP):

- Attachment Y of the Tariff states the creation of the pool is an annual requirement
- Board approval must be done in a meeting prior to the approval of any Competitive Upgrade projects
- 2016 ITP Near-Term schedule for final Board of Directors approval in April 2016
- IEP recommendations to Oversight Committee in December 2015 meeting for approval and to the Board of Directors in January 2016
- Application period open until October 31, 2015

2014 IEP Experience - Mr. Bright recapped the 2014 experience with recruiting and vetting the individuals through the IEP experience. He noted that there is a concern that there are not enough applicants and that there is no "Plan B" in the Tariff. Having few IEP members has raised a concern that if there are

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### **March 26, 2015**

multiple competitive projects with overlapping dates that the Pool of IEP members may be too small to accomplish the evaluation task.

Potential Tariff Change to IEPs – Mr. Bright presented a staff recommendation to the Oversight Committee to endorse a staff-drafted Revision Request (RR) to amend the Tariff to allow firms (not just individuals) to serve on the Industry Expert Pool. Additionally, the Industry Expert Panel could be a single firm if approved by the Oversight Committee. The proposal is designed to give the Oversight Committee flexibility in considering consulting firms in the creation of the Industry Expert Pool as well Industry Expert Panel.

After much discussion the Oversight Committee agreed this item should be sent back to the Strategic Planning Committee (SPC) to assist with coming up with a “Plan B” noting that this is a policy change.

Mr. Bright said the RR will be presented to the SPC in April 2015.

Action Items related to IEPs – The Oversight Committee developed two items for additional action items.

- (1) The first is whether or not SPP should be looking at working with consulting firms; and
- (2) The second is to discuss a “Plan B” as to what SPP should do if there are not enough experts to pull from for a project.

The Oversight Committee added that when the RR goes before the SPC two items need to be looked at: the highest standard of the independence of the process and the issues associated with working with a firm.

The Committee additionally noted some push-back against the assumption that any IEP member who is currently not employed in the industry lacks the capacity to be able to engage in the analyses that are necessary to perform the duties of the IEP.

The Oversight Committee took no further action on the RR as the RR will move forth to the SPC.

### **Agenda Item 6 – Looking Forward Report**

Vincent Musco and Sam Choi from Boston Pacific provided the 2015 Looking Forward Report. The report contributes to the long-term strategic planning by the Board.

- There are eight issues, including three updates:
  - o Blurred Jurisdictional Lines,
  - o Update on the Changing Electric Sector Business Model,
  - o Thoughts on a Framework for Evaluating Transmission Investments,
  - o Wind (and Solar) Exports from SPP’s Footprint,
  - o EPA’s Continued Environmental Campaign,
  - o The Shale Gas Revolution,
  - o Physical Grid Security, and
  - o Smart Grid.

### **Agenda Item 7 – Quarterly Activity Reports**

#### **Compliance**

Kim VanBrimer (SPP Staff) provided the first quarter RTO Compliance Oversight Report (Q1 2015 SPP RTO Compliance Oversight Report – Attachment 6). She noted that the year has gotten off to an eventful start with the integration of the Integrated System (IS), the Balancing Authority (BA) and Reliability Coordinator (RC certifications, the self-certifications and a FERC audit. The Compliance Staff prepared for and hosted an Outreach Event for Western, Heartland, and Basin Compliance staff, held the Spring Compliance Forum for 111 Member participants and answered 87 ad hoc Member requests. The 2015 Metrics have also been compiled.

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Ms. VanBrimer stated that there is a Tariff project that has kicked off named "What Does the Tariff Say?". This project involves a lot of collaboration with the various departments and includes each department taking a look at its respective section(s) of the Tariff, as applicable, and will also involve education. After the initial review there will continue to be regular reviews in the future.

**Market Monitoring Unit**

Alan McQueen (SPP MMU Staff) provided the Market Monitoring Report (MMU Report to OC – Attachment 7). The FERC has begun an audit of SPP and the Market Monitoring function. Conference calls with FERC continue on a weekly basis. FERC staff members continue to ask for briefings on the Strike Team and Market Working Group (MWG) activities with regard to proposed changes to the SPP mitigation rules. Several MMU staff members will be attending the FERC annual meeting in June of all market monitors under FERC jurisdiction. The Mitigated Offer Strike Team completed their first draft of proposed Tariff and Protocol changes and voted 2 to 1 in support of the draft.

The MMU continues to expand the content included in the Integrated Marketplace Quarterly State of the Market (QSOM) reports. The Winter QSOM report (December/January/February) is scheduled to be released by the end of March. The MMU continues to develop monthly review presentations that are given to the MWG and FERC. The Oversight Committee has requested the QSOM report be presented to the Board before it is presented to FERC.

The MMU has filed comments on several SPP filings regarding changes to the Integrated Marketplace rules. The Frequently Constrained Area (FCA) study is now complete. The study recommended eliminating two of the existing designated FCAs. The results have been filed with FERC and the changes are requested to be implemented on April 15. There have not been any Day Ahead Must Offer Requirement violations over the last three months.

There are some staff members planning on attending the spring Energy Inter-market Surveillance Group conference scheduled for early May.

An Action Item brought before the committee was to obtain SPP Staff's position on the mitigated offer issue.

**Internal Audit**

Lauren Krigbaum (SPP Staff) provided the Internal Audit report (Internal Audit Report – Attachment 8). The Internal Audit department is fully staffed. The 2014-2015 audit schedule has been updated. There have been three audits completed since the last meeting and there are several in process.

**Agenda Item 8 – Future Meetings**

2015

June 8	Little Rock, AR
September 24	Chicago, O'Hare Airport
December 7	Little Rock, AR

Adjourned to Executive Session at 2:03 PM.

**Adjournment**

Josh Martin thanked everyone for participating and adjourned the meeting at 3:15 PM.

Respectfully Submitted,

Paul Suskie

**Southwest Power Pool  
OVERSIGHT COMMITTEE MEETING**

**May 4, 2015  
Teleconference**

**• M I N U T E S •**

**Agenda Item 1 – Administrative Items**

Josh Martin called the meeting to order at 1 PM CDT. Members in attendance: Josh Martin (Director), Larry Altenbaumer (Director), and Phyllis Bernard (Director). Also in attendance were: Michael Desselle and Ben Bright.

**Agenda Item 2 – Order 1000 Update**

Ben Bright sought the Oversight Committee's direction to engage the Industry Expert Panel (IEP) following the Board's recent April 28 action approving the issuance of SPP's first competitive Request for Proposal (RFP) under Order 1000. Larry Altenbaumer moved and Phyllis Bernard seconded adoption of staff's recommendation to engage the IEP with contracts starting in May 2015 and running until December 31 (unless panelist is engaged in the IEP work which would run through the end of the evaluation). The OC further clarified that a "consulting firm" could not be retained as a voting member of the IEP, but that a "firm" could provide assistance to the IEP.

Finally, the OC endorsed staff's recommendation to set the RFP Response Window at 180 days for the competitive project.

**Adjournment**

Josh Martin thanked everyone for participating and adjourned the meeting at 1:30 PM.

Respectfully Submitted,

Michael Desselle



**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE**  
**Pending Action Items Status Report**  
**June 8, 2015**

Action Item	Date Originated	Status	Comments
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 2016.
Internal Audit to develop approach for assessing SPP modeling processes and effectiveness.	Dec 9, 2013	In Process	Internal Audit is working with various departments to develop an inventory list of SPP models. Will work with Engineering and Compliance to develop an approach for assessing the processes and effectiveness of the processes.
Dates for Cyber training at SPP.	June 9, 2014	In Process	Training partner is awaiting authorization from DHS for new course. Delivery will be scheduled after approval. Tentatively Q2, 2015. Looks like it will be Q3 before the training is available and DHS would like SPP to host.  This will be an Outreach Service Offering. Fee to attend TBD. This training is for the member entities and our internal IT and CIP Compliance team.
TBD to seek resources (s) for 3rd party review of SPP systems	Sept 25, 2014	Pending	Further research
SPP Staff's position on the mitigated offer issue	Mar 26, 2015		Further research
Develop a Stakeholder Education Program about the MMU	Mar 26, 2015		

## Compliance Department Metrics – 2015

Function	Metric	Quarter	Status
Administrative	Budget - Achieve Cost Saving Initiatives	Q1,Q2,Q3,Q4	On Target
Collective Compliance	RC and BA Certifications - Western, Heartland and Basin	Q2,Q3	Ahead of Schedule 
Collective Compliance	Self-Certifications – BA,RC, Engineering and CIP	Q2	Completed
Collective Compliance	Internal Spot Checks – BA,RC, Engineering and CIP	Q4	On Target
Collective Compliance	NATF- Post Review Initiatives	Q4	On Target
Collective Compliance	Internal Compliance Training – BA and Engineering	Q2,Q4	On Target
Collective Compliance	IS Integration and Transition Initiatives	Q2,Q3	On Target
Collective Compliance	Internal Compliance Program (ICP)	Q3,Q4	On Target
Collective Compliance	Active CVI's	Open	Open
CIP	CIP Audit-Final Report	Open	Open
CIP	CIP Version 5 Transition Initiatives	Q4	On Target
Outreach	Overall Program - Achieve Good to Excellent Ratings	Q1,Q2,Q3,Q4	On Target
Regulatory Compliance	Tariff Project – Phase 2 Completion	Q4	On Target
Security Metrics	SIEM (SPLUNK) – Successful Launch and Implementation	Q3	On Target
Working Groups	Continued Support and Success – CIPWG, RCWG and EAWG	Q1,Q2,Q3,Q4	On Target

**Southwest Power Pool, Inc. (SPP)  
RTO Compliance Department  
Q2 2015**

**Overview and Highlights**

SPPs increasing footprint, with the addition of the Integrated Systems (IS), continues to be a primary focus through the RC and BA certification projects.

Focused and detailed work on the Critical Infrastructure Protection Standards (CIP) Version 5 have been an upmost priority for the CIP Staff and will continue with the CIP Forum in June, where close to 100 participants from the region will openly speak and share where they are in the process and how working together can and will create positive outcomes.

During the month of April, all SPP staff successfully completed the 2015 Security Awareness Training. The window for completion was April 1 through April 30, 2015. Consequences for failure to complete this required training includes suspension of physical and logical access to SPP facilities and computer resources.

Q3 will begin a focus on SPPs 2016 CIP and Operations and Planning (O&P) audits.

**Compliance Report**

**Staffing Update**

The Compliance Department will be posting a position for a CIP staff member to replace a recent attrition in the department. The 90 day waiver requirement has been approved by the Executive Team.

**NERC Reliability Coordinator (RC) Certification**

By copy of a SERC letter dated May 18, 2015 and a NERC letter dated May 19, 2015, SPP has been approved as the RC for the Western Area Power Administration – Upper Great Plains Region Integrated System. The certification team from SERC added positive notes regarding SPP's communication and coordination between the entities.

**NERC Balancing Authority (BA) Certification**

SPP is in the final stages of the BA Certification Process. Currently, we are approximately 78% percent complete, which is 30 days ahead of the project schedule. The certification activities will continue through August 1, 2015.

**Integrated Systems (IS)**

During the second quarter of 2015, SPP Compliance continued its assistance of the IS entities. The WAUE IS Team Leaders group and the Compliance Staff supporting that effort, is on schedule with all deliverables.

**SPLUNK Professional Services Added**

SPLUNK is a real-time IT operational intelligence platform that will help SPP understand what is happening across the various IT systems and technology infrastructure. With SPLUNK fully deployed, SPP will be able to search, analyze and visualize massive streams of IT system data.

SPLUNK professional services were on-site for 3 weeks in Q2. SPP's highly available deployment of SPLUNK is *in place* and *functioning*. During the professional services engagement most NERC CIP data sources were on-boarded. Work on the Security Metrics reports in SPLUNK has commenced and is expected to continue through the end of July.

### **MRO Guided Self-Certifications**

Two Guided Self-Certifications were submitted to MRO as compliant, which included two Reliability Standards. Engineering collaborated to compile the evidence.

### **Operations Awareness and Cohesion Project**

The Operations Awareness and Cohesion project kicked off on May 4, 2015. This project is an opportunity for Compliance staff to gain operational knowledge and build relationships with the operations team, as well as, for them to familiarize themselves with the Compliance team. Visits will encompass both the Maumelle and the Chenal Control Centers through December 2015.

### **SERC Inherent Risk Assessment (IRA)**

Compliance staff collaborated to complete and submit SPP's first Inherent Risk Assessment for SERC. The IRA is based on producing an entity's unique inherent risks to the reliability of the Bulk Electric System (BES), and from that, coming up with an entity specific plan.

### **North American Transmission Forum (NATF)**

Compliance staff has been asked by the NATF to participate in an industry panel discussion on CIP-014 for the R2 third party review for Transmission Owners (TOs) risk assessments. The panel discussion will be held on-site, June 3, 2015 in Dallas, TX.

### **Tariff Project Update**

The corporate wide initiative entitled "What Does the Tariff Say (WDTTS)?", of which the Tariff Review Project is a component, continues and is nearing completion. Departments continue their reviews for Tariff compliance, gaps in compliance and needed language revisions. Particular focus is now being placed on those sections of the Tariff that have not been "claimed" by any department.

### **CIP Audit Follow-Up**

SPP continues to wait on the Notice of Alleged Violation and Proposed Penalty or Sanction (NAVAPS) from SERC Enforcement. Items from the 2013 CIP audit which will be remedied by transition to CIP Version 5 are included in the CIP Version 5 Transition Program. Resources in IT and other stakeholder areas will review other outstanding items upon receipt of the NAVAPS.

### **Critical Infrastructure Protection (CIP) Version 5**

The program to transition SPP processes to Version 5 continues. The program includes 4 projects: Compliance Readiness, Emergency Management/Business Continuity Readiness, IT Readiness and Facilities Readiness. SPP Staff has recommended, and Management has approved, the engagement of a third party consultant to review the CIP Version 5 gap analysis and assessments performed by SPP in order to identify any areas in the revised standards which SPP may have misinterpreted, to identify any gaps SPP may have missed during internal assessments and to provide compliance opinions/recommendations in order to help SPP organize and prioritize a remediation plan/program. The review should be completed no later than July 31, 2015.

### **Q2 Spot Checks**

Internal spot checks for the Model on Demand (MOD) Standards 010, 012 and 032 are in process with the Compliance and Engineering departments.

### **FERC Audit**

Compliance staff completed their portion of the data requests with no further follow up requested from FERC.

### **Annual Report Release**

The Compliance Department secured their spot in the Annual Report, where the year was, and continues to be, heavily focused on the Critical Infrastructure Protection Standards (CIP) and growing concerns over terrorism threats and cyberattacks. Then there was the successful launch of the Integrated Marketplace (IM) and the BA function, which has added another 45 NERC Requirements to our tally, as well as a project launching of a detailed focus on the line by line internal departmental ownership of the tariff controls.

## **Regional Compliance Outreach Program Report**

### **Evidence Reviews**

CIP Staff conducted two mock audits and evidence reviews on-site at registered entities in OK. The feedback provided from the entities was both positive and appreciative.

O&P Staff will conduct a mock audit and evidence review in June on-site at our largest member in OH.

During mock audits and evidence reviews SPP Staff questions the Subject Matter Experts (SMEs) extensively about the evidence provided (which is reviewed prior to arrival), coaches them on techniques for their time in front of the auditors, and presents a full mock style audit from beginning to end.

### **SPP RE and RTO EMS Certification Support**

RE and RTO staff are collaborating efforts on EMS Certifications around the region. Participation includes onsite and WebEx evidence reviews to support the certification process.

### **Forum**

The upcoming Forum June 2-4, in Kansas City, MO, will be strictly CIP focused. The RTO and the RE have joined forces and collaborated to ensure a week of current hot topics, CIP Version 5 detailed information, and audit sharing experiences. The Forums keynote speaker will be Rick Goins from the Department of Homeland Security (DHS).

### **Adhoc**

There were 49 adhoc research and responses provided by staff in Q2 for our members.

### **Compliance Calls**

Compliance Calls were held in April and May with 47 participants, plus staff from Compliance and Reliability Standards.

### **Newsletters**

Newsletters were released in April and May.

## **Working Group Reports**

### **Critical Infrastructure Protection Working Group**

The CIPWG will have their second meeting of the year on June 16, 2015. Agenda items for this meeting include Member participation in NERC's GridExIII exercise, CIP Version 5 Transition and other topics as determined by the group. The CIP Version 5 Transition Users Group has held meetings each month to discuss issues and challenges in the transition process.



**Events Analysis Working Group (EAWG)**

The EAWG will hold a conference call on June 8, 2015, to go over a new event process which will include major and non-major events both in the SPP Region and continent wide.

**Regional Compliance Working Group (RCWG)**

The RCWG will hold their next meeting in Kansas City on June 1, 2015 as part of the RE Workshop and RTO Forum week. The RCWG has put into place four task forces and two subcommittees to ramp up coverages for current industry needs.

Respectfully Submitted,

SPP RTO Compliance Staff

**Southwest Power Pool, Inc.**

**INTERNAL AUDIT**

**Report to the Oversight Committee**

**June 8, 2015**

**Staffing**

- The Internal Audit department is fully staffed.

**Activity Update**

- 2014-2015 Audit Schedule – Updated (see attached)
- Audits Completed Since Last Meeting:

- **Market Settlements**

Internal Audit completed a review of Southwest Power Pool's (SPP) Market Settlements processes. These processes were reviewed to confirm they were being performed as required and that current documentation includes sufficient detail to support their purpose and deliverables. The available documentation was evaluated for accuracy and completeness around the following areas: repricing, post operation processing system (POPS) validation, market settlements validations, market settlements statements/invoices and manual workarounds. System access was reviewed in detail due to a majority of market settlements processes being automated through Market Settlements System (MSS) eterraSettlements (ETSE). Also, the controls around these processes were evaluated for adequacy to mitigate risk and validate that no observable process and/or control gaps were evident.

See attached for summary.

- **Remedy System**

Internal Audit completed a review of the processes and steps followed to upgrade the Remedy System to version 8.1. Due to increased reliance on the Change Monitoring controls, Remedy is a key system for SPP. It is the system of record for changes made to SPP hardware, applications and databases and essential for providing evidence of these changes. Remedy is administered by the Information Technology Service Management (ITSM) Department.

See attached for summary.

- **Project Pinnacle Internal Readiness**

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

- Market to Market (M2M)

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 conducted interviews with management and staff, reviewed the proposed processes and related documentation, verify the testing results for each workstream/system, verified the precision of the interfaces with other

applications, as well as, reviewed the adequacy and accuracy of data retention for sunset applications and any data conversions to new applications.

See attached for summary.

- Audits Currently in Process:

- **Project Expense Reporting**

The audit includes a review of the current operating environment in place for reporting project expenses to determine whether adequate controls are in place to ensure that project goals and objectives are met in both a timely and cost effective manner. The primary audit objectives are to review: the adequacy of existing processes and procedures related to project expense reporting; the adequacy of existing processes and procedures related to budgeting for approved projects; the accounting methodology in place for capitalization of project related expenditures and interest incurred; and project management reports that reflect project status and projections to completion to verify that costs are properly allocated, reported and forecast. The review is in the reporting phase.

- **Software Licensing**

The primary objectives of our review are to: review the policies and procedures in place for software assets and licenses and evaluate them as related to license requirements for thorough coverage; examine existing software asset and license processes and evaluate for completeness and accuracy; assess current software licensing agreements and determine whether all necessary requirements are adequately met; evaluate the current internal controls implemented over software assets and licenses as related to the applicable licensing requirements and obtain an understanding of the roles and responsibilities related to the monitoring of the software assets and licenses through the acquisition, certification, deployment, support, removal and disposal phases. The review is in the testing phase.

- **Tariff Administration**

The primary objectives of the review are to: obtain an overview of the various functions completed by the Tariff Administration department, industry standards that must be followed, and downstream data users; review the policies and procedures in place for functions performed by Tariff Administration and evaluate them for thorough coverage to protect the interest of SPP, its members and customers; examine internal controls for adequate design and effective operation; confirm required documentation/evidence is stored accurately and completely; determine downstream consumers of data are receiving data accurately and timely. The review is in the testing phase.

- **HR Payroll**

The primary objectives of the review are to verify: proper processes and procedures are in place, documented and functioning properly; internal controls are adequately designed and operate effectively; payroll and employee information is properly secured and access is restricted to appropriate personnel; proper procedures are in place to verify compliance with applicable laws and regulations; documentation is complete, proper and retained to support payroll; calculations of earnings, special payments, employee benefits and voluntary/involuntary deductions are approved, accurate, complete and

authorized in a timely manner; tax and non-tax reporting requirements are in compliance with applicable federal/state laws; accounting for payroll transactions are properly classified, reconciled, approved and posted to the general ledger; adequacy of system and manual check processing including functions/information (if applicable); existence of adequate segregation of duties; completeness of personnel files, adequacy of supporting documentation for changes to employees profile, and timely reporting of employee information (new hires, terminations, merit increase, etc.); systems used for payroll have appropriate access, are operating accurately and manual inputs are reviewed for accuracy. This review is in the testing phase.

- o **Procurement/Accounts Payable**

The primary objectives are to ensure: appropriate documentation is in place to support accounts payable and procurement transactions; purchases and payments are properly authorized and recorded; payments to vendors are for goods and/or services received and are made in a timely manner; processes are in place to prevent duplicate, unauthorized or inappropriate payment to vendors; system access is appropriate for employee job duties and updates to vendor files are limited to authorized personnel only; vendor selection is objective and transparent, satisfying both technical and economic evaluations. This review is in the testing phase.

- o **Project Pinnacle Internal Readiness**

The Internal Audit department is in the process of completing a review for the following Project Pinnacle workstream:

- Regulation Compensation

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 applications, as well as, review the adequacy and accuracy of data retention for sunset applications and any data conversions to new applications. The reviews are in the reporting phase.

- o **Change Management Monitoring Tools**

The primary objectives of the review are to: evaluate the configuration of each of the monitoring tools to determine the accuracy and completeness of the changes captured; inspect reporting parameters of the change listings from each tool for completeness; test changes from each of the monitoring systems and trace reconciliations to the evidence of these changes; analyze how the automatic reconciliation process works for Business as Usual (BAU) type elements in each tool; assess audit logs/trails to understand how records are maintained of actions taken in each tool, and examine the administration of the tools. The review is in the testing phase.

- o **Balancing Authority**

The primary objectives of the review are to: obtain an overview of the various functions completed by the Balancing Authority department, industry standards

that must be followed and downstream data users; review the policies and procedures in place for functions performed by the Balancing Authority, evaluate them for thorough coverage to protect the interests of SPP, its members and customers; examine internal controls for adequate design and effective operation; confirm required documentation/evidence is stored accurately and completely; determine downstream consumers of data are receiving data accurately and timely. The review is in the testing phase.

- o **Study Deposits, Invoicing and Customer Refund Tracking**

The primary objectives of the review are to ensure: sufficient processes and procedures are identified, documented and followed to protect the interests of SPP, its members and customers; internal controls are adequately designed and operating effectively; requirements related to engineering finance are complied with in accordance to SPP governing documents; study projects that have been withdrawn have all remaining balances refunded and the calculation methodology used including interest appears accurate; adequate documentation was retained to support refund calculations and invoices; adequate customer tracking process is identified and documented to ensure proper future payments. The review is in the testing phase.

- Audits Currently in Planning:
  - o Digital Certificates
  - o SPP Modeling
  - o Application Access
- Upcoming Audits:
  - o Corporate-Wide "Manual Workarounds"
  - o Collateral Management
  - o Customer Additions/Terminations
  - o Grandfather Agreements (GFA) / Federal Statutory (FSE) Exemptions GFAs
  - o Post Operations Processing System (POPS)
  - o Pension Plan / 401(k) / SERP
  - o Off We Go LLC (Rate)
  - o Off We Go LLC (Invoices)
  - o Defect Management for Production Systems
  - o Business Continuity Planning
  - o Credit Management System (CMS)
  - o Budget/Forecasting
  - o Off We Go LLC (Fixed Cost Reimbursements)
  - o Data Management/Changes
  - o Order 1000 Process
  - o Contract Management
- Other Activities:
  - o Controls audit (SSAE 16/SOC1) work:
    - SOC 1 Type 2 Audit:
      - o Completion of periodic control activity reviews:
        - ❖ 21 completed to date, 12 in process (76 total Business control activities)

- ❖ 11 completed to date, 2 in process (30 total General IT control activities)
  - Facilitation of 21 business and IT control objective risk assessments
  - Market to Market walkthrough with KPMG
  - Phase 1 of 2015 audit:
    - ❖ Planning for KPMG's onsite visit June/July 2015
      - FERC Audit on-site visit and subsequent data request
      - Attended EMBC ICS Logistics Section Training and Table Top Drill
      - Attended the ISO/RTO Internal Audit Directors meeting in Toronto
- Other consulting/advising:
  - Credit Stack (Z2) process
  - Grandfather Agreement LEAN project
  - Tariff review process
  - Termination of Market Participant process
  - CIP Version 5 Program
  - Engineering Quality Assurance LEAN project
  - NERC Risk Based CMEP controls advisement for standards related processes/procedures
  - Revenue Requirements and Rates File Process Improvement Lean Process

Respectfully submitted,

Lauren Krigbaum  
Director, Internal Audit

**MARKET MONITORING Activity**  
**REPORT to the Oversight Committee**

8 June 2015

**I. MMU Staffing**

- The MMU department will be fully staffed as a result of Esat Guney accepting our offer of employment on May 16. Esat will be our lead monitor evaluating and developing MMU responses to all proposed market rule changes. We expect him to start in July. His extensive experience in other electric markets will be a great addition to MMU experience base.

**II. Federal Energy Regulatory Commission (FERC)**

- FERC Audit of SPP
  - The MMU participated in FERC Audit interviews on April 1 with presentations and responses to specific questions. Most of day 3 of the interviews focused on the MMU.
  - The first round of data requests from FERC was completed on March 19. The MMU was responsible for three of the questions.
  - FERC audit data request number 2 focused on the Market Monitoring function. The MMU responded to all assigned requests on April 29 except two that will require extensive support by SPP IT. A number of the requests contained MMU confidential information resulting in the MMU responding directly to FERC.
- Conference calls with FERC staff are now once every two weeks. We continue to focus on the Integrated Marketplace screens, proposed market rule changes, market inefficiencies, and possible market rule violations and manipulation.
- FERC staff members continue to ask for briefings on the Strike Team and MWG activities with regards to proposed changes to the SPP mitigation rules.
- The MMU responded to several issues as required by the tariff in fulfillment of the fifteen month compliance report that is due on June 1, 2015. Additionally, the MMU assisted SPP staff in other areas of the report.
- Several MMU staff members will be attending the FERC annual meeting in June of all market monitors under FERC jurisdiction. These meetings are always informative. The discussion topics are price formation, fuel recovery, and the Clean Power Plan impacts. Fuel recovery issues are likely to overlap with an open SPP docket, which would prevent us from actively participating in the discussion, though discussions on topics like this regarding other markets are always informative.

**III. Surveillance**

- The surveillance team continues to refine daily monitoring processes and metrics. In the last quarter, the team added five new metrics to the monitoring rotation. The team also implemented a formal, checklist-style template to track results for one of our key monitoring processes.

**IV. Market Studies**

- The MMU is working closely with SPP to remedy a market design flaw

- The MMU has completed two behavior studies and there are two other open behavior studies

**V. Reporting**

- The main focus of reporting work for the MMU has been on the Annual State of the Market report. The final report will be present to the Board at the July meeting. We will also be presenting our findings to FERC Staff in late June.
- Through several different orders, FERC requested a specialized report 15 months after market go-live. FERC has required the Market Monitor to produce parts of the report related to issues such as mitigation and Day Ahead Must Offer.
- The Spring QSOM report (December/ January/February) is scheduled to be released by the end of June.
- MMU continues to develop monthly market review presentations that are given to the MWG and FERC. The May MWG meeting ran overtime, and the MMU did not have a chance to present the monthly update. Instead, the MMU held a separate conference call to review the monthly report and address questions.
- The ISO RTO Council is putting together a report to compare across regions. The Market Monitoring Unit will be coordinating this effort. This report will be due in June, 2015.

**VI. Integrated Marketplace**

- The MMU has filed comments on several SPP filings regarding changes to the Integrated Marketplace rules.

The following table describes all MMU involvement in SPP FERC dockets subsequent to the launch of the Integrated Marketplace. Three of the seven are still open.

Docket	Topic	Date Submitted	MMU Role	Order Date	Status
ER15-21	Physical Withholding Screen	10/2/2014	Sponsor	12/1/2014	Accepted with Revisions. MMU requested rehearing.
ER15-673	Mitigation Test for Manual Commitments	12/19/2014	Sponsor	2/10/2015	Accepted
ER15-714	Intra-Day Mitigated Offer Changes	12/23/2014	Support	2/19/2014	Accepted
ER15-763	Over-collected Losses	12/30/2014	Support	3/31/2015	Accepted
ER15-774	Regulation Compensation and Mitigation	12/30/2014	Support	2/6/2015	Accepted
ER15-788	Uneconomic Production Thresholds	12/31/2014	Sponsor	2/27/2015	Deficiency letter, SPP and MMU submitted response.
ER15-1293	Multi-Day Emergency Commitments	3/16/2015	Protest	5/14/2015	Deficiency letter

- The MMU filed a protest to SPP's proposed changes to the Multi-Day Reliability Commitment process during emergency conditions, which the MMU found to be inefficient for the market. FERC issued a deficiency letter to SPP.

- The Phase I of Mitigated Offer Strike Team recommendation was approved by MOPC and the SPP Board of Directors. This phase focused on changes to the cost based methodology for establishing mitigated offers. The MMU is preparing to make a filing explaining our assessment of the proposed mitigation changes resulting from the Strike Team recommendations.
- The Mitigation Offer Strike Team is currently developing a recommendation for Phase II that will focus on the development of a second methodology for establishing mitigated offers based on cleared competitive offers. The MMU continues to be actively involved advising the Strike Team.
- The MMU expects to file supporting comments for two other Tariff changes approved by the Board in April.
- The MMU is working closely with SPP Congestion Hedging and Market Design on proposed design changes for the Transmission Congestion Rights market. The MMU will be supporting SPP's proposed changes and presenting further ideas to improve market performance in the stakeholder process.

## **VII. Miscellaneous**

- The MMU is preparing for the upcoming KPMG SOC1 audit of our Day Ahead Must Offer penalty calculation process. The MMU also participated in two RTO-led SOC 1 Risk Assessments for SPP Operations. During these risk assessments, the MMU was able to give feedback on risks associated with particular processes.
- The MMU has engaged with a new stakeholder group, the Stakeholder Prioritization Taskforce. This group will be tasked with prioritizing updates to SPP software and systems. The MMU may need to have input into the priorities of system updates that reduce the risk of manipulation or gaming.
- The MMU continues to engage with the RTO and the Integrated Systems Market Participants in preparation for their entry into the SPP Market in October. We have met with these new MPs to discuss: 1) the role of the MMU, 2) the purpose of the Market Monitoring Data Depository, and 3) to answer questions about specific types of resources and how they plan to offer into the Market.

*Respectfully submitted*  
*Alan McQueen*  
*Director, Market Monitoring and Analysis*