

Southwest Power Pool
COMPLIANCE COMMITTEE MEETING
June 3, 2005
Teleconference

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 10:00 a.m. The following members were in attendance or represented by proxy: Josh Martin (Director), Phyllis Bernard (Director), and Quentin Jackson (Director). Also in attendance: Craig Roach and Rob Janssen (Boston Pacific). Staff in attendance: Ron Ciesiel, Richard Dillon, and Stacy Duckett.

Mr. Martin referred to draft minutes of the March 31 meeting and asked for corrections or a motion for approval (3/31/05 Meeting Minutes - Attachment 1). Quentin Jackson moved to approve the minutes as presented. Phyllis seconded the motion, which passed unopposed.

Agenda Item 2 – State of the Market Report/Review

Craig Roach(Boston Pacific) reported that the State of the Market Report is completed and posted on the SPP and Boston Pacific websites. Links were sent out via email. Hard copies will be sent out to the Board of Directors and the Regional State Committee. Craig thanked the SPP Staff for its work and noted others who provided useful comments to the drafts.

Agenda Item 3 – Market Monitoring Plan/Tariff Filing

Stacy Duckett reported that the Markets and Operations Policy Committee (MOPC) has approved Tariff language for the Market Monitoring Plan (SPP Tariff Language – Attachment 2). Richard Dillon provided additional comments related to the filing format. Craig Roach provided comments from the meeting as well, and noted that it is a big step and very positive that the Tariff filing will be made and meet the Board of Directors deadline of June 15.

Agenda Item 4 – Boston Pacific Contract Extension

Craig Roach presented a recommendation for a contract extension (Boston Pacific Memorandum – Attachment 3). The current contract expires June 30. It is recommended that the current contract with SPP be extended for 6 months to meet the calendar/budget year and then develop a new one-year contract for 2006. He then reviewed priorities outlined in page two of the memorandum. Craig proposed a budget cap for July 1 – December 31. This cap tracks with expenditures to date. Craig reviewed three possible contract revisions regarding 1) approval of time and materials tasks, 2) invoice payments and disputes, and 3) liability and indemnification. Stacy Duckett is to review the liability and indemnification provisions and provide feedback as to how they will be addressed (either in the contract or the Tariff). Phyllis Bernard moved and Quentin Jackson seconded that the contract with Boston Pacific be extended with the terms and budget as noted and presented in the memorandum. The motion passed.

Agenda Item 5 – NERC Compliance Update

Ron Ciesiel provided a general update on the NERC compliance progress status. The first quarter audits have been completed. Two companies had violations that have been reported to NERC. They were lacking in NERC certified operators due to turnover. One has already been resolved. The other has been on-going but is expected to be resolved through retirement later this year. At this time there is no other action other than to continue reporting. The committee will put this in its report to the Board of

Directors in July to assure it is performing its (the committee's) duty. It was the consensus of the committee to request the member company provide assurance in writing that this situation is being resolved through retirement and with a NERC certified replacement. Ron will request this.

Ron reported that some NERC Readiness Audits had been completed. The reports are not currently published but will be on the NERC website. The SPP Compliance Department will follow up on any recommendations. A NERC audit team will be at SPP June 14 and 15 to review the compliance function. Ron announced that Kevin Goolsby has joined the SPP Compliance Department.

The committee decided to add the NERC public report to the Board of Directors background material as well as pending violations to give focus to NERC compliance matters and to drive our position that reliability and economic issues can/should be managed together.

Agenda Item 6 – Future Meetings

The next Compliance Committee meeting is scheduled in Chicago on September 28, 2005.

Quentin Jackson requested that a draft report to the Board of Directors be provided to the committee in advance for review/comment. Stacy Duckett will draft a report, provide it to Josh Martin for review, and Josh will forward it to the committee.

With no further business, Josh Martin thanked everyone for participating and adjourned the meeting.

Respectfully Submitted,

Stacy Duckett
Secretary

Compliance Committee Meeting Minutes
June 3, 2005



Southwest Power Pool, Inc.
COMPLIANCE COMMITTEE MEETING
June 3, 2005
Teleconference

• A G E N D A •

10:00 a.m. eastern/9:00 a.m. central

Dial in number: 877-973-0162

Code: 395155

1. Call to Order/Administrative ItemsJosh Martin
2. State of the Market Report/Review Craig Roach
3. Market Monitoring Plan/Tariff Filing Stacy Duckett
4. Boston Pacific Contract Extension Craig Roach/Stacy Duckett
5. NERC Compliance Update Ron Ciesiel
6. Future MeetingsJosh Martin

**Southwest Power Pool
COMPLIANCE COMMITTEE MEETING**

March 31, 2005

US Airways Club, Philadelphia Airport – Philadelphia, PA

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 1:25 p.m. The following members were in attendance or represented by proxy: Josh Martin (Director), Phyllis Bernard (Director), and Quentin Jackson (Director). Also in attendance: Craig Roach and Rob Janssen (Boston Pacific). Staff in attendance: Richard Dillon and Stacy Duckett.

Quentin Jackson requested a brief description of Boston Pacific prior to starting the agenda. Craig Roach provided that overview.

Agenda Item 2 – Update on Current IMM Activities

Craig Roach reviewed the current projects and activities for Boston Pacific, including: development of the market monitoring plan and mitigation measures for filing; monitoring market systems development; investigations; development of the state of the market report; and overall market development. (Attachment 1)

Market monitoring plan and mitigation measures: Boston Pacific has devoted much of its time to these issues given the pending filing in May. Craig provided a review of the various activities to date. The Board will be considering the filing for these measures at its April meeting. Boston Pacific does have concern with the level of detail currently proposed for the tariff, but is addressing that through the appropriate SPP stakeholder groups.

Market systems development: Boston Pacific has participated as SPP developed the hardware and software systems related to market operations to assure that they are being designed to perform in accordance with the market protocols.

Investigations: One investigation has been requested to date. Boston Pacific and the internal market monitoring unit worked through the investigation. Craig was very complimentary of the extensive work that the SPP staff did on the investigation. Boston Pacific requested direction as to how much detail the committee would like to receive related to investigations. The committee asked to receive the results of the recent investigation for reference. The committee also requested that Boston Pacific and the market monitoring unit provide a quarterly summary of investigation activities/status going forward. Topics for future discussion include: further development of the process for requesting an investigation; whether parties to an investigation should be named in resulting reports; a survey process following an investigation to assure parties are satisfied with the conduct of the investigation process.

State of the Market Report: The report is underway, but has not been a primary focus due to the demands related to the upcoming filings. Boston Pacific proposed a draft in May/June for final presentation at the July Board meeting. Richard Dillon expressed concern with this since the Commission has indicated that it expects a report in May. In addition, the report is part of the current contract work; the current contract expires June 30. Following discussion, Richard will discuss the current status with the Commission and advise of their response to an extended schedule. Boston Pacific will provide a synopsis of the report at the April Board meeting, and a final report at the July Board meeting. Boston Pacific assured the

committee that while the revised schedule takes the project beyond the current contract term, the work would be performed in accordance with the current contract, including the stated cost.

Market Development: Boston Pacific has monitored progress toward the planned implementation of market operations in October, particularly the integration of the market monitoring requirements.

Agenda Item 3(a) – Market Monitoring Function/Role – Independent Market Monitor

Craig Roach presented an overview of the current role and functions of the independent market monitor in SPP. He then provided an assessment of recent regulatory developments related to possible changes in those functions. (Attachment 2) The group discussed some of the issues under consideration. Boston Pacific will forward the relevant court cases referenced.

Agenda Item 4 – Future IMM Activities

Craig Roach discussed future activities for Boston Pacific, and requested some direction for process going forward. (Attachment 3) Josh Martin requested that written materials be provided in advance of quarterly meetings, when possible. Quentin Jackson requested a report to include expenditures to date compared to the contract and budget, as well as projected expenditures for the upcoming quarter. Josh has requested that materials for the committee members be routed through Stacy Duckett (staff secretary) to assure proper distribution.

Agenda Item 3(b) – Market Monitoring Function/Role – Market Monitoring Unit

Richard Dillon reviewed the role and functions of the market monitoring unit. (Attachment 4) He provided an overview of recent activities. Richard discussed the current abilities of the internal staff, and short and long term needs from a third party vendor.

Agenda Item 5 – Other Business

The committee discussed possible changes in the role of the independent market monitor going forward. Richard Dillon was asked to provide a summary of his recent discussions with the Office of Market Oversight and Investigation at FERC, specifically as related to the role of a third party market monitor and its role at the commission. Phyllis Bernard also reflected the discussion with the FERC Commissioners by the ISO/RTOs regarding FERC's ability to perform market monitoring and that IMM's are not permitted to impose penalties. There have been changes in the regulatory environment that impact the strategy of having a third party manage and provide certain functions. This topic is currently at issue within some of SPP's working groups. The Compliance Committee will consider revisions to the current contract, following stakeholder working group and committee meetings in April.

Agenda Item 6 – Future Meetings

The committee plans to meet quarterly in advance of Board meetings. A specific schedule will be developed by Josh Martin and Stacy Duckett.

Respectfully Submitted,

Stacy Duckett
Secretary

~~DRAFT 04/08/05~~

Approved by RTWG – 5-17-05

MARKET MONITORING PLAN

ATTACHMENT AG

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1. Purpose and Objective

1.1 Purpose of the Plan

This Market Monitoring Plan (the “Plan”) is intended to provide for the monitoring of SPP’s Markets and Services and mitigation of the potential exercise of horizontal and vertical market power by Market Participants. Market monitoring and mitigation is an essential function for Regional Transmission Organizations (RTOs) and is required by FERC’s Order 2000.

1.2 The Market Monitoring Plan

The Plan shall be developed, implemented and maintained by SPP’s Market Monitor. The Market Monitor has the responsibility for implementing the Plan by (a) continuously monitoring SPP’s Markets and Services, (b) implementing approved market mitigation measures, (c) ~~taking the lead in~~ conducting investigations and, if necessary, recommending compliance and corrective actions, ~~and~~ (d) collecting and retaining the data and information necessary for the performance of the Plan, (e) developing, reviewing and recommending updates to the monitoring and mitigation plans contained within Attachments AG and AF to this Tariff and supporting SPP in obtaining the requisite FERC approval, and (f) periodically reporting on SPP’s Markets and Services.

1.3 Objective

The objective of the Market Monitor is to (a) ~~protect consumers against abuse~~ monitor and report on possible abuses of horizontal and vertical market power in SPP’s Markets and Services by any Market Participant ~~and~~ (b) ~~ensure that~~ monitor and recommend to SPP any changes with regard to the design and implementation of SPP’s Markets and Services ~~is as efficient as possible, so that consumers may obtain~~ to improve the ~~best deal based on price, risk and reliability.~~ operation of markets to benefit consumers and Market Participants and (c) determining Market Participants’ compliance with market rules. The Market Monitor; will

work to ensure that its functions and activities are implemented fairly and consistently, and that ~~they protect and foster~~ it protects and fosters competition while minimizing interference with open and competitive markets. ~~Correcting market inefficiencies~~ Making recommendations to improve the operation of markets and preventing the exercise of market power in advance rather than punishing offenders afterward shall be the preferred approach ~~to ensuring consumers obtain the best deal.~~

The Market Monitor will recognize that entities otherwise identified as having market power may engage in conduct giving the impression of market power but, after analysis by the Market Monitor, may prove to be pro-competitive and efficient. In making this distinction, the Market Monitor will generally focus on an analysis of the identified conduct and associated market impacts, rather than seeking to determine the intent of the Market Participant (*e.g.*, conducting profitability analyses that would require comprehensive information on all the physical and final positions of a participant).

1.4 Independence of the Market Monitor

The Market Monitor shall be granted complete independence to perform those activities necessary to provide impartial and effective market monitoring within the scope of the Plan. No person or entity may screen, alter, delete or delay the findings, conclusions and recommendations developed by the Market Monitor that fall within the scope of the market monitoring responsibilities contained in this Plan. Notwithstanding the foregoing, in the normal course the Market Monitor shall verify information with affected Market Participants prior to making recommendations or reports.

2. Definitions

For purposes of this Plan, capitalized terms shall have the meanings specified below:

2.1 Confidential Information

The term defined under Attachment AE to this Tariff.

2.2 Data and Information

Writings, documents and records of every type, including audio recordings and electronic files.

2.3 IMM Services Agreement

The agreement between the SPP Board of Directors and the external contractor providing independent market monitoring (IMM) services that defines the external contractor’s specific duties and responsibilities relating to the provision of such IMM services as filed with the Commission.

2.32.4 Interested Government Agencies

The FERC and any state regulatory commission or agency with regulatory oversight responsibilities for SPP Transmission Owners.

2.42.5 Plan

SPP’s Market Monitoring Plan set forth in this Attachment AG.

3. Market Monitor

The Market ~~Monitor has the responsibility~~ Monitor is responsible for (a) designing and implementing the FERC- SPP’s Commission approved market mitigation protocols and monitoring plans; (b) recommending updates to such market mitigation and monitoring plans, and (c) reviewing SPP’s market design and protocols and recommending changes to the SPP Tariff as necessary. It monitors SPP’s Markets and Services on a continuous basis and may conduct investigations. It is also responsible for issuing periodic reports to the Board of Directors, the Commission, the RSC, and other appropriate state regulatory authorities. The specific duties of the external Market Monitor reporting to the Board of Directors are defined in the IMM Services Agreement.

3.1 Staffing and Resources

The Market Monitor shall be comprised of two distinct entities: an organization within SPP reporting to the President of SPP comprised of employees of SPP with the necessary experience and qualifications to perform the duties of the Market Monitor; and an external contractor selected by and reporting to the Board of Directors with the requisite experience and qualifications as provided for under Section 3.17 of the SPP Bylaws, such Bylaws as filed with the Commission. The duties and responsibilities of the Market Monitor reporting to the Board of Directors shall be assigned by the Board of Directors consistent with Section 3.17 of the SPP Bylaws, Attachment AF and Attachment AG, of this Tariff. The contract between SPP and the Market Monitor entity reporting to the Board of Directors shall be filed with the Commission. SPP shall establish and provide appropriate staffing and/or resources for the Market Monitor and shall ensure that the Market Monitor has such adequate employees, funding and/or other resources, access to required information, and the full cooperation of SPP Staff, Organizational Groups, and other persons, as necessary, for the effective functioning of the Market Monitor and implementation of this Plan.

3.2 Relationships and Notifications

As a general principle, the Market Monitor may obtain input from the SPP, FERC Staff, SPP Staff, the RSC, and affected state regulatory authorities for the purpose of executing its duties. However, the Market Monitor may at any time bring any matter to the attention of the Board of Directors, the officers of SPP, FERC, or other affected state regulatory authorities, as the Market Monitor may deem necessary or appropriate. After any initial investigation of market design/policies, the Market Monitor shall also provide notification to the Board of Directors, the President of SPP, and FERC Staff as soon as practicable in the event it identifies a significant market problem that may require (a) further investigation, (b) a change to this Tariff, or (c) action by FERC. The Market Monitor shall also interface with FERC Staff and other RTO and

ISO market monitors in adjacent regions as needed for the purpose of addressing electricity market issues in a comprehensive manner.

3.3 Independence

The Market Monitor shall abide by SPP's Standards of Conduct, which shall be appropriate for establishing the professional and financial independence of the Market Monitor. The Market Monitor shall certify compliance with such policies to the President of SPP.

The external Market Monitor reporting to the Board of Directors shall abide by the conflicts of interest and code of ethics policies contained in its IMM Services Agreement with SPP, which shall be appropriate for establishing the professional and financial independence of the external Market Monitor and its subcontractors, if any. The external Market Monitor, and its subcontractors, if any, shall certify compliance with such policies to the Board of Directors.

4. Market Monitoring

The primary purposes of market monitoring are to (a) obtain objective information about SPP's Markets and Services, (b) assess the behavior of Market Participants, and (c) assess the behavior of other markets and services that impact the performance of SPP's Markets and Services. ~~Key aspects of such market monitoring are (a) assessing the design and structure of SPP's Markets and Services to ensure market efficiency, (b) determining Market Participants' compliance with market rules and (c) preventing the exercise of horizontal and/or vertical market power, which includes whether a Market Participant is affecting the Transmission Provider's ability to provide reliable and non-discriminatory service.~~

4.1 Markets to be Monitored

The Market Monitor will monitor SPP's Markets and Services, which are the markets that are operated by, and the services provided by, SPP under this Tariff. The Market Monitor will not monitor bilateral energy,

transmission or capacity markets and services not administered, coordinated or facilitated by SPP, except to assess the effect of these markets and services on SPP's Markets and Services, or the effects of SPP's Markets and Services on these unmonitored markets. Similarly, the Market Monitor will not monitor the energy, transmission or capacity markets and services in regions adjacent to the SPP Region except to assess the effect of these markets and services on SPP's Markets and Services, or the effects of SPP's Markets and Services on these adjacent markets.

4.2 Monitoring

The Market Monitor will implement the Plan. The markets will require continuous monitoring by the Market Monitor. The Market Monitor will monitor SPP's Markets and Services by reviewing and analyzing market data and information including, but not limited to:

- (a) Resource and Ancillary Services (Capacity) Plans, schedules and Offer Curves submitted for generating units in or affecting any of SPP's Markets and Services;
- (b) Actual commitment and dispatch of generating units, including but not limited to generator MW capability and output, MVAR capability and output, status, and outages;
- (c) Locational Imbalance Prices at all Settlement Locations in or affecting any of SPP's Markets and Services;
- (d) Control area data, including but not limited to control area demand, area control error, net scheduled interchange, actual total net interchange, and forecasts of operating reserves and peak demand;
- (e) Conditions or events both inside and outside SPP Region control areas affecting the supply and demand for, and the quantity and price of, products or services sold or to be sold in SPP's Markets and Services;

- (f) Information regarding transmission services and rights, including the estimating and posting of Available Transfer Capability (“ATC”) or Available Flowgate Capability (“AFC”), administration of this tariff, the operation and maintenance of the transmission system, any auctions or other markets for transmission rights, and the reservation and scheduling of transmission service;
- (g) Information regarding the nature and extent of transmission congestion in the region and, to the extent practicable, transmission congestion on any other system that affects SPP’s Markets and Services, including but not limited to causes of, costs of and charges for transmission congestion, transmission facility loading, MVA capability, line status and outages;
- (h) Settlement data, including but not limited to hourly integrated Settlement Location MW; and
- (i) Any information regarding collusive or other anticompetitive or inefficient behavior in or affecting any of SPP’s Markets and Services.

In addition to the monitoring of market data and information, the Market Monitor may communicate with SPP Staff and Market Participants at any time for the purpose of monitoring and assessing market conditions.

4.3 Maintenance of Monitoring Plan

At least every three years, after receiving input from the Market Monitor, Market Participants, regulatory authorities, and others, SPP shall evaluate this Plan to determine if changed market conditions have changed its effectiveness and require that it be modified.

5. Market Power Mitigation Plan

The Market Monitor shall develop and implement a Market Power Mitigation Plan. Such plan shall include mitigation measures, which specify market power

mitigation protocols to prevent the exercise of market power and/or other market manipulation in SPP's Markets and Services.

5.1 Implementation

The Market Monitor will implement the Market Power Mitigation Plan. This will require the Market Monitor to determine when and to what extent mitigation is required based on application of the approved mitigation protocols.

5.2 Development

The Market Monitor is responsible for proposing and designing new mitigation measures based on existing and anticipated market conditions and recommending updates to the mitigation plan. Development and recommendation of mitigation measures should be undertaken by the Market Monitor with the advice and input of SPP and the RSC.

5.3 Approval

SPP is responsible for obtaining approval from FERC to apply market power mitigation measures, with the support of the Market Monitor. Proposed mitigation measures must be approved by FERC prior to implementation by the Market Monitor. Approved mitigation measures are contained in the Market Power Mitigation Plan described under Attachment AF.

6. Investigations

6.1 Requests

Any Market Participant or Interested Government Agency may submit in writing a complaint or request for investigation to the Market Monitor. Upon receipt of such complaint or request, the Market Monitor will decide whether an investigation should be conducted. As an initial screen, the Market Monitor should not investigate any complaint pertaining to issues not related to SPP's Markets and Services or activities not monitored and overseen by the Market Monitor. An investigation will be conducted if the Market Monitor determines it should be conducted.

Requests by Market Participants and Interested Government Agencies for the Market Monitor to conduct an investigation can be made confidentially. The Market Monitor shall keep the identity of the requestor confidential and shall keep the existence of any investigation conducted confidential from all uninvolved parties and from involved parties, other than the requesting party, to the extent practicable.

Nothing in this section should be interpreted as preventing the Market Monitor from conducting investigations, either confidentially or publicly, without first receiving a written complaint from a Market Participant or Interested Government Agency. The Market Monitor may initiate investigations into any matter at any time that pertains to SPP's Markets and Services that is part of ~~their~~its market monitoring and/or market power mitigation obligation.

6.2 Conducting Investigations

The Market Monitor has the responsibility for conducting investigations. Market Participants shall cooperate fully with the Market Monitor during any such investigation subject to the preservation of rights stated in Section 10.1 of this Plan.

6.3 Reporting

The Market Monitor will coordinate reporting of the results of investigations to the Board of Directors and the appropriate regulatory body or bodies as necessary. If the findings of the investigation directly relate to any Market Participant other than the requesting party, the designated market monitoring contact for the affected Market Participant will be notified of the findings regarding his or her company.

7. Compliance and Corrective Actions

7.1 Compliance

The Market Monitor may enforce SPP's FERC-approved mitigation plan specified in Attachment AF and remedy any actual or potential abuse of market power or market design inefficiencies as part of an investigatory process. However, such enforcement is limited to matters that (i) are expressly set forth in this Tariff; (ii) involve objectively-identifiable behavior; and (iii) do not subject the Market Participant to sanctions or other consequences other than those expressly approved by the Commission and set forth in this Tariff. Other enforcement matters shall be subject to Commission determination in the first instance. As part of the investigatory process, the Market Monitor may:

- (a) Engage in discussions with Market Participants to informally resolve issues of mitigation and compliance;
- (b) Issue a demand letter requesting Market Participants causing the issue to arise to change actions as the Market Monitor deems proper to achieve mitigation and/or compliance; and
- (c) Implement any FERC-approved, applicable mitigation measure with or without prior discussions or a demand letter, as appropriate.

The Market Monitor may also engage in discussions with persons or entities other than Market Participants as necessary as part of any investigatory or compliance process.

Market Participants shall also be encouraged to initiate discussions with the Market Monitor to obtain an informal opinion regarding potential compliance consequences of any future actions such participant may wish to take that would impact SPP's Markets and Services.

Informal discussions and the issuance and content of any demand letter for compliance purposes shall be confidential, subject to (a) the right of the Market Participant(s) involved to waive such confidentiality and (b) the resolution of the issue, at which time other Market Participants may be

provided notice of the resolution if deemed appropriate for the furtherance of the purposes and objectives of this Plan.

7.2 Corrective Actions for Market Design

If the Market Monitor discerns any weaknesses or failures in market design and market rules, including the determination that SPP's Markets and Services are not resulting in just and reasonable prices or providing appropriate incentives for investment in needed infrastructure, the Market Monitor shall notify the appropriate Organizational Group of SPP, the President of SPP, the RSC, appropriate state authorities, and FERC Staff. Should SPP not respond within 60 days, the Market Monitor may recommend changes in market design and market rules to the Board of Directors, FERC and the RSC as needed. If SPP responds, but does not recommend changes to market design and market rules that are acceptable to the Market Monitor, the Market Monitor shall report to the Board of Directors and the appropriate regulatory body or bodies as needed, and then SPP may file a petition or submission seeking appropriate action from FERC or any other appropriate enforcement agency. The Market Monitor shall make recommendations for changes to this Tariff as necessary to correct weaknesses or failures in SPP's Markets and Services.

In the event that any weaknesses or failures in market design require immediate corrective action to ensure just and reasonable prices, the Market Monitor may request the President of SPP to authorize an immediate FERC filing requesting implementation of a corrective action while the appropriate Organizational Group of SPP responds to the Market Monitor's notification as described above. The requested immediate corrective action should be the method least intrusive or disruptive to SPP's Markets and Services necessary to resolve the market weakness or failure as determined by the Market Monitor. Prior to making such a request to the President of SPP, the Market Monitor will make reasonable efforts to discuss with affected Market Participants and the staff of

affected Interested Government Agencies the market weakness or failure potentially requiring immediate corrective action.

8. Reporting

8.1 Reports to the Board of Directors

The Market Monitor shall prepare and submit to the Board of Directors periodic reports (and any other reports required by the Board of Directors) relating to its activities. In such reports, the Market Monitor may make recommendations regarding any matter within its purview. The reports to the Board of Directors shall include recommendations as to whether changes are necessary to the Market Monitor, this Plan, this Tariff, the SPP Bylaws, agreements between SPP and its Members, or any other policies, procedures, and standards under the Market Monitor's purview. Any such reports may be subject to confidentiality provisions consistent with Section 9.1.

8.2 Reports to Government Agencies

The Market Monitor shall submit to the Commission and other affected regulatory authorities, including Regional State Committees, the reports provided to the Board of Directors and other such reports either as may be requested by the Commission or such authorities, subject to protection of confidential, proprietary and commercially sensitive information and the protection of the confidentiality of ongoing investigations and monitoring activities.

9. Data Access, Collection and Retention

The Market Monitor shall regularly collect and maintain Data and Information necessary for monitoring SPP's Markets and Services and implementing mitigation protocols.

9.1 Confidentiality

SPP and Market Participants may designate Data and Information as Confidential Information consistent with the terms of SPP's Membership Agreement and Section 7 of Attachment AE. If the designation of

Confidential Information appears to be unreasonable, the Market Monitor may challenge such designation of Confidential Information consistent with Section 7 of Attachment AE.

The Market Monitor shall provide Confidential Information to Interested Government Agencies consistent with the terms of Section 7.4 of Attachment AE.

9.2 Access to SPP Data and Information

The Market Monitor shall have access to all Data and Information gathered or generated by SPP in the course of its operations. This Data and Information shall include, but not be limited to, that listed in Section 4 of this Plan. All Data and Information listed in Section 4 of this Plan shall be retained by SPP for a minimum period of ~~five~~three years.

9.3 Access to Market Participant Data and Information

Market Participants shall retain all Data and Information listed below, and in Section 4 of this Plan as applicable, for a minimum of three years and will promptly provide any such Data and Information to the Market Monitor upon request. Any such request will be accompanied by an explanation of the need for such Data and Information and a specification of a reasonable form or format in which the data is to be produced. ~~Market Participants may not contest the right of the Market Monitor to obtain such Data and Information.~~ Market Participants may designate such Data and Information as Confidential Information, but such Data and Information may not be redacted or modified in any manner prior to delivery to the Market Monitor -by the Market Participant.

Data and Information to be retained by Market Participants and provided to the Market Monitor upon request:

- (a) All Data and Information relating to the costs of operating a generating unit, including but not limited to, heat rates, start-up

- fuel requirements, fuel purchase costs, environmental costs, and operating and maintenance expenses;
- (b) All Data and Information regarding opportunity costs of a generating unit, including but not limited to, regulatory, environmental, technical, or other restrictions that limit the run-time or other generating unit operating characteristics;
 - (c) All Data and Information relating to the operating status of a generating facility, including generator logs showing the generating status of a specified unit, including information relating to a forced outage, planned outage or derating of a generating unit;
 - (d) All Data and Information relating to the operating status of a transmission facility, a contingency, or other operating consideration, including forced outages, planned outages or derating of a transmission system component;
 - (e) All Data and Information relating to transmission system planning, including studies, reports, plans, models, analyses, and filings with FERC or any state regulatory commission;
 - (f) All Data and Information relating to the ability of a Market Participant or its affiliate to determine the pricing or output level of generating capacity owned by another entity, including but not limited to any document setting forth the terms or conditions of such ability.

If any additional Data and Information not listed above or in Section 4 of this Plan is required from Market Participants by the Market Monitor for the purpose of fulfilling its responsibilities, the Market Monitor may request such Data and Information from Market Participants. Such Data and Information shall be provided in a timely manner by Market Participants. Any such request shall be accompanied by an explanation of the need for such data or other information, a specification of the form or format in which the data is to be produced, and an acknowledgement of

the obligation of the Market Monitor to maintain the confidentiality of the data. If a Market Participant receiving a request for Data and Information not listed above or in Section 4 of this Plan believes that production of the requested Data and Information would impose a substantial burden or expense, or would require the party to produce information that is not relevant to achieving the purposes or objectives of this Plan, the Market Participant receiving the request shall promptly so notify the Market Monitor. The Market Monitor shall review the request with the receiving Market Participant to determine whether, without unduly compromising the objectives of this Plan, the request can be narrowed or otherwise modified to reduce the burden or expense of compliance, and if so shall so modify the request. No party that is the subject of a data request shall be required to produce any summaries, analyses or reports of the data that do not exist at the time of the data request.

If the Market Monitor determines that the requested Data and Information has not or will not be provided in a timely manner, the Market Monitor may utilize (a) the dispute resolution procedures under this Tariff or under the SPP Bylaws as applicable or (b) a filing with the appropriate regulatory or enforcement agency to compel the production of the requested information.

9.4 Certification and Auditing

The Market Monitor shall, from time to time, audit Market Participants to ensure compliance with the data retention requirements established in this Plan. Market Participants shall cooperate with the Market Monitor in such audits. The Market Monitor will annually destroy, and certify such destruction to the Board of Directors, information in ~~their~~its possession which is no longer reasonably necessary.

10. Miscellaneous Provisions

10.1 Rights and Remedies

This Plan does not restrict SPP and Market Participants from asserting any rights they may have under state and federal regulation and laws, including initiating proceedings before the FERC regarding any matter which is subject to this Plan.

10.2 Disputes

Disputes as to the implementation of, or compliance with, this Plan shall be subject to the dispute resolution procedures under this Tariff or under the SPP Bylaws as applicable.

11. Review of Market Monitor

The activities of the Market Monitor shall be reviewed from time to time in accordance with procedures adopted by the Board or Directors.

12. Effective Date

This Plan shall be effective as of the date it is accepted for filing by the FERC.

MEMORANDUM

May 27, 2005

TO: Joshua Martin, Chair
Phyllis Bernard
Quentin Jackson
SPP Compliance Committee

FROM: Craig Roach
Rob Janssen

SUBJECT: Background Memo on Extension of IMM Services Agreement
Statement of Work for Remainder of 2005 Calendar Year and
Amendments to IMM Services Agreement

BACKGROUND AND SUMMARY

The IMM Services Agreement between SPP and Boston Pacific Company, Inc. (the "Agreement") continues until terminated, however, the Statement of Work in the Agreement expires on June 30, 2005. Therefore, either an extension of the existing Statement of Work or a new Statement of Work is required after that date.

SPP Staff has suggested, and Boston Pacific agrees, that the best way forward is to simply extend the existing Statement of Work. The Staff proposes, and again Boston Pacific agrees, that the extension cover the period from July 1, 2005 to December 31, 2005. The reason for a six-month extension (rather than a full twelve months) is that it puts the Agreement on a calendar year basis so it would be consistent with SPP's annual budgeting process.

The Compliance Committee will be asked to approve the proposed extension during our teleconference on June 3, 2005. We thought it would be useful for the Compliance Committee to give guidance on three other topics related to the Agreement during the call. The first is guidance on the priorities for our work. Clearly, our top two priorities are winning approval from FERC for the EIS Market and assuring that the EIS Market is open for business no later than March 1, 2006 as required by the Board. The second topic is guidance on budget caps. We suggest that the cap be set at the average actual billings over the past ten months – about \$----- per month or \$----- for the full six-month term of the extension. It is our view that the guidance from the Compliance Committee on these two topics (priorities and budget cap) does not require changes to the contract.

The third topic goes to required contract changes. We have been discussing with SPP Staff three issues that need to be cleaned up in the Agreement. Those topics pertain to (a) approval of time and materials tasks, (b) invoice payments and disputes, and (c) liability and indemnification. These topics are discussed in more detail below.

PRIORITIES FOR THE IMM’s WORK

We believe that the primary tasks for the IMM during the six-month period from July 1, 2005 to December 31, 2005 will be:

1. Win approval from FERC for the EIS Market filing to be made on June 15, 2005. A key component here is explanation and defense of our expert testimony on the Market Monitoring Plan and Market Power Mitigation Measures; (By the way, Carl, Richard and both of us will be meeting with FERC Staff on May 31 and June 1 to get some additional pre-filing feedback, and we can bring the Compliance Committee up to date on the meeting during the June 3 call.)
2. Informing and advising the SPP Board of Directors on progress toward (and working through the stakeholder process to ensure that) its directive for a March 1, 2006 online date for the EIS Market is met;
3. Conduct the initial assessment of transmission market power in SPP in accordance with Market Power Mitigation Measures approved by SPP stakeholders;
4. Monitor for transmission market power in SPP in accordance with FERC’s February 2004 order approving conditional RTO status for SPP;
5. Provide market design assistance for both the EIS Market and the next phase of SPP’s market implementation – for example, the MWG will consider a proposal on June 7 to move forward with a single control area and to create Ancillary Service Markets; and
6. Continue other activities under the existing Statement of Work, including (a) maintaining reporting and operational relationships, (b) conducting and/or participating in investigations as required, and (c) starting preparation for the 2005 SPP State of the Market report.

SUGGESTED BUDGET CAPS

Under the existing Statement of Work, our average monthly hourly fee billings have been \$----- during the period from July 2004 to April 2005. Documentation of our billings is included in Attachment One. (Note, that as the first enclosed table shows, this is exactly what we bid when competing to win the

IMM role.) We believe that the level of work that will be required during the period from July 1, 2005 to December 31, 2005 will be similar to the level of work previously experienced. Therefore, we recommend \$----- as the budget cap for total hourly fees for the six-month Statement of Work extension, including market design work consistent with the level of participation required in the past. If any new tasks arise during the six-month extension that are not anticipated by the priorities outlined above, we will request authorization from SPP for a new Scope of Work as outlined below.

As with the existing Statement of Work, expenses would be in addition to the hourly fees billed and would be capped at ---% of the total hourly fees. Our work under this extended Statement of Work would be conducted at our current billing rates, which went into effect on January 1, 2005, and is included in Attachment Two.

PROPOSED AMENDMENTS TO IMM SERVICES AGREEMENT

SPP Staff and Boston Pacific have been discussing changes to the Agreement regarding (a) approval of time and materials tasks, (b) invoice payments and disputes, and (c) liability and indemnification.

Time and Materials Tasks

The Agreement states that, “[t]ime and [m]aterial tasks could add significantly to the budget and, for large tasks (more than \$-----), supplemental scopes of work will be provided as requested by the Board before the Boston Pacific Team begins its work.” Since July 2004, the interpretation of this contract term has resulted in shared confusion between the Boston Pacific and SPP Staff regarding whether some work should be performed by Boston Pacific and the tasks to which some work should be identified. These issues have been resolved, but along with SPP Staff, we recommend that this contract provision be changed. Boston Pacific and SPP Staff have agreed on the following new contract terms:

1. All invoices from Boston Pacific shall be identified to approved tasks;
2. Time and materials tasks are considered to be place holders until a refined written “Scope of Work” is developed with an estimated cost limit; and
3. Activities under time and materials tasks will not be authorized until the “Scope of Work” is approved in writing by SPP. However, work performed prior to authorization will be paid after approval of the “Scope of Work” by SPP. Payments will only be made by SPP for tasks identified in an approved “Scope of Work.”

These terms are not intended to preclude funding of work activities directed by the SPP Board of Directors or FERC.

Invoice Payments and Disputes

We would also appreciate it if clarification regarding billing disputes could be added into the Agreement. We suggest that the following text be included in Exhibit B – Compensation:

“SPP shall pay the Boston Pacific Team all invoiced amounts unless SPP disputes such payments, or any portion thereof, in writing. The Boston Pacific Team and SPP shall endeavor in good faith to resolve any such invoicing disputes. Any such dispute that cannot be resolved between the Boston Pacific Team and SPP shall be referred to SPP’s Compliance Committee for resolution. Neither the Boston Pacific Team nor SPP waives any legal rights it may have under the Agreement regarding the resolution of such disputed invoices.”

Liability and Indemnification

For other RTOs, the IMM’s liability is limited and it is indemnified as part of the tariff attachment terms of the Market Monitoring Plan approved by FERC. The SPP’s Regional Tariff Working Group excluded the proposed liability and indemnification terms from SPP’s tariff and recommended that appropriate terms be included in the IMM Services Agreement instead. As a result, along with SPP Staff, we propose that the following clause concerning liability and indemnification of the IMM be included in the IMM Services Agreement.

“The IMM shall not be liable to any person or entity for any matter, act or omission under this Agreement, including, but not limited to financial loss or damages of any kind resulting from any act or omission under this Agreement, unless the IMM is found to have been grossly negligent or engaged in willful misconduct by a court of competent jurisdiction.

SPP shall indemnify and hold harmless the IMM from any and all actions, claims, demands, costs and liabilities to third parties relating to the implementation of this Agreement, except to the extent that such action, claim, demand, cost or liability results from the gross negligence or willful misconduct of the IMM.”

These terms are very similar to those for the NYISO and MISO, an excerpt of which is included in Attachment Three for your review.

REDACTED

Thank you for taking the time to review this memo. We look forward to the call on June 3.

ATTACHMENT ONE

HISTORY OF IMM BUDGET AND SPP BUDGET PROGRESS

CONFIDENTIAL INFORMATION—REDACTED

ATTACHMENT TWO
BILLING RATES FOR BOSTON PACIFIC COMPANY

CONFIDENTIAL INFORMATION—REDACTED

ATTACHMENT THREE

NYISO LIABILITY AND INDEMNIFICATION EXCERPT

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July 26, 1999

David P. Boergers, Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, D.C. 20426

New York Independent System Operator, Inc.: Market Monitoring Plan
Docket Nos. ER97-1523-000, OA97-470-000 and ER97-4234-000

Dear Mr. Boergers:

Pursuant to ordering paragraph "N" of the Commission's January 27, 1999 *Order Conditionally Accepting Tariff and Market Rules, Approving Market Based Rates and Establishing Hearing and Settlement Judge Procedures*,¹ the New York Independent System Operator, Inc. ("NYISO") hereby submits for filing its Market Monitoring Plan ("Plan").

Ordering paragraph "N" directed the NYISO to file "a detailed monitoring and mitigation plan . . . within six months of the date of the [January 27] order or the date that the ISO commences operations, whichever comes sooner." As discussed further below, the NYISO intends to file a separate, detailed market power mitigation proposal on or before scheduled September 1, 1999 market start date, in order to accommodate the New York ISO Market Advisor ("MA") participation and stakeholder review contemplated by the Plan. Accordingly, the NYISO believes that this filing brings it into compliance with the requirements of ordering paragraph "N".

I. List of Documents Submitted

The NYISO submits an original and fourteen copies of the following:

1. This transmittal letter;

¹ *Central Hudson Gas & Electric Corp., et. al.*, 86 FERC ¶ 61,062 at 61,240 (1999).

d) Recommend to a NY ISO committee, the Chief Executive Officer, or the Board, as appropriate, modifications to a tariff or agreement, or rule, standard or procedure, administered by the NY ISO.

11.2 Confidentiality

Discussions or the issuance of a demand letter as specified in Section 11.1 above shall be confidential, subject to the right of the Market Party or Market Parties involved to waive such confidentiality. Upon resolution of the matter giving rise to the discussions or demand letter, the Market Monitoring Unit, in consultation with the New York ISO Market Advisor, shall provide such notice of its actions to the Market Parties and other interested parties as the Market Monitoring Unit shall deem appropriate in furtherance of the purposes and objectives of this Plan.

11.3 Dispute Resolution

If the Market Monitoring Unit or the New York ISO Market Advisor determines that appropriate correction of a competition or efficiency problem has not been achieved through the foregoing initial procedures, then the Market Monitoring Unit, as directed and authorized by the Chief Executive Officer acting with the advice of the New York ISO Market Advisor, may:

- a) Invoke the dispute resolution procedures of the New York Independent System Operator Agreement to seek appropriate corrective action; or
- b) May file a complaint or other petition or submission with an appropriate federal or state regulatory or antitrust enforcement agency seeking appropriate action.

12. LIABILITY

The liability of the NY ISO, and its directors, officers, employees and agents, and of the New York ISO Market Advisor, for any matter arising under or relating to this Plan shall be governed by this section. The NY ISO, and its directors, officers, employees and agents, and the New York ISO Market Advisor, shall not be liable to any person or entity for any matter, act or omission described in or contemplated by this Plan, as the same may be amended or supplemented from time to time, including but not limited to liability for any financial loss, loss of economic advantage, opportunity cost, or actual, direct, indirect or consequential damages of any kind resulting from or attributable to any act or omission of the NY ISO or the New York ISO Market Advisor under this Plan. The NY ISO shall indemnify and hold harmless its directors, officers, employees and agents and the New York ISO Market Advisor of and from any and all actions, claims, demands, costs (including any form of damages or other economic loss and all court costs and reasonable attorneys' fees) and liabilities to third parties, arising from or in any way connected with, the implementation or a failure to implement this Plan, except to the extent that such action, claim, demand, cost or liability results from the willful misconduct of any of the foregoing persons.