

Summary of Regulatory Status SPP Energy Imbalance Market Startup

Summary

With the exception of the required SPP certification of readiness thirty days prior to Market startup, there are no regulatory filings that are currently hard requirements for startup. The readiness certification was drafted for the September 29, 2006 Board of Directors meeting for a prospective September 29, 2006 filing with the Commission. This certification included the documentation of the NERC compliance issues. For a February 1, 2007 Market startup the readiness certification, updated to reflect the then current assessment, should be filed by December 29, 2006. There are several compliance filings due through December 1, 2006 required by Orders issued in October as discussed below. The primary open issue arising out of these orders is a requirement to address and file tariff provisions on the application of penalty factors to manage the market. Market Working Group action is required to advance a compliant resolution of the issue. With regard to pending compliance issues, compliance is required as of the effective date of the applicable order. Compliance is presumed and ultimately required back to the effective date of the applicable order, but does remain open until the order becomes final, i.e. no longer subject to appeal.

Discussion

As of COB September 1, 2006 (sixty days prior to a prospective November 1, 2006 start date) all SPP filings with FERC then necessary for a November 1, 2006 start date had been made with the exception of the readiness certification required thirty days prior to market operation. These filings addressed all of the then approved market protocols and all compliance requirements ordered by FERC up to that time. The readiness certification was drafted for the September 29, 2006 board meeting for a prospective September 29, 2006 filing with the Commission. This certification included the documentation of the NERC compliance issues.

As of COB September 1, 2006 FERC Orders were needed on the following filings of SPP or SPP Transmission Owners prior to a November 1, 2006 Market start:

- The May 22, 2006 Offer of Settlement filed by SPP and its balancing authorities in compliance with the Commission's March 20, 2006 Order to resolve issues concerning the division of responsibilities between SPP and its Balancing Authorities (ER06-451-000).
- The August 21, 2006 SPP filing in compliance with the Commission's July 20, 2006 Order addressing SPP's May 19, 2006 compliance filing, to further modify SPP's proposed Tariff provisions relating to: rates for emergency energy; submission of revised resource plans; intra-day supply adequacy analysis;

calculation of imbalance energy for transmission owners not submitting schedules to SPP; definition of Reported Load; offer-capping of resources owned by the same supplier and impacting the same constraint when that supplier has one or more offer-capped resources impacting the particular constraint; monitoring for strategic withholding; and a number of lesser revisions.

- The August 21, 2006 SPP request for clarification or rehearing of the Commission's July 20, 2006 Order addressing offer caps (ER06-451-002 and ER06-1047-000).
- The September 1, 2006 SPP filing of new Tariff revisions and compliance materials related to the Energy Imbalance Market. Proposed revisions include: a change in effective date for previously accepted Tariff changes to reflect a one month delay of market start-up from October 1, 2006 to November 1, 2006; new Section 205 filing to implement Tariff provisions reflecting SPP approved Market Protocols not already reflected in the Tariff; in compliance with the March 20, 2006 Order, a standard meter agent agreement; in compliance with the March 20, 2006 Order, an informational filing detailing SPP's independently evaluated metrics related to commercial operations readiness and SPP's testing plan for the EIS Market.
- All jurisdictional SPP transmission owners within the market footprint, except AEP, have individually filed rates for emergency energy in compliance with the Commission's July 20, 2006 Order addressing SPP's May 19, 2006 compliance filing. Their action complements SPP's August 21, 2006 compliance filing and is important for maintaining the viability of SPP's reserve sharing program. Xcel filed on August 31, 2006 in ER06-451-008, Empire District Electric filed on September 1, 2006 in ER06-1463-000, Westar Energy filed on September 6, 2006 in ER06-1471-000, OG&E filed on September 13, 2006 in ER06-1488-000, and Aquila filed on September 15, 2006 in ER06-1491-000. FERC has issued orders in all of these dockets. KCPL, OG&E and Westar have compliance filings required by November 29, 2006.

As of October 31, 2006 FERC has taken action on all matters above except the May 22, 2006 balancing authority settlement agreement which is on the Commission's Agenda for the November 16, 2006 open meeting.

FERC Orders since September 1, 2006

Since September 1, 2006 FERC has issued the following orders with the noted compliance requirements:

FERC's October 19, 2006 Order on Loss Compensation Provisions for Market Operation, ER06-729-001

On October 19, 2006 FERC issued an order conditionally approving SPP's revisions to the loss compensation provisions of Attachment M and Attachment AE to reflect the EIS market.

- The Commission stated that, while SPP has complied with some of the requirements of the May 11 Order, it has yet to address others. Specifically, the Commission remains concerned that there may be over- or under- recoveries if losses are compensated at the sink market price. Therefore, SPP is directed to modify the revenue distribution associated with the loss compensation so that providers of the service receive the source market price and any amount above the source market price is included in the revenue neutrality uplift process. SPP is also directed to modify Attachment M to make the revenue distribution.
- The Commission is also concerned that all generators (i.e., generators affiliated with Transmission Owners as well as unaffiliated generators) providing loss compensation service receive their share of loss revenue. SPP is thus directed to modify Attachment M to explain that all generators providing the loss compensation service (i.e., generators affiliated with the Transmission Owners as well as unaffiliated generators) receive their share of the revenues for all into and within transactions. The Commission further directs SPP to modify its revenue distribution process to ensure that all generators, regardless of their affiliation with Transmission Owners, receive revenue for providing loss compensation service. SPP must make conforming modifications to Attachment M fully explaining how all generators, including unaffiliated generators, will receive their share of the revenue associated with providing loss compensation service.
- The Commission notes that SPP has not complied with the requirement to make Attachment M clear with respect to physically-settled losses associated with into and within transactions. SPP is thus required to address such concerns and add as an appendix to Attachment M illustrative examples like the examples it provided the Commission in the March 14 Filing that show the operation and settlement of SPP's loss compensation procedure. Additionally, SPP must include in a second, separate appendix to Attachment M additional illustrative examples for into and within transactions.

SPP's compliance filing is due November 20, 2006.

FERC's October 26, 2006 Order on (1) Requests for Rehearing of FERC's July 20, 2006 Order and (2) SPP's August 22, 2006 compliance filing in ER06-451-005.

On October 26, 2006 FERC issued an order denying in part and accepting in part the requests for rehearing of the July 20, 2006 EIS Market order, and accepting SPP's compliance filing submitted pursuant to that order, as modified, to become effective on December 1, 2006 or such later date as SPP's imbalance market becomes effective.

The Commission made the following findings:

- It determined that SPP's rehearing request regarding the applicability of offer caps was untimely and inappropriate. However, the Commission did clarify that the term "impacting" means that the offer cap applies to resources on the importing side of a constraint. The Commission also disagreed with SPP's conclusion that approximately 25,000 MWs would be subject to offer capping. (P 19-22)
- The Commission will allow reserve sharing charges to be based on the higher of the incremental costs plus an adder consistent with Commission precedent or the LIP for the unit responding to the reserve sharing event. (P 28).

As for compliance matters, the following items must be submitted in a compliance filing due November 27:

- The Commission determined that SPP's offer cap proposal in version 1 did not comply with the SPP Compliance Order and rejected it. It did accept, subject to modification, SPP's proposed revisions in version 2 and agree that TDU Intervenors' proposed language clarifies application of the offer caps. SPP must therefore incorporate TDU Intervenors' proposed language. (P 36)
- SPP must incorporate clarifying revisions into Attachment AK regarding market participants that are not part of existing reserve sharing agreements. (P 41)
- SPP must remove the proposed six-month time limit following imbalance market start-up to document LIPs associated with pivotal resources identified under Section 4.6.2(b). (P 46)
- SPP must incorporate several modifications regarding transmission charges for imbalance service. (P 51).
- SPP must make additional clean-up modifications. (P 53).

SPP's compliance filing is due November 27, 2006

FERC's October 31, 2006 Order on SPP's September 1, 2006 EIS market filing.

On October 31, 2006 FERC issued an order largely accepting SPP's September 1, 2006 EIS market filing.

- The Commission accepted the new Attachment AM to be effective February 1, 2007, or such later date as SPP's imbalance market becomes effective, subject to clarification of section 1.2.8 of Attachment AE that a market participant may submit its own meter data to SPP after the first year of market operations (P 19). SPP must also clarify how section 3.2 of Attachment AM is consistent with

section 10.3 of the OATT, and provide an example of the operation of section 3.2 (P 20).

- Regarding the readiness metrics, the Commission rejected much of Xcel's arguments, but required SPP to file the Gestalt, LLC assessment of its metrics as part of its market Readiness Assessment at least 30 days before market start on an informational basis (P 24). Also, while not specifically requiring a compliance filing, the Commission cautioned SPP that it should include details in its tariff on how its penalty factor solutions would or would not be used to make dispatch instructions to market participants as well as their use in setting prices, if indeed the penalty factors are used in the dispatch process (P 25).
- Regarding the 205 matters, the Commission directed SPP to refile all imbalance market tariff provisions (tariff sheets related to the imbalance market) seven days prior to start of market operations with the correct effective date. Such a filing must not include any pending tariff changes. In addition, the Commission required SPP to refile its entire tariff within 60 days after the startup of the imbalance market with sheets reflecting the correct effective date and excluding any pending changes (P 27).
- The Commission accepted the other proposed changes. However, the Commission did require SPP to re-assess the feasibility, cost, and benefits of any control area consolidation following its first year of imbalance market operation. Such an assessment is to be filed with the Commission within 15 months following market operations as a report (P 32).
- For thirty day compliance items, SPP's compliance filing is due December 1, 2006

Current SPP and Transmission Owner Compliance Filing Requirements

I. Pre Market Startup

Timely compliance filings are under development at the present time. The required compliance filings are:

Initial filing of AEP emergency rates.

November 20, 2006, SPP filing is due in compliance with FERC's October 19, 2006 order conditionally approving SPP's revisions to the loss compensation provisions of Attachment M and Attachment AE to reflect the EIS market (ER06-729-001).

November 27, 2006, SPP filing is due in compliance with FERC's October 26, 2006 Order, adopting SPP's proposed revisions in version 2 offer cap language and incorporating TDU Intervenors' proposed language on application of the offer caps,

incorporating clarifying revisions into Attachment AK regarding market participants that are not part of existing reserve sharing agreements, removing the proposed six-month time limit following imbalance market start-up to document LIPs associated with pivotal resources, and incorporating several modifications regarding transmission charges for imbalance service (ER06-451-005).

November 27, 2006, consistent with the request of the MWG and the conclusion of the RTWG, a Request for Clarification of FERC's October 26, 2006 Order to conclude that a balancing authority's emergency service rates adopted pursuant to the July 20, 2006 Order shall be applicable to all generators in that balancing authority's control area including the balancing authority's own generation and shall not be applicable to that balancing authority's sale of energy under the reserve sharing program for a generation trip in another balancing authority's control area (ER06-451-005).

November 29, 2006, in compliance with the October 30, 2006 Order for emergency energy rates for SPP's reserve sharing program, filings are due to be made by Xcel (ER06-1485-000), Westar (ER06-1471-000), OG&E (ER06-1488-000).

December 29, 2006, due date for SPP certification to the Commission of readiness of its systems (Market Readiness Certification) for a February 1, 2007 market startup, i.e. no later than 30 days prior to startup (ER06-451-009 and ER06-1467-000).

December 29, 2006, due date for SPP's filing of Gestalt's assessment of SPP Market Readiness for a February 1, 2007 market startup, i.e. at least 30 days prior to startup (ER06-451-009 and ER06-1467-000).

January 25, 2007, due date for refile of all imbalance market tariff provisions (tariff sheets related to the imbalance market) in compliance with the October 31 Order, i.e. seven days prior to market startup of February 1, 2007 (ER06-451-009 and ER06-1467-000).

II. Post Market Startup

February 1, 2007, prospective EIS market startup.

Monthly, 2007, monthly reports on the level and causes of uplift charges through the first year of market operations

April 1, 2007, due date for SPP filing two months after the start of market operations that incorporates tariff revisions to allow participation of external generators in SPP's imbalance market. These provisions for external generator participation must be in effect within six months of the start of SPP's imbalance market.

April 2, 2007, due date for refiling of complete SPP Tariff in compliance with the October 31 Order, i.e. within 60 days after market startup of February 1, 2007 (ER06-451-009 and ER06-1467-000).

February 1, 2008, SPP report to the Commission one year from the date of market implementation on ways it can incorporate demand response into its imbalance market.

February 1, 2008, SPP compliance filing due detailing the neutrality uplift payments associated with losses for into & within transactions & through and out transactions, as required by FERC's October 19, 2006 Order (ER06-729-001). [One year after the commencement of its EIS market].

May 1, 2008, SPP to re-assess the feasibility, cost, and benefits of any control area consolidation following its first year of imbalance market operation. Such an assessment is to be filed with the Commission within 15 months following market operations as a report.

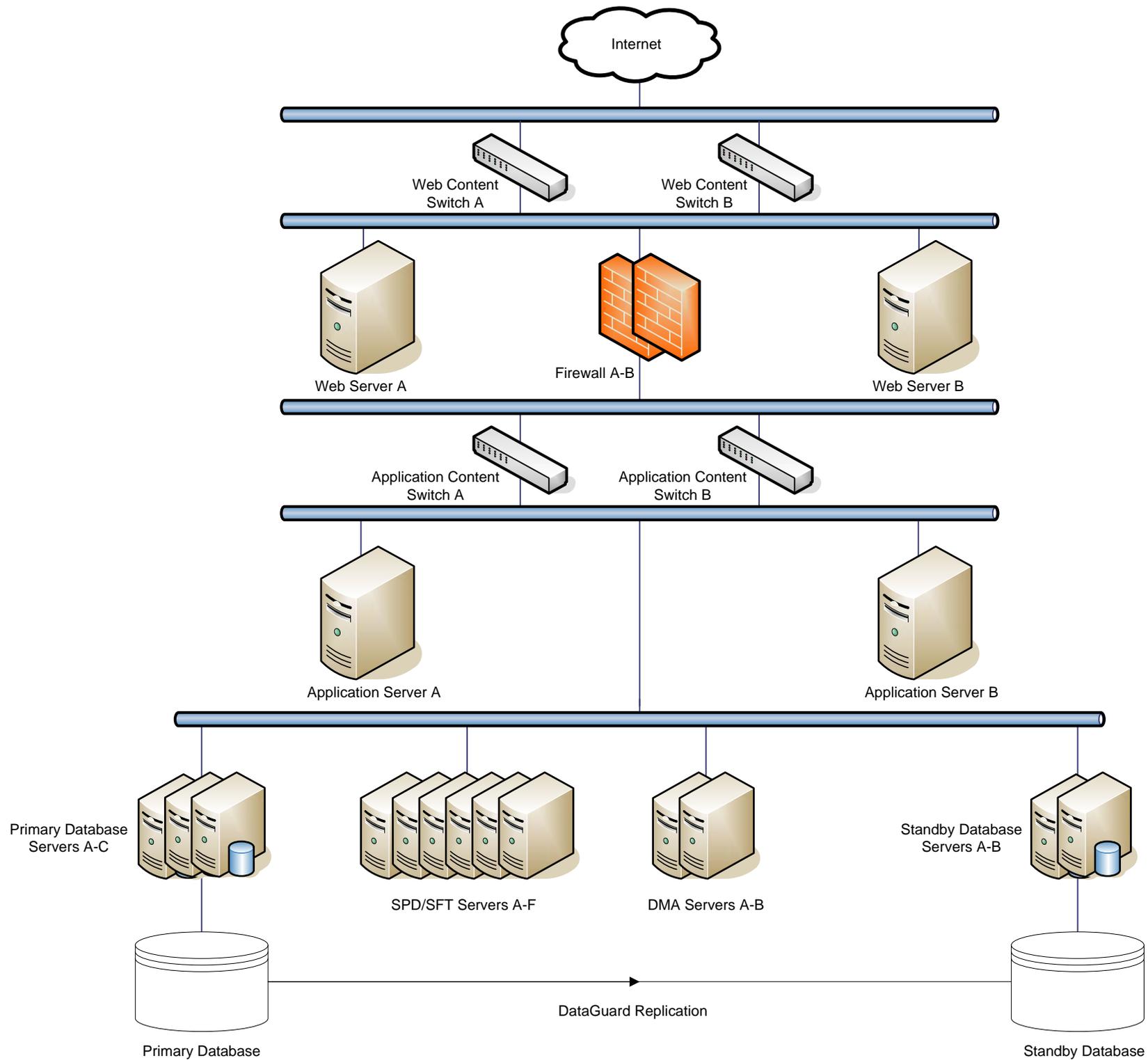
Issue Number	Issue	Resolution Required Prior to Go-Live Date	Type	Source	Status	Assoc. Metric	Response Notes
1	Constant Error Correction	None. See notes.	Process	OPSTF Report	Closed		Deliberate overgeneration is an area that will be monitored as part of the existing market monitoring process and will be addressed per these procedures. The SPP Reliability Coordinators and Market Operators have the necessary data and visualization tools to monitor these situations as they develop. If a resource is observed to be ignoring dispatch instructions to the extent that its host BA cannot maintain ACE within reliable limits, the SPP RC has the ability and authority to take necessary corrective actions. Additionally, current protocols allow the Market Operator to lock out resources that significantly deviate from their dispatch instructions after 6 consecutive intervals
2	Manual Control Mode Definition. (Consolidated issue)	(i) SPP clarify procedure and/or approach for Market Operators to review with MP warning messages received by participants when units on Manual control mode are in MP A/S Plans and confirm plants are providing reserves per SPP Criteria #6. (ii) SPP to clarify treatment of off system transactions in Ancillary Service plan as in (i).	Process	OPSTF Report	Open	26.3	Consolidated issues related to AS plans and participation of Manual units or off system transactions.
3	Flowgate constraint relief management(Consolidated issue) -Effective Limit issue -Manual override of line limits -IDC request for MF Reduction and Subsequent Constraint Manager Calculation	(i) SPP procedures for managing flowgate limits is reviewed and clarified with MWG and ORWG. (ii) Review and clarify procedures for logging operations decisions to vary relief requested from NERC IDC value; (iii) provide add'l training to SPP operators on procedures and documentation req'ts.	Process	OPSTF Report	Open	26.12, 18.78	
4	Manual override of line limits	Consolidated with item 3.	Process	OPSTF Report	Closed	26.12	
5	Follow-up on deliverability analysis	None. See Notes.	Process	OPSTF Report	Closed	26.3a	Post Go-Live Issue. Existing process already approved by FERC and MOPC and will be used for Go Live. <u>Developing a go-live procedure for following up on deliverability analysis.</u>
6	Short Term Load Forecast	(i) SPP to validate Reference Day selection process to ensure that problems experienced by ERCOT are avoided. (ii) Review and clarify procedures for short term load forecasting.	System (possible) and Process	OPSTF Report	Open	26.9	Investigation into using weather information in STLF deferred to Post Go-Live date.
7	Uploading of Native Load Schedules	Corrections have been implemented and tested internally. See notes.	System	OPSTF Report	Closed	27.4	All known issues regarding NLS uploading have been resolved. The following recent RTOSS releases have addressed the RTOSS to MOS Interface Issues and have been successfully implemented in the production environment: RTOSS Release 3.4.0719 RTOSS Release 3.4.0720

Issue Number	Issue	Resolution Required Prior to Go-Live Date	Type	Source	Status	Assoc. Metric	Response Notes
8	Appropriateness of Violation Relaxation Limits and their impact on LIPs	(i) Principles for setting violation relaxation variables are agreed with MWG and ORWG and implemented; (ii) SPP clarifies procedure for managing constraints where insufficient flexible generation is offered; (iii) respond to FERC October 31 Order.	Process	OPSTF Report	Open	18.78	
9	Discrepancies between Effective Limit Calculator and Real-Time Flow	(i) SPP implements modeling fixes found to solve problem on all flowgates; (ii) SPP monitors issue during final deployment tests. See Notes.	Data/Modeling	OPSTF Report	Open	26.12	Root cause of this issue was found to be a modeling problem with certain load buses. Fix has been identified and implemented for the two flowgates that experienced problem during Deployment Test and analysis is being done to identify if same problem exists on any other flowgates.
10	Issuance of TLR in opposite direction of Flowgate definition	None. See notes.	System	OPSTF Report	Closed		Only two known flowgates have this issue today. Manual work around process has already been developed. Automated process implemented if time available but is currently considered a Post Go-Live issue.
11	IDC request for MF Reduction and Subsequent Constraint Manager Calculation	<u>Consolidated with item 9</u> - differences between projected flows and actual flows. <u>Consolidated with item 3</u> - operator review and approval of relief required.	Data/Modeling/Process	OPSTF Report	Closed		Consolidated with prior items.
12	System Outages for Implementing Patches (Consolidated issue) - Communication of outages to Market Participants	(i) Meet specific metrics for availability; (ii) review failover and outage procedures with appropriate committees.	Communications	OPSTF Report Service Requests	Open	26.60	
13	System stability (Consolidated issue)	(i) Outage investigation; (ii) all critical and high issues linked to this issue are resolved; (iii) system meets the reliability and availability metrics;	System		Open	26.7 26.11 26.12 26.3 26.4 26.6	A dedicated team has been assigned to address all issues related to system stability.
14	Required revisions to offer caps and related processes (Consolidated issue)	(i) Changes to Offer Caps required per FERC Order are implemented; (ii) appropriate offer caps used in market systems per tariff requirements.	Process	Deployment Test	Open	26.4	Modeling changes were the root issue causing manual intervention being required. Modeling process has been automated for all except one condition. Name changes for Resource or Pnode will still require manual intervention. SPP is reviewing process to see if this issue can be automated as well. Changes are underway to the Offercap Application for the new FERC order. The remaining automation of modeling will be included in these changes. Proactive notifications have been created to alert if next day offer caps have not been generated or posted to MOS.
15	Dispatch instructions appear to be outside limits defined in Resource Plan (Consolidated issue)	See Notes.	System	Service Request	Open	26.4	Need to determine if these SRs have a common cause or if these should be handled through follow-up with individual MPs.

Issue Number	Issue	Resolution Required Prior to Go-Live Date	Type	Source	Status	Assoc. Metric	Response Notes
16	Settlement dispute processes and procedures	Implement known changes to address concerns identified in deployment tests.	System	SPP	Open	21.47	
17	Revenue Neutrality concerns	(i) Root cause identified; (ii) all critical and high issues linked to this issue are resolved;	System (possible) and Process	Settlements TF	Open	21.26	
18	OPTF expressed concern over manual nature of SPP operations	See Notes.	System and Process	OPSTF Report	Open		This concern was raised in the Operations Task Force Report and is noted. SPP will continue to look for ways to improve the tools for the reliability coordinators and market operators and will continue to reinforce training on procedures.
19	OPTF expressed concern over situational awareness of operators.	See Notes.	System and Process	OPSTF Report	Open		See response to item 18. In addition, it is noted that this issue was evaluated as part of NERC's certification process and SPP has been certified by NERC. <u>SPP continuing to enhance redundancy and high availability, support multiple environments (QA and Prod) and increase support contract with vendor.</u>
20	Business Continuity & Disaster Recovery plans have not been formalized.	(i) identify requirements prior to availability of new facilities (ii) Publish and communicate plans to staff and stakeholders;	Process	SPP	Open		
21	Final Deployment Test Plans and Schedule need to be completed.	Schedule published and distributed to stakeholders.	Admin	SPP	Open		
22	Transition & Reversion Plan needs to be updated to reflect current schedule and filed at FERC.	Update Transition & Reversion Plan Published & Included in 60 Days Post-Tariff Ruling Response	Admin	SPP	Open		This document contains the complete list of final preparatory items (e.g. cutover steps, data base purges, etc.) that must be done as part of the transition to Go Live.
23	SPP readiness certification Filed with FERC	SPP readiness certification Filed with FERC	Regulatory	SPP	Open		
24	All FERC filings necessary for Go-Live are made	All FERC filings necessary for Go-Live are made	Regulatory	SPP	Open		
25	NERC and IDCWG Readiness Recommendation of SPP Market Filed with FERC	NERC and IDCWG Readiness Recommendation of SPP Market Filed with FERC	Regulatory	SPP	Open		
26	Go/ No Go Criteria List not completed.	(i) Go/No Go Criteria reviewed by MOPC and BOD.	Admin	SPP	Open		

Metric #	Readiness Metric	Current Status	14 Day Trend	30-Day Trend	Comments
Tier 1 Metrics - Monitored Daily					
18.75	At least 90% of the online market footprint generation remains within 10% of deployment instructions (or 5 MW, whichever is greater) for at least 85% of the time				Metric measured only during deployment tests
18.78	Dispatch instructions that relieve a constraint have been sent out within 15 minutes of reporting the constraint (if applicable)				Metric measured only during deployment tests
26.3	At least 97.5% of Hour Ahead Balancing Studies solve within 30 minutes				
26.3a	Day Ahead SFT process completed and results communicated to relevant participants				
26.4	At least 99% of 5-minute Real-time Balancing studies solve in less than 5 five minutes				
26.5	No more than 3 Real-time Balancing studies fail in a row or use stale data				
26.5a	Metrics 26.4 and 26.5 pass for at least 7 days consecutively.				
26.60	Market Operations Portal functionality is available at least 99.5% of the time				
26.7	State Estimator has ninety-seven percent (97%) availability of five (5) minute solutions				
26.7a	State Estimator should not have more than 3 consecutive 5 minute periods of an Invalid Solution				
26.8	State Estimator solves 90% of the time with Mismatch level lower than 50 MW and with high accuracy				
26.8a	State Estimator solves 90% of the time with Mismatch level lower than 25 MW for Market footprint				
26.8b	State Estimator solves 90% of the time with high accuracy (SE MW within 5% of the base rating or < 50 MW (larger of 2 values is target)) for 90% of the selected substations				
26.8c	State Estimator solves 90% of the time with high accuracy (SE MW within 5% of the base rating or < 50 MW (larger of 2 values is target)) for 50 largest units				
26.9	Short term load forecast solves 97% of time with high accuracy (+/- 1%)				
26.9a	Short term load forecast solves 97% of time with high accuracy (+/- 2%) for BA regions				
26.9b	Short term load forecast solves 97% of time with high accuracy (+/- 2%) for the entire region				
26.10	ICCP availability of 99.5%				
26.11	Real-Time EIS Calculations successful ninety-nine percent (99%) of five (5) minute solutions				
26.12	Market Flow Calculations successful ninety-seven percent (97%) of fifteen (15) minute solutions				

Metric #	Readiness Metric	Current Status	14 Day Trend	30-Day Trend	Comments
Tier 2 Metrics					
18.1	100% of Market Control Areas Participate in each deployment test				
18.2	Market Participants representing at least 80% of Market Footprint Generation participate in final Deployment Control Tests				
21.26	The Market Metrics Settlements Task Force renders an opinion that all calculations on settlement statement are accurate and all data used in the formulas is retrieved from the				Only necessary if changes made since last TF report.
21.42	At least 80% of Market Assets have meter data submitted for each settlement statement produced during the Final Trials testing cycle				
21.43	At least 80% of Market Loads have meter data submitted for each settlement statement produced during the Final Trials testing cycle				
21.44	All Control Areas submit Interchange Meter data for each settlement statement produced during the Final Trials testing cycle				
21.46	Initial, Final, and Resettlement Statements are validated and posted for each Operating Day of the Final Trials testing cycle				
21.47	Invoices that contain all Settlement Statements from the testing cycle are published in accordance with required timelines during the Final Trials testing cycle				
27.6	The Market Metrics LIPs Task Force renders an opinion that LIPs calculated manually must be identical to LIPs calculated by MOS				Only necessary if changes made since last TF report.



Market Participant Readiness Summary

Market Participant	Ready to Go-Live	Expected to be Ready to Go-Live	Not Expected to be Ready to Go-Live	Comments
Arkansas Electric Cooperative Corporation		XX		
American Electric Power		XX		AEP's status is that we Expect to be Ready to Go-Live. While AEP's system and staff are ready for the start of the EIS market today, the remaining uncertainty (ie "Expected") is due to uncertainty about the SPP systems. We also offer the attached comments for inclusion in the report to the Board. (See below).
Calpine Energy Services	XX			
Coral Power				Coral is not capable of participation until after certification with a deployment test when market conditions warrant dispatch into the SPP market.
Empire District Electric		XX		See comments below.
Entergy Power Ventures		XX		no change from our previous response.
Exelon Generation Company		XX		Expected to be ready to go live 2/1/2007
Grand River Dam Authority		XX		GRDA is expected to be ready to go-live February 1, 2007.
Golden Spread Electric Cooperative				
Kansas City Board of Public Utilities			XX	In training phase with vendor software, settlements not yet tested
Kansas Electric Power Coop		XX		
Kansas City Power & Light		XX		See comments below.
Kansas Power Pool		XX		

Market Participant Readiness Summary

Oklahoma Gas and Electric		XX		OG&E continues to work through issues with our Settlements and Operational Systems. The Market delay has allowed OG&E to take a more detailed approach in training our operations and settlements staffs; however, the involvement in deployment tests is what cements the knowledge. OG&E looks forward and supports more defined deployment tests with stable market operating systems. OG&E continues to address the JOU issues for its participation in the EIS Market with a few contractual and scheduling procedures outstanding.
Oklahoma Municipal Power Authority		XX		
ONEOK Energy Marketing and Trading				ONEOK no longer owns power plant. Sold to Westar 10/31/06
Redbud Energy		XX		Redbud expects to be ready to go live by February 1, 2007.
Sunflower Electric Power Cooperative		XX		We are not ready yet, but with the delay until February 2007 we should be up to speed.
Southwestern Public Service Company	XX			See comments previously submitted. SPS continues to have concerns about SPP's ability to support the market.
Tenaska Power Services	XX			
Aquila Inc			XX	Aquila and SPP have identified a resolution to the NSI issue that is expected to be completed no earlier than December. Once deployment testing confirms the issue is resolved, Aquila expects to be ready to go-live Feb 1.

Market Participant Readiness Summary

Western Farmers Electric Cooperative		XX	As noted below, we believe we are still in a YELLOW condition.
Westar Energy		XX	<p>Westar's status is "Expected to be ready for Go-Live"</p> <p>Comments:</p> <p style="padding-left: 40px;">Westar continues to work with its own API and employee training.</p> <p style="padding-left: 40px;">Westar is awaiting credible validation that SPP market system's instability issues are mitigated.</p> <p style="padding-left: 40px;">Westar is looking forward to recommencement of deployment test.</p>

AEP:

AEP's system and staff continue to be ready for the start of the EIS Market.

At its October 24, 2006 meeting, the SPP Board directed staff to develop and execute a detailed plan to ensure readiness to begin market implementation, which could be reviewed at the Board's upcoming meeting on December 12, 2006. The additional delay beyond the previously planned implementation date was recognized as an opportunity for SPP to:

- (1) Resolve the ongoing system stability problems; and
- (2) Develop a comprehensive plan to address all of the system and market issues identified by the market participants, Metrics Task Forces, and outside consultants (specifically, Gestalt and Boston Pacific).

At this time, AEP believes:

- (1) The system stability issues are not resolved and would not support market operations.
- (2) SPP has not provided market participants with a robust project and test plans necessary to demonstrate that all identified issues have or will be resolved.

AEP is very concerned that as of November 14, 2006, SPP has not demonstrated adequate market readiness, and has not shown Market Participants that the necessary plans are in place to achieve a February 1 go live.

AEP continues to have concerns about issues that we've previously identified which (if not resolved) will reduce market effectiveness, potentially cause reliability issues, and cause unnecessary costs for market participants and customers. In addition to those issues we offer the following:

Market Participant Readiness Summary

- (A) **Project and Deployment Test Planning is limited.** - AEP has consistently worked with and supported SPP staff on the planning, management and testing of the implementation of the EIS market. However, we are concerned that the project management and test planning relating to identified issues and system problems visible to market participants will not ensure that the February 1, 2007 implementation date is achieved. SPP has not provided market participants with the project plan and test plans that are necessary to demonstrate that defined issues have or will be resolved. AEP is fully supportive of continued testing, but it is critical that deliberate planning occur prior to the test so that the items being tested, expected outcomes and success criteria are known in advance.
- (B) **System Stability Problems Continue** – SPP has not demonstrated that the system stability issues are resolved. This conclusion is based on (a) conflicting reports Market Participants have received on system status; (b) SPP's indication that certain patches will not be completed until the first week of December; and (c) recent failures AEP has experienced in receiving information from the SPP MOS.
- (C) **Simultaneous Feasibility Test Day Ahead (SFTDA) testing is incomplete.** - Although no material testing of the Simultaneous Feasibility Test (SFTDA) software has occurred since the September 29th BOD meeting, SPP has indicated its testing is now complete. SPP has based this on the mere fact that the software has been running for several weeks and has produced reports identifying issues. The accurate operation of the SFTDA and understanding of Market Participant obligations is important given the severe consequences of a market participant's failure to act. Simply producing a report is not a reasonable test/demonstration of the system. The only material test of the system of which AEP is aware was one in which AEP, on its own initiative, submitted a resource plan to see if the SFTDA would identify any problems. While the SFTDA did produce a report, several questions from that test remain unanswered. Fundamental SPP systems and procedures must be tested through deliberate and planned tests, not simply through the efforts of individual market participants.

Empire District:

EDE's readiness concerns expressed in previous updates by EDE and other members continue to remain, however we believe SPP, and its consultants, have determined a good course of action to resolve such issues/concerns. We believe our readiness has changed from a Red to a Yellow classification in that EDE "expects" to be ready for a Thursday, Feb. 1, 2007 "go live". Our readiness, of course, is directly affected by SPP's progress on outstanding issues, readiness of its systems and regulatory authorizations.

We want to reiterate that a "key" threshold to achieve is in regard to an uncontested "substantial readiness certification" to FERC. We hope that by December 12, SPP and most members will be in agreement that SPP can make such representation to FERC with a high degree of confidence that February 1 "will be" met. It is also important that the systems of SPP and the market participants have sufficient interface and "patch" testing, after acceptable stability is achieved, prior to market start.

EDE continues to work through our readiness issues – which includes, but are not limited to: data submittals, understanding settlements, and training and still believe there are issues related to settlements of jointly owned units.

KCPL:

Please see KCPL's response below regarding market readiness for a February 1, 2006, market start. In summary, we've made progress in some areas involving our settlements, process documentation, and internal system performance. However, most of the issues we listed in the last MP Readiness update remain unresolved since we have had minimal opportunity to test the issues.

Market Participant Readiness Summary

At this time, KCPL still has issues that need to be tested and/or addressed. Those issues include (but are not limited to):

- 1) Widely fluctuating LIPs probably due to inaccurate calculated flows from the real-time balancing system during TLRs;
- 2) Additional testing of settlement/dispute systems and processes including successfully pulling the RTOSS schedules into our software systems;
- 3) Disgorgement due to curtailment of schedules from our load while at the same time the LIPs did not properly diverge to lower our generation. This resulted in overscheduling generation to load;
- 4) KCPL does not fully understand the CAT process and needs additional information and training;
- 5) We are in the process of finalizing our joint owned unit processes to enable us to make our JOUs available to the market. These processes have not yet been tested.
- 6) SPP short-term load forecast variations;
- 7) Insufficient testing of losses and insufficient time to review losses in settlement statements;
- 8) SPP's process for implementing offer caps is not in compliance with the market protocols;
- 9) Schedule changes including native load schedule changes are reflected in RTOSS but are not communicated to MOS;
- 10) SPP's development system is not ready for parallel operation after go-live resulting in SPP's and MP's inability to test changes that need to be implemented after the market starts.
- 11) KCPL needs to complete process documentation and further improve internal system performance.

In addition, the stability of the MOS system remains a key issue for all of us.

Failure to successfully resolve these issues during upcoming tests would result in us changing our status to "red".

The Market Stability Task Force, following their initial meeting on October 25th, has identified and is currently implementing a number of initiatives to improve system stability and overall system operations. The team is working on both short-term and long-term stability solutions. Because outages have not consistently pointed to a single area of concern, the task force has concentrated on the following areas:

- Hardware
- Operating Systems
- Networking
- File and Database Storage
- Applications

SPP personnel and vendors have addressed items in each of these areas as well as continued research by staff and vendors in all of these areas.

Actions Taken/Expected Results

- Improved real-time support processes which will enhance the repeatable, step-by-step outage diagnostic process and provide faster problem resolution. The team is notified automatically via e-mail and phone and convenes via conference call to analyze data. This has been tested several times but the stability issue of concern has not reoccurred.
- Increased Monitoring for earlier identification of potential problems and additional information gathered for diagnostic team.
- Increased vendor involvement and analysis (Oracle, Dell, NetApp, Areva, Accenture, RedHat, Pomeroy on site) followed by performance tuning implemented in each area (hardware, O/S, network, storage and applications). Still awaiting some of their recommendations.
- Vendor recommendations from Oracle, which will correct many known bugs as well as allow faster switch over to the standby database.

Ongoing Efforts/Expected Results

Analyze server and database differences (5-node configuration)

- Hardware configuration for consistency
- Implement vendor-recommended best practices

Increase filer performance and storage capacity (Network Attached Storage)

- Prevent slow I/Os from adversely affecting 5-minute application process
- Process database/file requests four times faster

Investigate communication including with Operating System

- Prevent network connectivity errors
- Tune overall performance

Upgrade Oracle level of service agreement

- Faster response to database issues

Because of the changes being made or anticipated from the Market Stability Task Force as well as the changes from fixes for deployment issues, full regression testing is being performed. This full regression testing, to date, has found a number of service requests and may impact the schedule.