

**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE MEETING**  
**December 3, 2018**  
**DFW Hyatt, Innovation B, DFW Airport**

• M I N U T E S •

**Executive Session 1**

**Agenda Item 1 – Administrative Items**

Josh Martin called Executive Session 1 to order at 1:00 PM. Members in attendance included: Bruce Scherr (Director), Harry Skilton (Director), Graham Edwards (Director), and, Phyllis Bernard (Director). Additional Board members attending were Larry Altenbaumer, Julian Brix, Susan Certoma, and Mark Crisson. SPP staff in attendance included Nick Brown, Barbara Sugg, Sam Ellis, Erin Cullum-Marcussen, Carl Stelly, Lauren Krigbaum, Keith Collins, and Jodi Woods (Attendance – Attachment 1).

Graham Edwards moved and Bruce Scherr seconded adoption of the October 29, 2018 Oversight Committee minutes, which were unanimously accepted (Minutes 10/29/2018 – Attachment 2).

**Agenda Item 2 – Action Items Report**

Michael Desselle provided an action item status report. The sole action item from the October meeting, the OC Organizational Group Self-Evaluation/Assessment, was included in the background material (Self-Evaluation/Assessment – Attachment 3). Michael informed the Committee that Paul Suskie needed to visit with the Committee on three matters not on the agenda. Those items (a corporate governance-related item regarding the RCWG; legal aspects associated with “cyber” insurance; staff’s recommendation on Reliability Projects; and one other corporate governance-related legal matter) were later deferred for discussion at the January 2019 OC meeting.

**Agenda Item 3 – SOC1 Independent Auditors Report**

Edwin Holt, KPMG’s lead partner for SPP’s audit, presented the highlights of their final report and audit opinion regarding SPP’s System and Organizational Controls (SOC1). The audit focuses on SPP’s system for processing user entities’ transactions for bidding, accounting, billing, and settlement of energy, regulation, transmission, reserves and related market transactions throughout the period November 1, 2017 to October 31, 2018 and the suitability, design and effectiveness of controls for the system. Ed noted that KPMG was issuing an unqualified opinion noting no deficiencies. Looking forward to 2019, Ed informed the Committee that SPP’s new settlement system implementation, anticipated to go-live in spring 2019, would involve incremental testing and reporting. Harry Skilton moved acceptance of KPMG’s report and opinion on behalf of the Finance Committee; Phyllis Bernard seconded the motion and it was approved unanimously.

Separately, Lauren reminded the OC that she is expecting an out-of-budget increase due to the increased audit testing resulting from the implementation of the SPP Settlement replacement project (the Settlement replacement project did not include cost estimates associated with testing of legacy as well as new settlement management systems).

**Agenda Item 4 – Update on Current Activities**

**Internal Audit Department** – Lauren Krigbaum reported on Internal Audit’s: completed assessments since the last OC meeting; audits in process; audits currently in either planning or upcoming; and, other activities. Regarding the completed expense reporting audit, the Committee asked that tips for the use of SPP’s expense reporting tool, Concur, be shared with the SPP Board Directors. Lauren then presented for approval the 2019 annual audit plan and noted that she utilizes a risk-based approach to develop the annual audit plan in response to questions about its development. This led to a colloquy from Bruce Scherr about the benefits of Internal Audit exceeding its cost, support from

various participants about qualitative benefits and an action item to address Bruce's concern. Following the discussions, Graham Edwards moved, seconded by Harry Skilton, approval of the 2019 Internal Audit Annual Plan. The motion passed unanimously.

**Security** - Sam Ellis briefed the Committee on recent cyber events in the news. Following this report and discussion, Sam reviewed the key cyber metrics and discussed proposed revisions to be implemented in time for the April 2019 metrics report.

**Compliance** – Carl Stelly presented for the Committee's approval Compliance's Annual Compliance Plan for 2019. Following presentation and discussion Phyllis Bernard moved endorsement of the plan and Bruce Scherr seconded the motion. The motion passed unanimously.

Erin Cullum-Marcussen briefed the Committee on the 2018 CIP audit status and open enforcement matters.

Finally, Carl Stelly briefed the Committee on other compliance-related and NERC standards activities.

**Market Monitoring Unit** – Keith Collins presented a status of recent reportable MMU activities (MMU Activity Report – Attachment 4).

#### **Agenda Item 5 – Corporate Risk Discussion**

Barbara Sugg briefed the Committee on software licensing and the associated enterprise concerns. She noted that Internal Audit is assisting IT staff assigned to this matter. The Chair of the Committee asked for an annual update.

#### **Agenda Item 6 – Action Items**

Action items are:

- Include Paul Suskie's deferred agenda items for January agenda;
- Circulate to Board Directors tips for Concur usage; and,
- Address Bruce Scherr concerns regarding IA value.

#### **Agenda Item 7 – OC 2019 Draft Annual Work Plan and Future Meetings**

The Committee discussed the 2019 meeting schedule and Annual Work Plan (OC Annual Work Plan – Attachment 5).

#### **Adjournment**

Josh Martin adjourned Executive Session 1 at 3:45 PM.

#### **Executive Session 2 – OC and MMU Staff Only**

##### **Agenda Item 9 – Call to Order/Administrative Items**

Josh Martin called Session 2 to order in executive session at 4:00 PM. MMU staff in attendance included Keith Collins and Jodi Woods (Attendance – Attachment 1). The Committee met in Executive Session with MMU staff only and discussed **Action Items/Other MMU matters (Agenda Item 10)**.

Respectfully Submitted,

Michael Desselle



**OVERSIGHT COMMITTEE MEETING**

**December 3, 2018**

DFW Hyatt, Innovation B, DFW Airport

**• A G E N D A •**

1:00 p.m. – 6:00 p.m. CDT

Executive Session 1 (Visitors Excluded)..... Oversight Committee and RTO Staff (1:00 – 3:45)

- 1. Administrative Items ..... Josh Martin (1:00 – 1:05)
- 2. Action Items Report..... Michael Desselle (1:05 – 1:10)
- 3. SOC1 Independent Auditors Report ..... Schoen Hertell (KPMG) (1:10 – 1:30)
- 4. Update on Current Activities
  - Internal Audit Department ..... Lauren Krigbaum (1:30 – 1:50)
    - Approve Internal Audit Annual Plan
  - Security Update..... Sam Ellis (1:50 – 2:30)
  - Compliance..... Carl Stelly (2:30 – 3:10)
    - Approve Compliance Annual Plan
  - Market Monitoring Unit ..... Keith Collins (3:10 – 3:15)
- 5. Corporate Risk Discussion ..... Barbara Sugg (3:15 – 3:45)
- 6. Action Items..... Michael Desselle (3:45 – 3:50)
- 7. OC 2019 Draft Annual Work Plan and Future Meetings..... Josh Martin (3:50 – 4:00)

Monday, January 28, 2019	7AM – 1PM	New Orleans
Monday, April 15, 2019	8AM – 3PM	Tulsa, OK
Monday, July 29, 2019	7AM – 1PM	Des Moines, IA
Monday, October 28, 2019	7AM – 1PM	SPP, Little Rock
Tuesday, December 3, 2019	9AM – 3PM	DFW Admirals Club

Executive Session 2 ..... Oversight Committee and MMU Staff only (4:00 – 6:00)

- 8. Call to Order/Administrative Items ..... Josh Martin (4:00 – 4:05)
- 9. Action Items Report/Other MMU Matters..... Keith Collins (4:05 – 6:00)

**Antitrust:** SPP strictly prohibits use of participation in SPP activities as a forum for engaging in practices or communications that violate the antitrust laws. Please avoid discussion of topics or behavior that would result in anti-competitive behavior, including but not limited to, agreements between or among competitors regarding prices, bid and offer practices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that might unreasonably restrain competition.



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Southwest Power Pool, Inc.  
**OVERSIGHT COMMITTEE MEETING**  
 December 4, 2018  
 DFW Hyatt – Dallas, TX

• ATTENDANCE LIST •

Name	System
Michael Desselte	SPP
Carl Stelly ✓	SPP
Erin Cullum Marcussen ✓	SPP
✓ Phyllis Bernard	SPP Director
Sam Ellis ✓	SPP
Barbara Sugg ✓	SPP
Frank A. Schramm +	SPP Director
Nick Brown ✓	SPP Staff
Julian Bray +	SPP DIRECTOR
✓ JOSH MARTIN	SPP DIRECTOR
SCHEN HENTZEL	KPMG
Lauren Krigbaum ✓	SPP
Jusan Certona +	SPP Director
Keith Collins ✓	SPP MMU
Jodi Woods ✓	SPP MMU
✓ Mark Crisson +	SPP DIRECTOR
✓ Bruce Scherr	SPP Director
✓ GRHAM EDWARDS	SPP Director
✓ Henry Stille	SPP Director

**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE MEETING**  
**October 29, 2018**  
**SPP Corporate Campus, Little Rock, AR**

• M I N U T E S •

**Executive Session 1**

Josh Martin called Executive Session 1 to order at 7:00 AM. Members in attendance included: Bruce Scherr (Director), Harry Skilton (Director), Graham Edwards (Director), and Phyllis Bernard (Director). MMU staff in attendance included: Jodi Woods, Nick Parker and Keith Collins. The Committee met in Executive Session with MMU staff only and discussed **Call to Order/Administrative Items (Agenda Item 1)**, **Action Items/Other MMU matters (Agenda Item 2)**, and, **MMU Annual Budget Review/Approval (Agenda Item 3)**.

**Executive Session 2**

**Agenda Item 4 – Administrative Items**

Josh Martin called session 2 to order in executive session at 9:15 AM, noting that the Committee had commenced on time (7AM) on the morning after the Boston Red Sox clinched the 2018 World Series title. SPP staff in attendance included Nick Brown, Barbara Sugg, Sam Ellis, Stan Chapman, Erin Cullum-Marcussen, Lauren Krigbaum, Ben Bright, Aaron Shipley, Keith Collins, Jodi Woods, and Nick Parker (Attendance – Attachment 1).

Bruce Scherr moved and Harry Skilton seconded adoption of the July 24, 2018 Oversight Committee teleconference minutes, which were unanimously accepted (Minutes 7/24/2018 – Attachment 2).

**Agenda Item 5 – Action Items Report**

Michael Desselle provided a status report on the follow-up action items.

**Agenda Item 6 – Approve 2019 Independent Expert Panelists (IEP) Candidate Pool**

Ben Bright outlined staff's presentation to the Committee regarding population of the 2019 Independent Expert Panel (IEP) pool (IEP Pool Recommendation for 2019 – Attachment 3 (*confidential*)). Ben Bright and Aaron Shipley walked through the process of making their recommendation and then presented for the OC their recommendation that 13 of the 2018 IEP pool members be renewed for 2018 and that new applicants John Mills and Tip Goodwin be approved for the 2019 IEP pool. Staff also answered procedural and timing questions. Following a motion by Bruce Scherr to adopt staff's recommendation, Graham seconded the motion and it passed unanimously.

**Agenda Item 7 – Joint RTO/MMU Presentation on “Storage”**

Richard Dillon presented to the Committee background on FERC's Order 841 dealing with electric storage resources and SPP's associated compliance filing (Electric Storage Resources – Attachment 4). Richard provided background and timing of FERC's order noting that a compliance filing is due on December 3, 2018 with implementation to occur the following December (2019). He reminded the OC of the guidance and policies FERC articulated in its Order. He described the changes proposed for this filing including: the capability to dispatch an Energy Storage Resource (ESR) to withdraw energy; inclusion in the dispatch logic the operational parameters for charging; and, inclusion of an exception to transmission charges for withdrawals when under SPP direction. Richard and Keith Collins described the MMU's involvement in the design of the mitigated offer and other mechanisms. Keith noted that no other RTO has a mechanism like what SPP is proposing in its compliance filing. Bruce Scherr noted that this mechanism takes SPP beyond the mere “matching market concept” and treats these resources as more of a true commodity. Further, he noted that storage's role will only get larger and cautioned staff to give a lot of thought to the data that needs

to be captured for these resources. Further, Bruce highlighted that this is a very important strategic matter for the OC to continue to monitor.

### **Agenda Item 8 – Update on Current Activities**

**Compliance** - Erin Cullum presented a quarterly compliance update and apprised the Committee on the status of the CIP audit, open enforcement actions status, and other quarterly compliance department activities. Committee members reinforced support for the expeditious and robust implementation of staff's effort to incorporate the Governance, Risk, Compliance (GRC) tool.

**Security** - Sam Ellis discussed key cyber metrics. Sam suggested a broader discussion at the next OC meeting with the potential for some proposed new metrics in 2019.

Barbara Sugg initiated discussions amongst the Committee members on two topics. The first regarded a recent article from National Association of Corporate Directors (NACD) publication, "Where You're Weak" by Jennifer Pellet that discussed the challenges that most companies face when it comes to addressing cyber vulnerabilities. The article included recommendations stemming from a Cyber Risk Forum specifically for boards and management to consider as they mitigate cyber risk to their organizations.

Barbara then reviewed with the Committee management's internal policy on ransomware. She described the issue and shared with the Committee senior management's policy. Following discussion, the OC endorsed SPP's internal policy.

**Internal Audit Department Budget** – Lauren Krigbaum presented Internal Audit's 2019 Budget Forecast (IA Budget Forecast – Attachment 5). She noted that she is expecting a 2% increase over 2018 due to the fact that our external auditor that performs the SOC1 analyses will have increased audit testing as a result of implementation of the SPP Settlement replacement project. It was noted that the Settlement replacement project failed to estimate the costs associated with testing of legacy as well as new settlement management systems. Accordingly those will be out-of-pocket costs.

**Market Monitoring Unit** – Nick Parker presented a status of recent reportable MMU activities (MMU Activity Report – Attachment 6).

### **Agenda Item 9 – OC 2018 Self-Assessment**

The Committee discussed 2018 major accomplishments and 2019 major pending issues for inclusion in the annual Organizational Group self-assessment. Staff will edit the document consistent with the discussions.

### **Agenda Item 10 – Action Items**

Action items are:

- Staff to edit self-assessment consistent with discussions and circulate to the Committee for concurrence.

### **Agenda Item 11 – OC 2019 Draft Annual Work Plan and Future Meetings**

The Committee discussed the 2019 meeting schedule.

### **Adjournment**

Josh Martin adjourned the meeting at 11:50 AM.

Respectfully Submitted,

Michael Desselle

**SPP Organizational Group Self-Evaluation/Assessment**  
(August 2017 – July 2018)

**GROUP NAME:** Oversight Committee

**CHARTER/SCOPE UPDATE:** Charter/Scope has been reviewed: **Yes**

**MEMBER ROSTER/ATTENDANCE:**

Member	Company	# Present	# Absent
Bernard, Phyllis	Director	8	0
Edwards, Graham	Director	8	0
Martin, Josh (C)	Director	8	0
Scherr, Bruce	Director	8	0
Skilton, Harry	Director	8	0
Michael Desselle	Staff Secretary	8	0

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

**AVERAGE OVERALL ATTENDANCE (INCLUDING NON-GROUP MEMBERS):** **13**

**MEETINGS HELD TO DATE:** **Live: 6** **Teleconference: 2**

**AVERAGE LENGTH OF MEETINGS:** **5 HOURS : 30 MINUTES**

**NUMBER OF VOTES TAKEN:** **8**

**\*MEETING COST(S):** **\$98,101.54**

\* 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. Reviewed and endorsed SPP cyber risk assessment and strategy. Recommended full Board approval.
2. Accepted Finance Committee request to assume responsibility to receive annual “controls” audit report.
3. Established formal Committee member/staff leadership liaison responsibilities to establish continuing interim oversight, awareness and communication.
4. Facilitated and enhanced robust process for MMU oversight, interaction and coordination.
5. Oversaw comprehensive review of SPP business continuity and disaster recovery continuous improvement efforts.
6. Facilitated the integrated efforts to increase the Culture of Compliance throughout the Organization.
7. Facilitated the quality assurance/process improvement staffing enhancements supporting enhanced compliance initiatives.



MAJOR PENDING ISSUES BEFORE THE GROUP:

1. Continue to monitor the technical and strategic market implications associated with “storage”.
2. Monitor SPP’s approach to Corporate Risk.
3. Continue oversight and surveillance of Cyber- and physical security matters.
4. Oversee the success of Reliability Coordination (RC) certification for the West RC services strategic initiative.
5. Consider comprehensive oversight responsibility for the SOC audit.
6. Evaluate impacts of HITT recommendations.
7. Finalize Internal Audit Annual Plan, inclusive of OC- or Board-directed “risk” audits

**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE**  
**2019 Annual Work Plan**

Schedule
<p><b>Monday, January 28, 2019 – New Orleans</b></p> <p>Agenda Items:</p> <ul style="list-style-type: none"> <li>• Compliance Quarterly Activity Report <ul style="list-style-type: none"> <li>○ Approve Annual Compliance Audit Plan</li> </ul> </li> <li>• Security Activity Report</li> <li>• Review Annual Self-Assessment</li> <li>• MMU Executive Session <ul style="list-style-type: none"> <li>○ Review MMU performance for previous year</li> <li>○ Review MMU Executive Director’s performance and compensation</li> <li>○ Review and approve MMU merit increases and performance compensation</li> </ul> </li> <li>• Ad Hoc (**)</li> </ul>
<p><b>Monday, April 15, 2019 – Tulsa (Alternate Pre-MOPC/SIC Week) – Tulsa</b></p> <p>Agenda Items:</p> <ul style="list-style-type: none"> <li>• IA Quarterly Activity Report</li> <li>• <b>Compliance Quarterly Activity Report</b></li> <li>• Security Activity Report</li> <li>• MMU Quarterly Activity Report</li> <li>• <b>Business Continuity Plans/Assessment Report</b></li> <li>• Review Draft MMU Annual State of the Market Report</li> <li>• MMU Executive Session</li> <li>• Ad Hoc (**)</li> </ul>
<p><b>Monday, June 11, 2018 – SPP Little Rock</b></p> <p><del>Agenda Items:</del></p> <ul style="list-style-type: none"> <li>• <del>Compliance Quarterly Activity Report</del></li> <li>• <del>Security Activity Report</del></li> <li>• <del>Review mid-year MMU/Compliance/Internal Audit Departmental Budget Forecasts</del></li> <li>• <del>Business Continuity Plans/Assessment Report (Moved from April to June meeting annually)</del></li> <li>• <del>MMU Executive Session</del></li> </ul>
<p><b>Monday, July 29, 2019 – Des Moines, IA</b></p> <p>Agenda Items:</p> <ul style="list-style-type: none"> <li>• IA Quarterly Activity Report</li> <li>• Tentatively create IEP Panels to review RFP responses (late Aug. Conf. Call)</li> <li>• Security Activity Report</li> <li>• MMU Quarterly Activity Report</li> <li>• Review Draft Internal Audit Annual Plan</li> <li>• <b>Review mid-year MMU/Compliance/Internal Audit Departmental Budget Forecasts</b></li> <li>• Review Annual MMU/IA Departmental Budget Plans</li> <li>• Review fixed-cost reimbursement for Off-We-Go</li> <li>• MMU Executive Session</li> <li>• Ad Hoc (**)</li> </ul>

**Southwest Power Pool, Inc.**  
**OVERSIGHT COMMITTEE**  
**2019 Annual Work Plan**

**Monday, October 28, 2019 – SPP Little Rock**

Agenda Items:

- Compliance Quarterly Activity Report
- Review Annual MMU/IA Departmental Budget Plans
- Security Activity Report
- MMU Quarterly Activity Report
- Recommend to Board Independent Expert Panel (IEP) pool candidates
- Perform Annual Organizational Group Self-Assessment
- MMU Executive Session
- Ad Hoc (\*\*)

**Monday, December 2, 2019 – SPP Little Rock**

Agenda Items:

- Compliance Quarterly Activity Report
- IA Quarterly Activity Report
- Security Activity Report
- MMU Quarterly Activity Report
- Approve Annual Internal Audit Plan
- Receive Annual SOC-1 Independent Auditors Report
- Final IEP Panel Recommendation to Board
- Review/Approve Internal Compliance Program
- MMU Executive Session
  - Review MMU goals for upcoming year
- Ad Hoc (\*\*)

\*\*:  
Guidelines/Policies on Corporate Risk Assessment/Management  
Member Appeals on penalty assessment or fine distribution  
Market Design Flaws  
Criteria changes necessary for mandatory compliance enforcement  
Other Board assigned Responsibilities  
(Engage Independent MM to perform Looking Forward Report)