October 29, 2010

SPP RE Registered Entities

Re:    Initiation of the Trial Period for the NERC Event Analysis Program

Sir / Madam:

On October 12th NERC conducted a Webinar to introduce to the industry its vision for an enhanced event analysis program. The presentation explained that the ultimate goal of the program is to serve as a learning initiative to more rapidly disseminate to the industry those lessons learned in the analysis of a system event from which the industry may profit through enhanced reliability. By integrating a “bottom-up” approach to a disturbance review within the framework of the NERC Event Analysis Program, it is hoped that consistency, comparability, flexibility and timeliness in the event analysis process will be promoted.

The concepts of the Event Analysis program are embodied in the NERC document, “Electric Reliability Organization: Event Analysis Process-WORKING DRAFT October 1, 2010,” which is posted for public download at the following address:

http://www.nerc.com/filez/eawg.html

NERC has commenced a trial period of the above document on Monday, October 25, 2010, seeking a review of those events which meet the reporting thresholds of Appendix B, “Event Categories and Levels of Analysis.” The trial period will extend through at least the end of the year and possibly into 2011 if deemed necessary, soliciting industry comment on the overall process as well as the specifics of the process document. Following the evaluation of the trial by NERC, it is the goal of NERC to formally incorporate the event analysis process in the “NERC Rules of Procedure.” The following areas represent the focus of the process document:

Initial Event Reporting

In reporting on events, registered entities are requested to use the “Event Report Template” provided in Appendix A of the process document as a guideline for reporting to SPP RE. This initial information provides the basis for a limited analysis and summary report, which may conclude the study of the event. Depending on the severity of the event, a supplemental report may be requested as additional knowledge is learned about the event or further questions are posed by SPP RE or NERC. In all cases, the registered entity is expected to provide at least a preliminary event report within five (5) business days of the event. As stated below, this
reporting requirement does not supersede those currently in force through Federal statutes or NERC reliability standards; it does allow for additional time to provide the slightly more detailed information requested in the template. Depending on the category of the event, a more extensive event analysis report may need to be completed within ten (10) business days. However, it is recognized that the magnitude and complexity of a disturbance can necessitate a more lengthy analysis. In such cases a description of the information that is currently known, together with a proposed scope of work and schedule for the analysis, should be provided. Periodic status reports should be submitted to inform SPP RE of the study progress. Table 1 of the NERC process document, which is repeated below, summarizes the expectations for the reporting time as a function of the event categories enumerated in Appendix B. You will note that the NERC process also includes a definitive time period following the submission of a report when the analysis will be closed by the Region as well as NERC.

Table 1 — Target Timeframes for Completion of Event Reports, Draft Lessons Learned, and Event Analysis Reports

<table>
<thead>
<tr>
<th>Event Category</th>
<th>Event Report</th>
<th>Draft Lessons Learned</th>
<th>Event Analysis Report</th>
<th>Close Event Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Within 5 business days</td>
<td>Within 15 business days</td>
<td>10 business days (if required)</td>
<td>30 business days following receipt of Event Analysis Report</td>
</tr>
<tr>
<td>2</td>
<td>Within 5 business days</td>
<td>Within 15 business days</td>
<td>15 business days</td>
<td>30 business days following receipt of Event Analysis Report</td>
</tr>
<tr>
<td>3</td>
<td>Within 5 business days</td>
<td>Within 20 business days</td>
<td>20 business days</td>
<td>30 business days following receipt of Event Analysis Report</td>
</tr>
<tr>
<td>4</td>
<td>Within 5 business days</td>
<td>Within 60 business days</td>
<td>Upon Completion</td>
<td>60 business days following receipt of Event Analysis Report</td>
</tr>
<tr>
<td>5</td>
<td>Within 5 business days</td>
<td>Within 60 business days</td>
<td>Upon Completion</td>
<td>60 business days following receipt of Event Analysis Report</td>
</tr>
</tbody>
</table>

It is important to recognize that the reporting times identified in Table 1 above DO NOT SUPERSEDE the reporting requirements currently in force through Federal statutes or NERC reliability standards. These include the United States Department of Energy Form OE-417 and the following NERC reliability standards:

- NERC Reliability Standard EOP-002-2.1, "Capacity and Energy Emergencies"
- NERC Reliability Standard EOP-004-1, "Disturbance Reporting"
• NERC Reliability Standard TOP-007-0, "Reporting SOL and IROL Violations"
• NERC Reliability Standard CIP-001-1, "Sabotage Reporting"
• NERC Reliability Standard CIP-008-2, "Cyber Security: Incident Reporting and Response Planning"

To ensure receipt of an initial event notice by SPP RE Staff, the following email address will be used, effective immediately:

**SPPEVENTS@spp.org**

Through the utilization of this email address, any event or disturbance which is reportable through Appendix B of the NERC process document will be directed to the appropriate members of SPP RE Staff, who will assist the registered entity in following the NERC event analysis procedures and methodologies.

**Event Analysis Interface**

The NERC event analysis program recognizes that, if the timely dissemination of lessons learned from an event or disturbance is to be realized, any potential compliance implications associated with an event must be addressed. Although this is an event analysis process, to make this process successful and complete, and to solidify the “bottom-up” approach, registered entities will be encouraged to establish a liaison between the event analysis and compliance functions internal to the registered entity during the event analysis process. This will facilitate the development of a registered entity compliance self assessment report which will perform a sufficiency review of the reliability standards deemed applicable to the event, assisting in the self-reporting of possible violations through the established compliance program mechanisms, should any be discovered. In doing so, it will also provide feedback on the adequacy and rigor of the reliability standards as written. If no applicable reliability standards are associated with the event, there could be a demonstrated need on the part of the industry to propose a Standard Authorization Request (SAR) to address the identified gap. The registered entity will also be encouraged to establish an appropriate liaison between its event analysis and compliance functions and the SPP RE compliance personnel to facilitate the sharing of event analysis results so as to minimize or avoid duplication of data, information requests and analyses. The registered entities are encouraged to perform a thorough compliance analysis and develop a compliance analysis report, being guided by Appendix G of the process document as a template for all events. The level of detail is to be driven by the complexity or severity of the event. Such a compliance analysis report should include a listing of all reliability standards potentially subject to the event, together with a written explanation of why a finding of compliance or non-compliance was supported. Self-reporting through the SPP RE compliance program is recommended for any items of potential non-compliance. Registered entities should expect to be recognized for their cooperation, openness and thoroughness in conducting a rigorous self-analysis of events, prompt mitigation of identified causes, support in the development of lessons learned for the benefit of the industry, performing a detailed compliance self assessment, and, ultimately, self-reporting possible reliability standards violations. A conscientious effort to self-identify and self-report possible violations stemming from its event analysis by the registered entity will be acknowledged in any compliance findings.
Proposed SPP Events Analysis Working Group

In support of the increased focus on event analysis, the SPP Markets and Operations Policy Committee (“MOPC”) is finalizing a proposal to establish an SPP Events Analysis Working Group. The purpose of the SPP EAWG is to review event analysis reports prepared by registered entities after a system disturbance event to ensure an appropriate root cause analysis has been performed and to share lessons learned within the SPP Region. A proposed charter was discussed at the October 12-13 MOPC meeting and is anticipated to be approved at the January 11, 2011 MOPC meeting. Questions about the proposed SPP EAWG should be directed to Carl Monroe, SPP, Inc. Executive Vice President & Chief Operating Officer at 501-614-3218.

Please feel free to call Ron Ciesiel or Alan Wahlstrom with any questions you may have or assistance you may require in adopting this trial period Events Analysis program.

Thank you for your cooperation in this important and challenging effort.

Respectfully,

Stacy Dochoda

Stacy Dochoda
General Manager
Southwest Power Pool Regional Entity