



**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE MEETING**  
**February 7, 2017**  
**DFW AAdmirals Club, Dallas, TX.**

**• A G E N D A •**

8:00 a.m. – 3:00 p.m. CDT

- 1. Call to Order/Administrative Items ..... Josh Martin
- 2. Action Items Report..... Michael Desselle
- 3. Quarterly Activity Reports
  - a. Compliance ..... Carl Stelly
  - b. IEP Update ..... Ben Bright
- 4. SPP Purchasing Policy Implications for the MMU ..... Paul Suskie/Alan McQueen
- 5. Oversight Committee Annual Self-Assessment ..... Josh Martin
- 6. Oversight Committee Scope Changes ..... Michael Desselle
- 7. Action Items..... Michael Desselle
- 8. Future Meetings ..... Josh Martin
  - 2017
  - TBD, Late February 2017 – Conference Call
  - Thursday, April 13, 2017 – Tulsa
  - Monday, June 12, 2017 – SPP Little Rock
  - Tuesday, August 1, 2017 – DFW AAdmirals Club
  - Tuesday, October 3, 2017 –Bates White Offices, Washington, DC
  - Monday, December 4, 2017 – SPP Little Rock
- 9. Executive Session 1 (Visitors Excluded) ..... Oversight Committee and RTO Staff
- 10. Executive Session 2 (OC Members & MMU only) ..... Oversight Committee and MMU Secretary

**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE MEETING**  
**December 5, 2016**  
**SPP Corporate Campus, 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 9:00 AM. Members in attendance included: Josh Martin (Director); Larry Altenbaumer (Director); and, Phyllis Bernard (Director). Additional Board members in attendance included Graham Edwards, Bruce Scherr, and Harry Skilton. SPP staff in attendance was: Michael Desselle, Lauren Krigbaum, Carl Stelly, Erin Cullum, Richard Dillon, Barbara Stroope, Alan McQueen, Paul Suskie, Barbara Sugg, Chris Evans, Stan Chapman and Ben Bright.

Larry Altenbaumer moved and Phyllis Bernard seconded adoption of the September 22, 2016 Oversight Committee meeting minutes, which were unanimously accepted (Minutes 09/22/2016 – Attachment 1).

**Agenda Item 2 – Action Items Report**

Michael Desselle reviewed the Pending Action Items status. The OC discussed with Alan McQueen and Richard Dillon the need for progress on the Variable O&M matter and questioned the time frame in which to achieve such progress. The OC expects a status report at its February meeting.

**Agenda Item 3 – Quarterly Activities Report**

Internal Audit – Lauren Krigbaum provided the quarterly Internal Audit department report (Internal Audit Report – Attachment 2). Lauren noted that the department is fully staffed but that the Information Technology (IT) department has sought a temporary assignment for one of her auditors to assist the IT Department to develop internal controls for CIP and SOC1 compliance. She noted that this would impact the Internal Audit work plan. Larry Altenbaumer moved and Phyllis seconded endorsement of the engagement which passed unanimously. Lauren reviewed the changes to the 2015/2016 Internal Audit plan as well as the proposed 2016/2017 Annual Audit Plan. Larry moved, seconded by Phyllis, adoption of the 2016/2017 Annual Audit plan. The motion passed.

Compliance – Carl Stelly reviewed the Compliance Department quarterly activities (Compliance Report – Attachment 3). He reported staffing levels and changes and the status of Operations and Planning and CIP self-reports. He reported on the risk review underway in Operations and reported that SPP was expecting an CIP Audit Engagement letter from SERC any day.

Market Monitoring Unit – Alan McQueen provided his update on quarterly activities (Market Monitoring Activity Report – Attachment 4). Alan reported that the MMU will be fully staffed within a week. He noted collaboration with SPP on the preparation of the joint compliance filing upcoming in January. Finally, Alan noted that the Annual State of the Market (ASOM) report development has commenced.

**Agenda Item 4 – IEP Matter**

Ben Bright provided an Order 1000 update (Order 1000 update – Attachment 5). He reviewed with the OC members next steps expectations regarding contracting the expert pool and the Committee had no opposition. Ben was asked about the status of the SPC's post review recommendations. Ben noted the Revision Requests in process to address recommended changes.

**Agenda Item 5 – Looking Forward Report**

Craig Roach (Boston Pacific) advised the Committee of the possible topics for the 2017 “Looking Forward” report (Possible Topics – Attachment 6). He noted three new areas for the report in 2017 (Sections I.D, I.F., and VI.) Bruce Scherr suggested that it might be wise to explore the declining load issue.

**Agenda Item 6 – Value of “Financial-Only” Participants**

Richard Dillon shared with the Committee the analysis performed to assess the value of Financial-Only market participants. He noted that the he has been unable to demonstrate consistent benefits. Larry Altenbaumer expressed the view that with the continuing evolution of the market, he doesn’t see the harm and would not like to see the financial-only participant’s removal. Bruce agreed but would like to see them pay a fee to participate.

**Agenda Item 7 – 2017 Internal Audit Plan Approval**

During Lauren’s quarterly report, the Plan was approved.

**Agenda Item 8 – Oversight Committee Scope Revisions**

Susan Polk reviewed the Scope revisions (Oversight Committee Scope Statement – Attachment 7) with the Committee intended to align with the FERC’s audit report of the MMU and other changes. Following discussions, revisions were made to reflect oversight of physical and cyber-security. Staff was also asked to follow-up on the scope statement regarding enterprise risk management.

**Agenda Item 9 – Oversight Committee Annual Work Plan**

Michael Desselle reviewed with the OC the annual work plan (OC Annual Work Plan – Attachment 8). Phyllis moved and Larry seconded adoption of the Plan, which passed unanimously.

**Agenda Item 8 – New Action Items**

Action items are:

- Staff to follow-up on Scope changes; and,
- MWG to provide status report on VOM matter.

**Agenda Item 9 – Future Meetings**

The Committee discussed the meetings for 2017.

**Adjournment**

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

**Executive Session 1**

The Committee met in Executive Session with RTO staff and discussed Compliance and Security matters.

**Executive Session 2**

The Committee met in Executive Session with MMU staff only and discussed MMU matters.

Respectfully Submitted,

Michael Desselle



Southwest Power Pool, Inc. (SPP)  
RTO Compliance Department  
Oversight Report – Q1 2017

PUBLIC

**Compliance Report**

**Compliance Department Structure and Staffing:**

The Compliance group is continuing an effort to build on the recommendations obtained from the NERC Assist team effort and backfilling an open position. In line with the recommendations, one additional FTE will be hired to assist with the NERC CIP Standards compliance-related responsibilities of the Compliance Department as shown below:

*Lead Standards Coordinator (expected hire on or around April 1, 2017):*

To backfill the position previously held by Manager, Reliability Standards (Standards Development). This position will be the lead in SPP's representation in the industry standards development efforts. This effort is critical to ensure SPP has accurate perspective from the industry regarding new and changing NERC Reliability Standards and to provide feedback to the industry during the process from SPP and its members.

*Senior CIP Specialist (expected hire on or around June 1, 2017):*

To provide more CIP technical expertise in Standards Development and implementation of new and changing requirements in the oversight and Quality Assurance of SPP's adherence to all NERC CIP-related compliance responsibilities.

In addition and as part of the re-distribution of compliance-related responsibilities, SPP has transitioned Jonathan Hayes as Staff Secretary of the RCWG, replacing Kim VanBrimer.

**Standards Development:**

The Standards Development staff are currently reporting to Director, Compliance (see above reference to staffing developments). Efforts are underway to maintain SPP's presence in the industry related to standards development, which includes SPP staff and member participation in calls designed to provide feedback on new or changing NERC Reliability Standards and to solicit feedback from SPP staff and members to the industry throughout the commenting and balloting periods. No significant changes nor impacts are expected, with the exception of the reporting structure for this group.

**Operations & Planning (O&P):**

Compliance staff are currently focused on identifying the O&P Standards that are at highest compliance risk to SPP and performing the spot checks for those Standards for 2017. Staff continue to work with SERC to close out the remaining self-reports, responding to Requests for Information (RFI) and submitting mitigation plans and associated evidence to support the mitigation of those issues identified in the self-reports. Staff are continuing the effort to formalize internal processes to support the Internal Compliance Program. Compliance staff are also very heavily involved in the newly developed Standards Implementation process, currently facilitated by the Reliability Standards staff. Efforts are continuing, as well, on assisting the Planning organization on their development of staff who will concentrate on implementing NERC Reliability Standards associated with the Planning Coordinator and Transmission Planner functions.



Southwest Power Pool, Inc. (SPP)  
RTO Compliance Department  
Oversight Report – Q1 2017

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**Critical Infrastructure and Protection (CIP):**

SPP received notice from SERC to postpone the CIP Audit originally scheduled to begin October 31, 2016, to March 6, 2017. Subsequently, SERC notified SPP staff in early December the audit would be further postponed and no future date has been identified at this time.

Compliance Staff continue to work with the Business Units to further define processes, procedures, and controls necessary to provide further assurance of compliance to the NERC CIP Reliability Standards.

Overall, the Compliance staff are in the process of procuring a vendor for a Governance Risk Compliance (GRC) tool to help manage the myriad compliance-related tasks and associated controls. Compliance staff are, along with each individual Quality Control group within each major Business Unit (Operations, Planning, and IT), also working to develop the controls that will serve as inputs to the GRC.

**Upcoming Dates of Importance:**

March 30, 2017:

RCWG Meeting, SPP Campus, Little Rock, AR

June 29, 2017:

RCWG Meeting, SPP Campus, Little Rock, AR

**Reliability Compliance Working Group (RCWG):**

Respectfully submitted,

Carl Stelly  
Director of Compliance

**Approval Level for MMU Expenditures**

The table below represents approval levels for **budgeted** expenditures only related to the MMU.

<b>Single Approval Authority Limits</b>		
<b>TIER Level</b>	<b>Position</b>	<b>Approval Limit</b>
A	Manager	\$10K
B	Director	\$100K
C	Oversight Committee	Within Budget Limits

The table below represents approval levels for **unbudgeted** expenditures related to the Regional Entity.

<b>Single Approval Authority Limits</b>		
<b>TIER Level</b>	<b>Position</b>	<b>Approval Limit</b>
A	Manager	\$0
B	Director	\$50K
C	Oversight Committee	\$100K
D	SPP Board of Directors	Above \$100K

Oversight Committee		2016	2015	2014	2013	2012	2011	2010
Number of members		5	4	4	4.0	5	4	4
Number of responses		4	4	3	4	5	4	4
Response rate		80%	100%	75%	100%	100%	100%	100%
Overall effectiveness score		4.8	4.8	5	4.8	4.8	4.8	#REF!
Lowest score								
Highest score								
Question	Average score							
	2016	2015	2014	2013	2012	2011	2010	
The agenda reflects the actions to be taken during the meeting.	4.5	4.5	5.0	4.5	4.6	4.3	4.5	
Meeting materials are provided in a timely manner.	4.5	4.5	4.7	4.5	4.4	4.5	4.3	
The information provided prior to the meeting is utilized during the meeting.	4.8	4.8	5.0	4.3	4.4	4.5	4.5	
The information presented in meetings is clear.	4.5	4.5	4.3	4.0	4.4	n/a	n/a	
Meeting minutes are an accurate reflection of the meeting.	4.5	4.8	4.3	4.3	4.6	4.3	4.5	
<b>Additional comments:</b>								
The nature and scope of the matters being addressed by the Oversight Committee are rapidly and dramatically expanding. This has made it more difficult to stay ahead of developing issues. From an overall preparation standpoint, it may make sense for an annual session to take a fresh look at the outline of topics to be addressed during the upcoming year with special consideration given to more in-depth attention being given to specific topics. The plan for additional meetings is a good idea.								

Membership represents the diversity of the SPP organization.	3.3	4.0	3.0	3.3	3.2	3.5	3.5	
Membership has the necessary expertise and/or skills to accomplish its goals.	4.5	4.5	4.3	4.3	4.4	4.3	4.5	
Members come prepared to meetings.	4.5	4.8	4.7	4.5	4.8	4.8	5.0	
Members are committed to participate and accomplish the group's goals.	4.8	4.8	5.0	4.8	4.8	5.0	5.0	
Members are supportive and respectful of the individual needs and differences of group members.	4.5	4.5	5.0	4.5	4.2	4.8	4.5	
<b>Additional comments:</b>								
#8 rated neutral because this is not a stakeholder group.								
Membership represents diversity based upon the make-up of the board.								

Members are engaged during the meeting.	4.7	4.8	4.7	4.8	4.6	4.3	4.0	
Decisions are identified and action is recommended.	4.3	4.8	5.0	4.8	4.8	4.8	4.5	
Facilitation is sufficient to guide discussion.	4.5	4.5	4.3	4.5	4.4	4.8	4.5	
Dissenting voices are heard.	4.8	4.8	4.7	4.5	4.2	4.5	4.5	
I depart with a feeling that we have accomplished something.	4.8	4.5	4.7	4.3	4.6	4.5	4.3	
<b>Additional comments:</b>								
The make-up of the committee and the quality of staff support provide the strong foundation needed for this committee to function effectively.								

The chair seeks input, and organizational group members are able to influence key decisions and plans.	4.8	4.5	5.0	4.8	4.8	4.8	4.8	
The chair is supportive and respectful of the individual needs and differences of group members.	4.8	4.8	5.0	4.5	4.8	4.8	4.5	
The chair keeps the group on task to achieve appropriate outcomes.	4.8	4.8	5.0	4.8	4.8	5.0	4.8	
The chair ensures follow-through on questions and commitments.	4.5	4.5	5.0	4.8	4.4	4.8	4.5	
<b>Additional comments:</b>								
The chair does an extraordinarily good job to make sure the agenda is completed and insures that adequate time is given to individual agenda topics balancing inputs from staff and committee members. Meetings are conducted very effectively.								

Please provide three or more recommendations for improvement of this particular group and/or SPP's overall organizational group structure.	
It has been almost impossible to get all the work done that comes before this committee in 6 hours so annually we need to schedule more meetings. We need more updates on what is happening across all RTO/ISO organizations re: physical security and cyber security. The charter for this committee needs to be revised to reflect the breadth of our responsibilities from a governance perspective and the committee needs additional independent members.	
All comments previously provided	

Please provide three or more recommendations for improvement of this particular group and/or SPP's overall organizational group structure	
For this committee to continue to be effective, it must not lose sight of all of its areas of oversight, i.e., internal audit, compliance, physical security, cyber security and the MMU.	
No further comments	





**SPP Organizational Group Self-Evaluation/Assessment  
(August 2015 – July 2016)**

GROUP NAME: **Oversight Committee (OC)**

THE CHARTER/SCOPE HAS BEEN REVIEWED IN THE PAST YEAR: **No**

MEMBER ROSTER/ATTENDANCE:

Member	Company	# Present	# Absent
Altenbaumer, Larry	Director	6	3
Bernard, Phyllis	Director	9	0
*Edwards, Graham	Director	3	1
Martin, Josh (Chairman)	Director	9	0
Michael Desselle	Staff Secretary	9	0

\*Only on Committee for part of the assessment period.

**AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS): 12**

**MEETINGS HELD TO DATE: Live: 4 Teleconference: 5**

**AVERAGE LENGTH OF MEETINGS: 2:04**

**NUMBER OF VOTES TAKEN: 4**

**\*MEETING COST(S): \$47,958.20**

*\* Meeting costs include hotel expenses (room rental, A/V, food and beverage), estimate of teleconference expenses, and Director fees for attendance.*

**MAJOR ACCOMPLISHMENTS/ISSUES ADDRESSED BY THE GROUP:**

1. Structural separation of OC meetings to ensure independence of MMU matters
2. Revised and strengthened OC Policy Statement on MMU Oversight
3. IEP Process (education, selection, independence)
4. FERC Audit support

**MAJOR PENDING ISSUES BEFORE THE GROUP:**

1. Increased focus on Cyber and Physical Security
2. Revise OC Scope statement
3. Increase OC Board membership and frequency of meetings
4. Oversight of MMU Administrative functions

**Southwest Power Pool, Inc.**  
**Report to the Oversight Committee**  
**February 7, 2017**

**Activity Update**

On January 10, 2017 the Federal Energy Regulatory Commission accepted, effective January 14, 2017, SPP's revisions to Section 6.4 of the Bylaws to expand the Oversight Committee by two seats.

**Background**

SPP's OC is currently comprised of three members from the Board of Directors. SPP proposed to modify Section 6.4 (Oversight Committee) of the Bylaws to expand its OC by two seats. The addition of two representatives from the Board of Directors is to accommodate recent expansion of the OC's responsibilities, particularly in overseeing Market Monitoring and Compliance functions and the Order No. 1000 implementation process. With the proposed revision to Section 6.4 of the Bylaws, the OC will be comprised of five members from the Board of Directors.

On August 24, 2016, the Corporate Governance Committee ("CGC") approved the proposed Bylaws revisions to increase Board of Directors participation on the Oversight Committee by adding two independent directors to the OC and recommended these revisions to the Board of Directors on October 25, 2016 which the Board approved in accordance with the processes provided in Section 10 of the Bylaws.

**Action Requested**

Approve amended Scope Document.



**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE**  
**Organizational Group Scope Statement**  
**April 25, 2017,**

Deleted: October 29, 2013

**Purpose**

The Oversight Committee (OC) is responsible for monitoring compliance with SPP and regulatory policies for the company in accordance with its scope as approved by the Board of Directors.

**Scope of Activities**

- a) Oversee the process of monitoring compliance to SPP and NERC policies other than that assigned to the Regional Entity Trustees under the Bylaws;
- b) Oversee the Internal Audit function and receive regular reports, except for work associated with controls audits and other financial requirements;
- c) Oversee the market monitoring function and receive regular reports;
- d) Review and approve the MMU budget, subject only to approval by the Board of Directors as part of the overall SPP budget;
- e) Make decisions regarding the market monitoring unit (MMU) Director's compensation and performance review, disciplinary actions, and other related proceedings;
- f) Review and approve MMU staffing decisions (hiring, retention, and termination), salary, and disciplinary decisions;
- g) Determine the MMU performance compensation and approve the MMU Director's distribution of these funds to MMU staff;
- h) Review the overall assessment of the SPP MMU's effectiveness on an annual basis;
- i) Oversee the Compliance function and receive regular reports;
- j) Independently review activities of the staff;
- k) Oversee the process for, and approve, Independent Expert Panels associated with the Order 1000 implementation process;
- l) Discuss with management and the independent auditors the company's guidelines and policies with respect to corporate risk

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assessment and risk management;

- m) Hear and rule on appeals from Members regarding penalty assessment or fine distribution, other than those resulting from the Compliance Monitoring and Enforcement Program, prior to dispute resolution proceedings;
- n) Recommend Criteria changes necessary for enforcement of mandatory compliance and in response to unclear enforcement provisions of Criteria;
- o) Grant specific additional authority to the ~~staff~~ responsible for the compliance monitoring function when needed to perform challenging investigations;

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p) ~~Oversee and receive reports on business continuity plans and assessments:~~

q) ~~Oversee and receive reports on physical and cyber security matters:~~

- r) Complete a self-assessment annually to determine how effectively the OC is meeting its responsibilities; and
- s) Perform such other functions as the Board of Directors may delegate or direct.

#### **Representation**

The OC shall be comprised of ~~five~~ members from the Board of Directors.

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#### **Reporting**

The Oversight Committee reports directly to the Board of Directors.