Southwest Power Pool Regional Entity

General Manager Report of

2009 Accomplishments, Disappointments and 2010 Goals

1. Compliance Monitoring

a. **Completed 13 on-Site audits, 19 off-site audits, and 7 on-site CIP spot checks;**

   16 out of 27 reports issued within the target of 90 days; 11 reports issued beyond the 90 day target; 3 reports are presently behind schedule; 9 reports are still within the target time but not issued [2009 average issue time is 86 days].

b. **Mandatory Spot Checks: 85 spot checks performed;**

   84 out of 85 completed [1 spot check not completed to-date due to a contest by the registered entity]; 73 reports issued within target of 90 days; 11 reports issued beyond the 90 day target; 1 report behind schedule [2009 average issue time is 72 days].

c. **CIP-002 Spot Checks: 20 Compliance spot checks performed; 62 Pre-compliance spot checks performed;**

   14 out of 20 spot check compliance reports issued within the target of 90 days; 6 reports issued beyond the 90 day target; 61 out of 62 spot check non-compliance reports issued by the end of 2009; 1 report not issued due to non-submittal of data from registered entity [2009 Average issue time is 66 days].

d. **Completed 4 Event Analysis [2 events from 2009; 2 events carried over from 2008].**

The SPP RE has only one traditional and now one CIP audit team and so juggling travel and being out of the office while preparing audit reports, analyzing self-reports, initiating and analyzing spot check information, initiating and analyzing self-certification submittals, coordinating CIQ activities and participating on NERC/RE/SPP working groups is standard operating procedure for these individuals. The results above reflect extraordinary efforts of the team during 2009 since the 3-person traditional team operated without one authorized position for one-half of the year and without 2 authorized positions for one-quarter of the year.

The newly formed CIP team conducted off-site spot checks of CIP-002 for all Table 1, 2 and 3 entities. Including Table 3 entities in the 2009 spot check was an effort to improve our outreach to registered entities, since Table 3 entities did not have to be compliant until January 1, 2010. The RE made recommendations to these entities, where necessary, so entities could work to become compliant as soon as possible. In late 2009, on a very short time-line, a process was created and implemented for accepting and approving Technical Feasibility Exceptions (TFE) related to certain CIP standards. Kevin Perry was a key member of the inter-regional/NERC team to create and implement the TFE process.

In 2009, the SPP RE successfully defended a registration decision, at the NERC BOTCC, that was challenged by the registered entity. The SPP RE processed approximately 25 functional registration changes. In addition, numerous name changes, consolidations and contact information changes were made to the SPP RE CDMS registration database. The SPP RE was one of the first two REs to achieve 100% synchronization of registration data with the newly introduced NERC data management system.

In the spring of 2009, NERC introduced a new process named the Compliance Inquiry Process [CIQ] that was intended to bridge the gap between a system disturbance and the initiation of a Compliance Violation investigation [CVI]. The CIQ process can be initiated by the SPP RE, NERC, FERC or another RE and generally consists of a series of queries to registered entities to determine if a more formal compliance process is indicated. During the initial year of this program, the SPP RE participated in approximately 10 diverse CIQ activities.

I'm disappointed that we missed our targeted timelines for completing audit reports on a very few audits resulting from activities that needed to be re-examined upon management review.

2. Enforcement

a. Processed 128 incoming violations

b. Accepted 36 mitigation plans

c. Verified completion of 27 mitigation plans

d. Completed 17 violations (Settlements/NOCV/Dismissal/Omnibus)

e. 20 violations pending final disposition– now awaiting BOTCC action

Prior to May 1, 2009, the SPP RE Enforcement consisted of one person. The newly organized Enforcement Team was created on November 1, 2009 and by year end consisted of a Manager of Enforcement, RE Counsel, a Compliance Specialist, a Paralegal and two part-time law clerks.

The SPP RE Enforcement processes continued to evolve in 2009. Significant effort was devoted to developing or improving: internal work procedures, records management, mitigation plan administration, the violation case management and status tracking. Recognizing that the increased volume of violations required a more structured process to manage the associated documents and paperwork, the Enforcement Team established the SPP RE File Clerk as a single point of contact for registered entities to submit documents to the SPP RE. A new software tool was purchased to manage the large volume of compliance documents. The Enforcement Team reduced the time to initially report violations to NERC to 17 days [2007 – 76; 2008- 22; 2009 - 17] while processing approximately 2 times the number of violations in 2009 compared to the prior 1 ½ years of the program. In 2009, the SPP RE participated in NERC's Omnibus filing of pre-July 3, 2008 violations with FERC. On numerous occasions, the SPP RE Enforcement Team was complimented by NERC counsel for their work on the Omnibus filing.

I'm disappointed we were not able to process more violations to completed Notices of Penalty or Settlements, however, in 2009, 128 violations were handed off to the Enforcement Team to process. For each of these violations, initial notices must be sent, mitigation plans must be accepted and formal notices or settlements must be created. The number of violations was more than double the number anticipated for 2009. To add to the challenges, we were short-handed for the year and the Omnibus filing required many man-hours and re-work as NERC's requirements for the filing changed and evolved.

3. Relationship Growth & Outreach

The SPP RE held a Spring 2009 compliance workshop, 1 CIP workshop and 2 TFE webinars. I'm disappointed we had to cancel our Fall 2009 compliance workshop due to resources constraints while we were preparing for our upcoming NERC audit.

The SPP RE began a quarterly newsletter issuing 2 editions in 2009. The second had more content than the first and we'll continue to add useful content for registered entities.

During 2009, the SPP RE staff was a guest speaker at one non-FERC/NERC/SPP conference.

The General Manager participated in 6 face-to-face meetings with senior FERC staff, attended 3 SPP Board of Directors meetings, 1 SPP Regional State Committee meeting and 1 SPP CIPC meeting. The General Manager also participated in 3 NERC board meetings in person, 3 Board of Trustee Compliance Committee meetings in person and 3 MRC meetings in person. I'm disappointed I was not able to attend more SPP working group meetings and plan to attend a MOPC and SPCWG meeting in 2010.

On the NERC and other Regional Entity front, I was honored to be selected to be leader of Regional Entity team to renegotiate delegation agreements. Kevin Perry was selected by the other regions to be the vice-chair of the Regional CIP Compliance working group. The SPP RE also increased collaboration with NERC in 2009. We now share our settlement documents with NERC earlier to streamline the process for NERC BOTCC consideration. NERC was very complimentary of our work on the Omnibus filing and we collaborated with NERC and provided meaningful corrections to the 2010 Annual Compliance Implementation Plan.

In 2009, we refined our stakeholder survey to ask more detailed questions about our specific processes. The results continued to show that stakeholders view the staff as professional and carrying out our duties well.

Organization and Administrative

In 2009, NERC issued its three year assessment of the ERO including an assessment of each Regional Entity. I'm disappointed by the statement that the SPP RE was one of the less effective Regional Entities in administering the compliance program over the three years. The report described the SPP RE as the second slowest to determine if a possible violation is an alleged violation and stated that only 17% of alleged violations have been approved by the NERC Board of Trustees Compliance Committee. However, the report failed to acknowledge that for the period, SPP RE ranked first in percentage of confirmed violations submitted to NERC for review and that NERC had decided to hold cases pending the outcome of certain Commission decisions. I'm also disappointed that the report stated that events had occurred within the SPP RE footprint that NERC and FERC became aware of with which SPP RE had no knowledge. Actions which we have taken which I believe will begin to address the issues described by NERC include authorizing eight new positions in the 2010 Business Plan and Budget and implementing a weekly review of the Reliability Coordinator Information System data to improve our situational awareness.

I started as General Manager on March 17, 2009. In 2009, the RE also hired Alice Wright, Tasha Ward, Kevin Perry and Sheila Scott. We also recruited Greg Sorenson, Jimmy Cline and Steve Applegate for starting dates in January and early February 2010 and, retained a recruiter to help us fill targeted technical positions. In the later part of 2009, I implemented a reorganization, creating 3 separate areas within the RE for Compliance Monitoring & Event Analysis, Enforcement and Finance & Process Improvement. The new organization will allow individuals to provide leadership for their specific area and has created more focused priorities and efficiency of management review.

In 2009, SPP RE policies were written, reviewed and adopted for Compliance Monitoring & Enforcement processes.

The SPP RE completed 19 of 20 recommendations from the FERC audit. The remaining item is related to removing any perceived conflict for compliance monitoring for SPP, Inc. SPP RE has negotiated a draft contract with SERC to carry out the compliance monitoring and enforcement for the SPP, Inc. registered entity functions. The contract has been submitted to NERC for approval. In the meantime, NERC is acting as the CEA for SPP, Inc. registered entity functions.

In the area of technology, the SPP RE instituted PGP encryption to ensure security of CIP information supplied by the registered entities. We also implemented a case management software program. I'm disappointed that we do not have software in place to assist with voting for Regional Standards.

The SPP RE reviewed the indirect cost rate method and worked with SPP Corporate Accounting to implement changes to ensure that only overhead costs are included. The new method reduced SPP RE expenses for 2009 by approximately $1 million.

I worked with the Director of General Services to created an RE specific Promotion Review Committee.

We increased communication to Trustees with monthly calls, weekly email summaries of NERC/Regional calls, new reports on enforcement and metric updates.

2010 Goals

Regional delegation agreement renegotiation – achieve more regional entity discretion

Increase outreach to Registered Entities

NERC Audit – be responsive, develop workplan to address recommendations

Complete FERC audit recommendations

Get to full approved 2010 staffing (increase technical expertise)

Complete interface between NERC and SPP RE Data Management Systems

Deploy regional standards voting software

Specific Performance Metrics