

SPP OVERSIGHT COMMITTEE POSITION STATEMENT on the INDEPENDENCE OF THE MARKET MONITORING UNIT

The Market Monitoring Unit (MMU) must function independently of the RTO to avoid actual or apparent conflicts in its oversight role. The RTO is the market operator and therefore is included in the monitoring function. FERC has approved either an internal or external approach to market monitoring (as well as a hybrid), but requires that independence of the MMU be clear, and in fact audits to this. FERC also requires all Market Monitoring Units (internal and external groups) to report directly to the RTO Board of Directors. The MMU also has regular contact with FERC staff.

The Oversight Committee is confident that an internal MMU provides both an appropriate level of independence and the level and depth of expertise needed to perform its functions and does so at a more economical cost than an external contractor. In addition, the Oversight Committee believes that an internal MMU provides the tailored focus and overall consistency that would be more difficult to achieve with an external contractor. The Oversight Committee performs an annual assessment of the internal MMU to ensure the continuing effectiveness of the SPP's market monitoring approach.

SPP has an internal MMU with the MMU Director reporting to the Oversight Committee of the Board of Directors. The Committee is responsible for the oversight of the MMU functions providing the critical foundation for the independence of the MMU, whether performed internally or by an external contractor. This oversight role for the internal MMU includes decisions regarding the Director's compensation and performance review, disciplinary actions, and other related proceedings. The Committee authorizes the MMU to maintain external legal representation that can be used by the MMU at the direction of the MMU Director.

The Committee is available to the MMU to provide guidance or assistance as requested by the MMU. The MMU Director will provide the Oversight Committee with quarterly reports and may request or be requested to report more often. Reports will cover topics including but not limited to substantive work of the MMU, staffing levels, level of RTO requests of support from the MMU, and adequacy of RTO administrative support. The Director will discuss with the Committee any concerns that could adversely affect the ability of the MMU to be independent or its ability to effectively execute its responsibilities.

In order to maintain confidential communication between the MMU and the Oversight Committee, a member of the MMU staff will be designated as a Staff Secretary for MMU purposes. SPP RTO staff may attend such executive sessions at the mutual consent of the Oversight Committee and the



MMU Director.

MMU staff may contact any member of the Oversight Committee with concerns or questions. The Oversight Committee will consider all such matters and take any appropriate actions.

The MMU annual budget and any MMU staffing requests will be submitted by the MMU Director to the Oversight Committee for its review and approval. Once approved by the Oversight Committee, the MMU annual budget will be submitted to SPP without modification for vote by the SPP Board of Directors. To the extent SPP is authorized to expend funds on performance compensation, the MMU will receive a portion of the funds as determined by the Oversight Committee. The MMU Director, with input from MMU management will determine the distribution of any performance compensation which will be subject to review and approval by the Oversight Committee and the Independent Directors of the Board. Additionally, compensation for the MMU Director will also be approved by the Oversight Committee.

For administrative purposes the MMU reports to SPP's General Counsel, a position separate from Operations. Administrative purposes includes requests to initiate employment processes such as posting positions, salary adjustments, or disciplinary actions, and for the MMU Director, administrative approvals such as time off.