



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING
March 29, 2016
Boston Pacific Offices, Washington, D.C.

• M I N U T E S •

Agenda Item 1 – Call to Order/Administrative Items

Josh Martin called the meeting to order at 9 AM. Members in attendance included: Josh Martin (Director); Larry Altenbaumer (Director); and, Phyllis Bernard (Director). Additional Board members in attendance included Graham Edwards, Harry Skilton and Julian Brix. SPP Members present included Mike Wise (GSEC) and John Rhea (OGE). SPP staff in attendance was: Michael Desselle, Lauren Krigbaum, Carl Stelly, Alan McQueen, Barbara Sugg, Chris Evans, Barbara Stroope, Matt Morais and Paul Suskie (Attendance – Attachment 1).

Larry Altenbaumer moved and Josh Martin seconded adoption of the December 7, 2015 Oversight Committee meeting minutes, the December 23, 2015 OC Conference Call minutes and the February 12, 2016 OC Executive Session Conference Call minutes which were unanimously accepted (Minutes 12/7/15, 12/23/2015 and 02/12/2016 – Attachment 2).

Agenda Item 2 – Action Items Report

Michael Desselle reviewed the Pending Action Items status, noting that the two follow-up questions regarding SPP's Emergency Management Business Continuity Plan (EMBC) would be communicated in a follow-up email to the OC members. Lauren noted that the IA team is still working with the Staff Policy Committee on revising language as part of the "Acceptable Use Policy" what defines when employees must lock their computers upon stepping away from their desks.

Agenda Item 3 – Looking Forward Report

Craig Roach and Vincent Musco (Boston Pacific) presented the Draft 2016 Looking Forward report. They conducted an interactive discussion and the Committee and participants provided feedback on the draft report. Craig accepted the feedback for revisions to the report. Craig will present the final 2016 Looking Forward report to the Board at the April SPP Board meeting.

Agenda Item 4 – Quarterly Activities Report

Compliance – Carl Stelly reviewed the Compliance Department quarterly activities (Compliance Report – Attachment 3). He reported that during the final weeks of Q4 2015 and in the early weeks of Q1 2016, SPP separated the Cyber Security responsibilities from the Compliance and Security Department and re-established those within the SPP IT Organization. Two Full Time Employees (FTEs) in the Compliance Department were transferred to IT along with those responsibilities. Carl also reported that as part of SPP's Compliance Demonstration Project, two firms were hired to assess SPP's Internal Compliance Program and as a result of their recommendations, described the new structure of the department. Carl also reported on readiness for the upcoming O&P audit to be performed by SERC in May and the progress for CIP5 compliance. Finally, Carl reported the Committee material developments from the recent Reliability Compliance Working Group meeting.

Michael Desselle provided an update on SPP's efforts to restore its compliance reputation and its CIP3 Mitigation project.

Market Monitoring Unit – Alan McQueen provided his update on quarterly activities (Market Monitoring Activity Report – Attachment 4). He reported on the progress to fill an open Manager and two open analyst

positions within the MMU and responded to questions of the Committee members on how to increase the applicant pool for the open positions. Alan reported on the progress of the FERC's audit currently underway. Alan reported that the MMU is on schedule to complete the Annual State of the Market (ASOM) report and present the results at the July SPP Board of Directors meeting. Alan noted that the MMU continues to work with SPP Market Design and the MWG regarding the recommendations that are contained in the 2014 ASOM, specifically, as it relates to the recommendations and analysis on a proposal for physical withholding penalties that would complement the elimination of must offer penalties. Mike Wise (GSEC) noted the Golden Spread was willing to remove the "must-offer" provisions pending a need to fully understand the physical withholding penalties before completely agreeing. Finally, Alan apprised the Committee of his understanding of the status of the project to make changes to the SPP market engine to resolve the Jointly Owned Unit market design flaw the Board approved in January.

Internal Audit – Lauren Krigbaum provided the quarterly report (Internal Audit Report – Attachment 5) for the Internal Audit department. She described changes in the audit schedule since the last OC meeting. Lauren also informed the Committee on the outcomes of Audits and Assessments that have been completed since the December OC meeting. Committee members raised concerns regarding the Study Deposits, Invoicing and Customer Refund Tracking (Phase 1) audit, the Collateral Management audit, the Accounts Payable and Procurement audit, and the Retirement Benefits Process audit. Lauren was asked to coordinate with Tom Dunn to add to the Finance Committee (FC) agenda discussions regarding management responses on the Collateral Management and Accounts Payable and Procurement audits. Additionally, Lauren was asked to coordinate with Malinda See to add to the Human Resources Committee (HRC) agenda issues surrounding the Retirement Benefits Process audit. Additionally, the Committee asked questions about Internal Audit's rating definitions and suggested that the threshold for what is "significant" may need greater scrutiny.

Order 1000 Update – While not on the agenda for the meeting, Paul Suskie provided an update on recent Order 1000 activities. He noted that IEP Panel completed their work and proceeded to describe the next steps for Board action. Paul accepted a couple of process recommendations to ensure confidentiality.

Agenda Item 5 – New Action Items

Action items are:

- Michael Desselle to report on two EMBC follow-up questions;
- Lauren Krigbaum to report on Acceptable Use Policy clarification;

Adjournment

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

Executive Session

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

Respectfully Submitted,

Michael Desselle



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING
Boston Pacific, Washington, DC
March 29, 2016

• ATTENDANCE LIST •

Name	System
1. Michael Desselte	SPP
2. Carl Stelly	SPP
3. Lauren Kingbaum	SPP
4. Chris Evans	SPP
5. Barbara Sugg	SPP
6. Alan McQueen	SPP MMU
7. Julian Bray	SPP DIRECTOR
8. Graham Edwards	SPP Director
9. Paul Sestro	SPP STAFF
10. John Rhee	CEPE
11. LARRY ALLEN BAUMEN	SPP DIRECTOR
12. Mike Wise	GOLDEN SPREAD ELECTRIC COOP
13. Matt Marais	SPP
14. Barbara Stroope	SPP
15. HARRY SKULTON	SPP DIRECTOR
16. JOSH MARTIN	SPP DIRECTOR
19. Phyllis Bernard	SPP DIRECTOR
17. Craig Roach	Boston Pacific
18. Vincent Museo	Boston Pacific

Southwest Power Pool**OVERSIGHT COMMITTEE MEETING**

December 7, 2015

**Southwest Power Pool Corporate Center
Little Rock, AR****• M I N U T E S •****Agenda Item 1 – Call to Order/Administrative Items**

Josh Martin called the meeting to order at 9 AM. Members in attendance included: Josh Martin (Director); Larry Altenbaumer (Director); and, Phyllis Bernard (Director). Additional Board members in attendance included Jim Eckelberger, Harry Skilton and Julian Brix. SPP staff in attendance were: Michael Desselle, Lauren Krigbaum, Carl Stelly, Alan McQueen, and Paul Suskie (Attendance – Attachment 1).

Larry Altenbaumer moved and Phyllis Bernard seconded adoption of the September 24, 2015 Oversight Committee meeting minutes and the November 11, 2015 OC Conference Call minutes which were unanimously accepted (Minutes 9/24/15 and 11/11/2015 – Attachment 2).

Agenda Item 2 – Action Items Report

Michael Desselle reviewed the Pending Action Items status.

Agenda Item 3 – Quarterly Activities Report

Compliance – Michael Desselle reviewed the Compliance and Security Department quarterly activities. He also provided a recap of the recent NERC-facilitated GridEx III Exercise and noted that the Exercise afforded SPP the opportunity to perform an unscheduled exercise of its Emergency Management and Business Continuity Plan (EMBC). Michael responded to questions about the EMBC and accepted a couple of action items to follow-up on.

Internal Audit – Lauren Krigbaum provided the quarterly report (Internal Audit Report – Attachment 3) for the Internal Audit department. Lauren also informed the Committee on the outcomes of Audits and Assessments that have been completed since the September OC meeting: specifically, the Change Management Monitoring Tools Audit and the Security Awareness Audit. Lauren noted that the IA team would be working with the Staff Policy Committee on revising language as part of the “Acceptable Use Policy” that defines when employees must lock their computers upon stepping away from their desks. Finally, Lauren noted that her team would be working in 2016 to incorporate a self-assessment of the “COSO-2013” framework and training on internal controls.

Market Monitoring Unit Report – Alan McQueen provided his update on quarterly activities (Market Monitoring Activity Report – Attachment 4). He reported that the MMU is fully-staffed and is seeking an additional headcount in 2016. Alan reported on the progress of the FERC’s audit currently underway. Alan provided status reports on the JOU market design issue, the Frequently Constrained area report and on the MMU’s comments filed at FERC on SPP’s fling to modify the annual SPP ARR allocation program.

Agenda Item 4– Looking Forward Report

Craig Roach (Boston Pacific) discussed with the Committee possible topics for inclusion in the 2016 Looking Forward report. Craig informed the Committee that Boston Pacific has identified eight topics for

**Oversight Committee Minutes
December 7, 2015**

consideration noting that four of those topics have big implications (Boston Pacific Possible Topics – Attachment 5). On the topic of Utility Business Model changes, Craig responded to questions and suggestions for more clarification in the report to focus on the distinctions between community- v. rooftop-solar as it relates to the potential impact of decentralized technologies on grid service. Craig also accepted to address a continuing concern of the Committee regarding retail customer reactions to the cost of new transmission facilities. The Committee discussed also the notion of carbon taxes versus carbon trading schemes. Finally, Chairman Eckelberger asked that Boston Pacific add two additional items for consideration: how to pay for transmission used to export power from SPP; and, positive/negative impacts to SPP's Integrated Market resulting from MMU decisions.

Agenda Item 5 – 2016 Internal Audit Plan

The Committee unanimously approved the 2016 Internal Audit Plan.

Agenda Item 6 – New Action Items

Action items are:

- Michael Desselle to report on two EMBC follow-up questions;
- Lauren Krigbaum to report on Acceptable Use Policy clarification;

Adjournment

Josh Martin thanked everyone for participating and adjourned the meeting at 11AM and went into Executive Session.

Executive Session

The Committee met in Executive Session and discussed Compliance matters and MMU matters.

Respectfully Submitted,

Michael Desselle

Southwest Power Pool**OVERSIGHT COMMITTEE MEETING****December 23, 2015****Conference Call****• M I N U T E S •****Agenda Item 1 – Call to Order/Administrative Items**

With quorum established, Josh Martin called the meeting to order at 9 AM. Members in attendance included: Josh Martin (Director); and, Phyllis Bernard (Director). SPP staff participating was Michael Desselle, Alan McQueen, and Paul Suskie.

Agenda Item 2 – Oversight Committee Position Statement

The Committee met and discussed draft revisions to the current Oversight Committee Position Statement on the Independence of the Market Monitoring Unit. Paul Suskie and Alan McQueen discussed the intent of the proposed modifications and seven specific areas of change in the Statement. The Committee discussed other potential edits, including suggestions submitted in advance by Larry Altenbaumer (who was unable to participate due to a scheduling conflict).

Agenda Item 3 – New Action Items

Action items are:

- Michael Desselle to modify draft Statement per discussions and re-circulate to the OC Members for consensus;
- Following consensus confirmation from the OC, staff to share with the Board and seek endorsement; and,
- Following Board endorsement, staff to share revised position Statement with FERC Staff.

Adjournment

Josh Martin thanked everyone for participating and adjourned the meeting at 10:15 AM.

Respectfully Submitted,

Michael Desselle



Southwest Power Pool, Inc.
OVERSIGHT COMMITTEE MEETING
February 12, 2016
Executive Session Employee Compensation
1:30 p.m. – 2:30 p.m.

MINUTES

Agenda Item 1 – Call to Order

Committee Chair Mr. Josh Martin called the meeting to order at 1:30 p.m. and declared a quorum.

Members who participated were: Josh Martin (Director) and Phyllis Bernard (Director). Also participating were Graham Edwards (Director – non-voting member) and Alan McQueen (SPP MMU Director).

Agenda Item 2 – MMU Merit Raises and Performance Compensation

The Oversight Committee met to discuss the merit raises and performance compensation for the Market Monitoring Unit. The raises and compensation were approved.

Future Meetings

2016

March 29 - Washington, D.C.

June 13 – Little Rock

September 22 - Chicago, O'Hare Airport

December 5 - Little Rock, AR (day before BOD Organizational Effectiveness Meeting)

Adjournment

Mr. Josh Martin thanked everyone for participating and adjourned the meeting at 2:10 p.m.

Respectfully Submitted,

Michael Desselle, Secretary





Southwest Power Pool, Inc. (SPP)
RTO Compliance Department
Oversight Report – Q1 2016

Compliance Report

Compliance Department Structure and Staffing:

During the final weeks of Q4 2015 and in the early weeks of Q1 2016, SPP separated the Cyber Security responsibilities from the Compliance and Security Department and re-established those within the SPP IT Organization. Two Full Time Employees (FTEs) in the Compliance Department were transferred to IT along with those responsibilities. The result is the Compliance and Security Department is now the Compliance Department.

As part of the recommendations obtained from two independent reviews of the SPP Compliance Program, the Compliance Department is shifting the Standards Development Group under the Director of Compliance and has moved an additional FTE out of the Compliance Group into the Standards Development Group. Additionally, one FTE shifted from the Compliance Group into the Legal/Regulatory group along with the Tariff compliance responsibilities. In line with the recommendations, three additional FTEs will be hired to assist with the NERC Standards compliance-related responsibilities of the Compliance Department as shown below:

Manager of Compliance:

To manage the Compliance Group and assist with the development of a Quality Assurance focus in this group.

Senior CIP Analyst:

To provide more CIP expertise in Standards Development and with the oversight and Quality Assurance on all NERC CIP-related compliance responsibilities.

Engineer/Analyst:

To provide more Planning expertise in oversight and Quality Assurance on all NERC Planning-related compliance responsibilities.

Operations & Planning (O&P):

Q1 of 2016 had O&P staff focused on the 2016 O&P Pre-Audit Preparation for the upcoming May 2016 on-site SERC Audit. The scope has been received and all Reliability Standard Audit Worksheet (RSAW's) and evidence requested have been supplied to SERC. Preparation included RSAW reviews and spot checks.

In Q2, Subject Matter Expert (SME) preparation and mock audits will precede the actual on-site audit.

Critical Infrastructure and Protection (CIP):

CIP v5 Transition:

On February 25, 2016 FERC issued an Order granting an extension of time and deferring the implementation of the CIP v5 Reliability Standards from April 1 to July 1, 2016.

SPP will continue to aim for an April 1, 2016 implementation for most of the changes necessary to meet the CIP v5 requirements, with the exception of the Baseline Management process. This will be implemented some weeks later, due to additional process development and systems work that will improve the ability of SPP to meet some of the v5 requirements. SPP staff will take advantage of the extra months to continue process and systems development and staff training relative to the changes implemented on or before April 1, 2016 to ensure full compliance by the July 1, 2016 effective date.



Southwest Power Pool, Inc. (SPP)
RTO Compliance Department
Oversight Report – Q1 2016

Upcoming Dates of Importance:

May 9 - 12, 2016:

SPP Reliability Standards O&P Audit, on-site

May 9 2016:

SPP Reliability Standards CIP Spot check, on-site

July 1, 2016:

Effective date for CIP v5 Reliability Standards

October 31 – November 3, 2016:

SPP Reliability Standards CIP Audit, on-site

Reliability Compliance Working Group (RCWG):

The RCWG's first meeting of 2016 was hosted by AECC on March 17, 2016 at their HQ in Little Rock. The agenda included several Revision Requests for review and approval, a presentation by the ORWG on their new task force to review Operating Criteria, a final whitepaper presentation from the Grid Security Task Force (GSTF) and a discussion on the ongoing work of the Misoperations Subcommittee.

The whitepaper from the GSTF will be shared and discussed with the Oversight Committee at the June meeting.

Respectfully submitted,

Carl Stelly
Director of Compliance

MARKET MONITORING ACTIVITY REPORT TO THE OVERSIGHT COMMITTEE

29 March 2016

I. MMU Staffing

- The MMU currently has an open manager position and two open analyst positions. We are making progress in filing the open analyst positions and expect to have the positions filled by the end of April.
- David Lee, one of MMU senior staff members, will be retiring in May. David has worked in the MMU for ten years and has been instrumental in making the MMU an effective and efficient organization. It will be difficult to replace him.
- We have engaged a part-time technical writer to help prepare the Annual State of the Market report and Potomac Economics to supplement our work during this period when the MMU has several open staff positions.

II. Federal Energy Regulatory Commission (FERC)

- There are currently no open FERC Audit data requests for the MMU. The last data request was completed on February 23, 2016.
- The MMU continues to have conference calls with FERC staff on a once every two weeks basis. We continue to focus on the Integrated Marketplace screens, FERC NOPRs, proposed market rule changes, market inefficiencies, possible market rule violations, and potential market manipulation.
- The MMU is preparing comments for the FERC NOPR related to \$1000 offer caps. We support market pricing that reflects actual gas prices at all times but have concerns about cost verification during periods of extreme price volatility. At a minimum, Market Participants should receive make whole payments for fuel cost that exceed market prices. Cost of implementing a fuel cost verification mechanism in real time may exceed the expected benefits of an extremely unlikely event any time the foreseeable future.
- FERC annual Meeting of the Market Monitors is planned for June 15. Proposed topics include: verification of fuel costs, gas dependence and fuel assurance, resource retirements, monitoring of demand response, and the process Market Monitors use to comment on RTO/ISO filings.
- FERC staff members continue to request data and analysis from the MMU. The latest data request is for imports and exports.

III. Market Surveillance

- Integrated Systems joined the market on October 1. Overall, we have seen a decline in the amount of congestion around the fracking load in Western North Dakota. The Integrated System area has historically been a net exporter, so this has affected the overall Net Scheduled Interchange for the footprint.

- The Surveillance team is monitoring the effects of extremely low gas prices on the market and impacts on individual power plants. Market Participants are dealing with these unusual market conditions in different ways, which appear to be appropriate business practices.
- The Surveillance team is continuing to improve processes for tracking anomalies in market behavior and data. This is in response to some of the comments from the FERC auditors.

IV. Reporting

- The MMU is on schedule to complete the ASOM and present the results at the July SPP Board of Directors meeting. The MMU in collaboration with Potomac Economics is developing new and enhanced components to the 2016 ASOM report in addition to what was contained in the 2015 report.
- Standard MMU reports include: Monthly Market Reports for the MWG for months December, January, and February; and the SPP Corporate Metrics for the Board meeting in January.
- Three members of the MMU team will be attending a SAS Summit for RTOs/ISOs. One session will focus on market monitoring, which we hope will provide information on possible best practices that can be incorporated into our SAS-based reports and screens.

V. Integrated Marketplace

- FERC decision regarding SPP filing to modify the annual ARR allocation program resulted in an Order requiring ARR allocations to be at 60 percent of system capability for the months of October through May. This is consistent with MMU recommendation that the ARR allocation be the same as the annual TCR auction Transmission System capability percentage.
- The MMU continues to work with SPP Market Design and the MWG regarding the recommendations that are contained in the 2014 ASOM. Workload and reduced staffing has limited progress by the MMU in this area. The current focus of our efforts is on recommendations and analysis on a proposal for physical withholding penalties that would complement the elimination of must offer penalties.
- The proposed Tariff rule change to address the JOU market design issue was approved by the SPP Board of Directors. These changes address MMU concerns with only minor exceptions. The MMU continues to monitor the problem pending full implementation of the new rules.
- The annual Frequently Constrained Area report prepared by the MMU was approved by the SPP Board of Directors in January and filed with FERC as required by the RTO Tariff. The SPP filing requested an April 5 effective date for two FCA designations, which adds the Woodward to FPL Switch flowgate in western Oklahoma to the existing Texas Panhandle region.

- The MMU is following the discussions of the Price Formation Task Force. At this time, it is unclear what actions might result from the task force and how they might impact the market. The MMU is currently discussing with Market Design different ways the RTO could measure market efficiency. These metrics could be constructive in the task force decision making process.
- At the March MWG meeting the MMU and RTO staff jointly presented study results and recommendations related to Over Collected Losses and Bilateral Settlement Schedules. The MMU is advocating changes that reduce gaming opportunities and better allocate the Over Collected Loss Rebates to transactions that contributed to the collection of losses.
- The MMU has closed several behavior studies and continue to have several open studies. The MMU filed one referral in the first quarter of 2016. FERC staff members continue to request additional information on several previously filed referrals.
- Ongoing analyses and projects:
 - Automation of the virtual/TCR monitoring process
 - Evaluation of the potential impact of a claw-back rule
 - Review of generator physical parameters
 - Tracking seams issues

Respectfully submitted
Alan McQueen
Director, Market Monitoring and Analysis



Southwest Power Pool, Inc.

INTERNAL AUDIT

Report to the Oversight Committee

March 29, 2016

Staffing

- The Internal Audit department continues to be fully staffed.

Activity Update

- 2015-2016 Audit Schedule – Updated (see attached)
- Audits/Assessments Completed Since Last Meeting:

- **Study Deposits, Invoicing and Customer Refund Tracking, Phase 1**

Internal Audit (IA) completed a review of Southwest Power Pool's (SPP) Study Deposits, Invoicing and Customer Tracking processes. These processes were reviewed to confirm they were being performed as required and that current documentation includes sufficient detail to support their purpose and deliverables. The available documentation was evaluated for accuracy and completeness for the following areas: study deposits collected, refunds granted, costs invoiced and interest calculated. Interest calculation methodology was reviewed for reasonableness. IA also verified that IRS W-9, Request for Taxpayer Identification Number and Certification (W-9), documentation was collected and that interest payment invoices sent agreed with calculations completed.

See attached for summary.

- **Collateral Management Audit**

The Internal Audit (IA) department completed an audit of the Southwest Power Pool (SPP), Inc. processes and procedures for managing financial security held on behalf of credit customers participating in the SPP Integrated Marketplace or Transmission Service markets. The purpose of the audit was to provide reasonable assurance that adequate controls are in place to verify that sufficient financial security is obtained, maintained and accurately reported to limit SPP's credit risk to a level that is acceptable to senior management and stakeholders. Our audit procedures included interviewing management and staff, reviewing existing processes and procedures, assessing the safeguards in place to verify that financial security received is maintained properly, testing samples of cash and letter-of-credit holdings to determine if they are properly recorded and in compliance with the requirements set forth in Attachment X (SPP Credit Policy) of the Open Access Transmission Tariff.

See attached for summary.

- **Human Resources – Payroll Audit**

The Internal Audit (IA) department completed an audit of Southwest Power Pool's (SPP), Inc. payroll processes, practices, and supporting systems/software. The audit purpose was to evaluate the efficiency and effectiveness of processes and controls around payroll; verify compliance with applicable regulations; confirm the confidentiality of personal data/records was maintained; verify the accuracy

of payroll data and calculations were accurate and supported with required documents; and verify the accuracy of payroll and accounting reporting.

See attached for summary.

- **Accounts Payable and Procurement Audit**

The Internal Audit (IA) department has completed an audit of SPP's Accounts Payable and Procurement functions. The purpose of the audit was to determine that established processes and procedures are being followed and to confirm that existing controls are sufficient to ensure adequate safeguarding of SPP's resources.

See attached for summary.

- **Project Expense Reporting**

The Internal Audit (IA) department completed an audit of Southwest Power Pool's (SPP) Project Expense Reporting process. The purpose of the audit was to verify that project related expenses are captured and recorded in accordance with documented policies and procedures and that those expenses are correctly reported and tracked on a per project basis. Our audit procedures included interviewing management and staff, reviewing existing processes and procedures, verifying the accuracy of randomly selected expenditures and evaluating the accounting methodologies used in determining the existence of capital expenditures.

See attached for summary.

- **Retirement Benefits Process Audit**

Internal Audit (IA) completed an audit of Southwest Power Pool's (SPP) Retirement Benefits processes. These processes were reviewed to confirm they were being performed as required and that current documentation includes sufficient detail to support their purpose and deliverables. The available documentation was evaluated for accuracy and completeness around the following areas: Retirement Plan 401(k) Savings Plan and Trust, Retirement Plan – Defined Benefit (pension), SERP 457 plans (eligible employees) and Post-Retirement Healthcare Plan (eligible employees). Also, the controls around these processes were evaluated for adequacy to mitigate risk and validate that no observable process and/or control gaps were evident.

See attached for summary.

- **SPP Security Awareness Audit**

This audit is one of a continuing series of audit tests designed to test compliance with SPP's corporate policies/procedures and SPP employee general security awareness. Additional tests that will be conducted include: periodic security awareness quizzes, USB devices and social engineering (e.g. requests for information and phishing emails).

See attached for summary.

- **Off We Go LLC – Invoice Reimbursement Review (5/1/15 through 10/31/15)**

The Internal Audit department performed an audit of reimbursements made to Off We Go, LLC for use of their private aircraft for the period of May 1, 2015 through October 31, 2015. In addition, we reviewed Off We Go's insurance policy to confirm it meets the requirements listed in the Private Aircraft section of SPP's Expense and Travel Policy.

See attached for summary.

- **Modeling CSA (Control Self-Assessment) Phase 1**

This is the first of four phases to be completed in the Modeling CSA. On December 15 – 16, 2015 a "Building a Map of the Models" workshop was conducted. Model owners, subject matter experts and applicable staff were invited to attend this hands-on workshop to build a physical representation of all of SPP models and how they interconnect with each other.

See attached for summary.

- **Audits Currently in Process:**

- **Software Licensing**

This audit has been reassessed and a determination made that a phased approach will provide better coverage of this area. Phase 1 will cover software licenses on all PCs – desktops and laptops. Phase 2 will cover software licenses on servers/operating systems (OS) and databases. The primary objectives of our audit are to: review the policies and procedures in place for software assets and licenses and evaluate them as related to license requirements for thorough coverage; examine existing software asset and license processes and evaluate for completeness and accuracy; assess current software licensing agreements and determine whether all necessary requirements are adequately met; evaluate the current internal controls implemented over software assets and licenses as related to the applicable licensing requirements and obtain an understanding of the roles and responsibilities related to the monitoring of the software assets and licenses through the acquisition, certification, deployment, support, removal and disposal phases. The Phase 1 audit is in the testing phase.

- **Tariff Administration**

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

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

The primary objectives of the CSA are for participants to: build a map of all SPP models/interfaces; develop "Fit for Purpose Statement" for each model by user; conduct CSA workshops with subject matter experts to develop/proof process maps; conduct CSA workshops with subject matter experts to identify risks and controls (including backup, versioning, system access and data change

monitoring), develop/proof validations; CSA workshops to review internal and external coordination/communication; CSA workshops to review preparation for MOD 33 NERC Steady-State and Dynamic System Model Validation (in effect July 1, 2017). This audit is in the testing phase.

- o **Identity Access Management**

The primary objective of this review is to examine all physical and logical access for all employees and contractors. Logical access will be limited to user account domain, VPN, digital certificate and firewall access. Particular areas of concentration will be the following; access provisioning/de-provisioning processes, access provisioning/de-provisioning documentation, access provisioning/de-provisioning approvals, access change monitoring, periodic reviews of physical and logical user access, visitor and forgotten badge access, current SPP policies/procedures related to Identity Access Management (e.g. Physical Access, User Account Management, Password, Personnel Risk Assessment, Etc.). This audit is in the testing phase.

- Audits Currently in Planning:
 - o Data Management/Changes CSA
 - o Application Access
 - o EMBC (including e-mail reliance and critical spreadsheets)
 - o Balancing Authority
- Upcoming Audits:
 - o SPP Security Awareness
 - o SPP Tariff Compliance Process
 - o Off We Go LLC (Rate)
 - o Off We Go LLC (Invoices)
 - o Transmission Congestion Rights Markets Processes
 - o Budget/Forecasting
 - o Corporate-Wide "Manual Workarounds"
 - o Customer Additions/Terminations CSA
- Other Activities:
 - o Controls audit (SSAE 16/SOC1) work:
 - 2015 SOC 1 Type 2 Audit:
 - o Facilitated completion of SPP's Changes in Control Objectives and Activities for the Period November 1, 2015 to December 31, 2015 subsequent to the 2015 SSAE 16 Type 2 Audit ("gap" memo)
 - 2016 SOC 1 Type 2 Audit:
 - o Completion of periodic control activity reviews:
 - ❖ SOC 1 Audit period November 1, 2015 – October 31, 2016
 - 0 completed to date, 45 in process (80 total Business control activities)
 - 0 completed to date, 0 in process (30 total General IT control activities)
 - o Phase 1 of 2016 audit:
 - ❖ SOC 1 Debriefing Meetings – delivered an additional three sessions per request for staff associated with SOC1 activities (original schedule provided five sessions)
 - o MISO Settlement controls discussions



- Other consulting/advising:
 - Credit Stack (Z2) process
 - Engineering database initiative
 - CIP v3/5/6 – IT controls development
 - Transmission Service Market Improvement team
 - ILTCR/TCR Netting

Respectfully submitted,

Lauren Krigbaum
Director, Internal Audit