



Southwest Power Pool, Inc.
COMPLIANCE COMMITTEE MEETING
March 29, 2007
Boston Pacific Offices, Washington D.C.

• A G E N D A •

10:00 a.m. - 3:00 p.m. EST

- 1. Administrative Items Josh Martin
- 2. Review of Past Action Items..... Stacy Duckett
- 3. ERO/RE Update Stacy Duckett
- 4. Compliance Project Stacy Duckett
- 5. Update on Current Activities
 - a. NERC Compliance..... Ron Ciesiel
 - b. Market Monitoring Unit..... Richard Dillon
 - c. External Market Monitor.....Craig Roach
- 6. Summary of Action Items Stacy Duckett
- 7. Future Meetings Josh Martin

Schedule for 2007:

June 28	Philadelphia
September 27	Chicago
December TBD	

Schedule for 2008:

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

Executive Session

Southwest Power Pool
COMPLIANCE COMMITTEE MEETING
December 11, 2006
DWF Airport Hyatt, Dallas, Texas

• M I N U T E S •

Agenda Item 1 – Administrative Items

SPP Chair Josh Martin called the meeting to order at 2:20 p.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); Craig Roach (Boston Pacific); and Richard Ross (AEP). Richard Ross asked to attend the meeting. The agenda was adjusted to move confidential items to later in the meeting.

Mr. Martin referred to the draft minutes of the September 28, 2006 meeting and asked for corrections or a motion for approval (9/28/06 Meeting Minutes – Attachment 1). Quentin Jackson moved to approve the minutes as presented. Phyllis Bernard seconded the motion, which passed unopposed.

Agenda Item 2 – ERO/RE Update

Stacy Duckett stated that NERC has filed individual Regional Entity (RE) Delegation Agreements; all docketed separately. Each entity will file to be a party in other dockets.

Ron Ciesiel announced that March 2, 2007 is the deadline to register entities. It is anticipated that REs will be approved by April 1 and RE services implemented June 1. The Compliance Program will be published with an effective date of January 1, 2007 through the RE implementation anticipated date of June 1, 2007. The RE program outline is expected to be ready for a February 2007 workshop with another workshop scheduled before the RE implementation to assure clarity/understanding since sanctions go into effect on Day 1, and training for those organizational groups that will hear appeals. Effective Day 1, the SPP Compliance Department may no longer serve as liaison/advisor to SPP or members on compliance matters and will handle enforcement only. Michael Desselle will be recommending how this transition is managed.

Agenda Item 4 – Update on Current Activities

Compliance Department

Ron Ciesiel provided an update on the entity registration process. The focus is now on municipals. It is expected that 125 entities will register from the SPP footprint. Mr. Ciesiel also reviewed other audit and field activities. Refer to the activity report for other items of interest (Compliance Department Report – Attachment 2).

Market Monitoring Unit

Richard Dillon provided the Market Monitoring Unit Report (MMU Report – Attachment 3). He advised the group of new hires since the last meeting; two positions remain open. Mr. Dillon reviewed an issue that Les Dillahunty pointed out related to over-reservations of non-firm service and its impact on access to the grid. The MMU is working with the Business Practices Working Group to address this. The FERC reports are complete, except for the Uplift Report which is being prepared by Settlements. Mr. Dillon also provided draft reports, seeking feedback for committee on level of detail. Sample FERC reports were provided.

External Market Monitor

Craig Roach provided an update on Boston Pacific's activities since the last meeting (EMM Report – Attachment 4). Most of the time has been spent on the LIP Volatility project requested to support market implementation.

Ron Ciesiel advised the committee on the intent to retain the same vendor for auditing assistance. The contract is by audit and with Mr. Ciesiel's signature authority. The committee supports this decision.

Mr. Roach reviewed the status of Boston Pacific invoices through November 2006.

Agenda Item 3– External Market Monitoring Report

Craig Roach and Stacy Duckett presented the proposal for the External Marketing Advisor's role in 2007. Points of clarification following discussion were:

- a. Timing of State of the Market Report, which is due May 31, but may be adjusted if the Market start is adjusted from February 1
- b. Meeting Attendance – all Board and, Compliance Committee meetings; working groups when invited or with approval of staff (based on whether policy issues are on the agenda)
- c. Budget – adjust hours and/or expenses to accommodate meeting attendance

Agenda Item 5 – Organizational Effectiveness Survey Results

Stacy Duckett reviewed the survey process and the results of the Compliance Committee's survey (Organizational Effectiveness Survey – Attachment 5). The group will consider survey results and comments and will discuss them at the next meeting.

With no further business, Josh Martin thanked everyone for participating and adjourned the meeting to executive session.

Executive Session

Boston Pacific will be engaged for 2007 as the External Market Advisor subject to the stated budget cap.

The executive session adjourned at 4:45 p.m.

Respectfully Submitted,

Stacy Duckett
Secretary



Southwest Power Pool, Inc.

COMPLIANCE DEPARTMENT

Report to the Compliance Committee

March 29, 2007

NERC Entity Registration

SPP currently has 115 NERC registered entities for the SPP footprint. We are sending updates to NERC on a weekly basis. We presented the registration process at the Spring SPP Compliance Rollout Workshop in Tulsa. The staff has also traveled to many Municipal groups and companies to present and answer questions about registration. There will be a final registration list completed by the end of March, but the list will be a continually updated database.

2006 NERC Readiness Audits

SPP completed the following Readiness Audits since the last report:

Grand River Dam Authority	Report Completed
Southwestern Power Administration	Report Completed
Empire District Energy	Report Completed
Southwestern Public Service	Report Completed

2006 Compliance Field Reviews

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

Sunflower Electric Cooperative	Report Completed
Midwest Energy	Report Completed
Midwest ISO	Report Completed
Missouri Public Service	Report Completed
SPP Reliability Coordinator	Report Completed



Companies with no violations for 2006: 100% Compliant for 2006

- AECC – Arkansas Electric Cooperatives
- EDE - Empire District Electric
- INDN – City of Independence, KS
- LAFA – City of Lafayette, LA
- OMPA – Oklahoma Municipal Power Authority
- SPA – Southwest Power Administration
- WPEK – West Plains Electric
- WR - Westar
- YAZO – City of Yazoo City
- KEPCO – Kansas Electric Power Cooperatives
- SPP RC – Southwest Power Pool Reliability Coordinator

Confirmed Violations for 2006

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

CLECO	PRC-005 Level 2	Relay Maintenance Program
GRDA	EOP-008 Level 3	Plans for loss of Control Center Functionality
MPS	EOP-008 Level3	Plans for loss of Control Center Functionality
MIDW	PRC-005 Level 2	Relay Maintenance Program
OGE	PRC-005 Level 2	Relay Maintenance Program
SECI	EOP-008 Level 3	Plans for loss of Control Center Functionality
SECI	PER-002 Level 3	Operation Personnel Training
SPS	TPL-003 Level 4	System Performance following Loss of Two or more BES elements
SPS	TPL-004 Level 1	System Performance following Extreme BES elements
LEPA	Has 1 violation for 2006 that is pending at this time [Appealed to SPP SPCWG]	



2006 Compliance Program Summary

2006: Total samples collected: 1319 Fully Compliant: 1293 Overall compliance rating of **98%**

2005: Total samples collected: 1221 Fully Compliant: 1161 Overall compliance rating of **95%**

Violations Reported:

Level 1 Non-Compliant: 7

Level 2 Non-Compliant: 9

Level 3 Non-Compliant: 7

Level 4 Non-Compliant: 3

Total Non-compliant violations: 26 [60 violations reported in 2005]

2007 NERC Readiness Audits

SPP has 5 Readiness Audits scheduled for this year.

2007 SPP Compliance Audits (formerly Field Reviews)

SPP completed the following Compliance Audits since the last report:

CLECO Final Report Completed (no violations)

There are 5 more Compliance Audits scheduled for this year including the SPP RC.

Recent Activities

Staff went to CLECO to address registration and compliance concerns and questions.

Staff presented ERO issues at the LEPA Members meeting

Staff met with the City of Alexandria, LA concerning registration issues.

SPP Compliance Department held the Spring Rollout session in Tulsa in February. The attendance was excellent for both days of the workshop. We received many compliments on the material presented at the workshop.

Staff attended the Compliance Database Management System (CDMS) user group meeting to prioritize the updates for the tool in 2007.

Staff has investigated a voting tool created by MRO for use with the standards development process. We will continue evaluating the tool to see if it meets SPP's needs.



Future Activities

SPP will sponsor a Compliance Workshop for ERO changes and issues this summer.

Staff is making a presentation to the Missouri Public Utility Alliance concerning NERC/ ERO/ SPP.

Staff is making a presentation at the SPP Operations Conference in Springfield to address NERC standard EOP-008, Plans for loss of Control Center Functionality.

Staff will make a presentation at the Kansas Electric Power Cooperatives meeting this spring

Staff is participating in a Readiness Audit in another region.

Conducting a Spring 2007 Under Frequency Load Shed (UFLS) survey on May 1st.

Staff is scheduled to attend NERC required auditor training.

Respectfully submitted by:

Ronald W. Ciesiel

Compliance Director

March 22, 2007



2008 Compliance Department Projected Budget
[Preliminary]

March 22, 2007

Manpower [Salaries only - \$397,600 using SPP Mid-point salaries]

Requested Staff for 2007:

- Director
- Senior Engineer
- Senior Engineer [Additional manpower request]**
- Engineer II

Notes: The increase in staff requested for 2008 [**one additional full time equivalent**] is 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 programs. The proposed additional senior engineer will be assigned some of the duties that the Director presently performs; specifically the regional co-lead on all NERC sponsored Readiness Evaluations. 2007 Salaries estimated at ~ \$302,800.

Travel [Total \$84,000]

- Ron - \$25,000
- Kevin - \$22,000
- Sr. Engineer - \$22,000
- Engineer II - \$12,000

Notes: Increase of **\$34,000** over 2007 due to travel cost increases plus additional duties.

Continuing Education [Total \$15,000]

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

Notes: This item has increased slightly [**up \$4,000**] due to the addition of the Sr. Engineer to the department.

SPP Meetings [Total \$10,000]

- 2 Compliance Workshops [Spring/Fall]

Notes: Small increase [**up \$2,000**] due to increased meeting costs.

Outside Services [Total \$221,000]

- MAPPCORP Compliance Database Management Services - \$60,000
- MAPPCORP Personnel Travel Expenses - \$10,000
- Independent Compliance Reviews 8 @ \$17,000 = \$136,000
- Independent review of Compliance Program - \$15,000

2008 Compliance Department Budget

Notes: This item has been increased [**up \$ 16,000**] based on:

1. Anticipated Compliance Review price increase [up \$2,000 per review or 8 x \$1,000=**\$16,000**]

TOTALS

2008 Projected: \$727,600 [+ \$150,800 over 2007]

2007 Approved: \$576,800

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

Prepared by: Ronald W. Ciesiel
Director of Compliance
Southwest Power Pool

Southwest Power Pool, Inc.
MARKET MONITOR
Report to the Compliance Committee
21 March 2007

Staffing

The Market Development and Analysis currently has one open position: Supervisor, Market Design. We continue to conduct focused recruiting for the market design position because of the very specialize skills and experiences requirements for this position.

Activity Update

Inquiries - There have been no new Transmission or EIS complaints since the December meeting and there are no outstanding complaints. Related Market Participant contacts are as follow:

- Network transmission reservations on DC ties
- Failure to follow Self Dispatch Schedules
- MP letters requesting MM “approval” of activities

In all cases the issues were resolved to MM satisfaction or required no action. These types of activities provide visibility for MM and reinforce the notion that MM is actively monitoring behavior in the markets. Referrals from operation staff have been a great asset in identifying potential areas of concern and in providing insight into Market Participant behavior.

MM continues to work with the SPP operations staff and the Business Practices Working Group (BPWG) to implement new tariff language that will mitigate the over-reservation of the Transmission grid in non-firm network service. The objective of this activity is to reduce the potential for transmission hoarding and increase use of the grid.

Infrastructure

Market monitoring IT systems including the Offer Cap program and the mini-data warehouse have performed as expected. Both systems have required only minor enhancement and upgrades.

SPP is pursuing data dictionary and data warehouse projects with the objective of enhance reporting and monitoring capabilities. The data dictionary project will ensure accurate and efficient access to data necessary for monitoring and reporting. The project is in the early planning phase with an expected completion time of 6-9 months. The information and experience acquired in the data dictionary project will be used in planning and designing the data warehouse. Implementation of a warehouse system will be a multi year project. The need for a data warehouse will increase as the volume and complexity of the data increases over time.

Reports

All FERC reports for February are complete. Rigorous data validation is being conducted to ensure accurate and repeatable results for subsequent reporting periods. February reports will be filed with FERC before the end of the month.

There will be three FERC monthly reports: Congestion Resolution, Depth of Market, and Over/Under Scheduling. These are informational filings. Two reporting requirements will take the form of “referrals” to FERC: Uneconomic Over Production/Strategic Bidding and Strategic Withholding. Tariff rules specify a process for identifying and evaluating potential problems related to the two referral topics. Only when specific cases meet FERC required criteria of “credible and sufficient information” to justify a referral to FERC will there be a report sent to FERC.

Market Monitoring staff continue to support the development of other reports for the SPP Board of Directors, RSC Committee, FERC, SPP executives, SPP working groups and committees, and market participants. This includes coordinated and joint efforts with Boston Pacific. Market Monitoring continues to enhance existing reports and prepare new reports for internal monitoring purposes.

Market Analysis - MM staff have been instrumental in detecting market issues, developing analysis, and identifying solutions. Specific areas of interest include ramp rates, VLR, uplift, and LIP revisions.

Respectfully submitted,

Richard Dillon
Director, Market Development and Analysis

**SPP, INC
COMPLIANCE COMMITTEE MEETING
MARCH 29, 2007**

**SUMMARY OF EMA ACTIVITY
SINCE LAST MEETING ON DECEMBER 11, 2006**

A. START UP METRICS

1. Initial Set
 - a. Briefings, design memos, conversations
2. Next Steps
 - a. Completion, “triggers”, added metrics

B. MONTHLY/QUARTERLY METRIC REPORTS

1. First Monthly Report
 - a. Drafts, consultation
2. Presentation
3. Next Steps
 - a. Chairman’s requests, transition
4. Additional confidential details

C. MARKET PARTICIPANT LETTERS

1. Please see copies of letters
2. Policy discussion

D. 2006 STATE OF MARKET REPORT

1. Schedule
 - a. MWG Mid-May
 - b. FERC May 23, 2007

E. BUDGET STATUS TABLES