

Southwest Power Pool
COMPLIANCE COMMITTEE MEETING
June 29, 2006
Philadelphia International Airport Marriott
Philadelphia, PA

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 8:55 a.m. The following members were in attendance: Josh Martin (Director), Phyllis Bernard (Director), and Quentin Jackson (Director). Staff in attendance included Stacy Duckett. Guests included Ron Ciesiel and Richard Dillon (SPP) and Craig Roach (Boston Pacific).

Mr. Martin referred to the draft minutes of the March 30, 2006 meeting and asked for corrections or a motion for approval (3/30/06 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

NERC Compliance

Ron Ciesiel reviewed the Compliance Department activity report (Compliance Department Report – Attachment 2). Most new entities in the SPP region that will be subject to the EPCRA compliance requirements are municipals. SPP is making preliminary contact to explain the new program. A plan is being developed to make personal contact with each entity.

The City of Lafayette is currently building a backup site to address one of its violations; LEPA may be able to utilize that site as well. The other primary deficiency is in training documentation, but again both are making progress. Staff recommends Missouri Public Service as a good example of a documented training program for small entities; Missouri Public Service is making its program available to other members.

There was one confirmed violation since the last report: City of Springfield operator certification for the month of January.

The Compliance Department is working on ERO transition documentation.

Market Monitoring Unit

Richard Dillon reviewed the Market Monitoring (MMU) activity report (MMU Report – Attachment 3). The committee discussed the status of MMU staffing.

FERC has issued an order in the OG+E/Redbud matter.

Deployment testing continues in preparation for Market implementation. The Staff analyzed the results of each testing phase for systems issues, participant issues, and any potential design or process issues. An issue with one participant during the last test has been elevated to the executive level following an unsatisfactory response at the operating level.

Richard provided the group a sample of the monthly reports that staff will be generating to meet FERC reporting requirements and the corresponding process documentation.

External Market Monitor

Craig Roach reviewed the External Market Monitor (EMM) activity report (EMM Report – Attachment 4). He then reviewed a quarterly budget report.

Craig advised the committee of a potential issue raised by Market participants related to network service and its potential use to compete in the Market, which is not allowed. The parties are not requesting an inquiry, but would like the monitors to look in to it. Some preliminary review has been done, but Craig seeks direction from the committee as to how to proceed. The committee discussed this issue providing direction for the party to document its issue and suggest any policy changes to address it. This would likely be handled via MOPC and working groups. The EEM and MMU (Craig & Richard) will address this issue together.

Agenda Item 3 – Compliance Budget

Ron Ciesiel provided a summary of the proposed budget for the Compliance Department for 2007 (Compliance Budget – Attachment 5). Ron is requesting one additional staff person in anticipation of increased activity with the addition of 40+ entities in the compliance program. In the case of any proposed promotions, the Compliance Department will follow SPP's promotion process, with final approval/review provided by the Compliance Committee. Quentin Jackson moved to approve the Compliance budget as presented. Phyllis Bernard seconded the motion, which passed unanimously.

Agenda Item 4 – Market Inquiry Process

Richard Dillon reviewed suggested edits to the Formal Inquiry Process addressing Jim Eckelberger's concerns raised at the April Board of Directors meeting (Market Inquiry Process – Attachment 6). Phyllis Bernard moved to accept these edits. Quentin Jackson seconded the motion, which passed unopposed. The Market Monitoring Inquiry Process will go to the SPP Board of Directors for final approval at its July meeting.

Ron Ciesiel noted that Compliance proposes to implement a similar process in regard to complaints of compliance violations. Pending discussions with NERC, Ron will report back any progress to the committee.

The Confrontational Dispute Prevention process will be reported to the Board of Directors, but does not require Board approval since it is an internal process/best practice.

Agenda Item 5 – Market Monitoring Systems Update

Richard Dillon provided an update on monitoring systems and data collection for reporting (Market Monitoring Systems Report – Attachment 7). Boston Pacific has access to systems and reports the needs for its activities.

Agenda Item 6 – Future Meetings

Future meetings and locations are scheduled for:

September 28.....Chicago

December TBD Teleconference

Proposed for 2007:

March 29

June 28

September 27

December TBD

Compliance Committee Meeting
June 29, 2006

The group accepted the proposed meeting dates for 2007.

With no further business, Josh Martin thanked everyone for participating and adjourned the meeting at 1:05 p.m. to executive session.

Executive Session

1. The committee declined a request for SPP's participation in a proposed filing to be made in the Entergy docket related to Boston Pacific's independence.
2. The committee received a preliminary proposal for the structure of the market monitoring function in 2007. This will be further discussed at the committee's September meeting. The committee provided a budget placeholder for outside services for the 2007 budget.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.

COMPLIANCE COMMITTEE MEETING

June 29, 2006

**Philadelphia International Airport Marriott
Philadelphia, PA**

• A G E N D A •

9:00 a.m. EDT

- 1. Call to Order/Minutes Josh Martin
- 2. Update on Current Activities
 - a. NERC Compliance Ron Ciesiel
 - b. Market Monitoring Unit Richard Dillon
 - c. External Market Monitor Craig Roach
- 3. Compliance Budget Ron Ciesiel
- 4. Market Inquiry Process Richard Dillon/Craig Roach
- 5. Market Monitoring Systems Update Richard Dillon
- 6. Future Meetings Josh Martin

Scheduled:

- September 28 Chicago
- December TBD Teleconference

Proposed for 2007:

- March 29
- June 28
- September 27
- December TBD

Adjourn to Executive Session

*Relationship-Based • Member-Driven • Independence Through Diversity
Evolutionary vs. Revolutionary • Reliability & Economics Inseparable*

Southwest Power Pool
COMPLIANCE COMMITTEE MEETING

March 30, 2006

Boston Pacific Offices

Washington, D.C.

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 10:15 a.m. The following members were in attendance: Josh Martin (Director), Phyllis Bernard (Director), and Quentin Jackson (Director). Staff in attendance included Stacy Duckett. Guests included Ron Ciesiel and Alan McQueen (SPP) and Craig Roach (Boston Pacific).

Mr. Martin referred to the draft minutes of the December 13, 2005 meeting and asked for corrections or a motion for approval (12/13/05 Meeting Minutes – Attachment 1). Quentin Jackson moved to approve the minutes as presented. Phyllis Bernard seconded the motion, which passed unopposed. Mr. Martin then referred to draft minutes of the January 23, 2006 meeting and asked for corrections or a motion for approval (1/23/06 Meeting Minutes - Attachment 2). Phyllis Bernard moved to approve the minutes as presented. Quentin Jackson seconded the motion, which passed unopposed.

Agenda Item 2 – Update on Current Activities

NERC Compliance

Ron Ciesiel provided a report on the NERC Compliance activities during the Fourth Quarter of 2005 (NERC Compliance Report – Attachment 3). While the overall compliance rate for Southwest Power Pool was 95% for the year, Mr. Ciesiel would like to see additional improvement. Eleven SPP Members were 100% compliant in 2005. Many compliance issues are related to operator certification. As of December 31, 2005, all operators in the SPP footprint were certified. Mr. Ciesiel would like to see SPP attain a 98 – 99% overall compliance level and thinks this is reasonable. The committee discussed approaches to overcoming some of the ongoing violations, including enhanced sanctions as the industry moves toward the imposition of monetary penalties by NERC in 2007. Notifications in 2006 will include a notice of any monetary penalty that would be imposed under the 2007 program. Josh Martin directed Mr. Ciesiel to raise any issues to the committee on which the committee may be able to help focus attention. Mr. Ciesiel noted that Nick Brown and Carl Monroe have requested the same.

Mr. Ciesiel continued his report in accordance with his written report. Phyllis Bernard provided additional comments on the compliance Workshop in March. The Committee would like to know when the late summer compliance workshop is scheduled. Mr. Ciesiel advised the committee that it may have to convene for a special meeting to approve a 2007 budget for the Regional Entity function for submission to NERC in May. Mr. Jackson thanked Mr. Ciesiel for the thoroughness of the report.

Market Monitoring Unit

Alan McQueen provided a review of the MMU activities during the Fourth Quarter of 2005 (MMU Report – Attachment 4). Mr. Martin asked for more information regarding the staffing issue. Richard Dillon is to report to the committee regarding his plans and progress in hiring staff necessary to support the market monitoring functions. The group briefly discussed overall hiring issues. Mr. McQueen continued his report in accordance with the written report. Craig Roach pointed out that OG+E/Redbud/SPP negotiated a transmission expansion to be on line possibly as soon as this summer to relieve congestion. The committee acknowledges the accomplishment and congratulates the parties.

External Market Monitor

Craig Roach provided a review of the EMM activities during the Fourth Quarter of 2005 in accordance with the written report (EMM Report – Attachment 5). Mr. Roach acknowledged significant assistance from the SPP Staff and members for preparation of the Initial Assessment. The Assessment has now been issued to the Board of Directors and posted to the Market Monitoring section of the SPP website. Discussion followed regarding the use of data and analysis in aiding stakeholder groups in assessing the substance of an issue and need for time and resources in resolving (example: reserve sharing). Mr. Roach solicited any feedback the committee has regarding services provided. The committee asked to receive a quarterly report of expenses versus the budget going forward.

Agenda Item 3 – NERC Compliance Committee Meeting

Ron Ciesiel provided a summary of the NERC Compliance Committee meeting regarding the SPP Compliance Program (NERC Compliance Committee Report and Presentation – Attachment 6). Phyllis Bernard, Carl Monroe, Charles Yeung and Ron Ciesiel attended the NERC Compliance Committee meeting for SPP on March 15. Most of the discussion focused on independence issues for SPP. The Strategic Planning Committee will be discussing/recommending an approach to meet these requests. Ms. Bernard provided additional commentary.

Agenda Item 4 – EMM Agreement Docket

Stacy Duckett provided an overview of the docket related to the EMM Services Agreement filing and issues raised by protestors (Answer to EMM Agreement Docket – Attachment 7). SPP has filed an answer to the protests and awaits FERC action.

Agenda Item 5 – EIS Market Tariff Order

Stacy Duckett provided an overview of the EIS Market Tariff Order and the Staff recommended approach to addressing the various issues for compliance filings due, working through the Strategic Planning Committee. Craig Roach provided additional commentary on the order (SPP EIS Market Order Summary – Attachment 8). Following discussion, Mr. Roach requested any additional direction as to the role the Committee would like to see the EMM serve going forward.

Agenda Item 6 – Market Inquiry Process

Alan McQueen provided an overview of the proposed market inquiry process (MM Inquiry Process and Recommendation – Attachment 9). The committee discussed some of the issues raised by stakeholders requiring further clarification/direction. The process is to include a provision to encourage requestors to discuss an inquiry with market monitors in advance of submitting a formal written inquiry. Phyllis Bernard will provide a suggested draft to the committee for consideration. The inquiry process was presented and discussed at the Market Working Group and provided to the Markets and Operations Policy Committee. Some comments were received. The following issues were clarified by the Committee:

- Any rejection of a request for inquiry by the market monitors may be appealed to the Compliance Committee.
- The Committee is to be advised of any requests for inquiry, but the market monitors may proceed with their work (do not have to wait for approval).
- An accused party is to be notified that it is the subject of an inquiry following the initial assessment phase of the process.
- Results of inquiries will be communicated in broad terms when possible, particularly if general policy issues relevant to all stakeholders result from an inquiry.
- A standard report format is to be developed for use by the market monitors.

Quentin Jackson moved that the recommendation process be approved as modified and recommended to the Board of Directors. Phyllis Bernard seconded the motion, which passed unanimously.

Compliance Committee Meeting
March 30, 2006

Agenda Item 7 – 2006 State of the Market Report

Craig Roach provided an update on the status of the development of the 2006 State of the Market Report. Mr. Roach acknowledged assistance from the SPP Staff, particularly Emily Davis. The report will follow a similar format to that of the 2005 report. The 2006 State of the Market Report is due to FERC in April.

Agenda Item 8 – Future Meetings

Future meetings and locations are scheduled for:

- a. June 29 Philadelphia
- b. September 28 Chicago
- c. December TBD Teleconference

June and December dates will be reviewed.

With no further business, Josh Martin thanked everyone for participating and adjourned the meeting at 2:50 p.m. to executive session.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.

COMPLIANCE DEPARTMENT

Report to the Compliance Committee

June 29, 2006

Entity Registration

NERC and the Regional Compliance Managers approved thresholds for entities that are required to register for ERO compliance. SPP is continuing the registration process using the approved parameters. SPP has registered 83 entities to date. We estimate that SPP will ultimately register between 100 and 125 entities.

2006 NERC Readiness Audits

SPP completed the following Readiness Audits since the last report:

LEPA	Report Pending
Lafayette	Report Pending

There are 5 more NERC Readiness Audits scheduled in 2006.

2006 SPP Field Reviews

SPP completed the following Compliance Field Reviews since the last report:

AEP – West	No violations
KCPL	No violations
Western Farmers	3 pending violations
Springfield Utilities	Report Pending

There are 3 more SPP Field Reviews of members scheduled in 2006 plus the SPP Reliability Coordinator.

AECC Appeal of Compliance Finding

The SPP System & Protection Working Group denied AECC's appeal at its June meeting. AECC has been informed of this decision and is deciding if it wishes to extend the appeal to the MOPC or the SPP CC.

Waivers Granted

The SPP System & Protection Working Group granted waivers to OMPA, AECC, and Tex-LA/ETEX/NTEX concerning their requirements in the UFLS program. The SPP Compliance Department supported these petitions for waivers.



Confirmed Violations

There was one [1] 'confirmed violations' reported to NERC since the last report.

Speaking Engagements

The SPP Compliance Group participated in the SPP Chief Operators Conference and the Southwestern Federal Hydropower Conference.

Future Activities

We anticipate sponsoring a Compliance Workshop for ERO issues plus Cyber Security Standards in the fall of 2006.



Southwest Power Pool, Inc.
MARKET MONITORING UNIT
Report to the Compliance Committee
June 29, 2006

Staffing

Since the last Compliance Committee meeting, SPP has reviewed for employment ten persons and made offers to four persons. Of the offers outstanding in March and those made since, two have been accepted and one is pending. We are in the process of interviewing candidates for the two engineer openings currently. 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 discussion with Members on the impact and learning of a deployment test 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.

The Offer Cap systems are in production. The Decision Support System (storing analytical data) is in use on the production system and reports are being created for response to the FERC order. The Decision Support System is now being used for evaluation of the deployment tests and shadow settlement.

Respectfully submitted,

Richard Dillon
Director, Market Development and Analysis

SPP, INC.
COMPLIANCE COMMITTEE MEETING
JUNE 29, 2006

SUMMARY OF EMM ACTIVITY
SINCE LAST MEETING ON MARCH 30, 2006

A. WIN FERC APPROVAL

1. Contributed to SPP filing in response to FERC March 20 Order including participation in meetings of MWG, RTWG, and MOPC.
2. Participated in negotiation and issuance of Balancing Authority (BA) Agreement as required by FERC.

B. COMPLETE REQUIRED REPORTS

3. Completed *2005 State of Markets Report*.
4. Pursued connection to SPP Decision Support System for market monitoring.
5. Started Review of MMU Metrics.

C. COMPLETE REQUESTED INQUIRIES

6. Completed Joint MMU/EMM Inquiry Report on Golden Spread request.
7. Commented on MMU's proposed Inquiry Process.

D. ADVISE ON MARKET DESIGN

8. Advised on market design through participation in MWG phone calls and meetings and some MOPC phone calls and meetings.

E. ADVISE BOARD AS REQUESTED

9. Advised Board through participation in Board meetings (April 24/25, May 16/17) and Compliance Committee meetings (March 30, 2006).
10. Prepared memos on SPP filing to FERC on EIS Market and on the BA Agreement.
11. Prepared two presentations for June 12/13 special education session for Board and participated in the session.



Southwest Power Pool, Inc.

COMPLIANCE COMMITTEE

June 29, 2006

The following has been submitted to the Finance Committee as the budget for FY2007 for the Compliance Department.

Manpower [Salaries only - \$302,800 using SPP Mid-point salaries]

Requested Staff for 2007:

Director
Senior Engineer
Engineer II

Notes: The increases in staff requested for 2007 [one additional full time equivalent] are to meet the proposed increases in both the number of entities that will be under the jurisdiction of the SPP compliance program and the expansion of the number of standards included in the annual program. 2006 Salaries estimated at ~ \$210,000.

Travel [Total \$50,000]

Ron - \$23,000
Kevin - \$17,000
Engineer II - \$10,000

Notes: Increase of \$12,000 over 2006 due to travel cost increases plus additional duties.

Continuing Education [Total \$11,000]

Ron - \$4,000 [PE license plus Law license]
Kevin - \$4,000 [PE license plus NERC Certified Operator license]
Engineer II - \$3,000

Notes: This item has increased slightly [**up \$6,000**] due to the addition of the Engineer II to the department plus nominal cost increases for programs.

SPP Meetings [Total \$8,000]

2 Compliance Workshops [Spring/Fall]

Notes: Small increase [**up \$1,000**] due to increased meeting costs.

Outside Services [Total \$205,000]

MAPPCORP Compliance Database Management Services - \$60,000
MAPPCORP Personnel Travel Expenses - \$10,000
Independent Compliance Reviews 8 @ \$15,000 = \$120,000
Independent review of Compliance Program - \$15,000

Notes: This item has been increased [**up \$ 37,000**] based on:



1. Added review of Compliance Program [**up \$15,000**];
2. Increasing the number of reviews in 2007 to 8 versus 7 in 2006 [**up \$14,000**];
3. Anticipated Compliance Review price increase [up \$1,000 per review or 8 x \$1,000=**\$8,000**]

IMPORTANT NOTES

Budget **DOES NOT INCLUDE** the following:

- Overhead multipliers for salaries
- Office Space
- Personal Computers
- Telecommunications devices
- Reimbursement to SPP members that serve on NERC Committees

Action Requested: Approval of the budget for the Compliance Department for 2007 as submitted.

MARKET MONITORING INQUIRY PROCESS

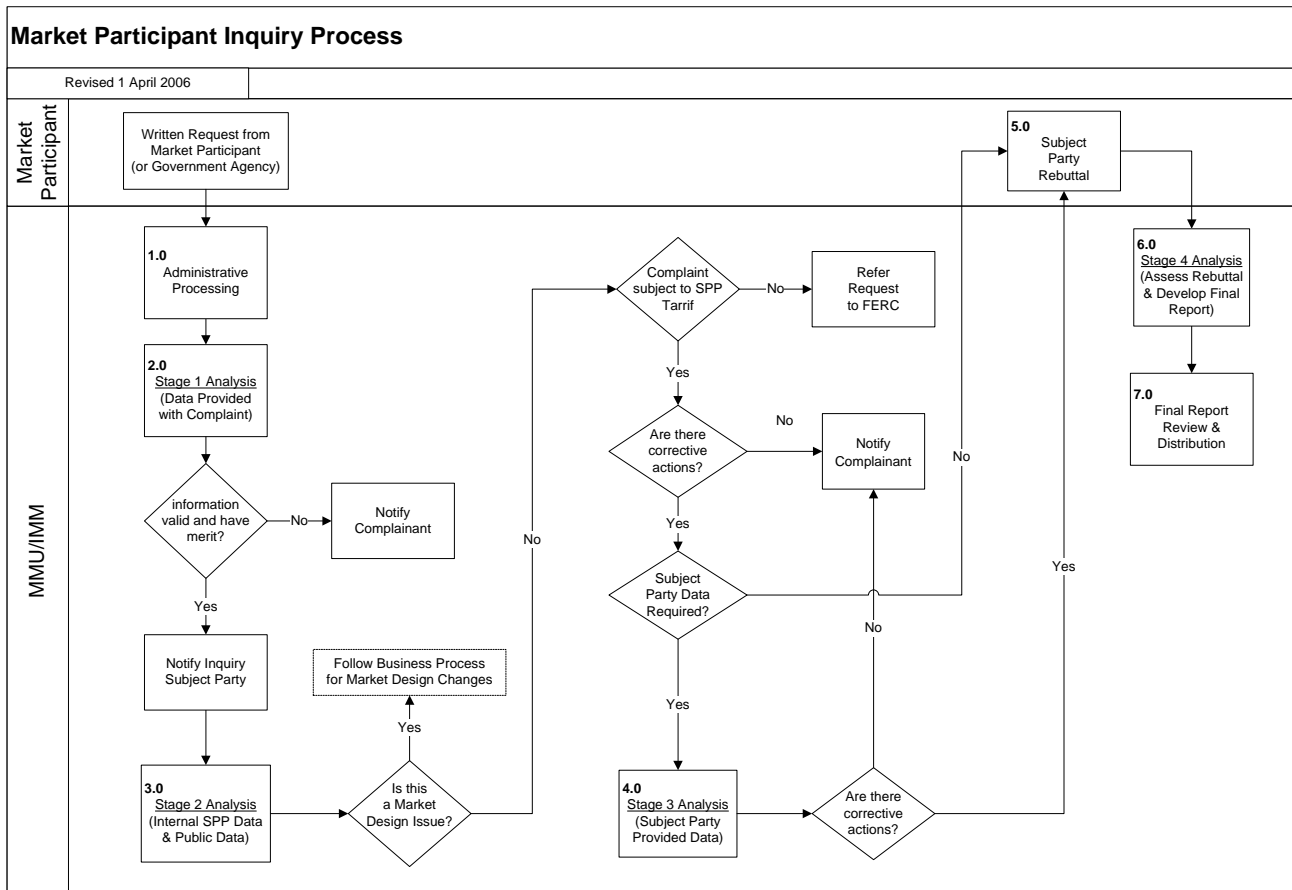
A. Introduction

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

SPP internal Market Monitor Unit (MMU) will conduct all inquiries unless determined otherwise by the MMU and/or Compliance Committee. Determining factors may include: a potential for conflict of interest; the subject of the inquiry is SPP itself; a complainant requests the External Market Monitor (EMM) conduct the inquiry; or external resources are necessary to conduct the inquiry in a timely manner. If a complainant requests the EMM conduct an inquiry, the EMM will conduct the inquiry unless otherwise directed by the SPP Compliance Committee prior to the start of the inquiry.

The Monitors may initiate inquiries in accordance with this inquiry process independently of any submitted complaints when they deem it appropriate. The Market Monitors may initiate inquiries 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

B. Process Steps



1. Administrative Processing
 - a. SPP Market Monitors will encourage open discussion with market participants to ensure a clear understanding of the market rules.
 - b. When an SPP Customer Relations Representative or a Market Monitor receives a written request they will document the contact and forward information to the MMU Inquiry Coordinator
 - c. MMU Inquiry Coordinator will:
 - Facilitate lead assignments
 - Assign case number
 - Establish process schedule
 - Develop contact list
 - Distribute information as needed
 - d. The MMU will determine the need for and the level of involvement of the EMM in conducting the inquiry subject to the standards stated above in the Introduction.
2. Stage 1 Analysis - Review information provided by Complainant
 - a. Initial screen - only assess complaints related to SPP's markets, events within the SPP footprint 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 inquiry
 - e. Notify Complainant of the decision regarding merit of the complaint
 - f. Document information regarding the complaint and disposition of the initial assessment for the SPP President and Compliance Committee
 - g. If the complaint merits further review, notify subject party of the inquiry 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 whether sufficient credible information has been gathered to substantiate or deny the complaint and warrant either corrective action, requires further evaluation by SPP Monitors, or referral to FERC:
 - If complaint pertains to a FERC Market Manipulation Rule violation ("Market Violation") or tariff with no express mitigation measure provided for by SPP tariffs, inform the SPP President and Compliance Committee of the results of the inquiry into the complaint, and if "sufficient credible information" is found, refer the complaint to FERC, and desist from any further action independent of 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, the Monitors will submit recommendations to the appropriate SPP committee or working group. If the responsible SPP committee or working group does not address the issue to the Monitor's satisfaction, the Monitors have the authority and responsibility to take other corrective actions as described in the Market Tariffs.

- If the inquiry results in findings regarding a tariff violation with specific tariff remedy and does not require data and information from the accused party, inform SPP President, Compliance Committee and FERC and proceed to Accused Party Rebuttal.
 - If the complaint pertains to a specific SPP Tariff provision but nonetheless requires additional information from the accused party, then proceed to Stage 3 Analysis and notify FERC of an ongoing inquiry
 - d. Notify Complainant whether there continues to be merit to the complaint
 - e. If there is no further need to continue investigating the complaint, document the results of the inquiry for the complainant, SPP President, Compliance Committee and FERC as appropriate. A record of all complaints and disposition will be maintained by the MMU.
4. Stage 3 Analysis - Data Provided by Subject 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
 - e. Determine penalties and or remedies as defined in SPP tariff
 - f. Develop draft report
5. Subject Party Rebuttal
- a. Inform subject party of the potential tariff violation and tariff prescribed remedy, and the process, procedures and schedule for rebuttal
 - b. Facilitate information meetings as needed
 - c. Inform subject party that any penalty can be appealed to FERC
6. Stage 4 Analysis - Review of Rebuttal
- a. Analyze and validate information provided by subject party
 - b. Determine if complaint warrants corrective action
 - c. Develop final report
7. Final Report
- a. Review results with SPP President
 - b. Review results with SPP Compliance Committee
 - c. Administer tariff prescribed remedies
 - d. 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. The MMU will maintain on file a complete set of work papers. MMU shall have the right to redact these documents if confidentiality is warranted.

C. Process Guidelines for Referring Complaints to FERC as specified in FERC Docket No. PL05-1-000, Policy Statement on Market Monitoring Units, May 27, 2005

An MMU should make a referral to the Commission in ~~all~~ instances where the MMU has reason to believe that a Market Violation may have occurred. However, if an inquiry results in findings regarding a tariff violation, SPP or the Market Monitor “may administer compliance” if the tariff violation is “expressly set forth in the tariff; involve(s) objectively identifiable behavior; and do(es) not subject the seller to sanctions or consequences other than those expressly approved by the Commission and set forth in the tariff, with the right of appeal to the Commission.”¹ When referring complaints to the Commission, ~~W~~while the MMU need not be able to prove that a Market Violation has occurred, the MMU should provide sufficient credible information to warrant further investigation by the Commission. Once the MMU has obtained sufficient credible information to warrant referral to the Commission, the MMU should immediately refer the matter to the Commission and desist from independent action related to the alleged Market Violation[s].

1. All referrals to FERC of alleged Market Violations should be in writing, whether transmitted electronically, by fax, mail, or courier. The Market Monitors may alert the FERC orally in advance of the written referral, but the FERC will not act without a written referral.
2. The referral should be addressed to the 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 the 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 the FERC
4. Following a referral to the FERC, the Market Monitors should continue to notify and inform the FERC of any information that the Market Monitors learn of 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 the FERC on tariff changes that may be necessary.

¹ See 111FERC ¶61,267 at Para 5 and Footnote 3

FERC Market Manipulation Rules

FERC requires SPP Market Monitors to monitor market participant activities regarding potential violation of FERC manipulation rules. When the Market Monitor has credible evidence that any manipulation rule has been violated, the information is to be turned over to Commission staff for possible investigation. Detail discussion of the rules is found in FERC document **Prohibition of Energy Market Manipulation** (Docket No. RM06-3-000; Order No. 670). The specific rules as shown in the Code of Federal Regulations (Section 1c.2) are as follows:

§ 1c.2 Prohibition of electric energy market manipulation.

(a) It shall be unlawful for any entity, directly or indirectly, in connection with the purchase or sale of electric energy or the purchase or sale of transmission services subject to the jurisdiction of the Commission,

(1) To use or employ any device, scheme, or artifice to defraud,

(2) To Make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading, or

(3) To engage in any act, practice, or course of business that operates or would operate as a fraud or deceit upon any entity.

D. Schedule - Guidelines Only

	Incremental Time in Weeks
Stage 1 Analysis	1
Stage 2 Analysis	2
Stage 3 Analysis	
• Data from accused party	2
• MM Analysis	2
Accused Party Rebuttal	2
Stage 4 Analysis	2
Compliance Committee Review	TBD

MARKET PARTICIPANT CONTACT GUIDELINES CONFRONTATIONAL DISPUTE PREVENTION

A. Introduction

SPP Market Monitors will have extensive direct contacts with Market Participants and governmental agencies. Sometimes the interaction will be initiated by parties external to SPP and at other times the contact will be initiated by a Monitor. The contact may be the result of an issue with a Market Participant or as a result of the participant having an issue with other participants. In any case, it is extremely important that the Market Monitors have the skills and demeanor necessary to positively facilitate a resolution of the problem.

The process steps outlined below are guidelines for Market Monitors to use when interfacing with Market Participants and other external parties, regardless of the reason(s) of the contact. The intent is to facilitate a constructive resolution of the problem in an efficient, effective and considerate manner.

B. Process Steps

1. Informal dialogue (intake process)
 - Understand fully the multiple levels of questions and concerns presented by Market Participants (or government agencies).
 - Provide for full venting of the parties concerns. If the underlying concerns are broader than that which was initially presented (e.g., actually requiring change in policy or a reliability standard itself), the intake process can help identify appropriate venues for such changes to be considered.
 - The intake process may offer the Market Monitor feedback about sub-optimal operations during the transition to market, facilitating responsiveness to evolving system needs.
2. Educate Market Participants about activities, rules, and processes of the EIS Market
3. Present and discuss available options to address the concerns articulated by the Market Participant
4. Clarify concerns and process options before filing a formal written inquiry, if that is the action the inquirer chooses
5. Facilitate the appropriate action to address the core issue:
 - formal inquiry,
 - market protocol change
 - participant education
 - internal process change

C. Training Requirements

SPP Market Monitors designated to engage in Market Participant dialogue will have completed a course of training for conflict resolution (facilitation training) and communications (active listening and problem-solving), and customer relationship management.

MARKET MONITORING STATUS REPORT

26 JUNE 2006

REPORTS AND METRICS

FERC REPORTS

FERC Order dated March 20, 2006 requires SPP Market Monitors to develop nine reports or metrics. Five reports are for market startup and four are to be completed between six months and the end of the first year of an operational EIS market. The requirements have been defined for all five of the market startup documents. Two of the startup reports require additional data which will be secured by mid July and the other three are in final review. All five startup reports, some in final-draft form and some as mock-ups will be reviewed with FERC Staff in the next two weeks. FERC staff can not approve report form or content but should be in a position to provide constructive feed back.

MARKET STARTUP METRICS

SPP Market Monitors are developing several metrics in addition to the FERC required reports. These metrics will be used to assess key aspects of the EIS Market during the critical period leading up to market start-up and the during the initial shake-out period. Staff has defined the requirements for most of these metrics and is in the process of developing appropriate data access systems.

MWG REPORTS

Some MWG members have requested specific reports through discussions at meetings and through direct contacts with SPP Market Monitors. The monitors have evaluated the requests and determine two issues warrant further evaluation. The objective of these activities is to be proactive in support of SPP Committees.

REPORT TRACKING

The attached Table 1 shows all the reports and metrics the Market Monitors are developing.

DATA SYSTEMS AND INTERFACES

OFFER CAP CALCULATION

SPP has successfully tested the offer cap calculation in the QA environment. This involved verifying all components of the offer cap calculation including; calculation of congested hours, calculation of gas price, the internal user interface, as well as the overall offer cap calculation. All high and critical SIRs have been closed and 116 test conditions have been tested. All functionality has been released to production with the exception of the removal of the \$100 minimum offer cap requirement. This functionality has been tested successfully in the QA environment and will be migrated to Production on July 24th.

POSTING OF OFFER CAPS ON SPP.ORG

The FERC order requires the Market Monitors to publicly post offer caps. The first draft of the design for this requirement was released to participants on June 16th, with the final draft of requirements to be delivered on June 30th. The functionality for posting of offer caps on SPP.org has been migrated to the QA environment. Testing is nearly complete with only 2 test conditions outstanding out of a total of 16 test conditions. Testing of this functionality is to be completed by July 21st, with migration to Production occurring on July 24th.

INTERFACES

Additional data is required to accommodate the FERC requested reports. This data includes; market participant load forecast data, billing determinants for over/ under scheduling, profiled and actual meter data, and control area level data for settlements. The interfaces accommodating this data are the MOS to DSS interface as well as the COS to DSS interface, which required enhancements. These interfaces are currently being tested as part of integration test and will be migrated to the Production environment before July 24th.

As part of the Market Analysis reports, an Outage Data to DSS interface is being developed. This interface is in the design phase and is anticipated to be migrated to Production before September 1st, thus allowing the Market Monitors to have one month to analyze the data for the Outages and Derate Report.

Table 2 below is a status summary of all interfaces to and from DSS

MISCELLANEOUS ACTIVITIES

DATA RETENTION POLICY

FERC requested that SPP work with the Market Monitor to specify the format and content of the data and information that market participants need to retain. SPP has filed revised market tariff language and is in the process of developing a draft data retention policy with a final target implementation date of July 31st.

EMM CONNECTIVITY TO SPP DATA SYSTEMS

Boston Pacific staff has confirmed that they have access to the data management system at SPP. The problem regarding security concerns has been resolved and BP staff has the same access to report and metric data views as MMU staff. SPP will conduct a training session on 6/27 to demonstrate SAS techniques useful in retrieving appropriate data.

TRAINING FOR INTERACTION WITH MARKET PARTICIPANTS

Market Monitoring Best Management Practice requires all staff designated to engage in Market Participants dialogue complete appropriate training. The training program under development will cover facilitation training, active listening and problem solving, and customer relationship management. Training sessions are schedule to start in mid July.

Table 1
Market Monitoring Reports
23-Jun-06

MMR #	Description	Priority	Source	PRR	Requirements Doc Status	Reporting Frequency
001	Energy adequacy by Market Participant (Offer Sufficiency)	1	FERC C40/41	087	v1.2 5/16/06	Daily
002	Over/Under scheduling relative to MP load	1	FERC C55	083	v1.1 5/16/06	Monthly
003	Depth of EIS market	1	FERC C72		v2.0 6/2/06	Monthly
004	Uplift	1	FERC C128	077	v2.0 5/24/06	Monthly
006	Strategic bidding	1	FERC C174	093	v1.1 6/8/06	Daily
009	Offer Curve to Marginal cost comparison	2	Market Startup			Daily
010	Market Clearing Proxy	2	Market Startup		v1.0 6/13/06	Daily
011	Variance in LIP	2	Market Startup			Daily
012.1	Offer Caps - Hourly	2	Market Startup		v1.0 5/25/06	Monthly
012.2	Offer Caps - Daily	2	Market Startup		v1.0 5/25/06	Monthly
012.3	Offer Caps - Summary	2	Market Startup		v1.0 5/25/06	Monthly
015	Calibration Impact	3	FERC C117	091	V1.0 5/31/06	Once
013	Reserve Sharing Events	3	MWG		v1.0 5/17/06	Monthly
014	Potential hording of transmission service using NN6	3	MWG			Once
005	Market incentives for investment	4	FERC C135			Annual
007	Consolidated Settlement Location Study	4	FERC C117			Once
008	Demand Response Study	4	FERC C229			Once
016	Generation Capacity Usage	4	Market Analysis			
017	Schedules by Resources	4	Market Analysis		V1.1 5/16/06	
018	Outages and Derate	4	Market Analysis		v1.0 5/17/06	

**Table 2
Data Interfaces**

Interface	Design	Build	QA Testing	Migrated to Production
MOS to DSS	Complete	Complete	Complete with the exception of the MP Level Load Forecast Data	Complete with the exception of the MP Level Load Forecast Data
DSS to MOS	Complete	Complete	Complete	Complete
COS to DSS	Complete	Complete	Complete	In Progress
Outage Data to DSS	In Progress (7/15)	Not Started (8/1)	Not Started (8/15)	Not Started (9/1)
TLR to DSS	Complete	Complete	Complete	Complete
CAT to DSS	Complete	Complete	Complete	Complete
DSS to MOS	Complete	Complete	Complete	Complete
Indices to DSS	Complete	Complete	Complete	Complete
GLDF to DSS - Workaround in place currently	Complete	Complete	In Progress (7/21)	Not Started (7/24)
Settlements to DSS	Complete	Complete	Complete with the exception of the New Billing Determinants	Complete with the exception of the New Billing Determinants
RTO_SS to DSS	Complete	Complete	Complete	Complete
OASIS to DSS	Complete	Complete	Complete	Complete

Acronyms:

CAT (Curtailed Adjustment Tool) – Used to adjust schedules and/or tags that are not subject to the NERC Interchange Distribution Calculator in the energy market.

COS (Commercial Operations System) – Performs the settlement, customer service, and commercial model functions.

DSS (Decision Support System) – Storage of data from COS, MOS, RTOSS, OASIS for analysis by Market Monitoring. Also used by Settlement for validation of settlement statements.

GLDF (Generator to Load Distribution Factor) – The relationship of a generator’s injection to a specific load on the transmission grid.

MOS (Market Operations System) – Real-time deployment instructions and offer data.

OASIS (Open Access Same-time Information System) – Required by FERC to reflect available transmission for sale and records transmission that has been sold.

Outage Data – Data related to planned outages of transmission and generation facilities.

RTO_SS (RTO Scheduling System) – The tool used by SPP customers to track schedules (both interchange and network/native load schedules).

TLR (Transmission Loading Relief) – Current means of relieving loading on flowgates through the curtailment of tags (representing injections of scheduled energy) to reduce energy flowing on the flowgate.