

Southwest Power Pool**OVERSIGHT COMMITTEE MEETING****September 24, 2015****Chicago O'Hare Airport, Chicago, IL
AA Admirals Club, Terminal 3****• M I N U T E S •****Agenda Item 1 – Call to Order/Administrative Items**

Josh Martin called the meeting to order at 10 AM. Members in attendance included: Josh Martin (Director); Larry Altenbaumer (Director); and, Phyllis Bernard (Director). Additional Board members in attendance included Jim Eckelberger. SPP staff in attendance were: Michael Desselle, Ben Bright, Lauren Krigbaum, Mark Bowling, Alan McQueen, Barbara Stroope, Richard Dillon, and Paul Suskie. Additional participants dialed-in by phone (Attendance – Attachment 1).

Phyllis Bernard moved and Larry seconded adoption of the June 8, 2015 Oversight Committee meeting minutes which were unanimously accepted (Minutes 6/8/15 – Attachment 2).

Chairman Martin noted that item #5 on the agenda (Potential Role for Boston Pacific in 2016) would be moved up to accommodate scheduling concerns.

Agenda Item 2 – Action Items Report

Michael Desselle reviewed the Pending Action Items Status Report (Action Items Report – Attachment 3). Regarding Action Item #1 (Consider engagement of an outside firm to audit/assess MMU metrics and processes), Phyllis Bernard suggested a clarification to note that such engagement would occur after the conclusion of the FERC audit underway at this time.

Agenda Item 5 – Potential Role for Boston Pacific in 2016

Craig Roach (Boston Pacific) began his presentation to the Committee by noting that Boston Pacific (BP) is in its 12th year of serving the Board, this would be the sixth year in developing a "Looking Forward" report (Continuing Role for Boston Pacific Memorandum – Attachment 4). He proposed a similar "Looking Forward" report in quality and timing as the one prepared for the Board this year. Josh queried Committee members regarding any questions for Craig and reviewed the timeline for proceeding forward. Josh thanked Craig and noted that the Committee would take the proposal under advisement in Executive Session. Jim Eckelberger suggested one additional topic for consideration would be to get BP's insight and opinion of the issue of Mass- versus Rate-Based option associated with the EPA's Clean Power Plan. Larry expressed that the topics BP has raised in their reports over the years have been useful. He further noted that their report this year received a lot more positive comments and was an adjunct to the Board's strategic planning.

Agenda Item 3 – Update on Current Activities

Internal Audit – Lauren Krigbaum provided the quarterly report (Internal Audit Report – Attachment 5) for the Internal Audit department. She noted that the 2014-2015 Audit Plan has been updated to include an Identity Access Management audit at the request of the CCO and Director of Compliance. Lauren also informed the Committee on the outcomes of Audits and Assessments that have been completed since the June OC meeting, including: Digital Certificate risk assessment; Project Pinnacle readiness; and, the Aircraft Ownership Cost audit. She also discussed the progress of audits currently in process, including: the Software Licensing review; the Study Deposits Refund review; and, the Control Self-Assessment on

Oversight Committee Minutes September 24, 2015

SPP models. Lauren informed the Committee that the Modeling Control Self-Assessment will likely take a year to complete and responded affirmatively when asked by the SPP Board Chairman to include an assessment of the effectiveness of manpower and to look for efficiency and process improvements during the engagement. Finally, Lauren reported on the status of KPMG's SOC 1 audit progress.

Compliance – Mark Bowling reviewed the Compliance and Security Department report (Compliance and Security Department report – Attachment 6) of quarterly activities. As part of his report he responded with a more detailed explanation of the goal of the upcoming GridExIII Exercise.

Market Monitoring Unit Report – Alan McQueen provided his update on quarterly activities (Market Monitoring Activity Report – Attachment 7). He reported that the MMU is fully-staffed and is seeking an additional headcount in 2016. Alan reported on the progress of the FERC's audit currently underway noting that the FERC has now sent a third set of data requests. Alan reported that the MMU is assessing FERC's recent Order denying the MMU's request to apply a market impact test to its Physical Withholding screen. Alan also described the FERC's recent Order upholding the MMU's opposition to Mitigated Offer filing.

Order 1000 Update – Ben Bright provided an update on recent Order 1000 activities (Order 1000 update – Attachment 8). Ben reminded the Committee on the timeline associated with the RFP process for the Walkemeyer transmission project. Paul and Ben discussed potential training for the Board and the Committee unanimously supported training for the Board. The committee advised Ben on particular aspects that the training should include. Ben advised the OC that sometime between November 2nd and the 30th; the Committee will need to decide on the panelists that will serve on the Industry Expert Panel. The OC has scheduled a mid-November conference call to consider a staff recommended Panel.

Agenda Item 4 – Draft 2016 Internal Audit Plan

Lauren shared with the Committee her draft 2016 Audit Plan and highlighted new planned audits for 2016. Josh asked the Committee for any additional areas for the Internal Audit department to explore. Larry asked for clarification concerning the scope of the planned review of the budgeting/forecasting process. Jim Eckelberger asked for an assessment of line management's engagement in SPP's corporate-wide process improvement initiatives.

Agenda Item 6 – New Action Items

Action items are:

- Clarify timing of outside firm engagement to audit/assess MMU metrics and processes;
- Develop recommendation and list of issues for engagement of Boston Pacific for a 2016 Looking Forward Report;
- Recommend that Board receive training on the transmission RFP and Independent Expert Panel (IEP) processes; and,
- Schedule mid-November conference call for OC to select experts to serve on the IEP.

Adjournment

Josh Martin thanked everyone for participating and adjourned the meeting at noon and went into Executive Session.

Executive Session

The Committee met in Executive Session and discussed Compliance/Security matters, Order 1000 matters and MMU matters.

Respectfully Submitted,

Michael Desselle



OVERSIGHT COMMITTEE MEETING

September 24, 2015

Chicago O’Hare Airport, Chicago, IL

American Airlines Admiral’s Club, Terminal 3

• A G E N D A •

10:00 a.m. – 3:00 p.m. CDT

- 1. Call to Order/Administrative ItemsJosh Martin
- 2. Action Items Report..... Michael Desselle
- 3. Update on Current Activities
 - a. Internal Audit.....Lauren Krigbaum
 - b. Compliance.....Mark Bowling
 - c. Market Monitoring Unit Alan McQueen
 - d. Order 1000..... Ben Bright
- 4. Internal AuditLauren Krigbaum
 - a. Draft 2015 Audit Plan
- 5. Potential Role for Boston Pacific in 2016..... Craig Roach
- 6. New Action Items Michael Desselle
- 7. Future MeetingsJosh Martin

2015

December 7 Little Rock

2016

March 24 Washington, D.C.

June 13 Little Rock

September 22 Chicago, O’Hare Airport

December 5 Little Rock

Executive Session

Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING

September 24, 2015

Chicago O'Hare Airport, Chicago, IL

American Airlines Admiral's Club – Terminal 3

• ATTENDANCE LIST •

Name	System
Michael Desselle	SPP
Ben Bright	SPP
Mark Bowling	SPP
Alan McQueen	SPPMMU
Phyllis Bernard	SPP Director
Lauren Krigbaum	SPP
Richard Dillon	SPP
Jin Eckelbarger	SPP Chairman
Paul Sostre	SPP
JOSI MARTIN	SPP DIRECTOR
Barbara Stroope	SPP
Phone → Ray Bergmeier	Sunflower
Kim Van Brimer	SPP
Craig Roach	Boston Pacific
Larry Altenbawmer	SPP Director
Vincent Morse	BP
Cheryl Bredemback	Xcel

**Southwest Power Pool
OVERSIGHT COMMITTEE MEETING**

**June 8, 2015
SPP Corporate Campus, Little Rock, AR**

• M I N U T E S •

Agenda Item 1 – Administrative Items

Chair Josh Martin called the meeting to order at 8 AM. Members in attendance included: Josh Martin (Director); Larry Altenbaumer (Director) by phone; and, Phyllis Bernard (Director). Additional Board members in attendance included Jim Eckelberger, Harry Skilton and Julian Brix. SPP staff in attendance was Michael Desselle, Ben Bright, Kim Van Brimer, Lauren Krigbaum, Alan McQueen, and John Hyatt.

In discussions to adopt the March 26, 2015 minutes (Minutes 3/26/15 – Attachment 1), Josh noted that the Market Monitoring Unit (MMU) Quarterly Activity report section should be changed to reflect his understanding that the Oversight Committee (OC) was seeking to have the MMU present to the OC the "Annual" (not Quarterly) State of the Market report prior to the report being shared with the Federal Energy Regulatory Commission (FERC). The other OC members concurred with his understanding. The revised minutes (Revised Minutes 3/26/15 – Attachment 2) were approved upon a motion by Phyllis seconded by Larry. The May 4, 2015 teleconference minutes (Minutes 5/4/15 – Attachment 3) were also approved upon a motion by Larry seconded by Phyllis.

Agenda Item 2 – Action Items Report

Michael Desselle reviewed the Action Items Report (Action Items Report – Attachment 4). Regarding Action Item #1 (Consider engagement of an outside firm to audit/assess MMU metrics and processes) Alan McQueen reported that he had been planning to budget for the review in 2016, but since the FERC has an audit underway, he was seeking to postpone such review until 2017. Josh noted that the FERC audit appears to be focusing on the MMU's governance structure and that the outside assessment was to be more focused on the MMU's processes, metrics and best practices. Phyllis sought to understand the overlapping nature of the two evaluations and asked for a Venn diagram of the two efforts. Alan described his understanding of the separate evaluations. Recognizing that the MMU is experiencing current resource constraints, Larry suggested that the outside assessment was important and should move forward prompting Josh to suggest that a placeholder for the assessment be placed in the 2016 budget and that the OC could decide later whether or not to do the study. Regarding Action Item #3 (Dates for Cyber Training at SPP) the OC, noting that we have them waiting on this item for over a year, asked staff to accelerate discussions with the Department of Homeland Security (DHS) thereby enabling SPP to deliver this training as quickly as can be accomplished. The OC also requested that the training accommodate an additional ½-day high-level overview for the SPP Directors and Member Committee Representatives.

Agenda Item 2 – Quarterly Activity Reports

Order 1000 Update – Ben Bright provided an update on recent Order 1000 activities. Ben noted that the Industry Expert Panelists (IEPs) have now all been contracted (excluding Elliott Roseman per 5/4/15 OC direction and one other individual who has since switched firms). Ben reported that training for the IEPs is scheduled from September 30, 2015 through October 2, 2015 and that Board of Director (BOD) members would be invited to attend the sessions. He reported that the training curriculum is under development and that it would be shared with stakeholders in August 2015. The OC advised Ben to work with Paul Suskie to engage the SPP Legal Department to address the quasi-administrative process issues associated with this training. Ben provided a status of the Request for Proposal (RFP) timeline to the OC noting that it would be April of 2016 before the BOD would be asked to award the Notification to Construct (NTC). The OC directed Ben to prepare the timeline for Josh to report to the BOD in July 28, 2015. Finally, Ben reported that the Window for new IEP candidates opened on June 1, 2015.

**Oversight Committee Minutes
June 8, 2015**

Compliance – Kim Van Brimer reviewed the Compliance Department metrics (Compliance Department Metrics – Attachment 5) and provided an update of quarterly activities (RTO Compliance Department Q2 2015 – Attachment 6). Michael Desselle provided a personnel update. Staff was asked to apprise the OC of important matters during the interim between meetings.

Internal Audit – Lauren Krigbaum provided the quarterly report (Internal Audit Report – Attachment 7) for the Internal Audit Department. Noting that the 2015 annual audit plan has a review of software licensing, the OC asked questions and provided guidance and expectations regarding aspects of that review. The OC also provided their perspective and preference on the prioritization of certain planned audits.

Market Monitoring Unit Report – Alan McQueen first provided a staffing report for the MMU. He noted that a new staff member will be joining the MMU in late July/early August 2015 and that the MMU will seek one additional headcount in the 2016 budget. Alan also provided an update on quarterly activities for the MMU (Market Monitoring Activity Report – Attachment 8). Specifically, he reported on the status of the FERC audit. Alan reported that the MMU had completed its portion of the 15-month review of the Integrated Marketplace (IM), which has been filed with the FERC. Staff was asked to share the filing with the BODs. Alan provided a status of the efforts to resolve the Jointly Owned Units Market Design Flaw in the SPP stakeholder process and was directed to provide a financial impact analysis of the flaw. Finally, Alan responded to questions about the MMU's projected 2015 budget impacts, specifically regarding outside legal expenses.

Agenda Item 3 – 2014 Annual State of the Market Report

John Hyatt presented a preview of the MMU's draft Annual State of the Market Report.

Adjournment

Josh Martin thanked everyone for participating and adjourned the meeting at noon.

Respectfully Submitted,

Michael Desselle, Oversight Committee Secretary



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE
Pending Action Items Status Report
September 24, 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, after the conclusion of the FERC Audit.
Internal Audit to develop approach for assessing SPP modeling processes and effectiveness.	Dec 9, 2013	In Process	IA has initiated the review using a Controls Self-Assessment approach. Kick-off meetings were held with Sr. Mgmt. and Line Mgmt. in Modeling. Individual Mtgs. will commence following IS integration.
Dates for Cyber training at SPP.	June 9, 2014	In Process	Scheduled for Q1 2016
TBD to seek resources (s) for 3rd party review of SPP systems	Sept 25, 2014	In Process	Underway
SPP Staff's position on the mitigated offer issue	Mar 26, 2015	Complete	
Develop a Stakeholder Education Program about the MMU	Mar 26, 2015	In Process	In Development.

MEMORANDUM

August 28, 2015

TO: Josh Martin, Chairman, SPP Oversight Committee
Michael Desselle, Staff Secretary, SPP Oversight Committee

FROM: Craig Roach, Ph.D.
Vincent Musco

SUBJECT: Continuing Role for Boston Pacific in 2016

We hope all is well with you. The purpose of this short memo is to ask whether the Board would like Boston Pacific Company, Inc. to continue in its role as an independent advisor in the coming year. This would be our twelfth year serving the Board—as always, thank you for that.

For 2015, the *Looking Forward Report* was our only requested effort. The Report appeared to be well received by the Board and Members, and we were happy to help contribute to the Board's consideration of long-term, strategic issues. Boston Pacific would be pleased to prepare a *Looking Forward Report* in 2016. Our second task was to serve as an advisor to the Board as needed – there were no efforts requested under this second task in 2015, but we would be happy to be on call once again. We explain both of these tasks in more detail below. If you would like to discuss this at your upcoming meeting (September 24), we would be happy to call in at any time convenient for you.

TASK 1: LOOKING FORWARD REPORT

We would provide our sixth annual *Looking Forward Report* to help the Board with its long-term strategic planning efforts. The *Looking Forward Report* will focus on broad market and regulatory events that (a) potentially could have a significant impact on SPP's markets and/or (b) could require the Board's special attention. As always, we will develop the list of topics in consultation with the Board to ensure that we focus our Report on issues of greatest interest. Such topics could include:

- (a) Update on Environmental Regulations, including President Obama's Clean Power Plan and the Supreme Court's rejection of MATS regulations without a cost-benefit study
- (b) Update on the Shale Gas Revolution, including the EPA's long-awaited study on fracking's impact on drinking water and its proposal for further methane emissions control
- (c) Further developments in decentralization, including Tesla's PowerWall

- (d) Updates on State-Federal jurisdictional issues, including the Supreme Court's upcoming decision on FERC Order 745 (demand response compensation) and the potential for environmental dispatch in RTO markets as states comply with the CPP

We would present the Report at both the Spring 2016 Oversight Committee meeting and the April 2016 Board of Directors/Members Committee meeting.

TASK 2: ADVISE BOARD (AS NEEDED)

As always, we can continue with the role of advising the Board as needed at its request. If the Board sees specific challenges arise during the term of the contract that were not apparent before, please tell us and we would help address those issues. For example, we could help with SPP's efforts in helping its member states comply with the CPP. Also, we are aware of an ongoing proceeding involving market mitigation in SPP's day-ahead and real-time energy markets and which costs are appropriate for consideration in mitigation design and decisions. We would be happy to lend our expertise to issues like these going forward to the Board, as needed.

NEXT STEPS

Please let us know whether and how you would like to proceed. Thank you for your consideration.

Southwest Power Pool, Inc.

INTERNAL AUDIT

Report to the Oversight Committee

September 24, 2015

Staffing

- The Internal Audit department is fully staffed.

Activity Update

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

- **Digital Certificate Process Risk Assessment**

Internal Audit completed a process risk assessment of the digital certificate process. The purpose of the assessment was to review the identification, requisition, monitoring, tracking and removal of external and internal digital certificates; identify related corporate policies, SOC1 objectives, and process documentation and ensure conformity to their requirements; and research and identify risks related to internally generated and externally purchased (IdenTrust, OATI and GoDaddy) certificates.

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:

- 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 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.

- **Off We Go LLC – Aircraft Ownership Cost Audit (Rate)**

The Internal Audit department has completed an audit of costs and consumables in support of the May 2015 rate adjustment charged for use of the Off We Go, LLC private aircraft. The audit was completed, in part; to fulfill Southwest Power Pool, Inc.'s (SPP) commitment to FERC Office of Enforcement's recommendation that SPP should "perform an analysis to validate the fairness and reasonableness of any cost factors submitted by the CEO and CFO for purposes of reimbursement."

See attached for summary.

- **Off We Go LLC – Invoice Reimbursement Audit (11/1/14 through 4/30/15)**

The Internal Audit department performed an audit of reimbursements made to Off We Go, LLC for use of their private aircraft for the period of November 1, 2014 through April 30, 2015. In addition, we reviewed Off We Go's insurance policy to confirm it meets the requirements listed in the Private Aircraft section of SPP's Expense and Travel Policy.

See attached for summary.

- **Off We Go LLC (Fixed Cost Reimbursements)**

On July 10, 2009, the SPP Finance Committee approved a process to reimburse the SPP CEO and CFO for fixed costs associated with aircraft owned by Off We Go, LLC, a limited liability company whose sole members are the SPP CEO and CFO. The aircraft owned by Off We Go, LLC is frequently used by SPP to transport SPP employees on SPP business. In general terms the approved process results in SPP reimbursing 85% of the fixed costs associated with the aircraft. Fixed costs associated with the aircraft include: depreciation, interest, maps/charts, annual inspection, insurance, property taxes and hangar rent.

Fixed cost reimbursements made to Off We Go, LLC for the period September 12, 2014 to September 14, 2015 were reviewed by the Internal Audit department. Expense reports and supporting documentation for each reimbursement were obtained from SPP Accounting and reviewed for appropriateness and accuracy.

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 audit is in the reporting phase.

- **Software Licensing**

This audit has been reassessed and a determination made that a phased approach will provide better coverage of this area. Phase 1 will cover software licenses on all PCs – desktops and laptops. Phase 2 will cover software licenses on servers/operating systems (OS) and databases. The primary objectives of our

audit 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 Phase 1 audit is in the testing phase.

- o **Tariff Administration**

The primary objectives of the audit 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 audit is in the testing phase.

- o **HR Payroll**

The primary objectives of the audit 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. The audit 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. The audit is in the testing phase.

- o **Change Management Monitoring Tools**

The primary objectives of the audit 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 audit is in the reporting phase.

- o **Balancing Authority**

The primary objectives of the audit 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 audit is currently on hold until after the completion of the Integrated Systems integration.

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

This audit is completed to ensure proper interest disbursements have been made for qualified generation interconnection requests in order to fulfill Attachment V tariff language. Phase 1 of this audit is focused on the historical payment obligations. Phase 2 of the audit (to be completed in 2016) will provide coverage of the future processes related to Engineering Finance Administration. The primary objectives of Phase 1 of the audit 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; and adequate documentation was retained to support refund calculations and invoices. The Phase 1 audit is in the testing phase.

- o **Pension Plan/401 (k)/SERP (Retirement Benefits)**

The primary objectives of the audit are to ensure: sufficient processes and procedures are identified, documented and followed to protect the interests of SPP and its employees; internal controls are adequately designed and operating effectively; requirements related to retirement benefits comply with SPP governing documents, as well as, State and Federal regulations; adequate documentation is retained to support plans and contributions; adequate tracking process is established and documented to ensure proper payments; each of the

components of the Retirement Program listed above support the principal goal of the program which is financial security in retirement for SPP employees; there is an effective process for monitoring vendor contracts and vendor performance; employee data is maintained accurately and securely. The audit is in the testing phase.

- **SPP Modeling Control Self-Assessment (CSA)**

The primary objectives of the CSA are for participants to: build a map of all SPP models/interfaces; develop "Fit for Purpose Statement" for each model by user; conduct CSA workshops with subject matter experts to develop/proof process maps; conduct CSA workshops with subject matter experts to identify risks and controls (including backup, versioning, system access and data change monitoring), develop/proof validations; CSA workshops to review internal and external coordination/communication; CSA workshops to review preparation for MOD 33 NERC Steady-State and Dynamic System Model Validation (in effect July 1, 2017). This audit is in the testing phase.

- Audits Currently in Planning:
 - Identity Access Management
 - Application Access
 - Collateral Management
 - Corporate-Wide "Manual Workarounds"
- Upcoming Audits:
 - Off We Go LLC (Rate)
 - Off We Go LLC (Invoices)
- Upcoming Audits Deferred to 2016:
 - Customer Additions/Terminations CSA
 - Grandfather Agreements (GFA) / Federal Statutory (FSE) Exemptions GFAs
 - Vendor Management (including defect management)
 - Emergency Management Business Continuity (EMBC)
 - Credit Management System (CMS)
 - Budget/Forecasting
 - Data Management/Changes CSA
 - Order 1000 Process
 - Contract Management
 - Credit Stack/Z2
- Other Activities:
 - Controls audit (SSAE 16/SOC1) work:
 - SOC 1 Type 2 Audit:
 - Completion of periodic control activity reviews:
 - ❖ 53 completed to date, 20 in process (80 total Business control activities)
 - ❖ 23 completed to date, 7 in process (30 total General IT control activities)
 - Phase 2 of 2015 audit:

- ❖ Planning for KPMG's onsite visit October 2015
 - Attended the ISO/RTO Internal Audit Directors meeting in Minneapolis
- Other consulting/advising:
 - Credit Stack (Z2) process
 - Grandfather Agreement LEAN project
 - CIP Version 5 Program
 - Revenue Requirements and Rates File Process Improvement Lean Process
 - Engineering database initiative

Respectfully submitted,

Lauren Krigbaum
Director, Internal Audit



**Southwest Power Pool, Inc. (SPP)
RTO Compliance and Security Department
Oversight Report - Q3 2015**

Executive Summary

The Compliance & Security Department has seen many successes in Q3. The BA Certification efforts, focused and positive discussions with Tripwire/ID, a successful Splunk deployment, Evidence Reviews with member kudos received, Tariff Project milestones hit and steps towards strengthening our SPP Safety Training are just a few of the areas where the team excelled in results oriented achievements.

Upcoming Regional Compliance Outreach events in September include the Fall Forum, which now has over 105 registered member attendees, the CIP Working Group and the Regional Compliance Working Group.

Emerging challenges for the team includes the CIP-V5 rollout, preparation for the 2016 CIP and O&P audits, Safety Practices, and strengthening the structure of the team through some organizational movements and new hires.

Action Item #3 Update/Response

The Cyberterrorism First Responder course developed by the University of Arkansas Criminal Justice Institute has finally been certified by DHS/FEMA for delivery to first responders around the country. Due to the high level of demand for this course, the soonest a private course for SPP members can be scheduled is first quarter 2016. For the SPP delivery, the course will be shortened to four days. In addition, a high-level half-day course will be provided to SPP management staff on the Friday of the week the course is delivered.

Compliance Report

Audits Set for 2016

We have two SERC audits set for 2016. The Operations and Planning audit is scheduled for May 9-13, 2016. We anticipate receiving the scope in early February. The CIP audit is scheduled for October 31 through November 4, 2016.

NERC Balancing Authority (BA) Certification

WAPA IS Balancing Authority (BA) Bucket 2 list is complete as of September 1, 2015 and legal documentation will be submitted. Any follow up questions from SERC are to be reviewed and answered on September 2, 2015. The Legal documents are to be filed with SERC for executive approval and forwarding to NERC for formal WAPA IS BA approval prior to or before September 15, 2015.

Tariff Project Update

The Tariff Review is in the final phase. Approximately 85% of the Tariff has been reviewed and documented. The remaining sections were unclaimed and have been meted out to various departments for ownership and oversight. A second spreadsheet is tracking Tariff sections with multiple participants and one department will be assigned official ownership of each of those sections. In addition to the Review evidence submission, the departments also provided processes for ongoing internal Tariff education and compliance awareness specific to their areas.

Tariff Revision Requests which resulted from the review were sent to Legal and Regulatory for processing, as were possible compliance gaps.

Q3 Spot Checks

Modeling Spot Checks for 2015 have been completed in full. The remainder of the Planning Standards will be reviewed in November. There are four remaining Operations Standards that will be reviewed by the end of the year.

MISO EOP Coordination Workshop Attendance

Staff attended 2 days of the workshop which covered EOP plans and the MISO Compliance approach to COM-002-4.



**Southwest Power Pool, Inc. (SPP)
RTO Compliance and Security Department
Oversight Report - Q3 2015**

Planning

A new version of the Under Frequency Load Shedding (UFLS) plan will be rolled out this month for comment and implementation to comply with PRC-006-2.

The CIP-014-2 Scope has been drafted and will be sent to the appropriate working groups for review and approval to meet an October 1, 2015 effective date.

Completed Waivers – September 2015

Golden Spread, LES, NPPD, OPPD, Western, Basin and Heartland

Regional Compliance Outreach Program Report

Forum

The Fall Forum will be focused on Operations & Planning (O&P) topics and will be held in Dallas, TX on September 30 and October 1, in conjunction with the SPP RE Workshop and the Regional Compliance Working Group (RCWG). Topics include introduction of the new Director of Security & Compliance, Mark Bowling, NERC Standards Development Plans for 2016-2018, COM-001, member audit sharing experiences and event analysis business practices.

Adhoc

There were **72** adhoc research and responses provided by staff in Q3 for our members.

Compliance Call

A Compliance Call was held in August with topics including COM-001, PER-005, N-1 Logging and 30 Minute Criteria questions. This month's call was well attended and conversation among the members was engaging.

Newsletters

Event announcements and informational topic sharing were processed in the July, August and September newsletters.

Evidence Reviews

Evidence Reviews will be covered in the confidential report.

Working Group Reports

Critical Infrastructure Protection Working Group

In the September CIP Working Group meeting will be hosted by NPPD and we will meet on September 23, 2015. Agenda topics include CIP Version 5 Transition efforts, an update from the September 15-16 NERC CIPC meeting, and a review of a tool used by NPPD in their CIP Program.

SPP continues planning for GridExIII on November 18-19. We are coordinating with the other Reliability Coordinators on the monthly RC to RC call as well as focusing on internal planning efforts. The structural materials for the exercise have been provided from NERC. SPP's planning team is reviewing those and will be customizing certain pieces in order to better engage the SPP staff who are participating in the exercise. Resources from Operations-System Operations, Operations-Performance Support, Process Improvement, IT, and Compliance are involved in this effort. Member outreach through the CIPWG is also a part of the planning effort.

Regional Compliance Working Group (RCWG)

The Regional Compliance Working Group (RCWG) submitted their first Revision Requests, RR 97 and RR 98. The following task forces and subcommittees have been formed to assist the group: Revision Request Task Force, Predicted Generation Report Task Force, Grid Resiliency Task Force, Events Analysis Task Force, Risk Based Compliance Monitoring Task Force, Misoperations Task Force, RTO Outreach Subcommittee and Reliability Standards Coordination Subcommittee. The RCWG approved the CIP-014 Template by email vote. The group's next meeting is September 28 in Dallas.

Respectfully Submitted,

Mark Bowling, Director, Security & Compliance

MARKET MONITORING Activity
REPORT to the Oversight Committee

24 September 2015

I. MMU Staffing

- The MMU department is fully staffed. We have requested one additional position for 2016, which is pending budget approval process.

II. Federal Energy Regulatory Commission (FERC)

- FERC Audit of SPP - The MMU continues to provide information to the FERC Audit team as requested.
- The MMU continues to have conference calls with FERC staff on a once every two weeks basis. 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 with the Division of Analytics and Surveillance team in the Office of Enforcement have requested and site visit to review MMU tools and screens. Subject areas of interest are virtuals, uneconomic production, manipulation, interchange, and uplift. The date for this site visit is September 29-30.

III. Market Surveillance

- The Surveillance team continues to meet twice each week to review key daily metrics and screens. We recently walked through a typical review meeting with FERC auditors. We also continue to improve metrics, screens and processes. For example, we recently automated a daily report that contains some key metrics.
- FERC recently released a final order denying our request to apply a market impact test to our Physical Withholding screen. Without the market impact test, we receive an average of 1.3M screen failures per month. We are currently assessing the impact of this final order and next steps.

IV. Reporting

- The MMU finalized the 2014 Annual State of the Market Report after reviewing comments and questions following the SPP Board meeting in July. The report was filed with FERC on 25 August 2015 and the report is now available on the MMU web page of SPP.org.
- Standard MMU reports include: Spring QSOM Report published in June; Monthly Market Reports for the MWG for months June, July, and August; and the SPP Corporate Metrics for the Board meeting in July.

V. Integrated Marketplace

- The MMU has filed ~~two~~ two sets of comments regarding SPP 205 filing to modify Integrated Marketplace market power mitigation programs.

- The MMU has filed comments on SPP 205 filing to limit the modification and termination of Trading Hubs.
- The MMU is working with SPP Market Design and the MWG regarding the recommendations that are contained in the 2104 ASOM.
- The MMU continues to track the JOU market design issue and is participating in discusses at the MWG on how to address the concern.
- The MMU is in the process of preparing an update to the Frequently Constrained Area report as required by the RTO Tariff, which is required to be completed at least annually. We expect to have the report competed and reviewed by the appropriate SPP stakeholder groups in preparation for the SPP Board review at the January 2016 meeting.
- The MMU has several behavior studies open and closed two behavior studies. We also have [some](#) studies that are being considered for referral to FERC.

VI. Miscellaneous

- Several members of the MMU team will be attending the Fall EISG meetings in California in late October. These meetings are extremely informative in that there are always panel discussions directly related to SPP markets and there representatives from virtually all the market monitoring groups in the world.

Respectfully submitted
Alan McQueen
Director, Market Monitoring and Analysis

OC - Order 1000

Update

*Non-

Confidential*

September 24, 2015

Ben Bright

bbright@spp.org · 501.614.3965



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

Update

- **RFP Timeline Update**
- **IEP Training Update**
- **Order 1000 Tariff Update**

RFP TIMELINE

Expected RFP Timeline

- ✓ **May 5 - RFP Issued for Walkemeyer Project**
- **Sep 30 – IEP Training Session**
- **Nov 2 – RFP Responses Due**
- **Nov 30 - IEP Evaluation Begins**
- **Jan 29 – IEP Evaluation Ends**
 - **Assumes 60-day Review Window**
 - **Feb 28 with 90-day Review Window**
- **Apr 12 – BOD Materials Posted**
- **Apr 26 – BOD Meeting – NTC Awarded**

IEP TRAINING

IEP Training

- **September 30 – October 1**
- **SPP HQ – Little Rock**
- **Entire IEP Pool expected to be in attendance**
- **SPP BOD invited to attend**
- **Staff will deliver training**
 - **Legal**
 - **Regulatory**
 - **Engineering – Planning**
- **Training Outline shared with CTPTF on August 31**

IEP Training – Day One



- **SPP Stakeholder Process**
 - **Objective:** The objective with this section is to provide the industry experts with a broad overview of SPP structure, process for moving items through the stakeholder process, and appropriate timelines.
 - **Org Group(s)**
 - **Board Timeline**
- **SPP Planning Process Overview**
 - **Objective:** The objective with this section is to provide background and information to better understand the SPP planning processes as to how projects have been derived and reached a RFP status.
 - **ITP Process**
 - **DPP Process**
- **Order 1000 Overview**
 - **Objective:** The objective with this section is to provide the industry experts with a background and history of Order 1000. After establishing a better understanding of Order 1000, provide information on how SPP uniquely handles Order 1000 requirements.
 - **Background**
 - **FERC Order 1000 Information**
- **Tariff Education**
 - **Objective:** The objective with this section is to provide information and training on what the Tariff requires/allows the IEP to do when performing their role. Certain sections (i.e. Attachment H and J) are included to provide background information to better understand requirements within Attachments O and Y.

IEP Training - Day Two

- **IEP Panel Responsibilities**
 - **Objective:** The objective with this section is to provide the industry experts with knowledge on both what their responsibilities are and at a high level how they will perform the administration side of the process.
 - **Evaluation Process**
 - Procedure
 - Confidential Materials/Information
 - Templates
 - Information Request
 - **Panel Structure**
 - **Reports**
 - **Timeline**
 - **Role of Consultants to Assist IEP**
 - **Ethics and Conflicts of Interest**

IEP Training – Day Two

- **Mock Scenario**
 - **Objective:** The objective with this section is to provide a scenario in which the industry experts can exercise how the process can potentially work from the start through presentation of the report and recommendations.
 - **Panel Roles**
 - **Evaluation of RFP**
 - **Creation of IEP report and recommendations**
 - **Presentation of report to the Board**

ORDER 1000 TARIFF UPDATE

ER13-366 – August 3, 2015

- **FERC accepted SPP’s language that SPP will use the Transmission Owner Selection Process for projects that “do not alter a Transmission Owner’s use and control of its existing right of way under relevant laws or regulations.”**
- **FERC stated that it “understand[s] SPP’s language to mean that one of the seven criteria used to determine whether a transmission facility is eligible for the SPP competitive solicitation process is that the transmission facility does not alter a Transmission Owner’s use and control of its existing right-of-way under relevant laws or regulations granting the right-of-way.” (Order at P 15).**

ER13-366 – August 3, 2015

- FERC also stated that it expects that SPP will work closely with states throughout the transmission planning process and that SPP's procedures will provide transparency regarding any state or local laws or regulations that SPP uses in its decision-making process. (Order at PP 15, 16).
- SPP's compliance with the regional aspects of Order No. 1000 is complete.

ER15-1918 – August 14, 2015

- **Cost Recovery for the TOSP (Implementation Cost Charge)**
 - SPP Proposed to charge \$2000 per bid to recover the costs associated with creating and maintaining the TOSP
 - FERC rejected this filing stating:
 - Development costs (costs associated with creating and maintaining the TOSP) should be recovered through the Schedule 1-A Tariff Administrative Fee
 - Administrative costs associated with each Competitive Upgrade are already recoverable through the RFP Deposits
 - **SPP submitted a compliance filing on September 11, 2015 to remove the Implementation Cost Charge related tariff provisions.**

ER15-1918 – August 14, 2015

- **Financial Strength Requirements**
 - SPP proposed to modify the financial contingencies that bidders are required to demonstrate when they bid on a Competitive Upgrade from 30% to 20%
 - **FERC found that this request was just and reasonable and accepted these tariff revisions**
 - **NOTE: This change will be in effect for the current Walkemeyer RFP.**

ER15-1918 – August 14, 2015

- **Industry Expert Evaluations**
 - SPP proposed to modify the Industry Expert evaluation of bids process:
 - Original language - “score and rank each [bid] in a non-discriminatory manner based upon the information supplied in the [bid] or obtained during the review period.”
 - Proposed language - “score and rank each [bid] in a non-discriminatory manner based upon the information supplied in the [bid] and obtained during the review period.”
 - **FERC found that this request was just and reasonable and accepted these tariff revisions.**