## Revision History

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<th>Author</th>
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<tr>
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<td>Stacy Dochoda</td>
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Introduction and Overview

Letter from the General Manager and Chairman of the Trustees

January 30, 2012

We are pleased to present SPP RE’s first strategic plan, Strategic Plan - 2012-2015. Its creation signals that SPP RE has successfully completed its initial formation stage and is entering the next stage of our development. This strategic plan will guide us as SPP RE matures to a fully functional organization embracing the benefits of independent governance and our organization alongside an RTO.

The SPP RE Strategic Plan – 2012-2015 provides an SPP RE mission consistent with the SPP mission that also addresses the unique role and responsibilities of a Regional Entity. This document will serve as a guide for our planning processes and ongoing actions over the next four years.

Our strategic plan was developed in a collaborative manner, seeking input from RE staff, RTO staff, stakeholders, RE Trustees, the SPP Board, and the SPP Strategic Planning Committee. We thank the many individuals that contributed to the development of this strategic plan.

Stacy Dochoda
General Manager
SPP RE

John Meyer
Chairman
SPP RE Trustees
Background and History

Southwest Power Pool, Inc. (SPP), founded in 1941 and based in Little Rock, Arkansas, is a nonprofit organization whose primary mission is maintaining electric reliability. SPP is one of nine Federal Energy Regulatory Commission (FERC)-approved Independent System Operators/Regional Transmission Organizations and one of eight North American Electric Reliability Corporation (NERC) Regional Entities.

Southwest Power Pool Regional Entity (SPP RE), an independent and functionally separate division of SPP, was created to fulfill the functions and duties specified in the SPP Regional Delegation Agreement with NERC approved by FERC in 2008 and again in October 2010. As a NERC Regional Entity, SPP RE promotes and works to improve the reliability of the bulk power system (BPS). Specifically, SPP RE is responsible for developing regional reliability standards, monitoring and enforcing registered entity compliance with reliability standards, and assessing and evaluating BPS reliability. SPP RE provides technical expertise and assistance to BPS owners, operators and users, in particular to the approximately 130 registered entities located within the SPP RE’s footprint, an eight-state area that includes Arkansas, Kansas, Louisiana, Mississippi, Missouri, New Mexico, Oklahoma, and Texas.

Governance

Pursuant to the SPP bylaws, SPP RE is governed by three independent Regional Entity Trustees, who are not on the SPP Board and operate separately from the SPP Board. The SPP RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE budget, as well as oversight of SPP RE decisions on regional standards, compliance enforcement actions, and penalties. The SPP RE’s General Manager reports directly to the SPP RE Trustees. Only the SPP RE Trustees and certain direct SPP RE staff members have the authority to make compliance and enforcement decisions. SPP RE direct staff is independent of all BPS users, owners, and operators.

To avoid the appearance of any conflicts of interest, SPP RE has engaged SERC Reliability Corporation to serve as the compliance enforcement authority for SPP’s registered functions in the SPP region.

SPP RE’s governance, which has been approved by NERC and FERC, meets the requirements of the Energy Policy Act of 2005.
Statutory Functional Scope

SPP RE performs the following activities in the execution of its delegated functions and in support of NERC’s responsibilities as the Electric Reliability Organization:

- Reliability Standard Development
- Compliance Enforcement
- Organization Registration and Certification
- Reliability Assessment and Performance Analysis
- Training and Education
- Situation Awareness and Infrastructure Security

Shared Staff and Overhead Functions

SPP RE utilizes SPP shared staff to coordinate and facilitate the development of regional reliability standards and to conduct certain technical studies not associated with the compliance monitoring function such as reliability assessments. SPP also provides SPP RE with administrative support including Information Technology, Human Resources, and Accounting.

Regional Entity Independence from Registered Entity Functions

In March 2008, FERC issued an order approving the SPP Regional Delegation Agreement, noting that the Commissioners, “remain concerned regarding the adequacy of the separation of functions between the SPP RTO and SPP Regional Entity” and indicating that FERC had initiated a 2008 audit into “SPP Regional Entity’s organizational structure and practices”. As a result of the audit, FERC issued an order in January 2009 requiring SPP to comply with a number of requirements to satisfy FERC’s concern that a strong separation be maintained, including the requirement to hire a Regional Entity General Manager and to engage a third party to carry out compliance monitoring and enforcement activities over SPP’s registered entity functions. The FERC order included a requirement for another audit to be conducted in 2011. The 2011 audit concluded that SPP satisfied all requirements of the 2008 audit regarding separation of the RTO and RE functions.

SPP RE’s Organizational Evolution

SPP RE’s organizational structure has undergone significant changes and improvements since 2008 including: 1) hiring a General Manager who reports directly to the SPP RE trustees, 2) creating separate Compliance Monitoring and Enforcement groups, 3) forming two distinct audit teams (693-Traditional Operational and CIP- Critical Infrastructure Protection), and 4) establishing a Finance and Process Improvement group. Beginning in 2009, SPP RE adopted specific performance metrics to help focus staff on performance targets and inform management of potential resource constraints. SPP RE direct staff has increased from three in 2007 to 29 personnel in 2011. SPP RE staff includes numerous professional engineers, NERC-certified operators, IT security certified staff, licensed attorneys, and CPAs.
Strategic Plan Philosophy

The SPP RE Strategic Plan is based on the following assumptions:

1. SPP RE continues to operate as an independent and functionally separate division of SPP; and

2. SPP RE continues to utilize SPP shared staff to coordinate and facilitate the development of reliability standards and conduct certain activities in the SPP RE’s Reliability Assessment and Performance Analysis program.

Mission and Value Proposition

SPP RE’s Mission and Value Proposition are consistent with those of SPP, while addressing the unique role and responsibilities of a Regional Entity.

Mission

Helping our members and registered entities keep the lights on … today and in the future by promoting bulk power system reliability excellence, monitoring compliance with FERC approved electric reliability standards, assessing the adequacy of the bulk power system, and serving as a champion of reliability matters.

Value Proposition

Relationship-Based

We build positive relationships with our registered entities, FERC, NERC and the other Regional Entities to enhance collaboration in promoting bulk power system reliability.

Member-Driven

We utilize member expertise to maximize efficiencies in areas not related to the compliance monitoring function. We design our outreach program to match our registered entities’ needs. We participate in SPP working groups to better understand member reliability concerns and to make members aware of emerging ERO issues.

Independence Through Diversity

We receive stakeholder input through balanced representation of the diverse membership in SPP’s organizational groups.
Evolutionary vs. Revolutionary

We strive to continuously improve our processes building on knowledge gained from our experiences. We are thoughtful about policy and process changes taking into consideration the impact to our registered entities.

Reliability and Economics Inseparable

We believe that electric reliability issues cannot be debated in the absence of economic/equity issues. Having the RTO and RE within the same organization results in greater efficiency through the use of shared staff and a single organization to attempt to resolve reliability problems.

SPP RE’s Three Foundational Strategies

1. **Effectively Perform NERC Delegated Functions** - Effectively and efficiently carry out the Regional Entity delegated functions of registration and certification, compliance monitoring and enforcement, reliability assessments and performance analysis, training, and situational awareness.
   
   a. Organization - Develop and maintain an organization with the skills and resources required to effectively and efficiently carry out the delegated functions
   
   b. Processes – Implement and continuously improve processes to effectively and efficiently carry out the delegated functions
   
   c. Efficiency – Lower members’ costs by being within the same organization as the RTO, thereby avoiding duplication of corporate support services and engineering services not related to compliance.

2. **Create Member and Registered Entity Value** – Create value for members and registered entities in the performance of delegated functions and through education and outreach activities.

   a. Carry out delegated functions with a focus on providing value to members and registered entities

      1. Seek opportunities to provide value through compliance audits designed to identify areas of non-compliance and provide useful information to registered entities to improve reliability
      2. Perform audits consistent with Generally Accepted Auditing Standards including fairness and non-discriminatory application of standards
b. Provide information to members and registered entities to improve reliability and compliance performance

   1. Conduct workshops, hold webinars and publish newsletters with information designed to improve reliability and compliance performance
   2. Publish lessons learned from events analysis
   3. Promote member and registered entity involvement in NERC and SPP RE reliability activities

c. Participate in SPP working groups to better understand member reliability concerns and to make members aware of emerging ERO issues.

3. **Enhance Reliability and Critical Infrastructure Protection** – Identify areas for improving reliability and critical infrastructure protection standards and pursue implementation of new or revised reliability standards and other SPP RE or NERC processes.

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**Conclusion**

This Strategic Plan provides a focus for SPP RE’s efforts over 2012-2015. Successful implementation will enable SPP RE to make meaningful progress towards meeting its mission. SPP RE has and will continue to make internal changes to enhance its organizational effectiveness and efficiency.

The electric industry is a dynamic and rapidly changing. The changing environment can have significant impact on specific components of this Strategic Plan. SPP RE will facilitate periodic review of the elements of this plan to be revised as necessary.