

**Southwest Power Pool  
COMPLIANCE COMMITTEE MEETING**

**December 13, 2005**

**Teleconference**

**• M I N U T E S •**

**Agenda Item 1 – Administrative Items**

SPP Chair Josh Martin called the meeting to order at 9:18 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 (Boston Pacific) and Mike Small (Wright & Talisman). Staff in attendance: Ron Ciesiel, Richard Dillon, Kevin Goolsby and Stacy Duckett.

Mr. Martin referred to draft minutes of the September 28, 2005 meeting and asked for corrections or a motion for approval (9/28/05 Meeting Minutes - Attachment 1). Quentin Jackson moved to approve the minutes as presented. Josh Martin seconded the motion, which passed unopposed.

**Agenda Item 2 – Update on Current Activities.**

Overviews were provided for quarterly reports including: Ron Ciesiel, NERC Compliance; Richard Dillon, Market Monitoring Unit; and Craig Roach, Independent Market Monitor (NERC Compliance, MMU and IMM – Attachment 2).

**Agenda Item 3 – Compliance Exclusion Process**

Ron Ciesiel reviewed the recommendation for a process for members to request waivers or exemptions for SPP Criteria (Compliance Exclusion Recommendation – Attachment 3). The process will be amended to direct appeals of the Markets and Operations Policy Committee (MOPC) decisions to the Compliance Committee rather than the Board of Directors. The Compliance Committee will utilize its appeals process and report results to the Board. Quentin Jackson moved to approve the recommendation as amended. Josh Martin seconded the motion, which passed unopposed.

**Agenda Item 4 – Delineation of Roles for IMM and MMU/Goals for 2006**

Josh Martin reviewed previous discussions related to the IMM and the MMU. Stacy Duckett provided additional information for background. Craig Roach reviewed a draft of his current contract (IMM Contract – Attachment 4); Mike Small discussed his suggested revisions. Following discussion and questions from the committee, Quentin Jackson suggested adjourning to executive session to finalize the discussion following the conclusion of remaining agenda items.

As an approach to inquiries/requests for information, Phyllis Bernard suggested an “ombudsmen” role designated to be “first responder” to inquiries and requests for information. Richard Dillon suggested designating someone in the interim and assessing demands in determining future permanent needs. This person should have some mediation/ADR type training. There should be a link on the SPP website to submit requests that would go directly to this person. This will be reported to the Board of Directors for concurrence/resources (if needed) and communicated to the customers.

Mr. Dillon reviewed the proposed functions/goals for an internal monitoring unit in 2006 (MMU Report – Attachment 5).

Compliance Committee Meeting  
December 13, 2005

**Agenda Item 5 – Market Investigation Process**

Richard Dillon provided an overview of the draft investigation process (Market Investigation Process – Attachment 6). The process will be further considered following determination of the delineation of external and internal market monitoring.

**Agenda Item 6 – 2006 State of the Market Report**

Richard Dillon noted the schedule for development and filing of the 2006 State of the Market Report. The Report is due to FERC on April 6 to be followed by presentation on April 27. A draft will be presented to the Compliance Committee at its meeting on March 30, 2006. Stacy Duckett and Josh Martin are to determine whether the entire Board must approve this report prior to submission to FERC or if the committee can approve and report to the Board.

**Agenda Item 7 – Future Meetings**

Future meetings and locations are scheduled for:

- March 30            Washington, DC
- June 29             Philadelphia
- September 28     Chicago
- December TBD    Teleconference

With no further business, Josh Martin thanked everyone for participating and adjourned the meeting to executive session at 11:07 a.m.

Respectfully Submitted,

Stacy Duckett  
Secretary



**Southwest Power Pool, Inc.**  
**COMPLIANCE COMMITTEE MEETING**  
**December 13, 2005**  
**Teleconference**

**• A G E N D A •**

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

1. Call to Order ..... Josh Martin
2. Update on Current Activities
  - a. NERC Compliance..... Ron Ciesiel
  - b. Market Monitoring Unit..... Richard Dillon
  - c. Independent Market Monitor ..... Craig Roach
3. Compliance Exclusion Process..... Ron Ciesiel
4. Delineation of Roles for IMM and MMU/Goals for 2006..... Stacy Duckett
  - a. IMM 2006 Contract
  - b. MMU Report
5. Market Investigation Process ..... Richard Dillon
6. 2006 State of the Market Report ..... Richard Dillon
7. Future Meetings ..... Josh Martin
  - a. March 30            Washington, DC
  - b. June 29             Philadelphia
  - c. September 28      Chicago
  - d. December TBD    Teleconference

**Southwest Power Pool**  
**COMPLIANCE COMMITTEE MEETING**  
**September 28, 2005**

**American Airlines Admirals Club Executive Center – Chicago O’Hare Airport – Chicago, IL**

• 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 (Boston Pacific). Staff in attendance: Ron Ciesiel, Richard Dillon, and Stacy Duckett.

Mr. Martin referred to draft minutes of the June 3, 2005 teleconference meeting and asked for corrections or a motion for approval (6/3/05 Meeting Minutes - Attachment 1). Quentin Jackson moved to approve the minutes as presented. Phyllis Bernard seconded the motion, which passed unopposed.

**Agenda Item 2 – Update on Current Activities**

Richard Dillon presented a summary of his written report regarding the Market Monitoring Unit (Market Monitoring Report – Attachment 2). Mr. Dillon provided an update on the pending investigation. Craig Roach provided additional information. A report will be presented to the Board of Directors to make them aware of the investigation and advise its status.

Ron Ciesiel provided a summary of his written report regarding NERC Compliance (NERC Compliance Report – Attachment 3). Mr. Ciesiel stated that there are some issues regarding documentation at the member level; operations support is not at issue. SPP monitors for progress toward compliance. Compliance reports are provided to the President/CEO at the organizations to help elevate issues and move toward a resolution. Mr. Ciesiel noted that there were six recommendations (no compliance issues) included in the pending report for the NERC Readiness Audit of SPP’s Compliance Program. One recommendation is to use independent parties to perform reliability coordinator audits for SPP, which is currently done by the SPP Staff. Mr. Ciesiel intends to implement this to bolster the independence of the compliance function. Compliance issues at the member level are either resolved, or in the process of being resolved. Mr. Ciesiel will be drafting policies/procedures for waivers/exceptions/exemptions for consideration for implementation in 2006.

Craig Roach (Boston Pacific) provided a summary of his written report regarding the Independent Market Monitor (IMM Report – Attachment 4). Mr. Roach also reviewed the recent order in the Market Tariff filing (Memo – Attachment 5).

**Agenda Item 3 – Issues Anticipated for the October Board Meeting**

Craig Roach discussed issues he expects to be action items at the October Board of Directors meeting (Board Issues – Attachment 6).

**Agenda Item 4 – SPP Compliance Function/2006 Budget**

Ron Ciesiel presented a Compliance Department budget proposal for 2006 (Compliance Function/2006 Budget – Attachment 7). Phyllis Bernard moved to approve the budget as presented. Quentin Jackson seconded the motion, which passed unanimously. This approval also grants authority to Mr. Ciesiel to execute contracts for an independent party for compliance audits.

**Agenda Item 5 – Compliance Appeal Process**

Stacy Duckett reviewed a draft of the appeal process (Process for Appeal – Attachment 8). Quentin Jackson suggested that whatever process is adopted should be recommended for all appeals at all levels. Mr. Ciesiel will document preceding steps. Phyllis Bernard will then provide feedback/edits regarding an alternative dispute resolution process. Josh Martin moved that the appeal process be approved as presented. Mr. Jackson seconded the motion, which passed unanimously. The appeal process will be presented to the Market and Operations Policy Committee and then to the Board of Directors for adoption at their October meeting.

**Agenda Item 6 – Market Investigation Process**

Richard Dillon summarized the investigation process as proposed by Staff (MM Investigation Process – Attachment 9). Craig Roach provided a summary of the Boston Pacific comments/concerns regarding the proposed process (IMM Comments – Attachment 10). The Compliance Committee will develop a delineation of roles between the Independent Market Monitor (IMM) and the Market Monitoring Unit (MMU), including the investigation process. Regarding current investigations:

Investigation # 2 – Refer to the IMM

Investigation # 1 – Respond to the member; SPP has received confirmation that there is no prohibition for FERC to proceed. The committee directed the IMM to lead the investigation with support from the MMU.

**Agenda Item 7 – IMM Services Agreement Extension for 2006**

Craig Roach presented the proposed scope of work for Boston Pacific for 2006 (Memo for IMM Services Extension 2006 – Attachment 11). Mr. Roach excused himself from the meeting while the committee discussed the proposed agreement. Quentin Jackson proposed an expenditure cap for 2006 and requested that Boston Pacific provide any needed reprioritization. Stacy Duckett will provide a report to the Finance Committee. Any overages are to be presented to the committee for consideration/approval.

**Agenda Item 10 – Future Meetings**

SPP Staff recommended a 2006 Compliance Committee meeting schedule (2006 Committee Meetings – Attachment 12). These dates need to be confirmed with Phyllis Bernard. The December meeting will be a teleconference meeting, date to be determined. Locations will be determined at a later date.

With no further business, Josh Martin thanked everyone for participating and adjourned the meeting at 3:15 p.m.

Respectfully Submitted,

Stacy Duckett  
Secretary



Southwest Power Pool, Inc.

**COMPLIANCE DEPARTMENT**

**Report to the Compliance Committee**

**December 13, 2006**

**Staffing**

The current staff of the SPP Compliance Department is two. There are no additional positions budgeted for 2006.

**Activity Update**

**NERC Readiness Audits**

Missouri Public Service	Report Issued: September 9, 2005
SPP Compliance Program	Report Pending
Board of Public Utilities (Kansas City, KS)	Report Pending
City of Independence (Missouri)	Report Pending

**SPP Compliance Field Reviews**

Oklahoma Gas & Electric	Report Pending
LEPA (Louisiana)	Report Pending
City of Lafayette, Louisiana	Report Pending

**Confirmed Violations**

<u>2004 Under-frequency program violations</u> (These violations were confirmed based on the results of the SPP CC appeal decision)	AEP City of Clarksdale City of Independence City of Lafayette Southwestern Power Authority Southwestern Public Service
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<u>2005 Under-frequency program violations</u>	Arkansas Electric Cooperatives* City of Clarksdale* Grand River Dam Authority North Texas Electric Cooperatives Sunflower Electric* Southwestern Power Authority* Southwestern Public Service*
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\* Repeat violations from 2004

<u>Emergency Operations Planning</u>	Sunflower Electric**
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<u>System Restoration Plans</u>	Sunflower Electric**
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<u>Loss of Control Center Planning</u>	Missouri Public Service** Grand River Dam Authority***
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### **Confirmed Violations (continued)**

<u>Interchange Transaction Tagging</u>	Missouri Public Service**
<u>Training Program violations</u>	Missouri Public Service** Sunflower Electric**
<u>Operator Certification (self-certification)</u>	West Plains Energy City of Springfield
<u>Under-frequency maintenance programs</u>	Southwestern Power Administration***

\*\* NERC Readiness Audit

\*\*\* SPP Compliance Field Review

### **Other Activities**

Ron Ciesiel assumed the position of Chairman of the NERC Compliance & Certification Managers Committee.

Kevin Goolsby re-certified as a Certified NERC System Operator.

The 2005 self-certification process was opened up to the members in mid-November (6 weeks ahead of the 2004 process).



**Southwest Power Pool, Inc.**  
**MARKET MONITORING UNIT**  
**Report to the Compliance Committee**  
**December 13, 2005**

**Staffing**

The current staffing of the SPP Market Monitoring Unit (MMU) is at six, with budget set for a staffing of nine (including management). SPP has interviewed several persons, run advertisements, and has outstanding offers to two persons (one in modeling and one in analysis). The responsibilities of the staff include: monitoring of transmission and energy markets; design of energy markets; support of regulatory initiatives; and support of long-term planning models.

**Activity Update**

In addition to the work on market design, the MMU has been involved in responses to FERC regarding the Redbud to OGE FERC Order and attended the semi-annual Office of Market Oversight and Investigation (OMOI)/MMU meeting at FERC since the last Compliance Committee meeting.

FERC requested operational data to analyze the level of reservations and transfer capability of the Redbud to Arcadia (OG&E). Market Monitoring, Information Technology, and Operations compiled and submitted to FERC the requested data. Carl Monroe also participated in a technical conference at FERC on this matter.

Discussions during the OMOI/MMU meeting at FERC centered primarily on the Proposed Regulation to remove the current regulations regarding Market Behavior rules and replace it with a more comprehensive regulation that includes a more stringent "intent" evaluation. The discussion included that the MMU responsibility is to identify potential Market Behavior violations and then FERC determines the need to investigate and the "intent". Other discussions in the meeting included the state of the gas market for Winter 2006 and the difficulty encountered by both MISO and SPP in identifying the proper FERC contact for certain communications. The new Director of OMOI, Susan Court, is considering changes to the process for communication between FERC and the RTOs regarding market monitoring issues.

The systems that would permit faster and ongoing evaluation of both the transmission and energy market are being developed by SPP staff. The Offer Cap portion is currently in test. MMU staff will continue to emphasize the need to complete the computer software systems to support ongoing evaluations of the transmission market and, when the energy market is in production, the energy market.

Respectfully submitted,

Richard Dillon  
Director, Market Development and Analysis

**Southwest Power Pool, Inc.**  
**COMPLIANCE COMMITTEE TELECONFERENCE**  
**December 13, 2005**

**SUMMARY OF IMM ACTIVITY**  
**SINCE LAST MEETING ON 9-28-05**

- I. COMPLETED DRAFT OF INITIAL ASSESSMENT (SPP STAFF COMMENTS)
- II. COMPLETED REDBUD INQUIRY (REVIEW)
- III. COMPETED ROUGH DRAFT OF SUPPLEMENTAL TESTIMONY TO FERC (SPP STAFF COMMENTS)
- IV. ADVISE ON MARKET DESIGN THROUGH MWG/MOPC MEETINGS
- V. RESPOND TO TARIFF CHANGES PROPOSED BY SPP STAFF/RTWG
- VI. PRELIMINARY WORK ON REVIEW NO. 3 (ELECTRIC EQUIVALENCE TABLE)
- VII. ADVISE BOARD INCLUDING PARTICIPATING IN OCTOBER AND DECEMBER MEETINGS



**Southwest Power Pool, Inc.**  
**SPP STAFF**  
**Report to the Compliance Committee**  
**December 13, 2005**

**Background**

SPP must have a process for members to seek exclusion or waivers from SPP Criteria.

**Analysis**

The SPP Exclusion Process allows members to request three [3] types of exclusions:

1. **Waiver** – A member can request a waiver of a SPP Criteria if the member agrees that it is **responsible for the Criteria but has a structural, on-going problem in complying with the Criteria that has been approved.** The member or the SPP working group must suggest an alternative measure of compliance for the member that is seeking the waiver.

Example: AECC has some very unusual load characteristics that makes compliance with the SPP UFLS program almost impossible. A different measurement technique for AECC can be developed and applied during the annual compliance surveys.

2. **Exception** – A member can request an exception from compliance with a SPP Criteria if the member agrees that is **responsible for the Criteria but an unusual event has created circumstances beyond the member's control** and it cannot comply in the measurement timeframe. The member seeking the exception must agree to put forth all reasonable efforts to bring itself into compliance in the next measurement timeframe.

Example: In 2005, Hurricanes Katrina and Rita had a significant impact on the CLECO service territory. They may present an exception request for the annual transmission relay maintenance program including a mitigation plan to gain compliance in 2006.

3. **Exemption** - A member can request an exemption from compliance with a SPP Criteria if **the member believes it is not responsible for complying with the Criteria.** The member must present its rationale to the SPP working group to support the exemption request.

Example: This would be an unusual request because the Compliance Group will handle most exemptions administratively before the start of the annual programs. However, the members and SPP needs this capability if a situation arises where a member changes functions and needs to request an exemption.

**SPP Criteria Exclusion Process**

- 1) Complete the SPP Criteria Exclusion Form [Appendix XX of SPP Criteria]
- 2) Attach any background material needed to support the exclusion (documents, studies, research, etc.).



- 3) Submit the form and materials to the appropriate SPP working group[s] chair, vice-chair, and secretary for preliminary comments.
- 4) The working group[s] will add the exclusion request to the agenda of the next regularly scheduled meeting. Under rare occasions, if the matter warrants action before the next scheduled meeting, the working group chair may call a special meeting.
- 5) Working group[s] will vote for or against granting the exclusion. If the requesting member is represented on the working group, that member will not be allowed to vote. If the member's representative is the Chair of the working group, then for discussions on the proposed exclusion, the chair's authority will be assigned to the Vice-Chair.
- 6) a) If the working group approves the exclusion request, the requesting member has the responsibility to present the exclusion request to the SPP Markets and Operations Policy Committee [MOPC] at the next regularly scheduled MOPC meeting. This request will be in the form of an 'action item' agenda item, including a prospective effective date. Under rare occasions, if the matter warrants action before the next scheduled meeting, the MOPC chair may call a special meeting.  
b) If the working group does not approve the exclusion request, the requesting member may withdraw the request or present an appeal of the working group's findings to the SPP Markets and Operations Policy Committee [MOPC] at the next regularly scheduled MOPC meeting. This request will be in the form of an 'action item' agenda item. Under rare occasions, if the matter warrants action before the next scheduled meeting, the MOPC chair may call a special meeting.
- 7) a) If the MOPC approves the exclusion, including the effective date, the conditions specified shall be applied by the SPP Compliance department beginning on the approved effective date.  
b) If the MOPC does not approve the exclusion request, the requesting member may withdraw the request or present an appeal of the MOPC's findings to the SPP Board of Directors [BOD] at the next regularly scheduled meeting. This request will be in the form of an 'action item' agenda item.
- 8) a) If the BOD approves the exclusion, including the effective date, the conditions specified shall be applied by the SPP Compliance department beginning on the approved effective date.  
b) If the BOD does not approve the exclusion request, the requesting member shall withdraw the exclusion request.

**Recommendation**

Approve the SPP Exclusion Process.

**Action Requested:** Approval

**Approved:** Compliance Committee [Date]

**ATTACHMENT AJ**

**ATTACHMENT AJ  
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IMM SERVICES AGREEMENT

EXHIBITS

- A. Responsibilities, Rights, and Obligations of the IMM
- A-ONE Excerpts from the Market Protocols Delineating IMM/MMU Responsibilities
- B. Statement of Work
- C. Compensation
- D. Conflicts of Interest
- D-ONE Code of Ethics for SPP IMM Engagement

## ATTACHMENT AJ

### INDEPENDENT MARKET MONITORING (IMM) SERVICES AGREEMENT

Under Section 3.1 of Attachment AG (the Market Monitoring Plan), the SPP Board of Directors has full responsibility for implementing Attachment AF (the Market Power Mitigation Plan) and Attachment AG. In particular, the SPP Board of Directors defines and assigns all work to be done under either of these two Attachments by the internal Market Monitor (hereafter the Market Monitoring Unit or MMU) and the external Market Monitor (hereafter the Independent Market Monitor or IMM). Further, the work defined for the IMM must be stated in a contract which itself must be filed as an Attachment to the SPP OATT. This IMM Services Agreement (including its Exhibits) is the contract required under Section 3.1. and is designated Attachment AJ to the SPP OATT.

At the direction of the SPP Board of Directors, this IMM Services Agreement (“Agreement”) is made by and between Southwest Power Pool, Inc. (“SPP”), an Arkansas corporation, and Boston Pacific Company, Inc. (the “IMM”), a District of Columbia corporation. (SPP and the IMM shall be referred to individually herein as a “Party” and collectively as the “Parties.”)

1. Engagement of Services. SPP hereby retains the IMM to assume the responsibilities listed in Exhibit A and to perform the individual tasks (“Tasks”) identified in Exhibit B attached hereto. The aggregation of all Tasks shall be identified herein as the “Services.” The Services may be modified from time to time upon mutual agreement of the Parties. If such modifications necessitate an increase or decrease in either (a) the amount due or (b) the time required for performance, such matters shall be agreed upon in writing prior to proceeding with the change. No payment shall be made by SPP for any modification not so directed or authorized prior to proceeding with the modification.
2. Compensation. SPP shall pay the IMM for the Services as identified in Exhibit C attached hereto. SPP shall also pay the IMM’s reasonable expenses in accordance with the procedures identified in Exhibit C. SPP reserves the right to audit and to examine any cost, payment, settlement or supporting documentation resulting from the provision of any Services. Any such audit(s) shall be undertaken by SPP or its representative from a certified public accounting firm at reasonable times and in conformance with generally accepted auditing standards. The IMM agrees to fully cooperate with any such audit(s).
3. Monthly Charges. The total monthly charges for Services and expenses shall be referred to herein as the Monthly Charges. The IMM shall submit an invoice on a monthly basis for the Monthly Charges and SPP shall pay the IMM as described in Exhibit C for all undisputed amounts, provided that the IMM provides documents with reasonable receipts or other documentation of expenses as SPP might request, including copies of time records. If SPP disputes any amount of the Monthly Charges, then SPP shall identify in writing the reason for challenging

such portion of the Monthly Charges, and the Parties shall attempt to resolve such dispute.

4. Limitation on Monthly Charges. Limitations on Monthly Charges are described in Exhibit C.
  
5. Independent Contractor Relationship. The IMM's relationship with SPP is that of an independent contractor, and nothing in this Agreement is intended to, or should be construed to, create a partnership, agency, joint venture or employment relationship. The IMM retains sole and absolute discretion, control and judgment in the manner and means of carrying out the Services, except as to the policies and procedures set forth herein. The IMM shall not be entitled to any of the benefits which SPP may make available to its employees, including, but not limited to, group health or life insurance, profit sharing or retirement benefits. The IMM is not authorized to make any representation, contract or commitment on behalf of SPP unless specifically requested or authorized in writing to do so by SPP. The IMM is solely responsible for, and shall file, on a timely basis, all tax returns and payments required to be filed with, or made to, any federal, state or local tax authority with respect to the performance of services and receipt of fees under this Agreement. The IMM is solely responsible for, and must maintain adequate records of, expenses incurred in the course of performing services under this Agreement. No part of the IMM's compensation shall be subject to withholding by SPP for the payment of any social security, federal, state or any other employee payroll taxes. SPP shall have no responsibility for any of the IMM's debts, liabilities or other obligations, or for the intentional, reckless or negligent acts or omissions of the IMM or IMM's employees or agents.
  
6. Ownership of Intellectual Property.

6.1 Any idea, invention, work of authorship, drawing, design, formula, algorithm, utility, tool, pattern, compilation, program, device, method, technique, process, improvement, development or discovery (hereinafter, collectively, "Inventions"), whether or not patentable, or copyrightable, or entitled to legal protection as a trade secret or otherwise, that the IMM may conceive, make, develop, create, reduce to practice, in the course of performing work under this Agreement shall be owned by the IMM. The IMM hereby grants to SPP an irrevocable, assignable, nonexclusive royalty-free unrestricted license to use, copy, distribute and make derivatives of any proprietary rights or specialized knowledge of the IMM that are part of any work product furnished by the IMM to SPP under this Agreement for SPP's and its affiliates', members', and regulators' internal use.

6.2 All documents, including but not limited to, drawings, specifications, and computer software prepared by the IMM pursuant to this Agreement are instruments of service in respect to the Services. They are not intended or represented to be suitable for reuse by SPP or others on extensions of the Services

- or on any other project. Any reuse without prior written verification or adaptation by the IMM for the specific purpose intended will be at SPP's sole risk and without liability or legal exposure to the IMM. SPP shall defend, indemnify, and hold harmless the IMM against all claims, losses, damages, injuries, and expenses, including attorneys' fees arising out of or resulting from such reuse. Any verification or adaptation of documents will entitle the IMM to additional compensation at rates to be agreed upon by SPP and the IMM.
7. Intellectual Property Rights. The IMM expressly warrants that there has been no violation, misappropriation or infringement of any trade secret, patent, trademark, copyright, or other third party property right (including without limitation, any violation of a third party license) in any way connected with or arising out of performing the work specified in this Agreement.
  8. Confidential and Non-Public Information. The IMM agrees to hold SPP's Confidential and Non-Public Information in strict confidence and not to disclose such Confidential and Non-Public Information to any third parties, or to use such Confidential and Non-Public Information, except for purposes relating to the IMM's responsibilities as SPP's IMM. "Confidential and Non-Public Information" as used in this Agreement shall mean any and all information related to the current, future and proposed products and services of SPP, its affiliates, suppliers and customers, and includes, without limitation, information concerning research, experimental work, development, engineering, financial information, procurement requirements, purchasing manufacturing, customer lists, business forecasts, sales and merchandising and marketing plans and information. "Confidential and Non-Public Information" also includes proprietary or confidential information of any third party (including all SPP market participants) who may disclose such information to SPP or the IMM in the course of SPP's business. The above obligations shall not apply to Confidential Information which is already known to the IMM at the time it is disclosed, or which before being divulged either (i) has become publicly known through no wrongful act of the IMM; (ii) has been rightfully received from a third party without restriction on disclosure and without breach of this Agreement; (iii) has been independently developed by the IMM; (iv) has been approved for release by written authorization of SPP; or (v) has been disclosed pursuant to a requirement of a government agency or of law. Upon termination of this Agreement by either party for any reason, the IMM agrees to promptly deliver to SPP the original and any copies of the Confidential and Non-Public Information. The IMM agrees to certify in writing that the IMM has so returned all such Confidential and Non-Public Information.
  9. Conflicts of Interest. The IMM warrants that there is no conflict of interest (as defined in the terms of Exhibit D) between the IMM's other agreements, if any, and the activities to be performed hereunder. The IMM shall advise SPP if a potential conflict of interest arises, as required by Exhibit D.

10. Insurance. Before commencing the work, the IMM shall procure and maintain at its own expense the following minimum insurance in forms and with insurance companies acceptable to SPP:

10.1 Workers' Compensation insurance for statutory obligations imposed by Workers Compensation, Occupational Disease, or other similar laws, including, where applicable, the United States Longshore and Harbor Workers' Act, the Federal Employees Act, and the Jones Act. Employers' liability insurance shall be provided with a minimum umbrella limit of \$1,000,000 per occurrence.

10.2 Business automobile liability insurance with the following minimum limit of liability:

\$1,000,000 combined single limit per occurrence.

This insurance is to apply to all owned, non-owned, hired, and leased vehicles used by the IMM in the performance of the work.

10.3 Business general liability insurance including contractual liability insurance covering all operations required to complete the project with the following minimum limit of liability:

\$1,000,000 combined single limit per occurrence.

The contractual liability insurance coverage shall insure the performance of the contractual obligations assumed by the IMM under this Agreement.

The commercial general liability insurance coverage shall name SPP as an additional insured and shall include a cross liability clause.

10.4 Professional liability (errors & omissions) insurance, where applicable, covering the professional services being delivered by the IMM with the following minimum limit of liability:

\$1,000,000 per wrongful act.

11. Termination. SPP may initiate termination of this Agreement, with or without cause, at any time upon thirty (30) days prior written notice to the IMM. Any termination of this Agreement by SPP is subject to approval by the Federal Energy Regulatory Commission (FERC). The IMM may terminate this Agreement, with or without cause, at any time upon sixty (60) days prior written notice to SPP. Upon termination of this Agreement, SPP shall pay the IMM's wind down costs, and the IMM shall use best efforts to minimize all additional charges to SPP as needed to wind down the Services.

12. Noninterference with Business. For a period of two years immediately following the conclusion of the IMM's work hereunder, the IMM agrees not to solicit or induce any employee or independent contractor of SPP to terminate or breach an employment, contractual or other relationship with SPP. SPP agrees to the same terms regarding employees of and subcontractors to the IMM.
13. Survival. The rights and obligations contained in Sections 2 ("Compensation"), 6 ("Ownership of Intellectual Property"), 7 ("Intellectual Property Rights"), 8 ("Confidential Information"), and 13 ("Noninterference with Business") shall survive any termination or expiration of this Agreement.
14. Successors and Assigns. The IMM may not subcontract or otherwise delegate its obligations under this Agreement, without SPP's prior written consent, and it is acknowledged that such approval is contained herein for the IMM's named subcontractors in Exhibit B. Subject to the foregoing, this Agreement shall be for the benefit of SPP's successors and assigns, and shall be binding on the IMM's assignees.
15. Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; (iii) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (iv) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to as set forth below or such other address as either party may specify in writing.

If to SPP:

Southwest Power Pool  
415 North McKinley  
140 Plaza West  
Little Rock, AR 72205  
Attn: Ms. Stacy Duckett  
Phone: (501) 614-3296  
Fax: (501) 664-9553  
Email: sduckett@spp.org

If to the IMM:

Boston Pacific Company, Inc.  
1100 New York Avenue, NW  
Suite 490 East  
Washington, DC 20005  
Attn: Mr. Craig R. Roach  
Phone: (202) 296-5520

Fax: (202) 296-5531  
Email: croach@bostonpacific.com

16. Governing Law. This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the District of Columbia.
17. Severability. Should any provisions of this Agreement be held by a court of law to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby.
18. Waiver. The waiver by SPP of a breach of any provision of this Agreement by the IMM shall not operate or be construed as a waiver of any other or subsequent breach by the IMM.
19. Injunctive Relief for Breach. The IMM's obligations under this Agreement are of a unique character that gives them particular value; breach of any of such obligations shall result in irreparable and continuing damage to SPP for which there shall be no adequate remedy at law; and, in the event of such breach, SPP shall be entitled to injunctive relief and/or a decree for specific performance, and such other and further relief as may be proper (including monetary damages if appropriate).
20. Disputes. In the event of any litigation to enforce or interpret any terms or conditions of this Agreement, the parties agree that such action will be brought in the Superior Court of the District of Columbia (or, if the federal courts have exclusive jurisdiction over the subject matter of the dispute, in the U.S. District Court for the District of Columbia), and the parties hereby submit to the exclusive jurisdiction of said court. In any action in litigation to enforce or interpret any of the terms or conditions of this Agreement, the prevailing party shall be entitled to recover from the unsuccessful party all costs, expenses (including expert testimony) and reasonable attorneys' fees incurred therein by the prevailing party. In no event shall the litigation of any controversy or the settlement thereof delay the performance of this Agreement.
21. Entire Agreement. This Agreement constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter. The terms of this Agreement shall govern the Services undertaken by the IMM for SPP. While this Agreement presently constitutes the entire relationship between the parties, the provisions of any subsequent market monitoring plan that obtains FERC approval are to be given deference in the case of a conflict with this Agreement. This Agreement may only be changed by mutual agreement of authorized representatives of the parties in writing. Licensing, Intellectual Property Rights and Ownership, and other issues specific to the hardware and software to be

produced under a supplemental scope of work will be addressed at the time of such supplemental scope of work.

22. Liability and Indemnification. 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.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Southwest Power Pool, Inc.

Boston Pacific Company, Inc.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Nick Brown

Name: Craig R. Roach

Title: President

Title: President

Date: December , 2005

Date: December , 2005

## **EXHIBIT A**

### **RESPONSIBILITIES, RIGHTS, AND OBLIGATIONS OF THE IMM**

The responsibilities of the MMU and the IMM are delineated in the SPP Member-approved Market Protocols. Also stated in the Market Protocols are rights and obligations of the MMU and IMM, including the right to access information and the obligation to abide by the conflicts of interest and code of ethics policies. Exhibit A reflects Market Protocols Version 2.5 Section 13 dated December 2, 2005.

#### **DIVISION OF RESPONSIBILITIES**

The general theme of the division of responsibilities is that the IMM focuses on design and periodic monitoring and the MMU focuses on implementation and continuous monitoring. The IMM has responsibility for design of the Market Power Mitigation Measures and the Market Monitoring Plan and for the review of Market Design. The MMU has responsibility for the implementation of the Market Power Mitigation Measures and Market Monitoring Plan including day-to-day (continuous) monitoring. In all of these responsibilities the entity with primary responsibility has the option to ask the other entity for support. Responsibility for conducting Reviews and for responding to data requests is shared. However, for these shared responsibilities, it is the party requesting the Review or the data that determines whether the IMM or the MMU does the work.

#### **IMM Responsibilities**

The tasks for which the IMM takes primary responsibility are listed below and the footnotes provide a citation to the Market Protocols.

1. Proposing and designing Market Power Mitigation Measures and Market Monitoring Plan and supporting SPP in obtaining FERC approval.<sup>1</sup>
2. Recommending updates to Mitigation Measures and the Monitoring Plan.<sup>2</sup>
3. Conducting periodic monitoring (to identify and assess trends in market behavior.)<sup>3</sup>
4. Produce (a) an Annual State of the Market Report, (b) Quarterly and Annual Metrics Reports for Inter-RTO Comparison, and (c) Quarterly Reports on Instances of Market Power for FERC.<sup>4</sup>

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<sup>1</sup> See *SPP Market Protocols: Revision 2.5*. (December 2, 2005) (“Market Protocols”) Section 13.3.2 and also at Section 13.3.4.B.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid., at Section 13.3.3.B.

<sup>4</sup> Ibid., at Section 13.3.7.

5. Review SPP's Market Design and recommend changes as necessary.<sup>5</sup>
6. Produce an Annual Review of the MMU for the Board.<sup>6</sup>
7. Report to the Board and advise the Board on matters encompassed by the market monitoring protocols.<sup>7</sup>

### **MMU Responsibilities**

The tasks for which the MMU takes primary responsibility are listed below and the footnotes provide a citation to the Market Protocols.

1. The MMU will implement the Market Power Mitigation Plan with the IMM's advice. This will require the MMU to determine when and to what extent mitigation is required based on application of the FERC-approved Mitigation measures.<sup>8</sup>
2. Implementation will require continuous monitoring by the MMU.<sup>9</sup> Implementation covers the full range of generation and transmission market power including, but not limited to, the three types of abuse the Commission listed- physical withholding, economic withholding, and unavailability of facilities. Coverage also includes actions that are possible violations of the Commission's Market Behavior Rules.
3. Assess the effect of adjacent markets on SPP markets and services and vice versa.<sup>10</sup>
4. The MMU will regularly collect and maintain Data and Information necessary for monitoring SPP's Markets and Services and implementing mitigation protocols.<sup>11</sup>
5. The MMU will report to the President.<sup>12</sup>

### **Shared Responsibilities**

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<sup>5</sup> See Market Protocols at Section 13.3.2.

<sup>6</sup> Ibid., at Section 13.3.7.

<sup>7</sup> Ibid., at Section 13.3.2.A.

<sup>8</sup> Ibid., at Section 13.3.4.A.

<sup>9</sup> Ibid., at Section 13.3.3.B

<sup>10</sup> Ibid., at Section 13.3.3.A.

<sup>11</sup> Ibid., at Section 13.3.9.

<sup>12</sup> Ibid., at Section 13.3.1.A.

The shared responsibilities are listed below and the footnotes provide a citation to the Market Protocols. Again, for these shared responsibilities, it is the Market Participant, or Interested Government Agency, Board of Directors, or the Commission requesting the Review or the data that determines which entity does the work.

1. Conduct Reviews at the request of any Market Participant or Interested Government Agency.<sup>13</sup>
2. The IMM and MMU have the right to conduct self-initiated Reviews in the absence of a request.<sup>14</sup>
3. Respond to data requests by the Commission, Market Participants, Interested Government Agencies, and the Board of Directors.<sup>15</sup>
4. Request the SPP President to authorize an immediate FERC filing to requesting implementation of a corrective action.<sup>16</sup>

## **RIGHTS AND OBLIGATIONS**

### **Independence**

1. The IMM shall be retained by and report to the SPP Board of Directors.<sup>17</sup>
2. The IMM shall be granted complete independence to perform those activities necessary to provide impartial and effective market monitoring within the scope of the protocols.<sup>18</sup>
3. The IMM 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 IMM and its subcontractors, if any.<sup>19</sup>
4. The IMM shall have complete independence in developing and producing reports, and no other entity may screen, alter, delete or delay the IMM's findings, conclusions and recommendations.<sup>20</sup>

### **Input From Other Groups**

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<sup>13</sup> See Market Protocols at Section 13.3.5.A.

<sup>14</sup> Ibid.

<sup>15</sup> Ibid.

<sup>16</sup> Ibid., at Section 13.3.6.B.

<sup>17</sup> Ibid., at Section 13.3.2.A.

<sup>18</sup> Ibid., at Section 13.2.C.

<sup>19</sup> Ibid., at Section 13.3.2.C.

<sup>20</sup> Ibid., at Section 13.3.7.

1. As a general principle, the IMM may obtain input from the MMU, MWG, FERC Staff, SPP Staff, RSC, and any other SPP Organizational Group for the purpose of executing its duties.<sup>21</sup>

### **Access to Information**

1. The IMM shall have access to all Data and Information gathered or generated by SPP in the course of its operations.<sup>22</sup>
2. The IMM shall have access to the following list of Data and Information retained by Market Participants.<sup>23</sup>
  - 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.

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<sup>21</sup> See Market Protocols at Section 13.3.2.B.

<sup>22</sup> Ibid., at Section 13.3.9.B.

<sup>23</sup> Ibid., at Section 13.3.9.C.

3. If any additional Data and Information not listed above or in the Market Monitoring section of these protocols is required from Market Participants by the IMM for the purpose of fulfilling its responsibilities, the IMM may request such Data and Information from Market Participants.<sup>24</sup>
4. 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.<sup>25</sup>

### **Requests to FERC and Other Groups**

1. The IMM may request the SPP President to authorize an immediate FERC filing requesting implementation of a corrective action.<sup>26</sup>
2. The IMM may also request the FERC to impose additional sanctions and penalties.<sup>27</sup>
3. The IMM may at any time bring any matter to the attention of the Board, the officers of SPP, FERC, or other affected regulatory authorities.<sup>28</sup>

### **Reviews**

1. Any Market Participant or Interested Government Agency may submit in writing a request for Review to either the IMM or MMU and indicate a preference for either to perform the Review. Upon receipt of such a request, the Market Monitor receiving the request will notify the other Market Monitor, and will determine whether a Review should be conducted. As an initial screen, the Market Monitor should not conduct a Review pertaining to issues not related to SPP's Markets and Services which are monitored by the Market Monitors.
2. Requests by Market Participants and Interested Government Agencies for the Market Monitors to conduct a Review can be made confidentially. The Market Monitors shall keep the identity of the requestor confidential and shall keep the existence of any Review conducted confidential from all uninvolved parties and from involved parties, other than the requesting party, to extent practicable.

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<sup>24</sup> See Market Protocols at Section 13.3.9.C.

<sup>25</sup> See *Southwest Power Pool, Inc., Submission of Tariff Revisions to Incorporate Energy Imbalance Market and Market Monitoring Plan* ("Tariff Filing") at Market Monitoring Plan Attachment AG at Section 8.3.

<sup>26</sup> See Market Protocols at Section 13.3.6.B.

<sup>27</sup> *Ibid.*, at Section 13.4.2.B.4.

<sup>28</sup> *Ibid.*, at Section 13.3.2.B.

3. Nothing in this section shall be interpreted as preventing the Market Monitors from conducting Reviews, either confidentially or publicly, without first receiving a request from a Market Participant or Interested Government Agency. The Market Monitors may initiate Reviews into any matter at any time that pertains to SPP's Markets and Services that is part of their market monitoring and/or market power mitigation obligation.
4. In conducting Reviews, the IMM and MMU will abide by the Commission's Market Monitoring Unit Policy Statement as to when matters must be turned over to the Commission.
5. As part of the Review process, the IMM or MMU may (a) engage in discussions with Market Participants or any other person or entity and (b) implement any FERC-approved, applicable mitigation measure.<sup>29</sup>

#### **MMU Must Keep IMM Informed**

1. MMU mitigation should be made with the advice and consultation of the IMM, and the IMM should be regularly informed of the progress and resolution of any such implemented mitigation.<sup>30</sup>
2. The IMM may directly participate in any review lead by the MMU at either the MMU's request or its own option, but in any event, the IMM shall be regularly informed of the progress and resolution of any review, and the MMU shall request the advice of the IMM during any review.<sup>31</sup>
3. The MMU will keep the IMM informed of any anticipated FERC filing by SPP on matters related to the Market Power Mitigation Plan and the Market Monitoring Plan or actions taken thereunder.

#### **SUBCONTRACTORS**

The IMM's approved subcontractors are Professor Ross Baldick and Appian Corp.

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<sup>29</sup> See Market Protocols at Section 13.3.6.A.

<sup>30</sup> Ibid., at Section 13.3.4.A.

<sup>31</sup> Ibid., at Section 13.3.5.B.

**EXHIBIT A-ONE**  
**EXCERPTS FROM THE MARKET PROTOCOLS<sup>32</sup>**  
**DELINEATING IMM/MMU RESPONSIBILITIES**

**IMM RESPONSIBILITIES**

**Section 13.3.2**

“The IMM is the Market Monitor external to SPP. It has primary responsibility for (a) performing initial analysis of SPP’s markets, (b) proposing and designing market mitigation protocols and monitoring plans and supporting SPP in obtaining FERC’s approval of the proposed protocols and plans, (c) recommending updates to such mitigation protocols and monitoring plans, (d) reviewing SPP’s market design and protocols and recommending changes as necessary, (e) monitoring and reporting on the effectiveness of the MMU, (f) assisting the MMU with its responsibilities as necessary, and (g) advising the Board. The IMM also has the primary responsibility for issuing periodic reports to the FERC, the RSC, and other appropriate state regulatory authorities.”

**Section 13.3.3.C**

“The IMM is responsible for reviewing and recommending updates to these market monitoring protocols at least every three years and supporting SPP in obtaining approval from FERC for any such updates, with assistance and support from the MMU and SPP as needed.”

**Section 13.3.4.B**

“The IMM 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 IMM with the advice and input of the MMU, MWG, and the RSC.”

**Section 13.3.7**

“The IMM, with the support and input of the MMU, MWG, SPP Staff, and any other SPP Organizational Group is responsible for producing (a) an Annual State of the Market Report, (b) Quarterly and Annual Metrics Reports for Inter-RTO Comparison, and (c) Quarterly Reports on Instances of Market Power for FERC. The IMM is also responsible for producing an Annual Review of the MMU for the Board.”

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<sup>32</sup> See Market Protocols at Section 13.

### **Section 13.3.8.A**

“The IMM, with the assistance and input of the MMU, MWG and the RSC, will develop performance indices, metrics and screens for reviewing market data and other information collected. Consideration should be given to the inter-RTO metrics in use by other RTOs, ISOs and the FERC during such development.”

## **MMU RESPONSIBILITIES**

### **Section 13.2.A**

“The MMU has primary responsibility for implementing the Plan, with the advice and oversight of the IMM, by (a) continuously monitoring SPP’s Markets and Services and (b) implementing approved market mitigation measures.”

### **Section 13.3.3.B**

“The MMU will implement the market monitoring protocols with the IMM’s advice. The markets will require continuous monitoring by the MMU and periodic monitoring by the IMM, with the MMU discussing market conditions and events with the IMM on a regular basis and seeking the IMM’s input and advice.”

### **Section 13.3.4.A**

“The MMU will implement the Market Power Mitigation Plan with the IMM’s advice. This will require the MMU to determine when and to what extent mitigation is required based on application of the approved mitigation protocols. Such determinations should be made with the advice and consultation of the IMM, and the IMM should be regularly informed of the progress and resolution of any such implemented mitigation.”

### **Section 13.3.9**

“The MMU shall regularly collect and maintain Data and Information necessary for monitoring SPP’s Markets and Services and implementing mitigation protocols. The MMU shall make all such Data and Information available to the IMM for purposes of fulfilling its responsibilities under these market monitoring protocols, including reporting, reviewing market design, advising the Board, and overseeing and assisting the MMU.”

## **SHARED RESPONSIBILITIES**

### **Section 13.2.A**

“The Market Monitors will work together with FERC Staff to comprehensively ensure that the overall competitiveness of SPP’s Markets and Services is maintained.”

**Section 13.3.5.A**

“Any Market Participant or Interested Government Agency may submit in writing a complaint or request for investigation to either Market Monitor and indicate a preference for either or both Market Monitors to perform the investigation. Upon receipt of such complaint or request, the Market Monitor receiving the request will notify the other Market Monitor, and the Market Monitors will jointly decide whether an investigation should be conducted.”

**Section 13.3.5.A**

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

**Section 13.3.6.A**

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

**Section 13.3.6.B**

“In the event that any weaknesses or failures in market design require immediate corrective action to ensure just and reasonable prices, either Market Monitor may request the SPP President to authorize an immediate FERC filing requesting implementation of a corrective action while the appropriate Organizational Group of SPP responds to the Market Monitors’ notification as described above.”

## **EXHIBIT B STATEMENT OF WORK**

### **TIME PERIOD COVERED BY THE STATEMENT OF WORK**

This Statement of Work covers the period from January 1, 2006 through December 31, 2006.

### **STATEMENT OF WORK**

#### **Task 1: Proposing and designing the Market Power Mitigation Plan and the Market Monitoring Plan and supporting SPP in obtaining FERC approval.**

The IMM will assist SPP in obtaining FERC approval for the Market Power Mitigation Plan and the Market Monitoring Plan submitted as part of SPP's EIS Market filing, by preparing testimony and, as appropriate, communicating with or responding to FERC in other ways. The IMM will be the only expert witness preparing testimony in this regard and SPP will file the IMM's testimony as part of its submissions to FERC.

#### **Task 2: Recommend updates to the Market Power Mitigation Plan and the Market Monitoring Plan.**

The IMM will recommend updates to the Market Power Mitigation Plan and the Market Monitoring Plan by making and supporting Protocol Revision Requests (PRR) at MWG and, as necessary, supporting them at MOPC or before other SPP Organizational Groups. As necessary, the IMM will prepare testimony to FERC to win approval of these updates.

#### **Task 3: Conducting periodic Monitoring.**

The IMM will conduct periodic monitoring for the purpose of identifying trends in market behavior. An example of such periodic monitoring would be to assess the extent to which portfolio bidding is used to exercise market power. This periodic monitoring will primarily involve quantitative assessment using the Market Monitoring Application developed by the MMU and other related data.

#### **Task 4: Produce Reports**

The IMM will prepare the *2005 Annual State of the Market Report*.

When the EIS Market starts, the IMM will prepare Quarterly and Annual Metrics Report for Inter-RTO Comparisons. However, to take advantage of the MMU's

daily access to monitoring data, the IMM will ask for substantial support from the MMU in producing these reports. If possible, the IMM's role will be limited to reviewing drafts of these reports by the MMU before they are sent out in final form.

The IMM will prepare Quarterly Reports on Instances of Market Power for FERC as necessary.

**Task 5: Review SPP's market design and recommend changes as necessary.**

The IMM will participate in MWG meetings (in person or by phone) with the goal of reviewing SPP's current and emerging market design for market power concerns. Emerging design refers to proposals to add ancillary services market and additional congestion management programs. Participation includes, as appropriate, attending the meetings and submitting commentary or PRRs.

**Task 6: Produce an Annual Review of the MMU for the Board.**

The IMM will produce an Annual Review of the MMU for the Board.

**Task 7: Advise the SPP Board of Directors.**

The IMM will attend (in person or by phone) all meetings of the Board of Directors. The IMM will advise the Board as requested by the Board.

**Task 8: Conduct Reviews when requested by the SPP Board of Directors, the Commission, a Market Participant, or Interested Government Agency.**

Upon request to the IMM from a Market Participant or an Interested Government Agency, the IMM will conduct Reviews. The IMM also will respond to data requests as necessary for these entities and the Commission.

**Task 9: Conduct Reviews at the request of any Market Participant or Interested Government Agency.<sup>33</sup>**

As necessary.

**Task 10: The IMM and MMU have the right to conduct self-initiated Reviews in the absence of a request.<sup>34</sup>**

As necessary.

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<sup>33</sup> See Market Protocols at Section 13.3.5.A.

<sup>34</sup> Ibid.

**Task 11: Respond to data requests by the Commission, Market Participants, Interested Government Agencies, and the Board of Directors.<sup>35</sup>**

As necessary.

**Task 12: Request the SPP President to authorize an immediate FERC filing to requesting implementation of a corrective action.<sup>36</sup>**

As necessary.

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<sup>35</sup> See Market Protocols at Section 13.3.5.A

<sup>36</sup> Ibid., at Section 13.3.6.B.

## **EXHIBIT C COMPENSATION**

### **COMPENSATION AND PAYMENT**

SPP shall compensate the IMM for an amount not to exceed \$█ in 2006 for the tasks described in the Statement of Work. Additional compensation above the \$█ may be requested from and must be approved by the SPP Board of Directors.

#### **Reimbursement of Direct Expenses**

SPP shall reimburse the IMM for direct expenses (relating to tasks in the Statement of Work) such as travel and communication for a total amount not to exceed █% of the total budget which includes \$█ plus other compensation approved by the SPP Board of Directors.

Direct expenses will be billed at cost as incurred.

#### **Project Billing Period**

The IMM shall prepare monthly invoices for work performed in the prior month based on the IMM's standard hourly rates. Invoices unpaid for 90 days will include a █% per month interest charge for all time after 30 days.

The IMM's standard hourly rates are as follows for 2006:

<b>Labor Category</b>	<u>Hourly Rate</u>
Principal	\$█
Managing Director	\$█
Project Director	\$█
Project Manager	\$█
Senior Consultant	\$█
Consultant	\$█
Research Assistant	\$█
Administrative	\$█

#### **Project Billing Controls**

The IMM shall establish project billing codes for each task set forth in this Statement of Work such that costs per task can be tracked.

### **Expanded SPP Membership**

The budget caps herein presume the current SPP membership. If the SPP membership expands, and/or the types of membership change, the budget caps will be increased in a manner to be determined by the SPP Board of Directors.

## **EXHIBIT D CONFLICTS OF INTEREST**

### **CONFLICTS OF INTEREST**

#### **Prohibited Engagements**

The IMM shall not advise any client on SPP matters including, but not limited to, SPP's market(s), transmission system, or market rules, and shall not be engaged by any client in any litigation, open regulatory docket, alternative dispute resolution procedure, or arbitration with SPP.

The IMM will not appear for or against a SPP Member before a state regulatory commission within the SPP footprint in any new engagement in the electricity business (after the date of signature) except as required by its role as the SPP IMM or as requested by the state regulatory commission. [The term "footprint" refers to the area covered by the transmission system for which SPP is the transmission provider.]

The IMM will not appear for or against a SPP Member before the Federal Energy Regulatory Commission (FERC) on any matter within the SPP footprint in any new engagement in the electricity business (after the date of signature) except as required by its role as the SPP IMM or as requested by FERC.

#### **Engagements to Clear**

Before the IMM accepts any engagement that involves clients with SPP-related business interests or clients with business interests in markets inextricably connected to SPP, it must inform the SPP Board of Directors of such potential engagement and obtain the Board's determination that such engagement would not present a conflict of interest or result in the material appearance of conflict before accepting such engagement.

#### **No Direct Financial Interests**

Persons of the IMM assisting in this Statement of Work shall not have a direct equity or other financial interest in a SPP Member(s) or affiliate of a SPP Member that is involved in the electricity business. (The term "direct" is meant to exclude investments such as mutual funds in which a person has no direct control.)

#### **Code of Ethics**

All employees of the IMM, and its subcontractors (retained for the purpose of fulfilling this agreement) will sign the attached Code of Ethics. (Please see Attachment D-One)

**ATTACHMENT D- ONE  
CODE OF ETHICS  
FOR THE SPP IMM ENGAGEMENT**

It is understood that credibility is crucial to the success of any independent market monitor (IMM) and that, to be credible, the IMM must be impartial in its investigations, findings, and recommendations. That is, the IMM must not favor one SPP Member over another or be influenced improperly by any SPP Member. The purpose of this code of ethics is to reinforce the commitment to impartiality. Therefore, while an employee of (or subcontractor for) Boston Pacific Company, Inc, I will adhere to the following standards:

1. I will abide by all provisions of the SPP IMM Services Agreement and this Code of Ethics throughout the term of the SPP IMM Services Agreement;
2. I will not advise anyone about whether or how to participate in any SPP market(s) for energy, capacity, or ancillary services or on whether and how to secure transmission service within the SPP footprint, other than as required in my role as the SPP IMM;
3. I will not work on any engagement related to the electricity business within the SPP footprint without the approval of the SPP Board of Directors or its delegate;
4. I will not appear for or against a SPP Member before a state regulatory commission within the SPP footprint in any new engagement in the electricity business except as required by my role as the SPP IMM or as requested by the state regulatory commission;
5. I will not appear for or against a SPP Member before the Federal Energy Regulatory Commission (FERC) on any matter within the SPP footprint in any new engagement in the electricity business except as required by my role as the SPP IMM or as requested by the FERC;
6. I will be impartial in my evaluation of the conduct of each SPP Member and each market rule. That is, I will weigh all points of view and all available evidence when coming to a decision, and will not show preferential treatment to any one SPP Member over another in any work done as the SPP IMM;
7. I will not willfully divulge to any unauthorized person any confidential information obtained in my work as the SPP IMM;
8. I will not allow any engagement or personal and/or professional relationship to impair my impartiality as the SPP IMM;

9. Any engagement with a SPP Member outside the SPP footprint will be done at my firm's standard rates and terms; and
10. I will not hold a direct financial interest in any SPP Member or affiliate of a SPP Member, that is involved in the electricity business.

Acknowledged and Agreed:

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Employee Name (or Subcontractor)

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Date

**ATTACHMENT AJ**

**ATTACHMENT AJ**  
**TABLE OF CONTENTS**

IMM SERVICES AGREEMENT

EXHIBITS

- A. Responsibilities, Rights, and Obligations of the IMM
- A-ONE Excerpts from the Market Protocols Delineating IMM/MMU Responsibilities
- B. Statement of Work
- C. Compensation
- D. Conflicts of Interest
- D-ONE Code of Ethics for SPP IMM Engagement

ATTACHMENT AJ

EXTERNAL MARKET MONITORING (EMM)  
SERVICES AGREEMENT

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I do not like the structure of this. The structure should be as follows-

Pursuant to Section 3.1 of Attachment AG, SPP may delegate certain responsibilities pursuant to a contract with an External Market Monitor. Any such effective contract or contracts shall be included in this Attachment AJ.

Attachment AJ-1 (Contract with External Market Monitor).

EXTERNAL MARKET MONITORING SERVICES AGREEMENT

This External Market Monitoring Services Agreement (“Agreement”) is made by and between Southwest Power Pool, Inc. (“SPP”), an Arkansas corporation, and Boston Pacific Company, Inc. (the “EMM”), a District of Columbia corporation. (SPP and the EMM shall be referred to individually herein as a “Party” and collectively as the “Parties.”)

Deleted: Under Section 3.1 of Attachment AG (the Market Monitoring Plan), the SPP Board of Directors has full responsibility for implementing Attachment AF (the Market Power Mitigation Plan) and Attachment AG. In particular, the SPP Board of Directors defines and assigns all work to be done under either of these two Attachments by the internal Market Monitor (hereafter the Market Monitoring Unit or MMU) and the external Market Monitor (hereafter the Independent Market Monitor or IMM). Further, the work defined for the IMM must be stated in a contract which itself must be filed as an Attachment to the SPP OATT. This IMM Services Agreement (including its Exhibits) is the contract required under Section 3.1. and is designated Attachment AJ to the SPP OATT

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1. Engagement of Services. SPP hereby retains the EMM [NOTE-NEED TO CHANGE] to assume the responsibilities listed in Exhibit A and to perform the individual tasks (“Tasks”) identified in Exhibit B attached hereto. The aggregation of all Tasks shall be identified herein as the “Services.” The Services may be modified from time to time upon mutual agreement of the Parties. If such modifications necessitate an increase or decrease in either (a) the amount due or (b) the time required for performance, such matters shall be agreed upon in writing prior to proceeding with the change. No payment shall be made by SPP for any modification not so directed or authorized prior to proceeding with the modification.

2. Compensation. SPP shall pay the IMM for the Services as identified in Exhibit C attached hereto. SPP shall also pay the IMM’s reasonable expenses in accordance with the procedures identified in Exhibit C. SPP reserves the right to audit and to examine any cost, payment, settlement or supporting documentation resulting from the provision of any Services. Any such audit(s) shall be undertaken by SPP or its representative from a certified public accounting firm at reasonable times and in conformance with generally accepted auditing standards. The IMM agrees to fully cooperate with any such audit(s).

3. Monthly Charges. The total monthly charges for Services and expenses shall be referred to herein as the Monthly Charges. The IMM shall submit an invoice on a monthly basis for the Monthly Charges and SPP shall pay the IMM as described in Exhibit C for all undisputed amounts, provided that the IMM provides documents with reasonable receipts or other documentation of expenses as SPP might request, including copies of time records. If SPP disputes any amount of

the Monthly Charges, then SPP shall identify in writing the reason for challenging such portion of the Monthly Charges, and the Parties shall attempt to resolve such dispute.

4. Limitation on Monthly Charges. Limitations on Monthly Charges are described in Exhibit C.
  
5. Independent Contractor Relationship. The IMM's relationship with SPP is that of an independent contractor, and nothing in this Agreement is intended to, or should be construed to, create a partnership, agency, joint venture or employment relationship; provided, however, the IMM is to act consistent with the terms of this contract which make it subject to oversight by SPP's Board and by the SPP President and which requires coordination with the SPP MMU. The IMM shall not be entitled to any of the benefits which SPP may make available to its employees, including, but not limited to, group health or life insurance, profit sharing or retirement benefits. The IMM is not authorized to make any representation, contract or commitment on behalf of SPP unless specifically requested or authorized in writing to do so by SPP. The IMM is solely responsible for, and shall file, on a timely basis, all tax returns and payments required to be filed with, or made to, any federal, state or local tax authority with respect to the performance of services and receipt of fees under this Agreement. The IMM is solely responsible for, and must maintain adequate records of, expenses incurred in the course of performing services under this Agreement. No part of the IMM's compensation shall be subject to withholding by SPP for the payment of any social security, federal, state or any other employee payroll taxes. SPP shall have no responsibility for any of the IMM's debts, liabilities or other obligations, or for the intentional, reckless or negligent acts or omissions of the IMM or IMM's employees or agents.
  
6. Ownership of Intellectual Property.

**Deleted:** The IMM retains sole and absolute discretion, control and judgment in the manner and means of carrying out the Services, except as to the policies and procedures set forth herein.

6.1 Any idea, invention, work of authorship, drawing, design, formula, algorithm, utility, tool, pattern, compilation, program, device, method, technique, process, improvement, development or discovery (hereinafter, collectively, "Inventions"), whether or not patentable, or copyrightable, or entitled to legal protection as a trade secret or otherwise, that the IMM may conceive, make, develop, create, reduce to practice, in the course of performing work under this Agreement shall be owned by the IMM. The IMM hereby grants to SPP an irrevocable, assignable, nonexclusive royalty-free unrestricted license to use, copy, distribute and make derivatives of any proprietary rights or specialized knowledge of the IMM that are part of any work product furnished by the IMM to SPP under this Agreement for SPP's and its affiliates', members', and regulators' internal use.

6.2 All documents, including but not limited to, drawings, specifications, and computer software prepared by the IMM pursuant to this Agreement are

instruments of service in respect to the Services. They are not intended or represented to be suitable for reuse by SPP or others on extensions of the Services or on any other project. Any reuse without prior written verification or adaptation by the IMM for the specific purpose intended will be at SPP's sole risk and without liability or legal exposure to the IMM. SPP shall defend, indemnify, and hold harmless the IMM against all claims, losses, damages, injuries, and expenses, including attorneys' fees arising out of or resulting from such reuse. Any verification or adaptation of documents will entitle the IMM to additional compensation at rates to be agreed upon by SPP and the IMM.

7. Intellectual Property Rights. The IMM expressly warrants that there has been no violation, misappropriation or infringement of any trade secret, patent, trademark, copyright, or other third party property right (including without limitation, any violation of a third party license) in any way connected with or arising out of performing the work specified in this Agreement.
8. Confidential and Non-Public Information. The IMM agrees to hold SPP's [and Market Participants](#) Confidential and Non-Public Information in strict confidence and not to disclose such Confidential and Non-Public Information to any third parties, or to use such Confidential and Non-Public Information, except for purposes relating to the IMM's responsibilities as SPP's IMM. [The IMM shall comply with the provisions of Section 8 of Attachment AE with regard to the use and disclosure of such Confidential and Non-Public Information.](#) Upon termination of this Agreement by either party for any reason, the IMM agrees to promptly deliver to SPP the original and any copies of the Confidential and Non-Public Information. The IMM agrees to certify in writing that the IMM has so returned all such Confidential and Non-Public Information.
9. Conflicts of Interest. The IMM warrants that there is no conflict of interest (as defined in the terms of Exhibit D) between the IMM's other agreements, if any, and the activities to be performed hereunder. The IMM shall advise SPP if a potential conflict of interest arises, as required by Exhibit D.
10. Insurance. Before commencing the work, the IMM shall procure and maintain at its own expense the following minimum insurance in forms and with insurance companies acceptable to SPP:
  - 10.1 Workers' Compensation insurance for statutory obligations imposed by Workers Compensation, Occupational Disease, or other similar laws, including, where applicable, the United States Longshore and Harbor Workers' Act, the Federal Employees Act, and the Jones Act. Employers' liability insurance shall be provided with a minimum umbrella limit of \$1,000,000 per occurrence.
  - 10.2 Business automobile liability insurance with the following minimum limit of liability:

**Deleted:** "Confidential and Non-Public Information" as used in this Agreement shall mean any and all information related to the current, future and proposed products and services of SPP, its affiliates, suppliers and customers, and includes, without limitation, information concerning research, experimental work, development, engineering, financial information, procurement requirements, purchasing manufacturing, customer lists, business forecasts, sales and merchandising and marketing plans and information. "Confidential and Non-Public Information" also includes proprietary or confidential information of any third party (including all SPP market participants) who may disclose such information to SPP or the IMM in the course of SPP's business. The above obligations shall not apply to Confidential Information which is already known to the IMM at the time it is disclosed, or which before being divulged either (i) has become publicly known through no wrongful act of the IMM; (ii) has been rightfully received from a third party without restriction on disclosure and without breach of this Agreement; (iii) has been independently developed by the IMM; (iv) has been approved for release by written authorization of SPP; or (v) has been disclosed pursuant to a requirement of a government agency or of law.

\$1,000,000 combined single limit per occurrence.

This insurance is to apply to all owned, non-owned, hired, and leased vehicles used by the IMM in the performance of the work.

10.3 Business general liability insurance including contractual liability insurance covering all operations required to complete the project with the following minimum limit of liability:

\$1,000,000 combined single limit per occurrence.

The contractual liability insurance coverage shall insure the performance of the contractual obligations assumed by the IMM under this Agreement.

The commercial general liability insurance coverage shall name SPP as an additional insured and shall include a cross liability clause.

10.4 Professional liability (errors & omissions) insurance, where applicable, covering the professional services being delivered by the IMM with the following minimum limit of liability:

\$1,000,000 per wrongful act.

11. Term and Termination. The term of this Agreement shall be from January 1, 2006 through [December 31, 2006?]. The Parties recognize that the SPP Board before the end of this term will determine whether to extend, revise, or not renew this contract. In addition, SPP may initiate termination of this Agreement, with or without cause, at any time upon thirty (30) days prior written notice to the IMM. The IMM may terminate this Agreement, with or without cause, at any time upon sixty (60) days prior written notice to SPP. Upon termination of this Agreement, SPP shall pay the IMM's wind down costs, and the IMM shall use best efforts to minimize all additional charges to SPP as needed to wind down the Services. SPP shall be responsible for submitting all filings necessary to reflect this termination.

**Deleted:** Any termination of this Agreement by SPP is subject to approval by the Federal Energy Regulatory Commission (FERC).

12. Noninterference with Business. For a period of two years immediately following the conclusion of the IMM's work hereunder, the IMM agrees not to solicit or induce any employee or independent contractor of SPP to terminate or breach an employment, contractual or other relationship with SPP. SPP agrees to the same terms regarding employees of and subcontractors to the IMM.

13. Survival. The rights and obligations contained in Sections 2 ("Compensation"), 6 ("Ownership of Intellectual Property"), 7 ("Intellectual Property Rights"), 8 ("Confidential Information"), and 13 ("Noninterference with Business") shall survive any termination or expiration of this Agreement. [Add Section 11 on Termination]

14. Successors and Assigns. The IMM may not subcontract or otherwise delegate its obligations under this Agreement, without SPP's prior written consent, and it is acknowledged that such approval is contained herein for the IMM's named subcontractors in Exhibit B. Subject to the foregoing, this Agreement shall be for the benefit of SPP's successors and assigns, and shall be binding on the IMM's assignees.
15. Notices. Any notice required or permitted by this Agreement shall be in writing and shall be delivered as follows with notice deemed given as indicated: (i) by personal delivery when delivered personally; (ii) by overnight courier upon written verification of receipt; (iii) by telecopy or facsimile transmission upon acknowledgment of receipt of electronic transmission; or (iv) by certified or registered mail, return receipt requested, upon verification of receipt. Notice shall be sent to as set forth below or such other address as either party may specify in writing.

If to SPP:

Southwest Power Pool  
415 North McKinley  
140 Plaza West  
Little Rock, AR 72205  
Attn: Ms. Stacy Duckett  
Phone: (501) 614-3296  
Fax: (501) 664-9553  
Email: sduckett@spp.org

If to the IMM:

Boston Pacific Company, Inc.  
1100 New York Avenue, NW  
Suite 490 East  
Washington, DC 20005  
Attn: Mr. Craig R. Roach  
Phone: (202) 296-5520  
Fax: (202) 296-5531  
Email: croach@bostonpacific.com

16. Governing Law. This Agreement shall be governed in all respects by the laws of the United States of America and by the laws of the District of Columbia.
17. Severability. Should any provisions of this Agreement be held by a court of law to be illegal, invalid or unenforceable, the legality, validity and enforceability of the remaining provisions of this Agreement shall not be affected or impaired thereby.

18. Waiver. The waiver by SPP of a breach of any provision of this Agreement by the IMM shall not operate or be construed as a waiver of any other or subsequent breach by the IMM.
19. Injunctive Relief for Breach. The IMM's obligations under this Agreement are of a unique character that gives them particular value; breach of any of such obligations shall result in irreparable and continuing damage to SPP for which there shall be no adequate remedy at law; and, in the event of such breach, SPP shall be entitled to injunctive relief and/or a decree for specific performance, and such other and further relief as may be proper (including monetary damages if appropriate).
20. Disputes. In the event of any litigation to enforce or interpret any terms or conditions of this Agreement, the parties agree that such action will be brought in the Superior Court of the District of Columbia (or, if the federal courts have exclusive jurisdiction over the subject matter of the dispute, in the U.S. District Court for the District of Columbia), and the parties hereby submit to the exclusive jurisdiction of said court. In any action in litigation to enforce or interpret any of the terms or conditions of this Agreement, the prevailing party shall be entitled to recover from the unsuccessful party all costs, expenses (including expert testimony) and reasonable attorneys' fees incurred therein by the prevailing party. In no event shall the litigation of any controversy or the settlement thereof delay the performance of this Agreement. [Need to address fact that FERC may consider itself as having some jurisdiction here as well. Does SPP want Arkansas?]
21. Entire Agreement. This Agreement constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or contemporaneous oral or written agreements concerning such subject matter. The terms of this Agreement shall govern the Services undertaken by the IMM for SPP. While this Agreement presently constitutes the entire relationship between the parties, the provisions of any subsequent market monitoring plan that obtains FERC approval are to be given deference in the case of a conflict with this Agreement. This Agreement may only be changed by mutual agreement of authorized representatives of the parties in writing. Licensing, Intellectual Property Rights and Ownership, and other issues specific to the hardware and software to be produced under a supplemental scope of work will be addressed at the time of such supplemental scope of work.
22. Liability and Indemnification. The IMM shall not be liable to SPP 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. [Note-You can only have a waiver by parties to the agreement and third parties are not part of the agreement.]

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entity

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. [\[Will SPP insurance cover any part of this?\]](#)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

Southwest Power Pool, Inc.

Boston Pacific Company, Inc.

By: \_\_\_\_\_

By: \_\_\_\_\_

Name: Nick Brown

Name: Craig R. Roach

Title: President

Title: President

Date: December , 2005

Date: December , 2005

**EXHIBIT A  
RESPONSIBILITIES, RIGHTS, AND OBLIGATIONS**

**Deleted:** OF THE IMM

Under Section 3.1 of Attachment AG, the Market Monitor which is the SPP entity with market monitoring responsibilities has the full responsibility for market monitoring under this Tariff. However, SPP may delegate some of those responsibilities by contract to an External Market Monitor. The following explains that delegation as well as certain other rights and obligations.

**Deleted:** The responsibilities of the MMU and the IMM are delineated in the SPP Member-approved Market Protocols. Also stated in the Market Protocols are rights and obligations of the MMU and IMM, including the right to access information and the obligation to abide by the conflicts of interest and code of ethics policies. Exhibit A reflects Market Protocols Version 2.5 Section 13 dated December 2, 2005

**DELEGATION OF RESPONSIBILITIES**

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The general theme of the delegation of responsibilities is that the EMM [Need to change throughout] focuses on design and periodic monitoring. The following sets out the tasks delegated to the EMM. All other market monitoring functions will be provided by the SPP Market Monitor.

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**EMM Responsibilities**

**Deleted:** The IMM has responsibility for design of the Market Power Mitigation Measures and the Market Monitoring Plan and for the review of Market Design. The MMU has responsibility for the implementation of the Market Power Mitigation Measures and Market Monitoring Plan including day-to-day (continuous) monitoring. In all of these responsibilities the entity with primary responsibility has the option to ask the other entity for support. Responsibility for conducting Reviews and for responding to data requests is shared. However, for these shared responsibilities, it is the party requesting the Review or the data that determines whether the IMM or the MMU does the work

1. Proposing to the SPP Board and designing Market Power Mitigation Measures and Market Monitoring Plan and supporting SPP in obtaining FERC approval.
2. Recommending to the SPP Board updates to Mitigation Measures and the Monitoring Plan.
3. Conducting periodic monitoring (to identify and assess trends in market behavior.)
4. Produce (a) an Annual State of the Market Report, (b) Quarterly and Annual Metrics Reports for Inter-RTO Comparison, and (c) Quarterly Reports on Instances of Market Power and provide such reports to entities as required by the Tariff.
5. Review SPP's Market Design and recommend changes to the SPP Board as necessary.
6. Produce an Annual Review of the Market Monitor for the Board

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**Deleted:** The tasks for which the IMM takes primary responsibility are listed below and the footnotes provide a citation to the Market Protocols

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**Deleted:** MMU

7. Aid the SPP Market Monitor in responding to requests for information and in submitting reports at the request of the Market Monitor.
8. Aid the SPP Market Monitor in responding to Market Participant, RSC, or FERC inquiries at the request of the Market Monitor
9. Attend SPP meetings at the request of the SPP Board, SPP President, or Market Monitor.
10. Others like this?
11. Aid the SPP Market Monitor in other tasks mutually agreed to by the EMM and the Market Monitor.

1.

## RIGHTS AND OBLIGATIONS

1. The EMM shall be retained by and report to the SPP Board of Directors and the SPP President and shall be subject to the supervision [and control?] of the SPP Board.
2. The EMM shall coordinate all of its activities with the Market Monitor including all communications with entities outside of SPP and shall notify the Market Monitor of those communications prior to their taking place to the extent possible.
3. The EMM recognizes that it is a contractor of SPP and has a good faith duty to carry out the terms of this contract.
4. The IMM 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 EMM from all Market Participants.

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Deleted: 7. Report to the Board and advise the Board on matters encompassed by the market monitoring protocols.

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Deleted: MM Responsibilities

The tasks for which the MMU takes primary responsibility are listed below and the footnotes provide a citation to the Market Protocols.

The MMU will implement the Market Power Mitigation Plan with the IMM's advice. This will require the MMU to determine when and to what extent mitigation is required based on application of the FERC-approved Mitigation measures.

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Deleted: <sup>9</sup> Implementation covers the full range of generation and transmission market power including, but not limited to, the three types of abuse the Commission listed- physical withholding, economic withholding, and unavailability of facilities. Coverage also includes actions that are possible violations of the Commission's Market Behavior Rules.

... [1]

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5. The EMM shall coordinate its reporting discussed above with the Market Monitor before submitting those reports. If the Market Monitor disagrees with the EMM, the EMM shall note that disagreement in the report.
6. The SPP Market Monitor shall coordinate its activities with the EMM and seek the advice of the EMM where appropriate. The SPP Market Monitor shall inform the EMM of its communications with the FERC Staff, state regulatory commissions or the RSC.

### Input From Other Groups

1. As a general principle, the EMM may obtain input from the Market Monitor, MWG, FERC Staff, SPP Staff, RSC, and any other SPP Organizational Group for the purpose of executing its duties so long as it coordinates with the Market Monitor as provided in Section above.<sup>21</sup>

### Access to Information

1. The EMM shall have access to all Data and Information gathered or generated by SPP in the course of its operations to the extent relevant to its tasks assigned by this Agreement.<sup>22</sup>
  2. SPP shall aid the EMM in obtaining the data relevant to its tasks from Market Participants as provided in the Tariff. {note-The Market Parts are not part of this Agreement; they also are obligated under AE to make this information available.}

### Interaction with Board and SPP's President.

The EMM may at any time bring any matter to the attention of the Board or the President of SPP subject to any coordination required under Section above.

1. ▼

<sup>21</sup> See Market Protocols at Section 13.3.2.B.

<sup>22</sup> Ibid., at Section 13.3.9.B.

<sup>32</sup> See Market Protocols at Section 13.

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Deleted: have complete independence in developing and producing reports, and no other entity may screen, alter, delete or delay the IMM's findings, conclusions and recommendations.

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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;¶  
¶ ... [10]

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## **SUBCONTRACTORS**

The IMM's approved subcontractors are Professor Ross Baldick and Appian Corp.

**EXHIBIT A-ONE [Delete this entire section; should not be part of a contract; also these provisions are not necessarily consistent with the recent tariff changes.]**

**EXCERPTS FROM THE MARKET PROTOCOLS<sup>32</sup>  
DELINEATING IMM/MMU RESPONSIBILITIES**

**IMM RESPONSIBILITIES**

**Section 13.3.2**

“The IMM is the Market Monitor external to SPP. It has primary responsibility for (a) performing initial analysis of SPP’s markets, (b) proposing and designing market mitigation protocols and monitoring plans and supporting SPP in obtaining FERC’s approval of the proposed protocols and plans, (c) recommending updates to such mitigation protocols and monitoring plans, (d) reviewing SPP’s market design and protocols and recommending changes as necessary, (e) monitoring and reporting on the effectiveness of the MMU, (f) assisting the MMU with its responsibilities as necessary, and (g) advising the Board. The IMM also has the primary responsibility for issuing periodic reports to the FERC, the RSC, and other appropriate state regulatory authorities.”

**Section 13.3.3.C**

“The IMM is responsible for reviewing and recommending updates to these market monitoring protocols at least every three years and supporting SPP in obtaining approval from FERC for any such updates, with assistance and support from the MMU and SPP as needed.”

**Section 13.3.4.B**

“The IMM 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 IMM with the advice and input of the MMU, MWG, and the RSC.”

**Section 13.3.7**

“The IMM, with the support and input of the MMU, MWG, SPP Staff, and any other SPP Organizational Group is responsible for producing (a) an Annual State of the Market Report, (b) Quarterly and Annual Metrics Reports for Inter-RTO Comparison, and (c) Quarterly Reports on Instances of Market Power for FERC. The IMM is also responsible for producing an Annual Review of the MMU for the Board.”

### **Section 13.3.8.A**

“The IMM, with the assistance and input of the MMU, MWG and the RSC, will develop performance indices, metrics and screens for reviewing market data and other information collected. Consideration should be given to the inter-RTO metrics in use by other RTOs, ISOs and the FERC during such development.”

## **MMU RESPONSIBILITIES**

### **Section 13.2.A**

“The MMU has primary responsibility for implementing the Plan, with the advice and oversight of the IMM, by (a) continuously monitoring SPP’s Markets and Services and (b) implementing approved market mitigation measures.”

### **Section 13.3.3.B**

“The MMU will implement the market monitoring protocols with the IMM’s advice. The markets will require continuous monitoring by the MMU and periodic monitoring by the IMM, with the MMU discussing market conditions and events with the IMM on a regular basis and seeking the IMM’s input and advice.”

### **Section 13.3.4.A**

“The MMU will implement the Market Power Mitigation Plan with the IMM’s advice. This will require the MMU to determine when and to what extent mitigation is required based on application of the approved mitigation protocols. Such determinations should be made with the advice and consultation of the IMM, and the IMM should be regularly informed of the progress and resolution of any such implemented mitigation.”

### **Section 13.3.9**

“The MMU shall regularly collect and maintain Data and Information necessary for monitoring SPP’s Markets and Services and implementing mitigation protocols. The MMU shall make all such Data and Information available to the IMM for purposes of fulfilling its responsibilities under these market monitoring protocols, including reporting, reviewing market design, advising the Board, and overseeing and assisting the MMU.”

## **SHARED RESPONSIBILITIES**

### **Section 13.2.A**

“The Market Monitors will work together with FERC Staff to comprehensively ensure that the overall competitiveness of SPP’s Markets and Services is maintained.”

**Section 13.3.5.A**

“Any Market Participant or Interested Government Agency may submit in writing a complaint or request for investigation to either Market Monitor and indicate a preference for either or both Market Monitors to perform the investigation. Upon receipt of such complaint or request, the Market Monitor receiving the request will notify the other Market Monitor, and the Market Monitors will jointly decide whether an investigation should be conducted.”

**Section 13.3.5.A**

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

**Section 13.3.6.A**

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

**Section 13.3.6.B**

“In the event that any weaknesses or failures in market design require immediate corrective action to ensure just and reasonable prices, either Market Monitor may request the SPP President to authorize an immediate FERC filing requesting implementation of a corrective action while the appropriate Organizational Group of SPP responds to the Market Monitors’ notification as described above.”

## EXHIBIT B

**STATEMENT OF WORK**[delete this section as the first exhibit already addresses; if additional needs to be added it should be added to the first exhibit which sets forth the delegated responsibilities]

### TIME PERIOD COVERED BY THE STATEMENT OF WORK

This Statement of Work covers the period from January 1, 2006 through December 31, 2006.

### STATEMENT OF WORK

#### **Task 1: Proposing and designing the Market Power Mitigation Plan and the Market Monitoring Plan and supporting SPP in obtaining FERC approval.**

The IMM will assist SPP in obtaining FERC approval for the Market Power Mitigation Plan and the Market Monitoring Plan submitted as part of SPP's EIS Market filing, by preparing testimony and, as appropriate, communicating with or responding to FERC in other ways. The IMM will be the only expert witness preparing testimony in this regard and SPP will file the IMM's testimony as part of its submissions to FERC.

#### **Task 2: Recommend updates to the Market Power Mitigation Plan and the Market Monitoring Plan.**

The IMM will recommend updates to the Market Power Mitigation Plan and the Market Monitoring Plan by making and supporting Protocol Revision Requests (PRR) at MWG and, as necessary, supporting them at MOPC or before other SPP Organizational Groups. As necessary, the IMM will prepare testimony to FERC to win approval of these updates.

#### **Task 3: Conducting periodic Monitoring.**

The IMM will conduct periodic monitoring for the purpose of identifying trends in market behavior. An example of such periodic monitoring would be to assess the extent to which portfolio bidding is used to exercise market power. This periodic monitoring will primarily involve quantitative assessment using the Market Monitoring Application developed by the MMU and other related data.

#### **Task 4: Produce Reports**

The IMM will prepare the *2005 Annual State of the Market Report*.

When the EIS Market starts, the IMM will prepare Quarterly and Annual Metrics Report for Inter-RTO Comparisons. However, to take advantage of the MMU's daily access to monitoring data, the IMM will ask for substantial support from the MMU in producing these reports. If possible, the IMM's role will be limited to reviewing drafts of these reports by the MMU before they are sent out in final form.

The IMM will prepare Quarterly Reports on Instances of Market Power for FERC as necessary.

**Task 5: Review SPP's market design and recommend changes as necessary.**

The IMM will participate in MWG meetings (in person or by phone) with the goal of reviewing SPP's current and emerging market design for market power concerns. Emerging design refers to proposals to add ancillary services market and additional congestion management programs. Participation includes, as appropriate, attending the meetings and submitting commentary or PRRs.

**Task 6: Produce an Annual Review of the MMU for the Board.**

The IMM will produce an Annual Review of the MMU for the Board.

**Task 7: Advise the SPP Board of Directors.**

The IMM will attend (in person or by phone) all meetings of the Board of Directors. The IMM will advise the Board as requested by the Board.

**Task 8: Conduct Reviews when requested by the SPP Board of Directors, the Commission, a Market Participant, or Interested Government Agency.**

Upon request to the IMM from a Market Participant or an Interested Government Agency, the IMM will conduct Reviews. The IMM also will respond to data requests as necessary for these entities and the Commission.

**Task 9: Conduct Reviews at the request of any Market Participant or Interested Government Agency.<sup>33</sup>**

As necessary.

**Task 10: The IMM and MMU have the right to conduct self-initiated Reviews in the absence of a request.<sup>34</sup>**

As necessary.

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<sup>33</sup> See Market Protocols at Section 13.3.5.A.

<sup>34</sup> Ibid.

**Task 11: Respond to data requests by the Commission, Market Participants, Interested Government Agencies, and the Board of Directors.<sup>35</sup>**

As necessary.

**Task 12: Request the SPP President to authorize an immediate FERC filing to requesting implementation of a corrective action.<sup>36</sup>**

As necessary.

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<sup>35</sup> See Market Protocols at Section 13.3.5.A

<sup>36</sup> Ibid., at Section 13.3.6.B.

## EXHIBIT C COMPENSATION

### COMPENSATION AND PAYMENT

SPP shall compensate the IMM for an amount not to exceed \$ [REDACTED] in 2006 for the tasks described in the Statement of Work. Additional compensation above the \$ [REDACTED] may be requested from and must be approved by the SPP Board of Directors.

#### Reimbursement of Direct Expenses

SPP shall reimburse the IMM for direct expenses (relating to tasks in the Statement of Work) such as travel and communication for a total amount not to exceed [REDACTED]% of the total budget which includes \$ [REDACTED] plus other compensation approved by the SPP Board of Directors.

Direct expenses will be billed at cost as incurred.

#### Project Billing Period

The IMM shall prepare monthly invoices for work performed in the prior month based on the IMM's standard hourly rates. Invoices unpaid for 90 days will include a [REDACTED]% per month interest charge for all time after 30 days.

The IMM's standard hourly rates are as follows for 2006:

<b>Labor Category</b>	<b><u>Hourly Rate</u></b>
Principal	\$ [REDACTED]
Managing Director	\$ [REDACTED]
Project Director	\$ [REDACTED]
Project Manager	\$ [REDACTED]
Senior Consultant	\$ [REDACTED]
Consultant	\$ [REDACTED]
Research Assistant	\$ [REDACTED]
Administrative	\$ [REDACTED]

#### Project Billing Controls

The IMM shall establish project billing codes for each task set forth in this Statement of Work such that costs per task can be tracked.

### **Expanded SPP Membership**

The budget caps herein presume the current SPP membership. If the SPP membership expands, and/or the types of membership change, the budget caps will be increased in a manner to be determined by the SPP Board of Directors. [\[Since this is for one year under my changes is the uncertainty from this provision really necessary?\]](#)

## **EXHIBIT D CONFLICTS OF INTEREST**

### **CONFLICTS OF INTEREST**

#### **Prohibited Engagements**

The IMM shall not advise any client on SPP matters including, but not limited to, SPP's market(s), transmission system, or market rules, and shall not be engaged by any client in any litigation, open regulatory docket, alternative dispute resolution procedure, or arbitration with SPP.

The IMM will not appear for or against a SPP Member before a state regulatory commission within the SPP footprint in any new engagement in the electricity business (after the date of signature) except as required by its role as the SPP IMM or as requested by the state regulatory commission. [The term "footprint" refers to the area covered by the transmission system for which SPP is the transmission provider.]

The IMM will not appear for or against a SPP Member before the Federal Energy Regulatory Commission (FERC) on any matter within the SPP footprint in any new engagement in the electricity business (after the date of signature) except as required by its role as the SPP IMM or as requested by FERC.

#### **Engagements to Clear**

Before the IMM accepts any engagement that involves clients with SPP-related business interests or clients with business interests in markets inextricably connected to SPP, it must inform the SPP Board of Directors of such potential engagement and obtain the Board's determination that such engagement would not present a conflict of interest or result in the material appearance of conflict before accepting such engagement.

#### **No Direct Financial Interests**

Persons of the IMM assisting in this Statement of Work shall not have a direct equity or other financial interest in a SPP Member(s) or affiliate of a SPP Member that is involved in the electricity business. (The term "direct" is meant to exclude investments such as mutual funds in which a person has no direct control.)

#### **Code of Ethics**

All employees of the IMM, and its subcontractors (retained for the purpose of fulfilling this agreement) will sign the attached Code of Ethics. (Please see Attachment D-One)

**ATTACHMENT D- ONE  
CODE OF ETHICS  
FOR THE SPP IMM ENGAGEMENT**

It is understood that credibility is crucial to the success of any independent market monitor (IMM) and that, to be credible, the IMM must be impartial in its investigations, findings, and recommendations. That is, the IMM must not favor one SPP Member over another or be influenced improperly by any SPP Member. The purpose of this code of ethics is to reinforce the commitment to impartiality. Therefore, while an employee of (or subcontractor for) Boston Pacific Company, Inc, I will adhere to the following standards:

1. I will abide by all provisions of the SPP IMM Services Agreement and this Code of Ethics throughout the term of the SPP IMM Services Agreement;
2. I will not advise anyone about whether or how to participate in any SPP market(s) for energy, capacity, or ancillary services or on whether and how to secure transmission service within the SPP footprint, other than as required in my role as the SPP IMM;
3. I will not work on any engagement related to the electricity business within the SPP footprint without the approval of the SPP Board of Directors or its delegate;
4. I will not appear for or against a SPP Member before a state regulatory commission within the SPP footprint in any new engagement in the electricity business except as required by my role as the SPP IMM or as requested by the state regulatory commission;
5. I will not appear for or against a SPP Member before the Federal Energy Regulatory Commission (FERC) on any matter within the SPP footprint in any new engagement in the electricity business except as required by my role as the SPP IMM or as requested by the FERC;
6. I will be impartial in my evaluation of the conduct of each SPP Member and each market rule. That is, I will weigh all points of view and all available evidence when coming to a decision, and will not show preferential treatment to any one SPP Member over another in any work done as the SPP IMM;
7. I will not willfully divulge to any unauthorized person any confidential information obtained in my work as the SPP IMM;
8. I will not allow any engagement or personal and/or professional relationship to impair my impartiality as the SPP IMM;

9. Any engagement with a SPP Member outside the SPP footprint will be done at my firm's standard rates and terms; and
10. I will not hold a direct financial interest in any SPP Member or affiliate of a SPP Member, that is involved in the electricity business.

Acknowledged and Agreed:

\_\_\_\_\_  
Employee Name (or Subcontractor)

\_\_\_\_\_  
Date

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<sup>1</sup> Implementation covers the full range of generation and transmission market power including, but not limited to, the three types of abuse the Commission listed- physical withholding, economic withholding, and unavailability of facilities. Coverage also includes actions that are possible violations of the Commission's Market Behavior Rules.

Assess the effect of adjacent markets on SPP markets and services and vice versa.

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<sup>2</sup>

The MMU will regularly collect and maintain Data and Information necessary for monitoring SPP's Markets and Services and implementing mitigation protocols.

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<sup>3</sup>

The MMU will report to the President.

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### **Shared Responsibilities**

The shared responsibilities are listed below and the footnotes provide a citation to the Market Protocols. Again, for these shared responsibilities, it is the Market Participant, or Interested Government Agency, Board of Directors, or the Commission requesting the Review or the data that determines which entity does the work.

Conduct Reviews at the request of any Market Participant or Interested Government Agency.

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<sup>4</sup>

The IMM and MMU have the right to conduct self-initiated Reviews in the absence of a request.

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<sup>5</sup>

Respond to data requests by the Commission, Market Participants, Interested Government Agencies, and the Board of Directors.

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<sup>6</sup>

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<sup>1</sup> Ibid., at Section 13.3.3.B

<sup>2</sup> Ibid., at Section 13.3.3.A.

<sup>3</sup> Ibid., at Section 13.3.9.

<sup>4</sup> See Market Protocols at Section 13.3.5.A.

<sup>5</sup> Ibid.

Request the SPP President to authorize an immediate FERC filing to requesting implementation of a corrective action.

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The IMM shall be granted complete independence to perform those activities necessary to provide impartial and effective market monitoring within the scope of the protocols.

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- 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;

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- 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

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<sup>6</sup> Ibid.

<sup>7</sup> Ibid., at Section 13.3.6.B.

<sup>8</sup> Ibid., at Section 13.3.9.C.

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 the Market Monitoring section of these protocols is required from Market Participants by the IMM for the purpose of fulfilling its responsibilities, the IMM may request such Data and Information from Market Participants.

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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.

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### Requests to FERC and Other Groups

The IMM may request the SPP President to authorize an immediate FERC filing requesting implementation of a corrective action.

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The IMM may also request the FERC to impose additional sanctions and penalties.

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, the officers of SPP, FERC, or other affected regulatory authorities.

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### Reviews

1. Any Market Participant or Interested Government Agency may submit in writing a request for Review to either the IMM or MMU and indicate a preference for either to perform the Review. Upon receipt of such a request, the Market Monitor receiving the request will notify the other Market Monitor, and will determine whether a Review should be conducted. As an

<sup>9</sup> See Market Protocols at Section 13.3.9.C.

<sup>10</sup> See *Southwest Power Pool, Inc., Submission of Tariff Revisions to Incorporate Energy Imbalance Market and Market Monitoring Plan* (“Tariff Filing”) at Market Monitoring Plan Attachment AG at Section 8.3.

<sup>11</sup> See Market Protocols at Section 13.3.6.B.

<sup>12</sup> *Ibid.*, at Section 13.4.2.B.4.

initial screen, the Market Monitor should not conduct a Review pertaining to issues not related to SPP's Markets and Services which are monitored by the Market Monitors.

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2. Requests by Market Participants and Interested Government Agencies for the Market Monitors to conduct a Review can be made confidentially. The Market Monitors shall keep the identity of the requestor confidential and shall keep the existence of any Review conducted confidential from all uninvolved parties and from involved parties, other than the requesting party, to extent practicable.
3. Nothing in this section shall be interpreted as preventing the Market Monitors from conducting Reviews, either confidentially or publicly, without first receiving a request from a Market Participant or Interested Government Agency. The Market Monitors may initiate Reviews into any matter at any time that pertains to SPP's Markets and Services that is part of their market monitoring and/or market power mitigation obligation.

In conducting Reviews, the IMM and MMU will abide by the Commission's Market Monitoring Unit Policy Statement as to when matters must be turned over to the Commission.

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As part of the Review process, the IMM or MMU may (a) engage in discussions with Market Participants or any other person or entity and (b) implement any FERC-approved, applicable mitigation measure.

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### **MMU Must Keep IMM Informed**

MMU mitigation should be made with the advice and consultation of the IMM, and the IMM should be regularly informed of the progress and resolution of any such implemented mitigation.

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The IMM may directly participate in any review lead by the MMU at either the MMU's request or its own option, but in any event, the IMM shall be regularly informed of the progress and resolution of any review, and the MMU shall request the advice of the IMM during any review.

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The MMU will keep the IMM informed of any anticipated FERC filing by SPP on matters related to the Market Power Mitigation Plan and the Market Monitoring Plan or actions taken thereunder.

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<sup>13</sup> Ibid., at Section 13.3.5.B.



**SPP Market Monitoring Unit  
2006 Functions/Goals**

1. Daily mitigation of market power (offer caps)
2. Monitoring transmission and energy markets for tariff violations
3. Monitoring transmission and energy markets for potential Market Behavior issues
4. Monitoring for inter-regional impacts upon SPP
5. Conducting Market Conduct Reviews
6. Support to market participants in understanding of consequences of prospective actions
7. Coordinating with SPP Regulatory in FERC filings and other support issues
8. Maintaining the RTO relationship with the FERC Office of Market Oversight and Investigations (OMOI)
9. Responding to data requests involving the Market Monitoring Unit (including OMOI market performance metrics)
10. Reviewing proposed changes to market design for concerns and impact on market efficiency
11. Develop and maintain data collection and storage systems
12. Conduct reviews in response to complaints and requests for investigations
13. Periodic assessment of market design for efficiency

## MARKET MONITORING INVESTIGATION PROCESS

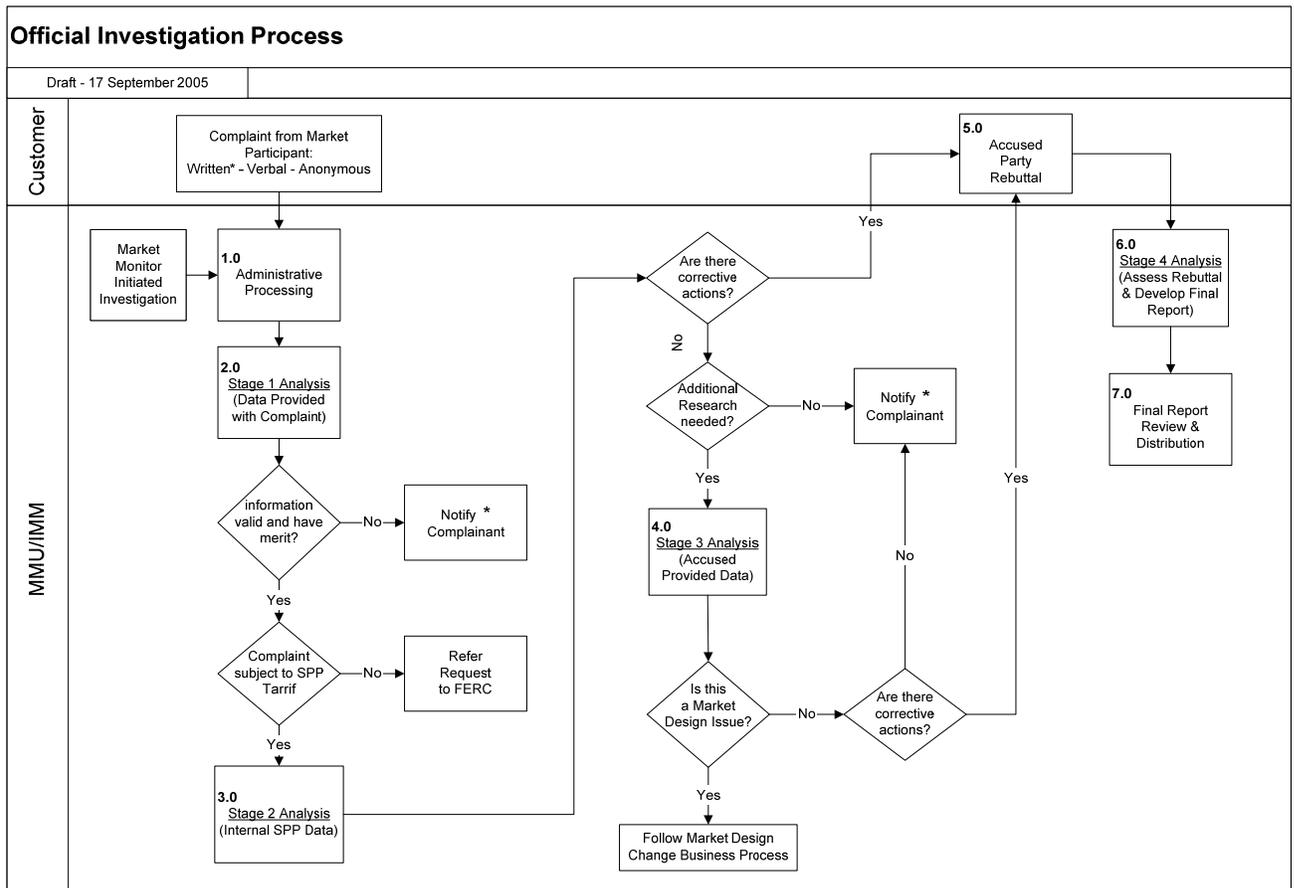
### A. Introduction

A Market Participant or Interested Government Agency may submit a written complaint or request for investigation to SPP Market Monitors. The Monitors shall keep the identity of the requestor confidential. The existence of any investigation will be kept confidential from all uninvolved parties and from involved parties, other than the requesting party, to the extent practicable.

SPP's internal Market Monitor Unit (MMU) will conduct all investigations except where the MMU determines that there is a potential for conflict of interest or external resources are required. The MMU will determine when external resources are required subject to guidance and direction from the Compliance Committee. If a complainant requests the Independent Market Monitor (IMM) to conduct the investigation, the request must be approved by the SPP Compliance Committee prior to the start of the investigation.

The Monitors may initiate investigations independent of any submitted complaints when they deem it appropriate. The Market Monitors may initiate investigations into any matter at any time that pertains to SPP's Markets and Services that is part of their market monitoring and/or market power mitigation obligation. Verbal complaints from any interested party will be assessed by the Market Monitors, and if the issue merits further review, then the Monitors will sponsor the investigation.

### B. Process Steps



\* Notifications are sent out to complainant only for written complaints

1. Administrative Processing
  - a. If SPP Customer Relations Representatives receive an inquiry regarding a request for an investigation, they will forward the contact to the MMU Investigation Coordinator
  - b. Any SPP Market Monitor receiving a complaint/request will document the contact and forward information to the MMU Investigation Coordinator
  - c. MMU Investigation Coordinator will:
    - Facilitate lead assignments
    - Assign case number
    - Establish process schedule
    - Develop contact list
    - Distribute information as needed
    - Inform Complainant that only written complaints will receive a response
  - d. The MMU will determine the need for and the level of involvement of the IMM in conducting the investigation subject to guidance and direction from the SPP Compliance Committee
2. Stage 1 Analysis - Review information provided by Complainant
  - a. Initial screen - only investigate complaints related to SPP's markets or services
  - b. Determine if complaint is clearly defined
  - c. Determine if the data provided, if any, with the complaint is valid
  - d. Conduct assessment and determine if complaint merits further investigation
  - e. Notify Complainant of the decision regarding merit of the complaint
  - f. Document information regarding the complaint and initial assessment for the SPP President and Compliance Committee
  - g. If the complaint merits further investigation, notify FERC and proceed to Stage 2 Analysis
3. Stage 2 Analysis - SPP Internal Data
  - a. Identify, collect, and analyze internal SPP information relevant to the complaint
  - b. Identify, collect, and analyze publicly available information outside SPP relevant to the complaint
  - c. Determine if investigation requires data and information from the accused party
  - d. Determine whether sufficient credible information has been gathered to substantiate the complaint and warrant either corrective action, requires further investigation by SPP Monitors, or further investigation by the FERC:
    - If the complaint pertains to a tariff or Market Behavior Rule violation ("Market Violation") with no express mitigation measure provided for by SPP tariffs, inform the SPP President and Compliance Committee of the results of the investigation into the complaint, refer the complaint to FERC, and desist from any further action independent of the FERC's investigation into the complaint.
    - If there are findings that require corrective action to the Market Protocols, Market Monitoring Plan, Market Power Mitigation Measures, or other SPP governing document, inform the SPP President and Compliance Committee of the recommended corrective action and forward notification of such recommended corrective action to the appropriate SPP Organizational Group, the RSC, and any affected Interested Government Agencies.
    - If the complaint pertains to a specific SPP Tariff and results in specific findings, proceed to Stage 4.

- If the complaint pertains to a specific SPP Tariff and requires additional information from the accused party, then proceed to Stage 3 and notify FERC of an ongoing investigation
  - e. Notify Complainant whether there continues to be merit to the complaint
  - f. If there is no further need to continue investigating the complaint, document the results of the investigation for the complainant, SPP President, Compliance Committee and FERC as appropriate.
4. Stage 3 Analysis - Data Provided by Accused Party
    - a. Inform the SPP President and Compliance Committee if there is a need to request information or data from the accused party
    - b. Develop and transmit data requests to accused party with information on process, procedures and schedule
    - c. Analyze data from accused party, determine if data provided is valid or if additional requests or an audit is required
    - d. Determine if corrective action is required and develop draft report
    - e. Proceed to Stage 4
  5. Stage 4 Accused Party Rebuttal
    - a. Inform accused party of process, procedures and schedule for rebuttal
    - b. Facilitate information meetings as needed
  6. Stage 5 Analysis - Review of Rebuttal
    - a. Analyze and validate information provided by accused party
    - b. Determine if complaint warrants corrective action
    - c. Determine financial impacts
    - d. Determine recommended penalties to forward to FERC
    - e. Develop final report
  7. Final Report
    - a. Review results with SPP President
    - b. Review results with SPP Compliance Committee
    - c. Distribute final report: Complainant, accused party, and, if necessary for documentation of need for corrective actions, post redacted version to SPP web page for review by the appropriate SPP Organizational Group.

### **C. Process Guidelines for Referring Complaints to FERC**

1. All referrals to FERC of alleged Market Violations shall be in writing, whether transmitted electronically, by fax, mail, or courier. The Market Monitors may alert FERC orally in advance of the written referral, but FERC will not act without a written referral.
2. The referral should be addressed to FERC's Director of Enforcement Division of the Office of Market Oversight and Investigation, with a copy also directed to both the Director of the Office of Market, Tariffs and Rates and FERC's General Counsel.
3. The referral should include, but is not limited to, the following information:
  - a. the name(s) of and, if possible, the contact information for, the market participants that allegedly took the action(s) that constituted the alleged Market Violation(s);
  - b. the date(s) or time period during which the alleged Market Violation(s) occurred and whether the alleged wrongful conduct is ongoing;
  - c. the specific Market Behavior Rule(s) and/or tariff provision(s) that were allegedly violated;

- d. the specific act(s) or conduct that allegedly violated the Market Behavior Rule or tariff;
  - e. the consequences in the market resulting from the act(s) or conduct, including, if known, an estimate of economic impact on the market;
  - f. if the Market Monitors believe that the act(s) or conduct constituted manipulative behavior in violation of Market Behavior Rule 2, a description of the alleged manipulative effect on market prices, market conditions, or market rules;
  - g. any other information that the Market Monitors believe is relevant and may be helpful to FERC
4. Following a referral to FERC, the Market Monitors should continue to notify and inform FERC of any information that the Market Monitors learn that may be related to the referral, but the Market Monitors should not undertake any investigative steps regarding the referral except at the express direction of FERC Staff. However, this does not mean the Market Monitors cannot continue their monitoring functions and make recommendations to SPP, stakeholders, and FERC on tariff changes that may be necessary.

#### **D. FERC Market Behavior Rules**

FERC requires SPP Market Monitors to monitor market participant activities regarding potential violation of FERC Market Behavior Rules. When the Market Monitor has credible evidence that any Behavior Rule has been violated, the assessment is to be turned over to FERC staff for possible investigation. Detailed discussion of these rules is found in FERC document Investigation of Terms and Conditions - EL01-118-001. A list of the rules is shown below with a brief description of each:

1. Unit Operation - Operate and schedule generating facilities, undertake maintenance, declare outages, and commit or otherwise bid supply in a manner that complies with the Commission approved rules and regulations of the applicable power market
2. Market Manipulation - Actions or transactions that are without a legitimate business purpose and that are intended to or foreseeable could manipulate market prices, market conditions, or market rules for electric energy or electricity products are prohibited
3. Prohibition of "Wash Trades" - Pre-arranged offsetting trades of the same product among the same parties, which involve no economic risk and no net change in beneficial ownership
4. Prohibition Against Transactions Predicated on Submission of False Information - Transactions predicated on submitting false information to transmission providers or other entities responsible for operation of the transmission grid unless Seller exercised due diligence to prevent such occurrences
5. Creation of Artificial Congestion Followed by the Relief of Such Artificial Congestion - Transactions in which an entity creates artificial congestion and then purports to relieve such artificial congestion are prohibited
6. Prohibition Against Certain Collusive Acts - Collusion with another party for the purpose of manipulating market prices, market conditions, or market rules for electric energy or electricity products
7. Submitting False or Misleading Information - Provide accurate and factual information and not submit false or misleading information, or omit material information in any communications with the Commission, Commission-approved market monitors, Commission-approved regional transmission organizations
8. False Reporting to Publishers of Indices - When providing transaction information to publishers of electricity or natural gas indices, Seller shall provide accurate and factual information

**E. Schedule - Guidelines Only**

	<u>Incremental Time in Weeks</u>
1. <u>Stage 1 Review</u>	<u>1</u>
2. <u>Stage 2 Review</u>	<u>2</u>
3. Stage 3 Review	
a. <u>Data from accused party</u>	<u>2</u>
b. <u>MM Analysis</u>	<u>2</u>
4. <u>Accused Party Rebuttal</u>	<u>2</u>
5. <u>Stage 4</u>	<u>2</u>
6. <u>Compliance Committee Review &amp; Approval</u>	<u>TBD</u>