Southwest Power Pool

REGIONAL ENTITY TRUSTEES MEETING MINUTES

JANUARY 28, 2013

SPP CORPORATE CENTER, LITTLE ROCK

- A G E N D A –

8:00 am – 12:00 pm

ADMINISTRATIVE ITEMS

1. Call to Order, Introductions ..... John Meyer

Chairman John Meyer called the meeting to order at 8:05 a.m. The meeting attendance sheet is attached.

2. Antitrust Guidelines ..... Emily Pennel

CONSENT AGENDA

3. Approval of Meeting Minutes – Oct. 29, 2012 ..... John Meyer

There were no additions or revisions to the minutes, which were approved.

GENERAL MANAGER'S REPORT

4. 2012 End of Year Report ..... Ron Ciesiel

Ron Ciesiel highlighted a number of items from the 2012 End of Year Report. We received 173 violations in 2012 and processed 251. Incoming violations are down 30% from 2011, a significant decrease. Hopefully we have turned a corner on the number of incoming violations and can maintain this level of activity. Of the 173 violations, 54% were self-identified, which is a positive trend. We reviewed 147 mitigation plans; our 2012 addition of a staff member focused on CIP mitigation improved our ability to process these plans.

In 2012 we made improvements to our pre-audit work, which we plan to continue improving in 2013. During our pre-audit work we may remove some requirements from the on-site audit; the goal is to only deal on-site with information for which we need clarification or field inspection. For example, with one entity we originally scheduled two separate audits, but the pre-audit evidence review allowed us to collapse the two audits into one, which worked well for both parties. We increased training for audit staff, who attended NERC auditor training and a training we organized with a Big Four accounting firm.

We added seven Registered Entities during 2012, primarily wind farms that went into production. SPP RE has the ultimate responsibility for publishing three annual reliability assessments, which were all sent to NERC on-time. We have one open hearing that started in 2012. In 2012 there were 17 reportable system events; a lower number than last year. The 14 training videos we posted beginning in April 2012 received over 1,000 plays and are being used by other regions as well as our own. The webCDMS software used by SPP RE and four other regions is now synced to NERC database, which has improved efficiency.

The 2012 stakeholder survey showed a drift upward in satisfaction; "poor" ratings decreased and "excellent" ratings increased. The 54% response rate was extremely high.

Of the 12 metrics that were approved in January 2012, we met or exceeded 11. Regarding 2013 goals, there is a push to improve auditors' credentials. NERC is likely to create an auditor certification process. We will participate with NERC on this process, along with developing a tool to assess

Registered Entities' internal controls. NERC is working on a "compare and contrast" review of all REs' internal processes, and we will agree on improvements to be made across the board.

Ron was asked, "Is the bulk electric system more reliable than it was in 2011?" Ron noted several anecdotal indicators of improved reliability. There have not been any vegetation management contacts in our region nine quarters. System events have dropped 20% and violations have dropped 30%. Misoperations have decreased tremendously. Our Enforcement group is getting information back to Registered Entities in a more timely fashion so mitigation can be completed. NERC and the REs are aware we need to be quantifying the value and improvements brought about by the CMEP. Regulators are asking the same questions of Registered Entities: "Is the system more reliable with the mandatory compliance program?" Going forward with standard development, there will be a new emphasis on a cost/benefit review to determine what reliability improvements are expected from the standard compared to the cost of implementing it. In the past, standards have been written without as much regard to cost or measurable benefit.

RESPONSE TO 2012 STAKEHOLDER SURVEY

5. Staff responses to 2012 survey results ..... Ron Ciesiel

Following the annual stakeholder survey, we share survey results with staff, who work on action plans to address the identified issues. Most of the comments we received in 2012 were related to how on-site audit teams worked with Registered Entities. NERC's Reliability Assurance Initiative overhaul and the new inter-regional review process will bring improvements to our auditing processes and procedures.

ENFORCEMENT REPORT

6. Enforcement Report ..... Joe Gertsch

Joe reviewed the YTD enforcement activities. We had a 30% reduction in incoming violations from 2011, with approximately the same number of audits. Violations from compliance audits dropped by 22%; self-reported violations dropped by 40%. We issue very few NAVAPS; most violations go through the settlement process. In 2012, we sent 131 settlements to NERC. The NERC Board of Trustees Compliance Committee approved 152 settlements and 74 FFTs (Find, Fix, Track) in 2012; a significant increase from 2011. There were 43 dismissals for the year. FERC approved 184 Notices of Penalty/FFTs. We ended the year with an active caseload of 168, down from 244 in 2011. The caseload index is 7.7, compared to 11.2 on Dec. 31, 2011.

We finished the year with 46 High Impact violations; we started the year with 86. Our goal is to address High Impact violations in 120 days. Enforcement is making a concerted effort to address some of the older violations. Our average time for reviewing mitigation plans is 21 days (the goal is <30 days).

In 2012 we added some internal controls to ensure violations are processed more expediently throughout the year rather than having a large increase in processing during the last half of the year.

NERC REPRESENTATIVE PRESENTATION

7. Planning Committee Report ..... Noman Williams

Planning Committee Meeting Materials

Noman serves on the Planning Committee (PC) Executive Committee, which spent a year reviewing the Bulk Electric System (BES) definition thresholds. The group recommended the continued use of the 100 kV Bright-Line. The PC didn't determine any technical basis to change what the standard drafting team originally adopted. The Phase 2 process will continue to refine the BES inclusions and exclusions.

The PC received a request to review MOD 010-015 and recommended reducing the number of MOD standards, adding short circuit data, and adding requirements for data sharing responsibilities and data acceptability. The group posted a white paper on this topic.

TADS (Transmission Availability Data System) has become a fairly involved process. The PC approved modifications to the Section 1600 data request that expands TADS reporting. Next steps include demonstrating the benefits and usefulness of TADS data collection and removing any data fields that are not needed. The chairman of the TADs effort, Jake Langthorn, is in our region and would be able to address any questions.

The PC assessed the need to add a Demand Response function to the NERC Functional Model. They concluded there are no reliability impacts unique to Demand Response resources and recommended not to add such a function at this time.

WECC has identified some issues related to the Arizona-Southern California Outage that need to be addressed. WECC asked NERC to review facilities below 100 kV to determine which should be modeled. WECC also recommended that NERC consider developing guidelines or standard requirements identifying what base cases and parameters TOPs should use to conduct simulations. The PC agreed to address some of these key recommendations.

The Standards Committee asked the PC to research the need for a standard to address Protection System Commissioning. The PC recommended that rather than creating a standard, industry should share more lessons learned, analyze misoperations resulting from weak commissioning practices, and work with IEEE to develop a reference document on protection system commissioning practices.

Noman recommended the industry stay involved in the issue of Geomagnetic Disturbances (GMDs). How do we model the system to determine if we needed protective devices to guard against GMDs?

COMPLIANCE GROUP REPORT

8. Compliance Report ..... Ron Ciesiel

NERC is rolling out a major initiative in 2013; several Reliability Assurance Initiative white papers have been posted.

SPP RE's 2013 audit scope is similar to 2012's.

The Facility Ratings Alert (FAC) program is in its third and final year. Our region reported 400 discrepancies for high priority lines in 2011; 95% of them have been remediated. The number of discrepancies reported in 2012 on medium priority lines has grown to 1,300. In 2013, we expect numerous discrepancies to be reported on low priority lines. Entities have one year to complete remediation. Remediating these discrepancies should ultimately have a positive impact on reliability. Reliability Coordinators and Registered Entities have to work on issues related to outages.

SPP RE has now had 9 consecutive quarters with no vegetation outages, which is a very positive development. Misoperations have also been reduced, which is good news and should lead to fewer reportable events and violations. There is seasonality in misoperations reporting.

SPP RE's top ten most violated standards are mostly consistent with NERC's top ten. The issues we see with PRC-005 Protection System Maintenance are primarily administrative in nature.

REGIONAL STANDARDS UNDER DEVELOPMENT

9. Standards Process Manual Task Force (SPMTF) Update .....Emily Pennel

The SPMTF developed a draft revised Regional Standards Development Process Manual to address concerns raised during development of the SPP UFLS standard. Suggested revisions include adding segment qualification guidelines, modifying the "end user/public interest" segment to exclude

individuals whose employer is eligible for another segment, establishing a 75% quorum, adjusting the weighting formula to proportionally reduce segments with less than five votes, requiring Minority Reports to have a summary of comments/issues not addressed by Standard Drafting Team, specifying actions MOPC can take if further revision is needed to proposed standard, adding a recirculation ballot provision, and adding an open nominations process for standard drafting teams.

The manual is posted for public comment through February 9, 2013.

2013 METRICS

10. Review/Approval of 2013 SPP RE Goals/Metrics ..... Ron Ciesiel

In 2012 we had 12 performance metrics. We reviewed last year's goals and developed 16 goals and metrics for 2013. Now that we are properly staffed, since 2009 we have been driving down our performance targets (such as the number of days for work to be completed), requiring increased efficiency. In the next few years we hope to tie our goals to NERC's goals. The proposed 2013 goals and metrics impact all SPP RE staff. There are 3.5 FTEs who charge time to SPP RE; Ron has input on these individuals' performance appraisals.

The Trustees unanimously approved the metrics and goals for use by staff in 2013.

Written Reports

11. NERC Representatives Written Reports - Comments or Questions
    a. Operating Committee Report .....Jim Useldinger
    b. Compliance and Certification Committee..... Jennifer Flandermeyer
    c. Interchange Subcommittee .....Jeremy West
    d. Critical Infrastructure Protection Committee Report ..... Robert McClanahan

There were no comments or questions on the reports.

Kevin Perry noted that on January 17, Congressmen Edward Markey and Henry Waxman requested very sensitive information regarding mitigating vulnerabilities and cyber-attacks. Kevin advised that entities that received this request should be extremely cautious about sharing such information.

12. RE Staff Written Reports - Comments or Questions
    a. Year-to-Date Financial Statement..... Ron Ciesiel
    b. Outreach Activity .....Emily Pennel
    c. Past Action Items .....Emily Pennel

There were no questions about the staff reports.

SUMMARY OF NEW ACTION ITEMS

13. New Action Items .....Emily Pennel

There were no new action items.

FUTURE MEETINGS

14. Future Meetings .....John Meyer

April 29, 2013 - Kansas City
June 18, Little Rock
July 29, 2013 - Denver
October 28, 2013- Tulsa

The meeting was adjourned at 11:29 a.m.