



Southwest Power Pool, Inc.
COMPLIANCE COMMITTEE MEETING
December 11, 2006
DFW Airport Hyatt, Dallas, TX

• A G E N D A •

1:00 – 5:00 p.m. CST

- 1. Administrative Items Josh Martin
- 2. ERO/RE Update Stacy Duckett/Ron Ciesiel
- 3. External Market Monitor/2007 Stacy Duckett
- 4. Update on Current Activities
 - a. NERC Compliance..... Ron Ciesiel
 - b. Market Monitoring Unit..... Richard Dillon
 - c. External Market Monitor.....Craig Roach
- 5. Organizational Effectiveness Survey Results..... Stacy Duckett
- 6. Future Meetings Josh Martin

Schedule for 2007:

March 29	Washington D.C.
June 28	Philadelphia
September 27	Chicago
December TBD	

Schedule for 2008:

March 27	Washington D.C.
June 26	Philadelphia
September 25	Chicago
December TBD	

Southwest Power Pool
COMPLIANCE COMMITTEE MEETING
September 28, 2006
Sheraton Grand Hotel DFW, Dallas, Texas

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 10:10 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 June 29, 2006 meeting and asked for corrections or a motion for approval (6/29/06 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

Compliance Department

Ron Ciesiel reviewed the Compliance Department activity report (Compliance Department Report – Attachment 2). The report focused on the status of regional entity registration to meet the new FERC/ERO requirements. There are 95 registered entities to date with others pending. The department is working with the American Public Power Association (APPA) to facilitate the flow of information since many of the pending entities are APPA members.

The committee discussed the confirmed violations reported to NERC during the reporting period. Mr. Ciesiel discussed the determination of levels of violations.

Mr. Ciesiel updated the committee on the Compliance Enforcement Program exhibit for the Regional Entity Delegation Agreement. The latest draft from NERC is still pending. The group discussed the current proposal for an extensive hearing/appeal process. Mr. Ciesiel is to review the Western Electricity Coordinating Council's (WECC) FERC approved process to consider whether SPP may want to adopt this process. He will also seek sources for costs associated with this more extensive process. Mr. Ciesiel will update the committee as more information is available.

SPP will host a Compliance Workshop in Tulsa, October 31 - November 1 focused on the ERO/RE issue and cyber security standards.

Market Monitoring Unit

Richard Dillon reviewed the market monitoring activity report (MMU Report – Attachment 3). The MMU staffing is proceeding and will be fully staffed if two pending offers are accepted. One position remains open in the market design group.

The MMU and EMM have been reviewing issues related to unused non-firm network service reservations. There is no Tariff violation at issue, but this is not an optimal practice since it indirectly constrains the system. A recommendation to resolve this issue will be presented to the Regional Transmission Working Group (RTWG) when ready. Mr. Dillon updated the committee on recent reorganization efforts at FERC meant to better facilitate information exchanges within regions.

External Market Monitor

Craig Roach reviewed the External Market Monitor activity report (EMM Report – Attachment 4). He focused on the recent filings/orders related to the offer cap issue.

Boston Pacific met with the new FERC staff to brief them on SPP's monitoring approach and overview of the market design.

Mr. Roach discussed the reporting abilities using the Decision Support System. These reports include those required by FERC as well as those recommended by the EMM and/or MMU.

Mr. Roach reviewed the quarterly budget report. The group briefly discussed the market status.

The committee asked Mr. Roach to walk through the slides Boston Pacific used in a presentation to FERC.

Agenda Item 3 – ERO/RE Entity Registration

This item was covered under Item 2a.

Agenda Item 4 – ERO Compliance Enforcement Program

This item was covered under Item 2a.

Agenda Item 5 – Market Monitoring Report

Richard Dillon reviewed a listing of reports that Market Monitoring is required to produce (MMU Reports – Attachment 5). He provided samples of some reports for the committee's reference.

Agenda Item 6 – EMM Services Agreement for 2007

Craig Roach reviewed the proposal for Boston Pacific's services in 2007, including a cap for expenditures. The committee will discuss and provide feedback.

Agenda Item 7 – Future Meetings

Josh Martin reviewed the schedule for future meetings:

December 11..... Dallas, Texas

Schedule for 2007:

March 29Washington D.C.

June 28 Philadelphia

September 27.....Chicago

December TBD

Schedule for 2008:

March 27Washington D.C.

June 26 Philadelphia

September 25.....Chicago

December TBD

Compliance Committee Meeting
September 28, 2006

With no further business, Josh Martin thanked everyone for participating and adjourned the meeting at 2:30 p.m. to executive session.

Executive Session

Staff has been directed to develop a proposal for external market monitoring services for 2007 for the committee's consideration, followed by discussion and negotiation with Boston Pacific.

The executive session adjourned at 4:15 p.m.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.

COMPLIANCE DEPARTMENT

Report to the Compliance Committee

December 11, 2006

Entity Registration

The entity registration program now stands at 100 registered entities [versus 95 from the last report]. SPP has contacted an additional 40 entities that have not responded to the registration request. The final registration parameters and timelines have been received from NERC. The Compliance Group will make another set of contacts during December and January in order to meet the March 2007 deadline set by NERC. SPP will present to the Missouri Municipal Conference in December plus see Future Activities listed below for other presentations scheduled to boost the registration efforts.

2006 NERC Readiness Audits

SPP completed the following Readiness Audits since the last report:

Southwestern Power Administration	Report Issued (No compliance issues)
XCEL Energy (dba Southwestern Public Service)	Report Pending
Empire District	Report Pending
SPP Independent Coordinator of Transmission	Report Issued (No compliance issues)

There is one remaining NERC Readiness Audit scheduled in 2006 (Week of December 11th)

2006 SPP Field Reviews

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

Midwest Energy	Final Report completed (One compliance issue noted)
Missouri Public Service	Final Report completed (No compliance issues)
SPP Reliability Coordinator	Report Pending
Sunflower Electric	Report Pending
Midwest ISO	Report Pending

Confirmed Violations

The following 'confirmed violations' have been reported to NERC since the last report:

Western Farmers	EOP-005 Level 2	System Restoration Plans
Western Farmers	EOP-008 Level 3	Plans for Loss of Control Center Functionality
Western Farmers	PRC-007 Level 1	UFLS Program
Missouri Public Service	PRC-007 Level 4	UFLS Program
City of Clarksdale, MS	PRC-007 Level 1	UFLS Program
Tex-La Elec. Coop	PRC-007 Level 1	UFLS Program
Northeast Texas Elec. Coop	PRC-007 Level 1	UFLS Program



East Texas Elec. Coop	PRC-007 Level 1	UFLS Program
Board of Public Utilities	PRC-007 Level 3	UFLS Program
Grand River Dam Authority	PRC-007 Level 1	UFLS Program

Appeal of Compliance Findings

LEPA has filed an appeal of a compliance finding for standard PRC-007 [Under-frequency Load Shedding]. The basis of the appeal is that LEPA is not responsible for participating in the UFLS program based on the contractual structure with its members. This issue is being forwarded to the SPP System Protection and Control Working Group for review.

SPP Fall Compliance Workshop

SPP sponsored a fall compliance workshop in Tulsa, October 30-Nov1. The workshop was well attended with half of the crowd consisting of new companies to SPP. There was large volume of material presented to the attendees. The crowd was attentive and asked inquisitive questions. There have been several follow-up conversations with attendees, especially non-members. We feel the workshop was a success with our members and the new entities that attended.

ERO Delegation Agreement – Exhibit D – Compliance Enforcement Program

SPP filed an ERO Delegation Agreement with NERC on November 17th that included Exhibit D concerning the SPP Compliance Program. SPP took no exceptions to the NERC Pro-Forma Compliance document.

Future Activities

- SPP is sponsoring a Compliance Rollout workshop in February to present the 2007 Compliance Program.
- SPP is presenting at a Southwest Power Administration conference during the first quarter of next year.
- SPP is presenting at a Louisiana Energy & Power Authority conference during the first quarter of next year.
- 2006 compliance data is being compiled for reports to SPP committees and NERC.
- The 2007 Compliance Program document will be submitted to NERC by December 22nd. This submittal will cover the period of 1-1-07 until the beginning of the Regional Entity authority [expected 6-1-07]. A second program document is being prepared for the period of 6-1-07 to 12-31-07.

Compliance Group Budget Report

The Compliance Group budget expenditures stand at 100.7% of budget through October. Based on expenses submitted in November and the present December travel schedule, the year-end expectation is approximately 101% of the approved budget.

Individual Activities

Ron Ciesiel ended his tenure as the Chairman of the NERC Compliance Managers Committee. The Committee was disbanded under the new rules of the NERC ERO but will continue to meet periodically to discuss activities at the regional level.

Respectfully submitted:

Ronald W. Ciesiel
Compliance Director
December 4, 2006



Southwest Power Pool, Inc.

MARKET MONITOR

Report to the Compliance Committee

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Staffing

The Market Development and Analysis currently has two open positions: one entry level engineer, supporting Market Monitor (MM) and design, and one for market design. We continue to review resumes and conduct interviewing for the engineering position. The market design position requires very specialize skills and experiences.

Activity Update

Inquiries - There have been no new Transmission complaints since the September meeting and there are no outstanding complaints. MM has been working with the SPP operations staff and the Business Practices Working Group (BPWG) to mitigate the over-reservation of the Transmission grid in non-firm network service. Historically, the usage of non-firm network has averaged approximately 20% across SPP for schedules versus reservations, with a high of 110% of schedules versus peak load. This has the potential of precluding customers from purchasing reservations to transact business.

Infrastructure - The mini-data warehouse established for MM usage has been pressed into service to support real-time situational analysis for both the Market Operations and Reliability Operations activities. MM staff continues to develop a data mapping scheme for all SPP data and has had discussions with Information Technology (IT) staff about transferring this activity (and a future data warehouse) to IT. Analysis requests continue to be supported coming from FERC, SPP Operations, and Market Participants. MM staff is fully functional on a 24/7 basis with beepers and laptops and remote access to all systems for evaluation. MM is currently implementing the change in Offer Caps due to the FERC Order.

Reports - All FERC reports have been designed and implemented with the exception of the Congestion Resolution report (waiting on data views). The Uplift Report has been eliminated due to there being a duplication of effort by Settlements department. Further review of the FERC Order by SPP has resulted in removal of the "Supply Adequacy" report for FERC since the reporting is only for an actual reliability event. MM continues to refine these reports while working on development of non-FERC report metrics (including the work on the "Supply Adequacy" report) for MM operational implementation.

Market Trials - MM staff also supported Metrics Task Force review of LIPs, Business Continuity, and evaluation of LIP volatility. Analysis Support (MM engineering) has provided significant evaluations of Market Trial results and validated pricing and operational results. This has significantly enhanced Market Participant confidence in SPP market systems and resulted in additional training of staff.

Respectfully submitted,

Richard Dillon
Director, Market Development and Analysis

Market Monitoring Reports

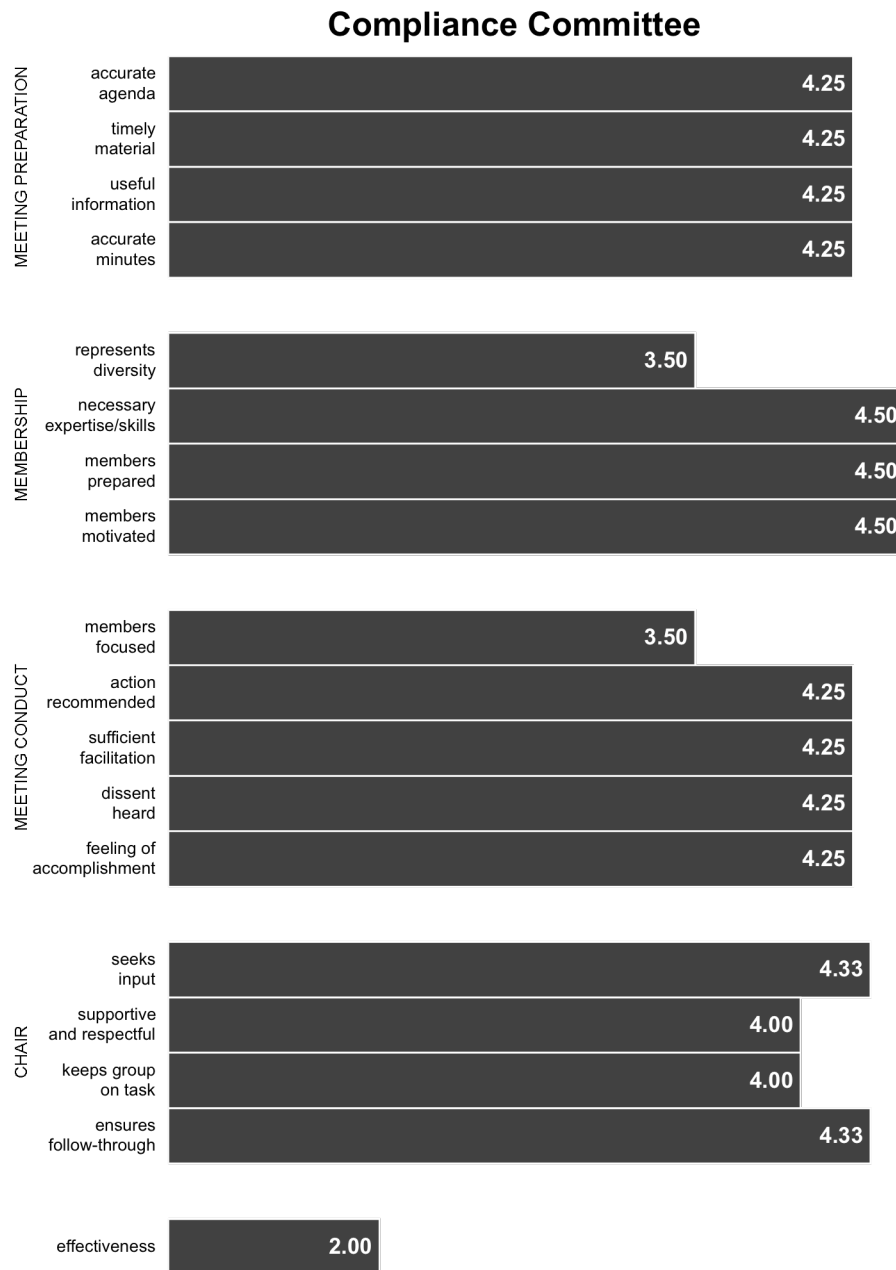
5-Dec-06

<u>MMR #</u>	<u>Description</u>	<u>Priority</u>	<u>Disposition</u>	<u>Source</u>	<u>First Use</u>	<u>Reporting Frequency</u>
001	Supply Adequacy Analysis	3	Removed from FERC list; continuing to develop as an internal market assessment	Market Tracking	15-Mar	Monthly
002	Over/Under scheduling relative to MP load	1	Complete	FERC C55	15-Mar	Monthly
003	Depth of EIS market	1	Complete	FERC C72	15-Mar	Monthly
004	Uplift	NA	Not a Market Monitoring report, Settlements responsibility	FERC C128	NA	Monthly
005	Market incentives for investment	4	Annual	FERC C135	4/1/07	Once
006	Strategic bidding	1	Complete	FERC C174	2-Feb	Daily
007	Consolidated Settlement Location Study	4	Annual	FERC C117	4/1/07	Once
008	Demand Response Study	4	Annual	FERC C229	4/1/07	Once
009	Offer Curve to Marginal cost comparison	2	Complete	Market Startup	2-Feb	Daily
010	Market Clearing Proxy	2	Design Phase	Market Startup	2-Feb	Daily
011	Variance in LIP	2	Complete - Deployment Test Analysis	Market Startup	2-Feb	Daily
012	Offer Caps	2	Design Phase	Market Startup	2-Feb	Monthly
013	Reserve Sharing Events	3	Design complete, working on build phase	MWG	15-Mar	Monthly
014	Firm Reservation Use	3	Analysis	MWG	On-going	Once
015	Calibration Impact	4	Data Identification Complete	FERC C117	9/1/07	Once
016	Generation Capacity Usage	4	Hold	Market Analysis		
017	Schedules by Resources	4	Hold	Market Analysis		
018	Outages and Derate	4	New data interface build and tested, designing analysis	Market Analysis		
019	Congestion Resolution	1	Build Phase	FERC C72	15-Dec	Monthly
020	Start Up Metrics	2	Assigned to EMA	Market Startup	2-Feb	Daily
021	Strategic Bidding with Affiliated Resources	2	Complete	Market Startup	2-Feb	Daily

Report from FERC Order

Detailed Findings by Committee/Working Group

Chart I: Compliance Committee



of responses = 3

Within the Compliance Committee, the mean score for the group's aggregate ratings (except for the "effectiveness" rating, which will be considered later) is 4.19 on the scale of 1 to 5. This translates as an overall rating of agree to strongly agree with the favorable assessments offered for respondents' consideration. Scores that are more than one standard deviation above or below that mean are considered meaningful for our purposes. This draws our attention to the 3.5 average rating for "Members are focused during discussion," for which the group gave a collective rating of midway between neutral and "agree." For the items "The group's membership has the necessary expertise and/or skills to accomplish its goals," "Organizational group members come prepared to the meetings," and "Organizational group members are motivated to participate and accomplish the group's goals," the scores are also meaningful – on the positive side, with a score at the midpoint between "agree" and "strongly agree." Respondents feel the Compliance Committee excels in these areas.

The Compliance Committee, overall, was most satisfied with Meeting Preparation and Membership attributes (4.25 for each group), and least satisfied with Meeting Conduct attributes (4.10).

Following are the responses to the prompt for suggestions for improvement:

- Continued education of the members – dealing with diverse and often complex issues. Further clarity regarding third-party service provider role(s).
- Crisp presentations by staff members. Clarity about RE/ERO status. More detail in advance on actual reliability surveys and initiatives.

SPP Organizational Group Self-Evaluation/Assessment
(2006)

GROUP NAME: Compliance Committee

CHARTER/SCOPE UPDATE: Attached Charter/Scope has been reviewed: **Y - N**

MEMBER ROSTER/ATTENDANCE:

Member	Company	# Present	# Absent
Martin, Josh	Director	5	0
Bernard, Phyllis E.	Director	5	0
Jackson, Quentin	Director	5	0
Duckett, Stacy	Director	5	0

AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS): **__5__**

MEETINGS HELD TO DATE: **Live** **__3__** **Teleconference** **__2__**

AVERAGE LENGTH OF MEETINGS: **__?__**

NUMBER OF VOTES TAKEN: **__12__**

***MEETING COST(S):** **\$25,313**

MAJOR ACCOMPLISHMENTS/ISSUES ADDRESSED BY THE GROUP:

- 1. Item one...**
- 2. Item two...**
- 3. Item three...**

MAJOR PENDING ISSUES BEFORE THE GROUP:

- 1. Item one...**
- 2. Item two...**
- 3. Item three...**

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