SPP, Inc. Compliance Monitoring Plan

Background

- FERC order on SPP RE's audit recommended that NERC perform the compliance and enforcement activities related to SPP, Inc.'s registered entity functions to avoid any potential conflicts between SPP RE and SPP, Inc.
- In June 2009, SPP RE Trustees approved the following:
    - NERC will perform compliance audits of SPP RTO, in lieu of SPP RE, pursuant to the FERC audit report. Stacy Dochoda is currently in discussions exploring the possibility of securing another Region to monitor the other compliance functions of SPP RTO on behalf of SPP RE.
- Since June, SPP RE became aware of feasibility of contracting with another Regional Entity for all the compliance monitoring and enforcement functions in the SPP RE region including the audit for the SPP, Inc. registered entity functions.

Plan Summary

- SPP RE and SERC have developed a draft contract for SERC to perform all compliance monitoring and enforcement functions for the SPP, Inc. registered entity functions in the SPP RE region.
- 3 year term
- Includes on-site audit in 2010 in accord with required 3-year schedule
- Fee will be trued up based on actual costs incurred
    - 2010 estimate is $40,000
    - Remaining 2 years expected to be lower (on-site audits not required)
- Penalties will be used to reduce assessments of SPP RE LSEs in the subsequent year. Corresponding change to SPP RE delegation agreement proposed. See Attachment 1.

Benefits of Proposal

- Ensures independence of compliance and enforcement activities for SPP, Inc. registered entity functions.
- Leaves intact due process for SPP, Inc. to have the opportunity to appeal to NERC
- SERC is familiar and competent to conduct the functions. SPP, Inc.- ICTE and SPP, Inc.- ITO are already registered entities of SERC.

Action Requested

Approval for completing negotiation, entering into contract with SERC and modification to delegation agreement to reflect flow of penalties collected to reduce SPP RE LSE assessments.

Attachment 1

Delegation Agreement Recommended Changes

4. APPLICATION OF PENALTIES

All penalty monies received by SPP RE, ~~other than penalty monies received from an operational function or division or affiliated entity of SPP~~ shall be applied as a general offset to the entity's budget requirements for U.S.-related activities under this Agreement for the subsequent fiscal year. Funds from financial penalties shall not be directly applied to any program maintained by the investigating entity. ~~Any penalty monies received from an operational function or division or affiliated entity of SPP shall be transmitted to or retained by NERC and shall be used by NERC as a general offset to NERC's budget for its activities as the ERO under the ACT for the following year.~~

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