



**Southwest Power Pool  
FINANCE COMMITTEE MEETING**

**March 7, 2014**

**Plantation Country Club  
Ponte Vedra Beach, FL**

**• Summary of Action Items •**

**• Schedule of Follow-up Items •**

1. Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.
2. Presentation from IT on hardware and software acquisition and management strategy at the April 2014 meeting.
3. Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.
4. Review of ARR exposures after July 2014.
5. Review SPP's status when a market participant declares bankruptcy.
6. Review any other alternatives to netting ARRs which can mitigate the short window of ARR exposure.
7. Review of credit metrics in September 2014.
8. Investigate potential to increase the exposure calculation for transmission service beyond 50 days.



**Southwest Power Pool  
FINANCE COMMITTEE MEETING**

**March 7, 2014**

**Plantation Country Club**

**Ponte Vedra Beach, FL**

**• M I N U T E S •**

**Administrative Items**

SPP Chair Harry Skilton called the meeting to order at 8:30 a.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Kelly Harrison	Westar Energy
Sandra Bennett (phone)	AEP
Coleen Wells (phone)	Kansas Electric Power Coop
Tom Dunn	SPP

Others attending included:

Laura Kapustka	Lincoln Electric
Bret Leopold	ITC Great Plains
Rejji Hayes	ITC
Rob Janssen	Kelson Energy
Jason Fortik	Lincoln Electric
Nick Brown	SPP
Scott Smith	SPP
Scott Noble	SPP
Michael Desselle (phone)	SPP

Minutes from December 20, 2013 and January 10, 2014 meetings were reviewed. Larry Altenbaumer motioned to approve the minutes. The motion was seconded by Kelly Harrison and approved by unanimous voice vote.

SPP staff reviewed two errors in the approved December 9, 2013 minutes related to the bank financing in 2014, as follows:

- a) Reference to quarterly interest payments on the bank floating rate note was changed to monthly
- b) Reference to 2013 maturity date on the bank floating rate note was changed to 2023

SPP staff provided the Committee with a brief summary of the initial operating days of SPP's Integrated Marketplace, highlighting the difficult weather conditions experienced in the SPP region on March 2 and 3 which contributed to higher prices than expected. Settlement of the March 1 operating day was complete with only two metering issues which needed to be addressed.

**SPP Credit Process**

Scott Smith, director of treasury and risk management for SPP, presented an in-depth review of SPP's credit processes. The presentation included discussion of credit's role in customer registration, underwriting and establishing credit limits, measuring exposure and monitoring against credit limits, and default procedures. The Committee requested SPP address the following:

- Potential exposure days used to calculate transmission service exposure; currently limited by FERC to 50 days even though it requires a minimum of 60 days to terminate reservation
- Present credit metrics to Committee later in 2014, specifically illustrating the impact of the Integrated Marketplace.
- Provide links to SPP's Learning Management System which contains training on credit processes related to Integrated Marketplace (<https://spp.csod.com>)

**SPP Strategic Plan Brainstorm**

The Committee provided the following thoughts to assist the SPP Strategic Planning Committee in its work on updating the SPP Strategic Plan

- a) SPP must capture tangible data on the benefits of transmission expansion;
- b) SPP must be more proactive in documenting real benefits achieved from both transmission and the Integrated Marketplace and broadcast those benefits to the region;
- c) SPP should consider the impact of “net metering” on load and transmission;
- d) SPP should consider being more active in generation resource planning;
- e) SPP should consider the impact of membership expansion on corporate governance, particularly SPP committee and working group membership;
- f) SPP should focus on employee engagement and opportunities for employees to transfer to SPP members.

**SPP Business Process Improvement**

Scott Noble, director of SPP’s technical director of business process improvement, presented and in-depth assessment of SPP’s business process improvement status. The presentation highlighted SPP’s vision for improvement, basics of the approach used by SPP, review of completed initiatives, future plans and benchmarks, and a summary of challenges and risks. The Committee requested SPP place additional emphasis on quantifying the achievements of the initiatives, either in financial terms, improved quality, increased capacity, etc.

**Future Meetings**

The next meeting of the Finance Committee will be April 1, 2014 beginning at 8:30 am in at the DFW-Hyatt Regency hotel in Dallas, TX. Agenda topics include review of the 2013 financial audit, 2014 benefit plan funding, and overview of SPP’s IT operations.

There being no further business, Harry Skilton adjourned the meeting at 2:40 p.m.

Respectfully Submitted,

Thomas P. Dunn  
Secretary



**Southwest Power Pool, Inc.  
FINANCE COMMITTEE MEETING  
March 7, 2014  
Ponte Vedra Beach, FL**

**• A G E N D A •**

8:00 a.m. – 3:00 p.m.

1. Administrative Items (*5 minutes*)..... Harry Skilton
  - a. Minutes
2. SPP Credit Process (*2.5 hours*) .....Scott Smith  
A thorough review of SPP's credit processes starting with customer underwriting through exposure calculation and monitoring finishing with default remedies
3. Strategic Plan Brainstorm.....Michael Desselle  
Input to Strategic Planning Committee. From Finance Committee perspective, look at two questions: i) where is SPP today, ii) where should SPP. Focus on challenges, vision of the future, SWOTs
4. SPP Business Process Improvement (*2.5 hours*) ..... Scott Noble  
A thorough review of SPP's business process improvement initiatives covering i) goals, ii) implementation strategies, iii) measurement and monitoring, and iv) current status
5. Adjourn ..... Harry Skilton

*Relationship-Based • Member-Driven • Independence Through Diversity  
Evolutionary vs. Revolutionary • Reliability & Economics Inseparable*



**Southwest Power Pool**  
**FINANCE COMMITTEE MEETING**  
**December 20, 2013**  
**Teleconference**

**• Summary of Action Items •**

1. Approved engagement of Stephens, Inc. to manage SPP Retirement Plan assets

**• Schedule of Follow-up Items •**

1. Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.
2. Presentation at a future meeting which will cover the exposure calculations and credit underwriting practices of the Credit Policy.
3. Presentation from IT on hardware and software acquisition and management strategy at the April 2014 meeting.
4. Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.



**Southwest Power Pool  
FINANCE COMMITTEE MEETING**

**December 20, 2013**

**Teleconference**

**• M I N U T E S •**

**Administrative Items**

SPP Chair Harry Skilton called the meeting to order at 1:30 p.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
Kelly Harrison	Westar Energy
Jim Jacoby (proxy for Sandra Bennett)	AEP
Coleen Wells	Kansas Electric Power Coop
Mike Wise	Golden Spread Electric Coop
Tom Dunn	SPP

Others attending included:

Laura Kapustka (phone)	Lincoln Electric
Phyllis Bernard	SPP Director
Nick Brown	SPP

Minutes from December 9, 2013 meeting were reviewed. Kelly Harrison motioned to approve the minutes. The motion was seconded by Coleen Wells and approved by unanimous voice vote.

**Investment Management of SPP Pension Plan**

Each member of the Committee shared their individual perspectives on the two finalists. All Committee members expressed their belief that either firm is capable of performing at a high level in managing SPP's pension assets and advising the Committee on investment issues. Comments in favor of SEI focused on their expertise in the field of pension fund management and the scale of capabilities they can apply to the management of the SPP plan. Comments in favor of Stephens focused on the level of service and focus they would apply to the account due to existing relationship with SPP, location of firm, and size of account.

Larry Altenbaumer motioned to engage Stephens, Inc. to manage SPP's pension fund assets. The motion was seconded by Mike Wise and approved by a 5 to 1 vote.

**Actuary Assumptions**

SPP staff reviewed the three major assumptions used by the actuary in valuing SPP's pension plan obligations, pension cost, and funded status. SPP staff follows a process endorsed by the Committee in 2008 to determine the major assumptions, as follows:

Discount rate: use third segment rate of the Corporate Bond Yield Curve prescribed by the U.S. Treasury Department.

Long-term Rate of Return: weighted average 15 year annualized return of the Russell 3000 index and the Barclay's Government/Credit Index.

Compensation Growth: Review of past and expected growth rates.

SPP staff recommends using a rate slightly higher than the third segment rate (5.50% vs 5.06%) for the discount rate. SPP staff also recommends using a higher rate for long-term rate of return (7.00% vs.

Finance Committee  
December 20, 2013

5.64%). Both recommendations are based on a view that rates are abnormally low currently. SPP staff has discussed these recommendations with both the plan's actuary and SPP's financial auditor; both of whom concurred with the recommendations.

The Committee members appreciated the review in advance of the actuary's work and believed this review provided them with the capability to exercise input into the setting of these important assumptions.

**Future Meetings**

SPP staff will distribute a schedule of meetings for 2014. SPP expects to conduct a teleconference meeting around January 10, 2014, a face-to-face meeting in early March, 2014; and another face-to-face meeting on April 1, 2014.

There being no further business, Harry Skilton adjourned the meeting at 2:30 p.m.

Respectfully Submitted,

Thomas P. Dunn  
Secretary



**Southwest Power Pool**  
**FINANCE COMMITTEE MEETING**  
**January 10, 2014**  
**Teleconference**

**• Summary of Action Items •**

1. Approved MPRR-161: ARR Self-Conversion Credit Exposure Calculation

**• Schedule of Follow-up Items •**

1. Establish a scorecard for presentation to MOPC, SPC, and BOD indicating costs associated with member required projects/services.
2. Presentation at a future meeting which will cover the exposure calculations and credit underwriting practices of the Credit Policy.
3. Presentation from IT on hardware and software acquisition and management strategy at the April 2014 meeting.
4. Develop schedule of items that require Committee approval, items that require Committee monitoring, and items that require Committee input.
5. Review of ARR exposures after July 2014
6. Review SPP's status when a market participant declares bankruptcy
7. Review any other alternatives to netting ARRs which can mitigate the short window of ARR exposure.



**Southwest Power Pool  
FINANCE COMMITTEE MEETING**

**January 10, 2014**

**Teleconference**

**• M I N U T E S •**

**Administrative Items**

SPP Chair Harry Skilton called the meeting to order at 1:30 p.m. The following members of the Finance Committee were in attendance:

Harry Skilton	SPP Director
Larry Altenbaumer	SPP Director
John Olsen (proxy for Kelly Harrison)	Westar Energy
Sandra Bennett	AEP
Coleen Wells	Kansas Electric Power Coop
Mike Wise	Golden Spread Electric Coop
Tom Dunn	SPP

Others attending included:

Laura Kapustka	Lincoln Electric
Bruce Cude	SPS
Trent Campbell	OCC
Phyllis Bernard	SPP Director
Jason Fortik	Lincoln Electric
Tom Hestermann	Sunflower
Carol Shoemake	OG&E
Kelly Walters	Empire
Nick Brown	SPP
Scott Smith	SPP
Phil McCraw	SPP
Ty Mitchell	SPP
Temujin Roach	SPP

**MPRR 161: ARR Self-Conversion Credit Exposure Calculation**

SPP's currently in force credit policy requires entities holding auction revenue rights ("ARR"s) to post collateral for any ARRs selected for self-conversion which have a negative credit value; the entities are not allowed to net the negative value ARRs against any positive value ARRs selected for self-conversion. Once transmission congestion rights ("TCR"s) are awarded then the entity is allowed to net the positive TCRs against the negative TCRs for determining collateral requirements. The time period between electing to self-convert ARRs and the awarding of TCRs is approximately 10 calendar days.

The Credit Practices Working Group proposed changing the credit policy to allow the negative value ARRs selected for self-conversion to be netted against 90% of the positive value ARRs selected for self-conversion. The change is intended to significantly reduce the amount of excess collateral entities are required to post prior to TCR awards without exposing the market to excessive risk of default.

Larry Altenbaumer motioned to approve MPRR 161 with the further provision that SPP will review the results of the TCR auctions over the next 6 months and report to the Committee on the impact this change has created. The motion was seconded by Sandra Bennett and approved by a unanimous voice vote.

Finance Committee  
January 10, 2014

The Chair of the Committee also requested staff engage legal counsel to review SPP's status when a market participant declares bankruptcy and to also review any other alternatives to netting ARR's which can mitigate the short window of ARR exposure.

**Future Meetings**

The next meeting of the Finance Committee will be March 7, 2014 beginning at 7:30am in Jacksonville, FL. Agenda topics include complete reviews of SPP's credit practices and process improvement initiatives.

There being no further business, Harry Skilton adjourned the meeting at 2:40 p.m.

Respectfully Submitted,

Thomas P. Dunn  
Secretary

# Credit Risk Management – Presentation to Finance Committee

Scott Smith  
Director, Treasury and Risk Mgmt  
[ssmith@spp.org](mailto:ssmith@spp.org)  
501-614-3339



## SPP Credit Risk Management Staff

Rachel Delong  
Credit Analyst I

- BS Math/UALR & MBA/Harding
- 7 Years Industry / AECC & SPP
- 2 Years Credit experience

Jared Barker  
Credit Analyst II

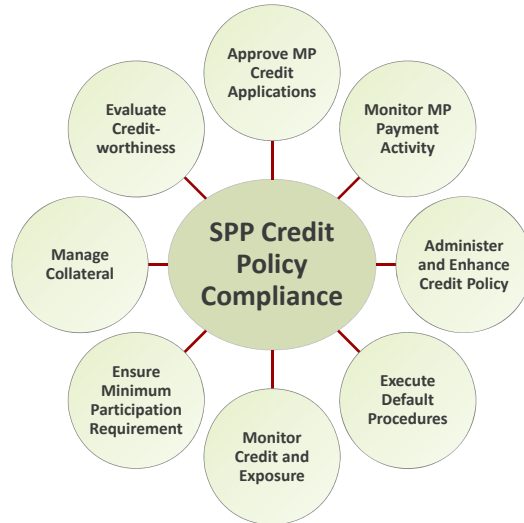
- BBA/Ouachita Baptist University
- 6 Years Industry / SPP
- 9 Years Credit experience

Phil McCraw  
Senior Credit Specialist

- BBA Finance / UALR
- 16 Years Industry / SPP
- 27 Years Credit experience



## Key SPP Credit Responsibilities

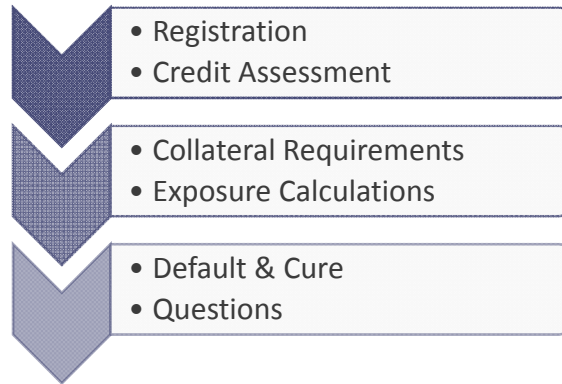


## SPP's Credit Policy

- Created by SPP's Credit Task Force and approved by the Finance Committee, Board of Directors and FERC
  - Oversight by SPP's **Credit Practices Working Group**
- Establishes a **transparent** and **non-discriminatory** process for participation in SPP's markets
  - Registration
  - Underwriting
  - Exposure Calculation
  - Default & Remedies
- Applicable to each **Credit Customer**



## WALKTHROUGH OF CREDIT ACTIVITIES FROM A MARKET PARTICIPANT PERSPECTIVE



## REGISTRATION AND MINIMUM REQUIREMENTS

## 3.1.1 Credit Application and Information

### Appendix "A" - Credit Application Form

- General information
- Bank and commercial references
- Anticipated transmission and market activity
- Loss **contingencies**
- List of **affiliates**
- Additional non-profit questions
  - **Rate setting** ability
  - Wholesale power contracts
  - Management **experience**
  - Other



## 3.1.1 Credit Application and Information

### Appendix "B" - Credit and Security Agreement

- Establishes **security interest** in collateral
- Acknowledges collateral is free of lien
- Acknowledges **default provisions** in tariff
- Acknowledges laws governed by State of Arkansas

## 3.1.1 Credit Application and Information

### Appendix “D” - Guarantee Agreement

- **Unconditional** guarantee of punctual payment
- **Unlimited** guarantee
- Guarantor must meet SPP **financial criteria**
- Guarantor is direct or indirect parent of Debtor



## 3.1.1 Credit Application and Information

### Appendix “E” - Annual Market Participation Criteria and Risk Management Certification Form

- Required by **FERC Order 741**
- Risk Management **attestation**
  - Training
  - Written risk management policies
- **CFTC** Minimum Participation
  - Meets section 3.1.1.8 (CFTC & SPP) requirements
- Required **annually** by all market participants (4/30)

### 3.1.1.8 Minimum Criteria for Market Participation

*First tier requirement:*

#### 3.1.1.8.1 – Minimum Eligibility Requirements (CFTC)

- a. “**Appropriate person**” – Commodity Exchange Act
  - Bank, broker-dealer, insurance company, etc.
  - Unlimited Guarantee
  - \$5MM letter of credit
- b. “**Eligible contract participant**” (CFTC registration)
- c. “**In the business of**”: generate, transmit, distribute
- d. Any governmental entity (federal & state)

### 3.1.1.8 Minimum Criteria for Market Participation

*Second tier requirement:*

#### 3.1.1.8.2 – Minimum Capitalization Requirements (SPP)

- a. Tangible **Net Worth**  $\geq$  \$1MM; or
- b. Total **Assets**  $\geq$  \$10MM; or
- c. Investment Grade **Credit Rating**; or
- d. Guaranty from Guarantor meeting (a) through (c); or
- e. \$200k **Deposit**





# CREDIT SCORING METHODOLOGY

## Credit Scoring Methodology

### Credit

The ability to obtain goods or services **before** payment, based on the trust that payment will be made in the future

- The **Composite Credit Score** is a determination of financial strength and creditworthiness; based upon two predictors:

	Industry Segment	Quantitative	Qualitative
Large Company	Assets > \$250MM	70%	30%
Small Company	Assets < \$250MM	70%	30%
Not-For-Profit	Coop, Muni, State Fed	40%	60%

- An overall credit score on a scale from 1 (best) to 6 (worst) is used.



## Credit Scoring Methodology (cont'd.)

**Quantitative factors** considered in composite score:

Metric	Large	Small	NFP
Current Ratio	10%	25%	15%
Debt Service Coverage			35%
EBIT Interest Coverage	25%	10%	
FFO to Total Debt	40%	15%	
Return on Assets		25%	
Times Interest Earned Ratio			20%
Total Debt / Total Capitalization	25%		30%
Total Liabilities / Total Net Worth		25%	
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Credit Scoring Methodology (cont'd.)



## Composite Credit Scoring Example

### Large Company Composite Credit Scoring Example

Large Company Qualitative Score = 4.0

#### Large Company Financial Measures

Measure	Value	Score	Weight
Current Ratio	.82	5	10%
EBIT Interest Coverage	2.08	4	25%
Total Debt to Total Capitalization	.63	5	25%
FFO to Total Debt	.17	4	40%

Large Company Quantitative Score = 4.35

$(5 * 10\%) + (4 * 25\%) + (5 * 25\%) + (4 * 40\%)$

Value is calculated for each measure and compared with benchmarks to assign a score of 1 to 6 for each measure

Large Company Composite Credit Score = 4.25

$(4.0 * 30\%) + (4.35 * 70\%)$

Weighting for a Large Company  
Qualitative = 30%  
Quantitative = 70%



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## Determining Unsecured Credit Allowance

Composite Credit Score	% of Tangible Net Worth Assigned as Unsecured Credit Limit			Large Company Unsecured Credit Allowance Example	
	Large Company	Small Company	Not-For-Profit	Large Company Composite Credit Score	
1.00 – 1.99	5.000%	5.000%	7.500%		
2.00 – 2.99	3.000%	3.000%	4.500%		
3.00 – 3.59	2.000%	2.000%	3.000%		
3.60 – 4.39	0.750%	0.750%	1.125%	4.25	\$500M
4.40 – 4.99	0.250%	0.250%	0.375%		
5.00 – 6.00	0.000%	0.000%	0.000%		
					<b>Unsecured Credit Allowance</b> (0.75% * \$500,000,000) = \$3.75M

- **Maximum** Unsecured Credit Limit under the SPP Credit Policy is \$25,000,000 (includes all affiliates)
- **Minimum** Unsecured Credit Limit for a Not-For-Profit is \$250,000



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## Financial Security Requirements

Permitted forms of financial security include:



Cash Deposit with SPP



Letter of Credit



Unsecured Credit Allowance

Financial Security (Secured Credit)

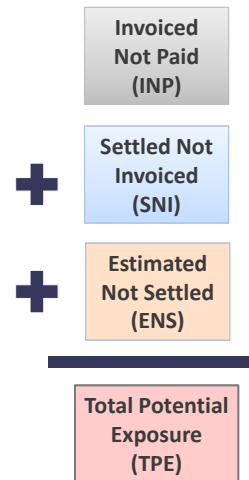
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Total Credit Limit (TCL)

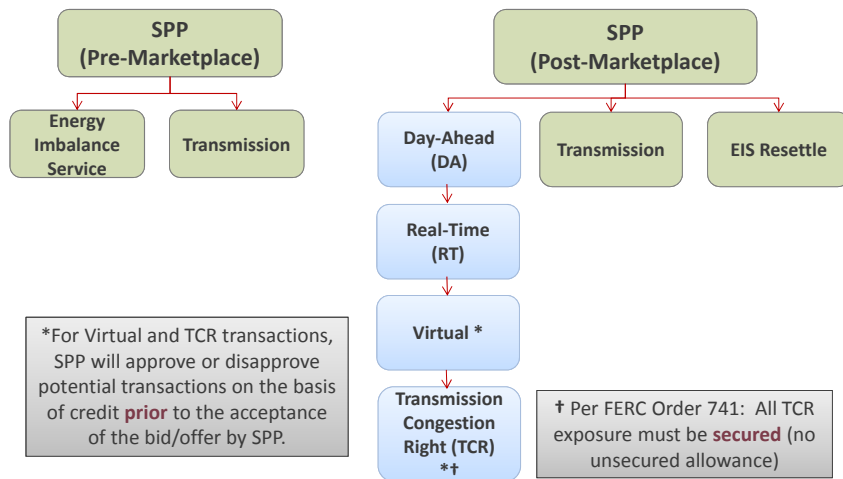
## CREDIT EXPOSURE CALCULATIONS

## Total Potential Exposure

- An estimated amount of **payment risk** defined by SPP's Credit Policy using a combination of known and unknown factors
- Values are calculated **daily** to compare against a Credit Customer's established Total Credit Limit
- Calculated separately for each **category** of service and then summed together to obtain the amount of TPE



## Credit Exposure Types



## Transmission Service Potential Exposure

### Transmission Service Potential Exposure

- Exposure window includes **known** quantities of INP & SNI
- ENS based on **greater** of 7 or 365 day historical daily average of settled amounts
- ENS Potential Exposure Window of **50 days**
- Tariff language has **not changed** with the introduction of the Integrated Marketplace

## Day Ahead and Real Time Potential Exposure

### Day Ahead & Real Time Potential Exposure

- Exposure window includes **known** quantities of INP & SNI
- ENS based on **greater** of 7 or 365 day historical daily average of settled amounts (7-day DA considers Operating Day + 4)
- Potential Exposure Window is **20 days**

## Virtual Exposure

### Virtual Exposure

A Virtual Energy transaction gets its value from the difference between the DA Market Locational Marginal Price (LMP) and the RT Market LMP

#### Virtual Bids/Offers:

- Creates a **potential exposure** when it is submitted
- This potential exposure must be evaluated at the time the bid/offer is submitted to ensure the Market Participant (MP) has **sufficient credit** to cover adverse market outcomes

#### Virtual Award:

- Once the DA Market has solved, it is possible that a MP may **receive an award** for fewer MWs than contained in the bid/offer, or no award at all
- SPP **updates the exposure calculations** to reflect awarded MWs

## Virtual Bid & Offer Exposure

$$\begin{aligned} \text{BID Estimated Virtual Exposure} &= \text{Max/Award Bid MW} \times \text{Bid Reference Price at Node}_n \text{ for Hour}_h \\ \text{OFFER Estimated Virtual Exposure} &= \text{Max/Award Offer MW} \times \text{Offer Reference Price at Node}_n \text{ for Hour}_h \end{aligned}$$

- Virtual bids/offers can be submitted **7 days** in advance of operating day
- Bid/Offers are assessed based on the **maximum potential award** (MW)
- Once the DA Market is solved, Estimated Virtual Exposures are updated by replacing the maximum MWs with the **actual** MWs awarded
- The Bid/Offer Reference Prices remain **unchanged** and are used until the specific **operating day** is settled

## Virtual Reference Prices

- Calculated for each settlement **location** for each calendar **quarter**
- 97<sup>th</sup> percentile implies a **risk adjusted** metric to virtual exposure calculations
  - Virtual reference prices will always be  $\leq$  \$0
- FERC requires SPP analyze **appropriateness** of 97<sup>th</sup> percentile after first year
- New nodes will use the system averages for reference price calculations

## Transmission Congestion Rights Exposure

### TCR Exposure

- A TCR transaction gets its value from the difference between the source and sink DA Marginal Congestion Components (MCC)

#### TCR Bids/Offers:

- Creates a **potential exposure** when the bid, offer, or ARR self-convert is submitted
- This potential exposure must be evaluated at the time the bid/offer is submitted to ensure the MP has sufficient credit to cover **adverse** market outcomes

#### TCR Award:

- Once the TCR auction transactions have cleared, it is possible that a MP may **receive an award** for fewer MWs than contained in the bid/offer, or no award at all
- SPP **updates the exposure calculations** to reflect awarded MWs
- TCR positions are **not netted** with any other trading groups (Virtuals, DA/RT..)



## TCR Bid & Offer Exposure

$$\text{Estimated TCR Exposure} = \left( \text{Max Bid/Offer MW} \times \text{TCR Final Reference Price} \right) + \text{TCR Bid/Offer Price} \times \text{MW}$$

- During the **auction period** exposure for each potential TCR is evaluated individually and there is **no netting** of positively and negatively valued bids, offers or self-converts
  - SPP has filed a Tariff change with FERC to allow the netting of positions during the auction effective May 2015
- Each point on the bid/offer curve will be evaluated for the **maximum potential exposure**
- ARR self-conversions are **treated as bids** with a zero-dollar bid price

## TCR Final Reference Prices

- Source/sink combinations with a negative average are priced at the negative average plus the **90th percentile worst** outcome; positive averages use the **75th percentile**
- Weighted 75% / 25% for most recently **completed** two years
- Negative TCR Final Reference Prices represent a **credit liability**
- Published for all **source/sink combinations** for all product periods
- Negative TCR Final Reference Prices represent a **credit liability**

# DEFAULT AND CURE PROCEDURES

## Default Events

- Failure to remit any amount **payable** under the SPP's Open Access Transmission Tariff (unless cured)
- Failure to cure a **TPE violation**  >
- **Failure to provide** financial information or post financial security within the time periods specified in the policy
- **Bankruptcy** or similar filing by a customer
- Other circumstances as outlined in **Article 8.1.5** of the SPP Credit Policy

## General Remedies for Events of Default

Following two day cure period:

- Suspension of the unsecured credit for up to **ninety days** and filing for termination of service agreement for an uncured payment default
- **Fully securing** all credit for customer's with suspended unsecured credit allowances
- Termination of a customer's **rights** under the credit policy
- Termination of **service** in accordance with the tariff and applicable law
- **Liquidation** of posted financial security to satisfy unpaid invoices



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## Credit Risk Management – Presentation to Finance Committee

Scott Smith  
Director, Treasury and Risk Mgmt  
[ssmith@spp.org](mailto:ssmith@spp.org)  
501-614-3339



January 9, 2014

Dear Member,

Since its inception as a Committee of the SPP Board of Directors, the Strategic Planning Committee (SPC) has engaged members in a collaborative process to seek insight into the evolving trends in our industry and consequently your advice and guidance on SPP's strategic focus. The Board approved the SPP Strategic Plan in 2010. The vision for the year 2020 yielded the creation of three foundational strategies to drive SPP into the next five years. The Three Foundational strategies in the 2010 Plan are:

1. Build a Robust Transmission System;
2. Develop Efficient Market Processes; and,
3. Create Member Value.

These three foundational strategies are still relevant today and will be maintained for the next 5-10 years. However, many of the initiatives under each Foundational strategy have been or will be achieved within the next year. Accordingly, it is time to refresh the strategic initiatives in the Plan.

Additionally, since the approval of the 2010 Plan the Strategic Planning Committee in collaboration with the Members Committee representatives, the Board and SPP Officers undertook the development of strategic scenarios. Through collaboration, the team looking at the critical drivers of Regulation/Legislation, Commodity Prices, Economy/Growth, Technological Innovation and Consumer Perceptions derived an expected case that provides the strategic foundation for any strategic initiatives. A consensus was also formed around three divergent scenarios: Gas Supply Bust; Water Shortage; and Infrastructure Attacked. That effort was completed in 2013 and the Committee will seek to incorporate these strategic scenarios into the updated Plan.

So it is that time again to consider your input to ensure that SPP continues our mission of "Helping our Members work together to keep the lights on... Today and in the Future". The SPC will hold its annual retreat in late April to consider all the feedback provided by members, stakeholders in the working groups, policy makers and regulators. In order for the feedback to be consolidated in time for this effort, written submissions will be accepted up until Friday, March 28, 2014. Please send your response via e-mail to Michael Desselle, SPC staff secretary, at [mdesselle@spp.org](mailto:mdesselle@spp.org)

As you begin to gather your insight into the critical business drivers and suggested strategic initiatives over the next couple of months let me take this opportunity to offer some questions to guide in the development of your input to the SPC. The questions focus on the assessment of "where we are today" and "where we want to go" in the 5-10 year horizon.

Assessment of where we are today (2014)

- Where are we now?
- What do you expect the future to look like (i.e., scenarios)?
- What are the risk and challenges for meeting the future scenarios?
- What are SPP's strengths and weaknesses?

SPP Member  
January 9, 2014  
Page Two

Assessment of where we want to go (5-10 year horizon)

- Based on the future scenarios (which could include probabilities);
  - What are the threats?
  - What are the opportunities?
- How can SPP:
  - Help avoid the threats?
  - Capture opportunities?

Thank you for your participation!

Sincerely,

Ricky Bittle  
Chairman, SPP Strategic Planning Committee

## Business Process Improvement: Vision, Goals, Strategy and Status

Finance Committee

March 2014



Helping our members  
work together to  
keep the lights on...  
today and in the future

## Agenda

- 1) SPP BPI Vision
  - 2) Lean Basics
  - 3) Lean Status Review
    - Completed Initiatives and Engagement
    - Planned Initiative Goals
    - Case Studies
    - Realized Benefits Summary
  - 4) Plans for 2014 – 2016
  - 5) Overall Assessment: Accomplishments/Challenges
  - 6) Tracking Productivity & Cost Avoidance in Budget
- Appendix: Lean Initiative Scorecards

# 1) SPP BUSINESS PROCESS IMPROVEMENT (BPI) VISION



3

## BPI/Lean Evolutionary Implementation

**Cultural and Skills Development** (2012-2014)


**B** Phase I: Identify/Report Improvements – Document in Budget (2011-2012)

**C** Phase II: Lean Evolution (2012-2014)

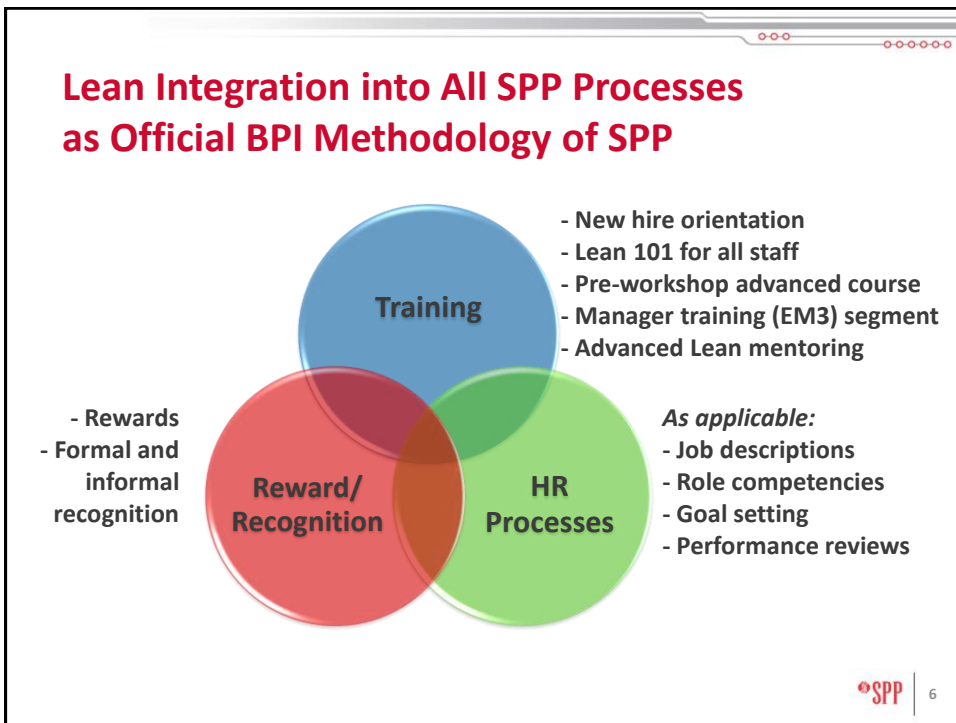
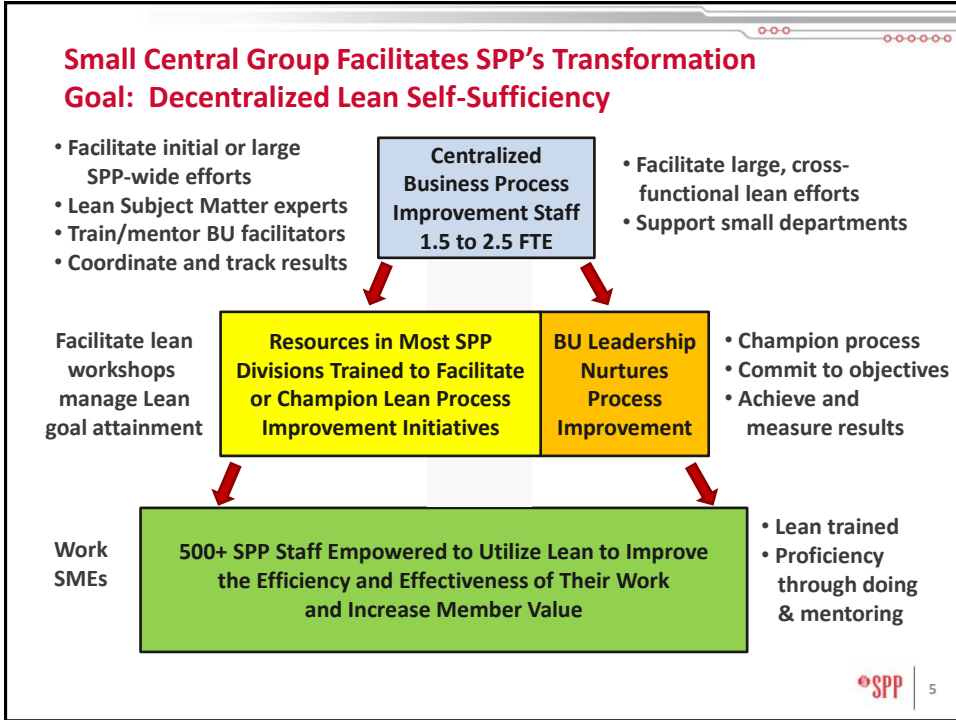
**D** Phase III: Prioritization of BPI as a Member Value Creation Strategy (2014-2015)

**A** Restricted SPP Organizational Bandwidth/Focus (2012-2014)

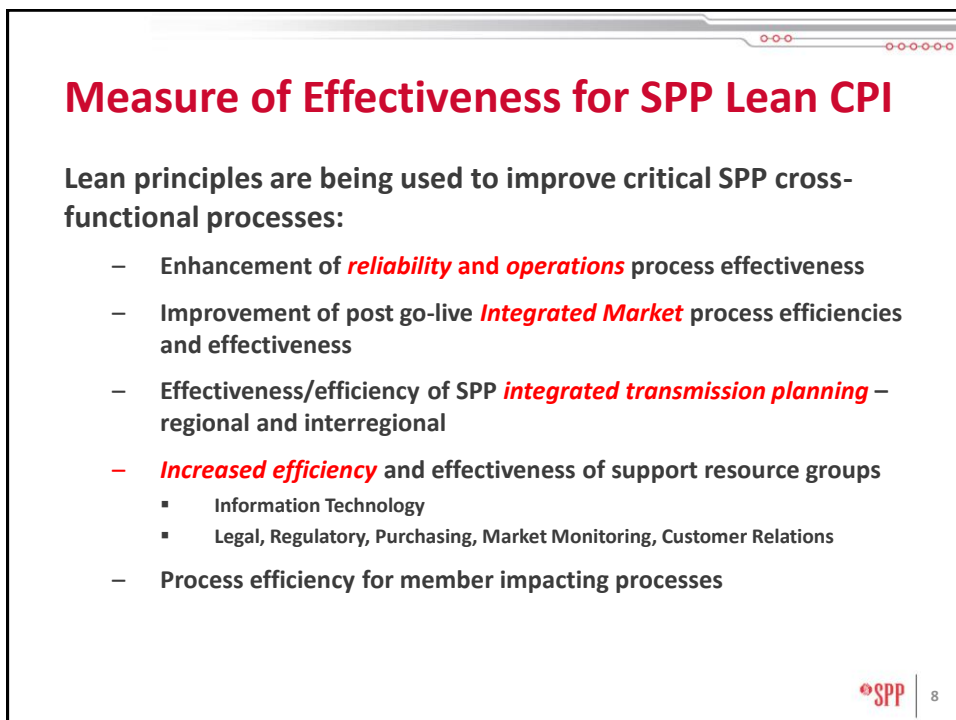
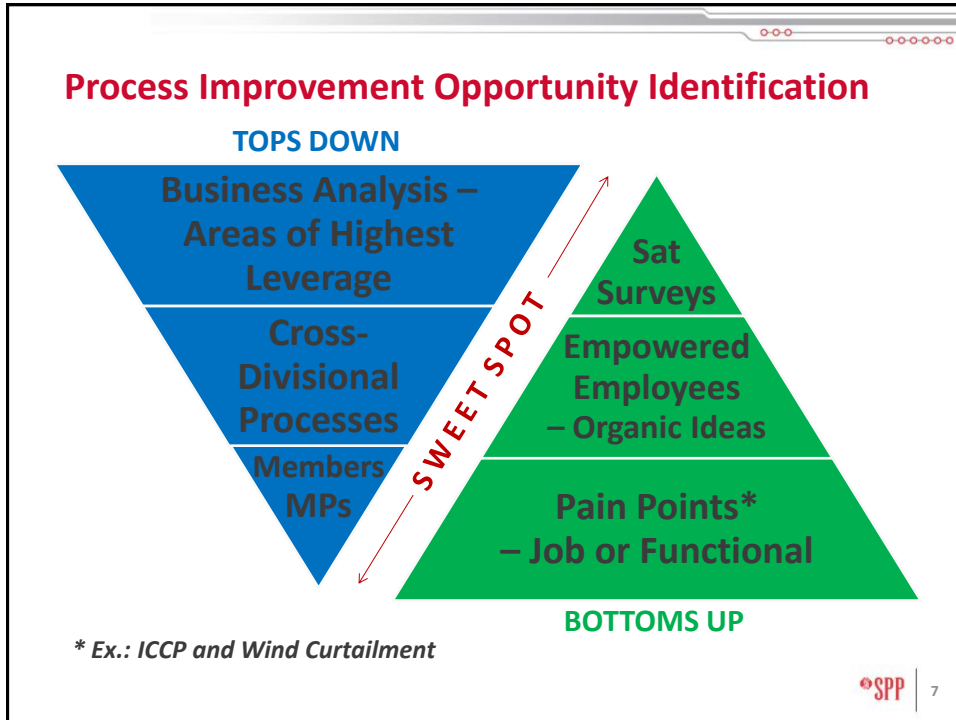
- Design, Development, Testing, Implementation and Operation of the Integrated Marketplace
- Market - Phase II
- Market System Stabilization & Maintenance



4








## Desired Future State Goals ~ 2016

- All SPP Divisions/Departments have developed experience and proficiency at effectively using Lean to achieve results
- Lean utilization/deployment velocity is a business strategy decision made by Officers, Directors, and Managers based on:
  - Their business priorities, issues and opportunities
  - Cost/benefit assessment of competing resource allocations

## Vision Context

ERCOT		NYISO (5)	AEP
	ISO-NE	CALISO (2)*	Westar
PJM		MISO (3)	SPP (1.5-2.5)
			
No formal BPI Program	One major Scorecard project/year (no specific methodology)	Central Staff Drives Lean-Six Sigma Initiatives	Centralized Facilitation, Decentralized Implementation

\* CALISO program restricted to operations

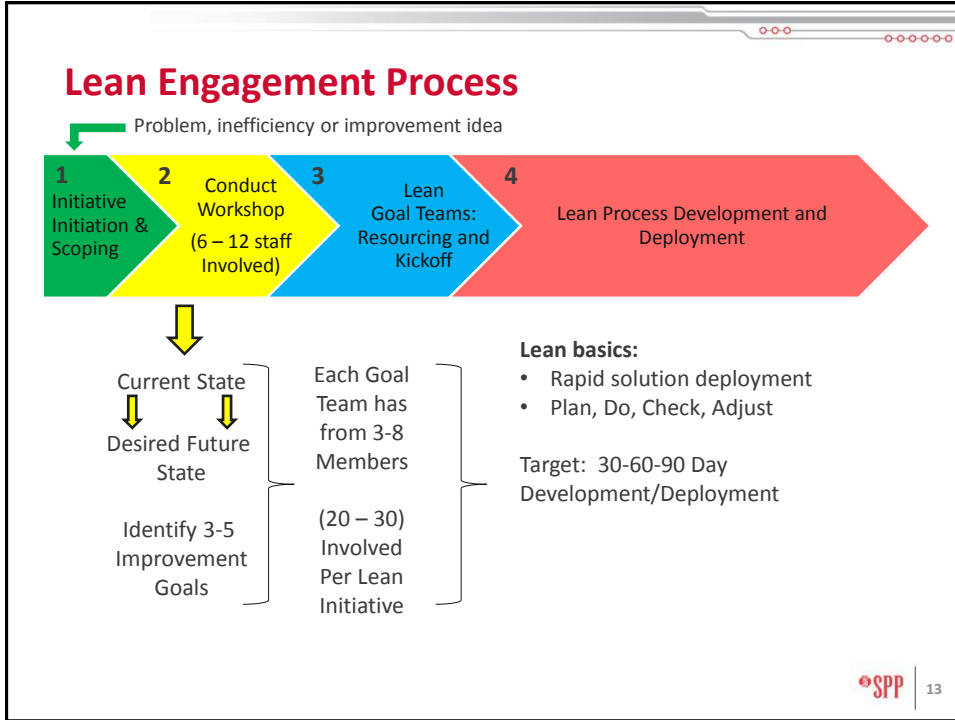
## 2) LEAN BASICS

### Lean Toolkit



- **Enterprise Wide Lean Workshop**
- **Division Focused Lean Workshop**
- **Bundling Lean with Technology Deployment**
  - Major Projects
  - Leverage Documentum/Other Workflow Tools
- **Value Stream Mapping**
- **A3 Problem Solving**
- **Catch Ball Brainstorming**
- **5S Organization Techniques**





## 3) SPP LEAN STATUS REVIEW

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## Lean Initiatives

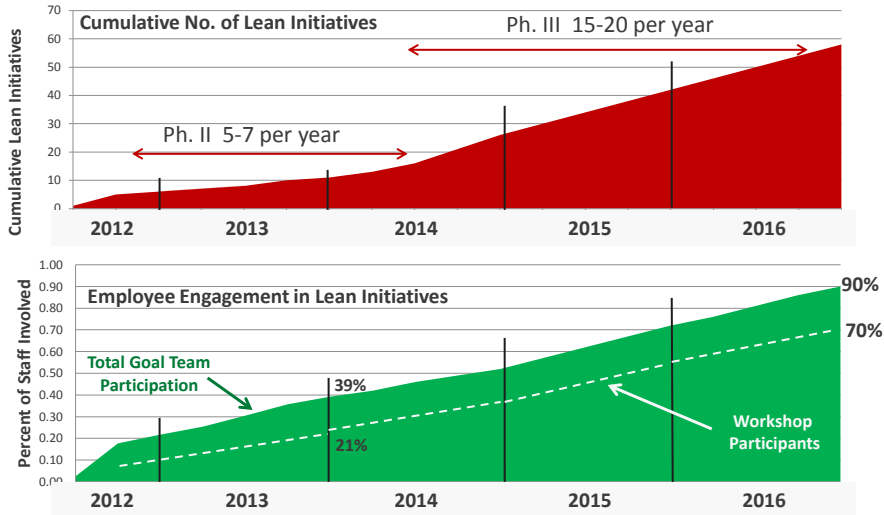
2012 Completed	2013 Completed	2014 Active/Planned
Customer Request Fulfillment	<b>Wind Curtailment Process</b>	Working Group Collaboration Process
Engineering Working Group Effectiveness	<b>Facility Ratings Change Process</b>	Contractor Off-Boarding
ICCP Connection Process	IT Change Management Enhancement	Transmission Project Tracking
	IT Systems Access	PMO Productivity and Standardization *
	ITP Quality Enhancement	<i>Purchasing (On-hold)</i>
<b>(14) TBD Initiatives</b>		

\* Process Improvement, but not Lean

Organization	Lean Initiatives				Lean Owner			Market Priority			X Support	
	Cust. Request	Engr WG	ICCP Connect	ITP Process	IT Syst Access	Engr TP Track	IT Chg Mgmt	Wind Curtail	Facility Rat Chg	Contr Off Board	WG Std	
OP – Real Time *				X								
OP – Ops Engr *	X		X					X	X		X	
OP – Markets								X		X	X	
ENGR – Planning			X					X			X	
IT – Applications	X				X	X	X	X	X		X	
IT – Operations			X							X		
IT – Admin *							X			X		
Market Design											X	
FCS – Finance			X							X		
FCS – Settlements												
FCS – Credit												
FCS – Corp Svcs		X						X			X	
LR – Legal	X		X					X	X			
LR – Regulatory	X	X		X	X	X		X			X	
LR – Mkt Monitor												
LR – Compliance	X	X		X	X					X		
PI – Audit				X						X		
PI – Cust Rel/Trng		X	X	X				X				

\* Scoping discussions for 2014 Lean Initiatives

## Lean Actual/Projected Activity & Engagement



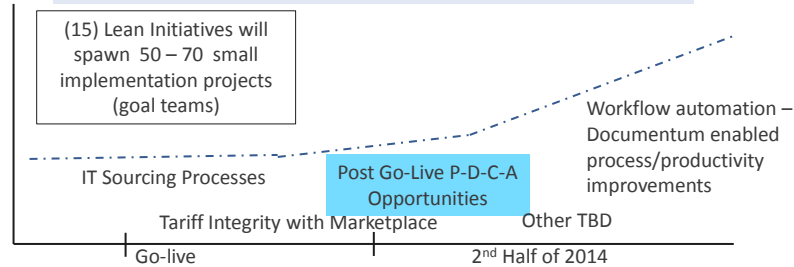
## Lean Metrics

Quarter-by-Quarter View of Lean Efforts to Date																					
Area	Description	2012			2013			2014			Totals										
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q		2Q	3Q	4Q							
<b>1 Lean Continuous Improvement Initiatives</b>																					
Project View	a. Active/carry-over	1	4	1	1	1	1	2	1	2											
	b. Newly initiated (Note: A)																				
	c. Newly closed																				
	d. Total active	1	5	5	4	4	4	4	4	4											
	e. Program to Date Total Lean Initiatives	1	5	6	7	8	10	11	13												
Participant View	a. New workshop participants (Note: B)	12	48	8	7	14	17	7	10												123
	b. Cumulative workshop participants	12	60	68	75	89	106	113	123												
	c. New implementation team participants (Note: C)	2	39	15	14	15	13	3	0												107
	d. Cumulative implementation team participants	2	41	56	70	85	98	101	101												
	e. Total lean initiative participation - cumulative	14	101	124	145	174	204	214	224												
<b>2 Lean Organizational Engagement View</b>																					
Efforts Initiated by Division	a. Engineering		2	1			1														4
	b. Information Technology		2		1				1												4
	c. Operations						1														1
	d. Finance/Corporate Services							1	1												2
	e. Process Integrity		1																		1
	f. Regulatory/Compliance																				0
	g. Market Design															1					1
	h. Total		1	4	1	1	1	2	1												13
	Participants by Division (Note: D)	a. Engineering		32	11	1	7	11													
b. Information Technology			1	24	4	20	2	3	1	3											55
c. Operations			2	5		14	7	1	1												29
d. Finance/Corporate Services				6		1	4	5													16
e. Process Integrity			8	11	1	2	1	2													25
f. Regulatory/Compliance			3	9	6	3	4	1	5												26
g. Market Design																					1
h. Other					1																1
i. Total			14	87	23	21	29	30	10	10											

## 2014 Goal – Learn by Doing

### (15) Directors will Sponsor at least (1) Lean Initiative

Directors with Lean Goals for 2014		
Don Shipley	Katherine Prewitt	Phillip Bruich
Bert Bressers	Jay Caspary	Alan McQueen
Sam Ellis	Richard Dillon	Philip Propes
Stan Chapman	Malinda See	Jim Gunnel
Reed Thornton	Diane Branch	Mike Riley



## Case Study: Wind Curtailment Process Improvements

### Business Problem (Pain Point):

- Wind customer dissatisfaction with how SPP handles curtailments
- SPP responses to wind generator issues are reactive, are creating lost productivity, and dissatisfaction with members and staff.

### Background

- Wind Farms (WF) located in a concentrated area
- Adequate transmission for peak loading not yet in place
- Majority of wind is not a dispatchable resource
- Curtailment process is manual
- WF confusion exists around curtailments and how long they will last
- No rigorous processes exist for ensuring interconnection agreement requirements are met and service priorities enforced
- Lots of “one-off” inquiries
- Several member executive visits occurring

## Lean Goal Team Outcomes

Goal Team	Outcome
1. Transparency & Education	<ul style="list-style-type: none"> <li>Wind Conference held to educate and search for better solutions</li> <li>Web page in use; curtailment event data ready for go-live on OASIS and spp.org</li> </ul>
2. Request Management	RMS tool now in use for these requests. Better communication and more efficient and consistent responses.
3. Improved Manual Dispatch processes	Improved curtailment communications using the Out of Merit Energy (OOME) protocol which will be used in the Integrated Marketplace.
4. Service Prioritization	Training is under way on how to quickly identify whether a TSR associated with a congestion event includes a re-dispatch option
5. Validation Scoping	Additional steps incorporated into the marketplace registration process

## Overall Project Impacts – Qualitative

Impact	Details
Enhanced SPP trust/reputation based on improved transparency	<ul style="list-style-type: none"> <li>Strong attendance during wind conferences</li> <li>Greater willingness to accept our reasons for curtailment</li> <li>Less escalation to executive team</li> <li>Improved rigor in the registration process to ensure generation pre-requisites have been met</li> <li>Implemented a process to ensure TSR priorities are being followed properly</li> </ul>
Increased productivity for SPP staff (see estimated savings on next slide)	<ul style="list-style-type: none"> <li>Reduced time spent “chasing,” developing and approving explanations</li> <li>Use of a self-service web-site to reduce time spent handling routine inquiries</li> </ul>
Improved approach to communicating with affected clients	<ul style="list-style-type: none"> <li>Education of WF on the need and process for curtailments</li> <li>Utilization of RMS for member inquiries</li> <li>Customer buy-in to use OOME as an interim approach pending cutover to Integrated Marketplace</li> </ul>



## Overall Project Impacts – Quantitative

Impact	Evidence
Cost savings from defined process to avoid scattered, one-off response	<ul style="list-style-type: none"> <li>Reduction in time spent responding to unhappy and confused wind generators by Managers, Directors and Executives in Operations, Engineering and Legal.</li> </ul>
<p>Conservative savings of \$14,200 in labor waste/mo.</p> <p>Member savings through the new processes not quantified.</p>	<ul style="list-style-type: none"> <li>3 hrs X 2 meetings/mo X 7 people = 42 hrs/mo X \$110 rate = \$4,620</li> <li>5 hrs X 4 wks to complete work springing from each initial meeting = 20 hrs/mo X \$110 rate = \$2,200</li> <li>4 hrs/wk X 4 resources for member litigation = 64 hrs/mo X \$110 rate = \$7,040</li> <li>4 hrs/wk for wind coalition action = 16 hrs/mo X \$110 rate = \$1,760</li> <li>SPP GRAND TOTAL = <b>\$15,620/mo Old Process</b></li> </ul>
Value-added resource spend since 5/30 wind conference	<ul style="list-style-type: none"> <li>~1 wind call/mo X 2 hrs X 6 staffers X \$110 rate = \$1,320</li> <li>2 hrs/mo on wind call questions/planning X \$110 rate = \$220</li> <li>SPP GRAND TOTAL = <b>\$1,540/mo New Process</b></li> <li><b>Process Savings (Capacity Creation) \$14,080/mo</b></li> </ul>
Self-serve data access via OASIS and spp.org	<ul style="list-style-type: none"> <li>Avg. 44 page hits per day on spp.org in August</li> <li>Avg. 23 page hits/day in September</li> <li>Avg. 26 page hits/day in October (through 10/14)</li> </ul>

## Facilities Ratings Change Process

- Introduction to the “improvement opportunity”
- Benefits:
  - Internal productivity improvement
    - Daniel Harless, Engineer II (Modeling)
  - Greater transparency and clarity into issues impacting equitable cost allocations for transmission upgrades
    - Lanny Nickell, Vice President Engineering

## Lean Initiative Scorecard

Lean Initiative	Productivity	Productivity	Productivity	Quality	Quality	Quality
	Internal Process Clarity	External Process Clarity	Cost Reduction or Capacity Creation	Quality of Outputs	Quality Customer Service	Mitigation of Risk
2013 IT System Access	X			X		X
Engineering ITP Process	X			X	X	
2012 ICCP (Customer Connections)	X	X		X	X	
Engineering WG Effectiveness	X			X	X	
Customer Request Fulfillment	X	X	X		X	

SPP | 25

## Lean Initiative Scorecard

Lean Initiative	Productivity	Productivity	Productivity	Quality	Quality	Quality
	Internal Process Clarity	External Process Clarity	Cost Reduction or Capacity Creation	Quality of Outputs	Quality Customer Service	Mitigation of Risk
In-Process Contractor Off-Boarding	X	X	X			
Engineering Trans. Project Tracking	X	X	X			
Purchasing (on hold)	X		X	X		X
PMO Productivity	X		X	X		X
2013 Facility Ratings Change Process	X	X	X	X	X	
Wind Curtailment	X	X	X	X	X	
IT Change Management	X		X			

SPP | 26

# 4) PLANS FOR 2014 - 2016

SPP | 27

## Lean Cultural Transformation Strategy

<p><b>2015 – 2016</b> Organizational Maturity</p>	<p>Continue all 2014 development strategies Focus on improved value measurement</p>	<p>Increase focus on “tops down”, strategic business-driven opportunity selection Emphasize Officer/Dir./Mgr Lean sponsorship skill development</p>	
<p><b>2014</b> Learn by Doing, Scale</p>	<p>Increase Lean experience base Improve Goal Team efficiencies</p>	<p>Establish Director Goals Increase SPP Lean priority/focus Increase Lean communications</p>	<p>Enhance Lean reward and recognition Collaborate with Divisions to plan for self-sufficiency Mentor Exec. Sponsors/coaches</p>
<p><b>2H2012 &amp; 2013</b> Foundation</p>	<p>Introduce Lean Methodology Create positive “Lean buzz” Status Reports - FC</p>	<p>Position Lean as:</p> <ul style="list-style-type: none"> <li>• Employee Empowerment</li> <li>• Executive “Pain Reliever”</li> <li>• Effective collaboration process for cross-functional processes</li> </ul>	<p>Develop “Lean Advocates” across SPP silos Lay foundation to support increasing scale</p>

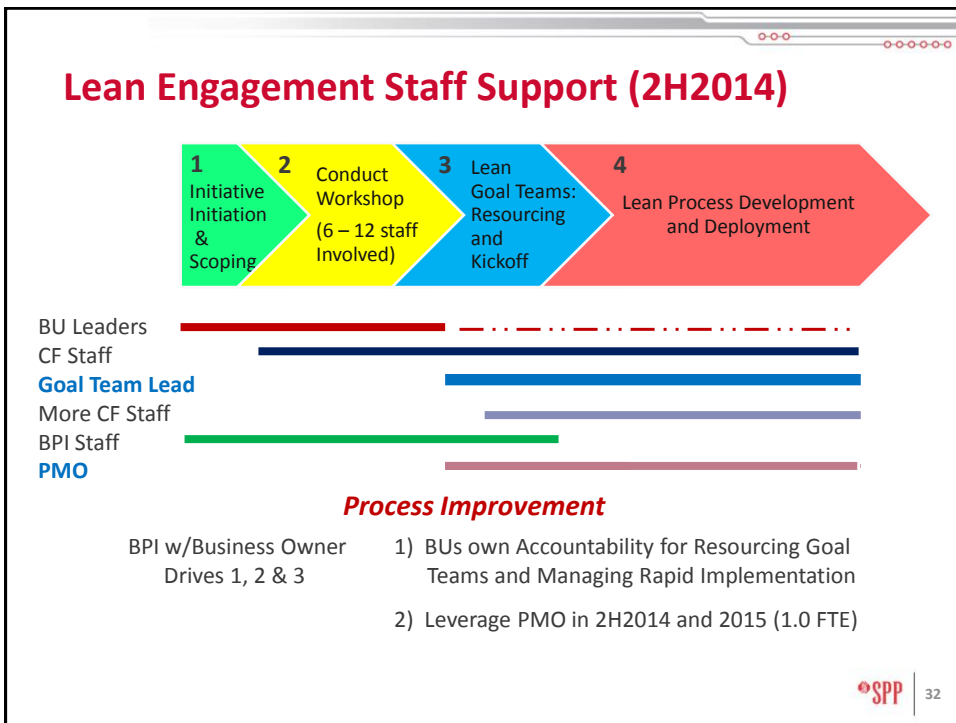
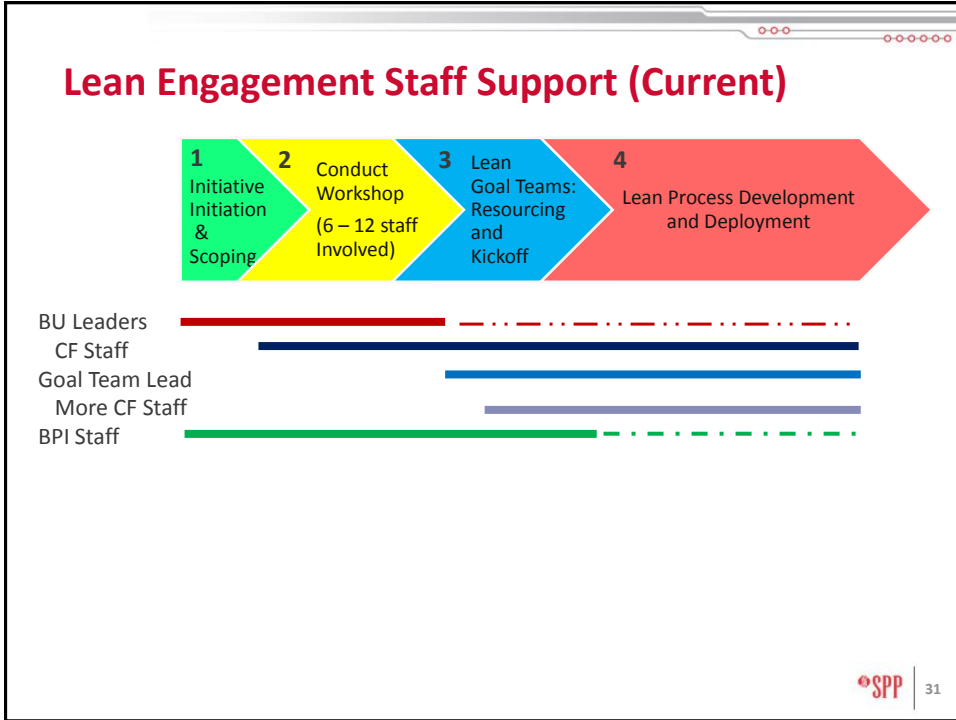
SPP | 28

## Educational Support of Lean

- **Continue to develop Lean education and training material to facilitate staff learning**
  - Lean 101 Basics class (first class Feb. 4 new hires)
  - Lean 101 Basics CBT (completion target = July 2014)
  - Lean Workshop 101 (just in time delivery for workshop teams)
  - Lean 201 – training targeted for Goal Team Leaders (PMO partnering)
  - Lean Sponsorship – class material and mentoring aimed at Officers, Directors and Managers on how to nurture/encourage/support Lean initiatives (empowering your staff to improve processes) - TBD
- **Track Lean course work completion overall and by Division**
  - Lean 101: 50% of staff in 2014      95% by 2016
  - Lean Workshop 101: JIT for 150 in 2014      70% by 2016

## Tracking Metrics

- **Track Lean Initiative Starts and Completion**
  - Total SPP      -- By Division
- **Track Lean participation (Workshops and Goal Teams)**
  - Total SPP      -- By Division
- **For each Lean Initiative – define and measure benefits**
  - Qualitative benefits
  - Quantitative benefits, where feasible
  - Establish benefits realization tracking, where applicable for FC reporting



## 5) SPP LEAN ASSESSMENT

### Accomplishments

- **Solid introduction of Lean to SPP**
  - Positive buzz around Lean
    - Relieves pain
    - Very helpful to bring cross-functional silos together
    - Much more practical than Six Sigma for our business
    - Promotes teamwork and collaboration
  - Have developed Lean Advocates in all major Divisions
    - Senior level advocates
    - Strong support from staff levels doing the work
    - No “backlash” from headcount reduction fears
  - Have developed Lean training materials to support cultural integration objectives
- **Completed (12) Lean Initiatives (and several A3 efforts):**
  - Improving quality, process clarity, efficiency and effectiveness
  - While increasing employee engagement
- **Excellent results with limited resources**

## Challenges/Risks

- Long term success dependent on SPP Division leadership
  - Ability to identify/allocate Lean leadership resources
  - Competing priorities and focus
  - Ability to sponsor, coach and manage Lean teams for results
  - Ability to manage to truly empower employees
- Having only (1) dedicated Lean SME to support a large and important cultural transformation goal has risk
- The strategy of outsourcing Lean Goal team project management to PMO and Division resources is unproven
- Risk associated with smaller divisions having the bandwidth to support Lean initiatives
- Ability to track improvements impeded by nature of SPP business (e.g. vs. manufacturing) and lack of measurement systems

## Future Focus

- Improve SPP ability to identify and track benefit realization from Lean Initiatives
- Develop Lean sponsorship, coaching and empowerment skills within SPP leadership teams
- Increase communication, focus and prioritization of Lean Initiatives
- Continued development and/or integration of reward and recognition programs
- Celebrate successes
- Nurture “tops down” opportunity identification to maximize member value

## 6) TRACKING SPP PRODUCTIVITY AND COST AVOIDANCE

### Focus on Productivity Improvement and Cost Reductions

#### Background:

- Prior to 2011, SPP staff efforts to improve processes or methods to improve productivity or reduce/avoid costs went unreported
- Develop approach to increase focus and awareness

#### Actions:

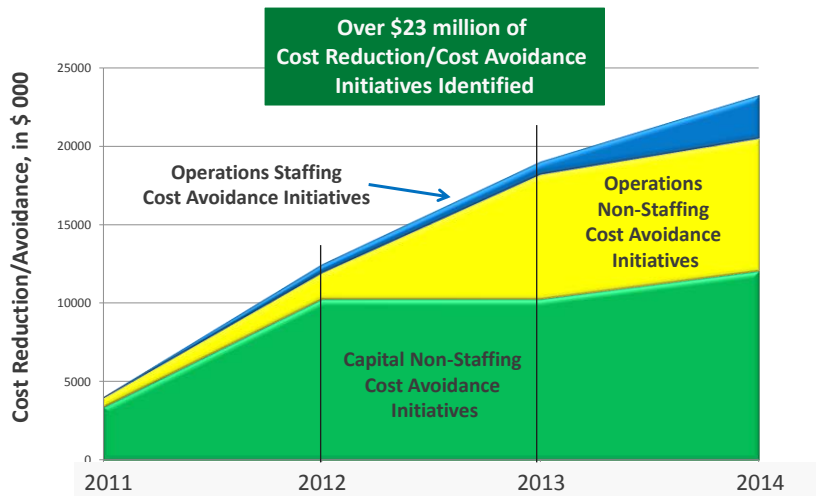
- Began identifying and tracking programs in mid-2011 for the 2012 budget
- Have reported plan vs. attainment quarterly to the Finance Committee
- In June 2012, the Finance Committee endorsed tracking guidelines



## Process Improvement Initiatives in 2014 Budget

Cost Reduction Category	2014	2015	2016
<b>Operations Staffing Cost Reductions</b>			
• Operation Automation and Desk Consolidation Tariff Admin and Interchange Desks	\$ 514	\$ 534	standard practice
• Process Improvements and Increased Efficiency (12) FTE in Zero-Base analysis	\$ 1,430	standard practice	standard practice
<b>Total Operations Staffing Cost Reductions</b>	<b>\$ 1,944</b>	<b>\$ 534</b>	
<b>Capital Non-Staffing Cost Reductions</b>			
• Year 3 of Oracle Unlimited Database Licensing Agreement	\$ 1,802	standard practice	standard practice
<b>Operations Non-Staffing Cost Reductions</b>			
• Enhanced approach to SPP on-site Medical Clinic vs. baseline	\$ 214	standard practice	standard practice
• ABRA upgrade eliminates Meloria contract support costs	\$ 40	standard practice	standard practice
• Switched coffee service vendor for Corporate Campus	\$ 60	standard practice	standard practice
• Meeting expense reduction strategy to leverage new Corporate Campus	\$ 175	standard practice	standard practice
<b>Total Operations Non-Staffing Cost Reductions</b>	<b>\$ 489</b>		
<b>Grand Total Cost Reductions (\$ 000)</b>	<b>\$ 4,235</b>	<b>\$ 534</b>	

## Cumulative SPP Productivity/Cost Avoidance Tracking



## Cummulative Productivity/Cost Avoidance Tracked

Productivity Improvements and Cost Avoidance (in \$ thousand)			
<u>Year</u>	<u>Budget</u>	<u>Attainment</u>	<u>Variance</u>
2 <sup>nd</sup> Half 2011	\$ 3,503	\$ 4,031	\$ 528
2012	\$ 6,448	\$ 8,432	\$ 1,984
2013	\$ 1,858	\$ 6,513	\$ 4,655
<u>2014</u>	<u>\$ 4,235</u>	<u>\$ 4,235</u>	
Total	\$ 16,044	\$ 23,211	\$ 7,167

## APPENDIX

# LEAN INITIATIVE SCORECARDS

## Detail – Facility Rating Changes



### What was the issue?

- Transmission owners often change their transmission facility ratings with limited coordination across SPP and limited SPP understanding of the reasons. This inhibits effective real-time operation of the grid and long-term transmission planning.



### SPP Response

- Increased Visibility
  - Insight into reason and duration for changes
  - Ability to apply criteria on who pays if upgrades are needed
  - Historical view to inform stakeholders on need for policy



### Impact – Productivity

- Internal Clarity
  - Better coordination across Operations and Planning
  - Ability to share data sets previously in silos
- External Clarity
  - Whitepaper requested to set policy for who pays
  - Better coordination across Ops and Planning at TOs
- Automation
  - Tool connects existing data to flag changes
  - Tool also found useful for adjacent processes



### Impact – Quality

- Quality Outputs
  - Improved reports/studies based on consistent data
  - Data points previously unavailable can be used in cost allocation
  - Overall improvements to models enabled through automation

## Detail – Wind Curtailment



### What was the issue?

- Customer complaints of unfair and costly curtailments have led to lost productivity for SPP staff in responding to one-off requests for explanation



### SPP Response

- Increased Transparency
  - Wind conferences
  - OASIS event reports
- Improved Responses
  - Automated tool
  - Single point of contact



### Impact – Productivity

- Internal Clarity
  - Less time spent in one-off research meetings
  - Fewer escalations
  - Better staff coordination
  - Less reinventing wheel
- External Clarity
  - Education via wind conferences, online data
- Automation
  - Online SME engagement
  - Tracking of status
  - Repository of responses for consistency
- Capacity Creation
  - Capacity creation value of a minimum of \$14K/mo



### Impact – Quality

- Customer Service
  - Faster, better responses
  - Less pushback when curtailment is needed
  - Wind Exploder fostering dialog and collaboration
- Curtailment Notification
  - Member buy-in to use OOME as interim tool pending cutover to Integrated Marketplace

## Detail – IT Change Management



### What was the issue?

- SPP's change process for managing IT assets is not as efficient or effective as it needs to be to accommodate growing demand and ensure clean audits



### SPP Response

- Streamlined Process
  - Approvals
  - Task management
- Tool Upgrade
  - Improved usability
  - Increased functionality



### Impact – Productivity

- Efficiency
  - Consolidation of status calls
  - Reformulated advisory board to improve approval process
  - Eliminated waste of delays through alternate approval training
- Automation
  - Drove out requirements for major Remedy upgrade
  - New Remedy removes time-consuming and confusing user steps and enables email approvals



### Impact – Quality

- Employee Satisfaction
  - Created improved audit trail and eliminated confusion by moving close-down approvals to IT Service Management

## Detail – Integrated Transmission Planning



### What was the issue?

- SPP teams struggle with accurate and timely completion of ITP studies



### SPP Response

- Quality Focus
  - Improved documentation
  - Quality assurance steps
  - Improved report development
  - Forecasting/scheduling of report reviews and approvals



### Impact – Productivity


- Internal Clarity
  - Report development tasks accounted for in project schedules (better adherence to timelines)
  - Better time management through staggering of report writing/reviews
  - Process documentation that clarifies roles and responsibilities



### Impact – Quality




- Quality Outputs
  - Improved reports and presentations based on communications team and "as-you-go" reviews by managers
- Customer Service
  - Better reports based on improved project management throughout
- Evidence of impact
  - Positive feedback from BOD on ITP-20 report/recommendations


## Detail – Customer Request Fulfillment




**What was the issue?**

- Customers complained they were not consistently getting timely and high-quality resolution to issues and requests

 <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>SPP Response</b></p> <ul style="list-style-type: none"> <li><u>Revamped Process</u> <ul style="list-style-type: none"> <li>- Central points of contact within functional areas</li> <li>- 5-day service levels</li> </ul> </li> <li><u>Automated Process</u> <ul style="list-style-type: none"> <li>- Adopted and enhanced IssueTrak tool</li> <li>- Single entry point to engage experts</li> <li>- Tracking and escalation</li> </ul> </li> </ul>	 <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Impact – Productivity</b></p> <ul style="list-style-type: none"> <li><u>Improved Efficiency</u> <ul style="list-style-type: none"> <li>- Reassigned employee who did manual tracking</li> <li>- Able to work substantially more requests with same staff</li> <li>&gt; From 109 in Oct 2012 to 901 in Oct 2013</li> </ul> </li> <li><u>Strategic Enablement</u> <ul style="list-style-type: none"> <li>- Supported Integrated Marketplace rollout as conduit for questions and issues</li> </ul> </li> </ul>	 <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Impact – Quality</b></p> <ul style="list-style-type: none"> <li><u>Stakeholder Satisfaction</u> <ul style="list-style-type: none"> <li>- Timeliness of responses</li> <li>&gt; Closure rate (within SLA) of 97% in Oct 2012 and 98% in Oct 2013</li> <li>- Consistency/repeatability of responses</li> <li>&gt; Searchable repository (also saves time)</li> </ul> </li> </ul>
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## Detail – ICCP (Customer Interconnections)



**What was the issue?**

- Customers were dissatisfied with our ICCP connection process, and staff experienced lost productivity in establishing connections

 <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>SPP Response</b></p> <ul style="list-style-type: none"> <li><u>Revamped Process</u> <ul style="list-style-type: none"> <li>- Central point of contact</li> <li>- Formal customer kickoff</li> <li>- Process documented end to end</li> </ul> </li> <li><u>Automated Process</u> <ul style="list-style-type: none"> <li>- Tapped into existing tool to enable tracking and escalation</li> </ul> </li> </ul>	 <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Impact – Productivity</b></p> <ul style="list-style-type: none"> <li><u>Improved Coordination</u> <ul style="list-style-type: none"> <li>- Reduced staff time tied up on generic status calls</li> <li>- Less time spent waiting on availability of SMEs</li> <li>- Clarity of roles created bandwidth to add requests without FTEs</li> </ul> </li> <li><u>Stakeholder Accountability</u> <ul style="list-style-type: none"> <li>- Formal on-boarding establishes expectations for needed inputs and timelines</li> </ul> </li> </ul>	 <p style="writing-mode: vertical-rl; transform: rotate(180deg);"><b>Impact – Quality</b></p> <ul style="list-style-type: none"> <li><u>Improved Customer Experience</u> <ul style="list-style-type: none"> <li>- Fewer touch-points needed based on upfront engagement and closer coordination of tasks</li> </ul> </li> </ul>
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# Tracking Productivity Improvements, Cost Reduction or Cost Avoidance in Budget 2012-2014

March 2014



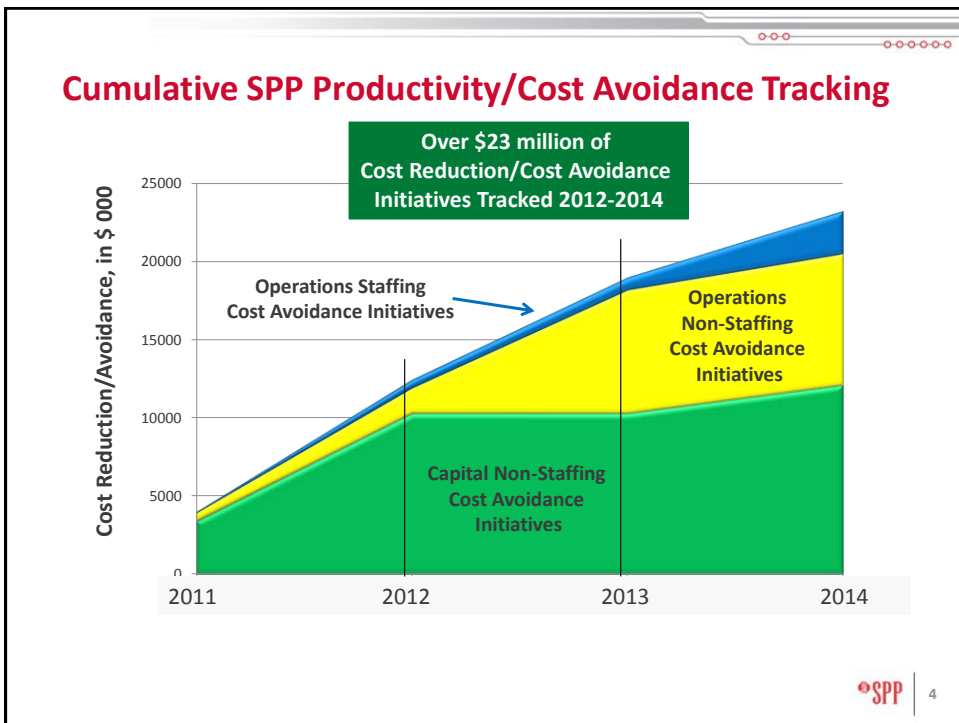
Helping our members work together to keep the lights on... today and in the future



## Process Improvement Initiatives in 2014 Budget

Cost Reduction Category	2014	2015	2016
<b>Operations Staffing Cost Reductions</b>			
• Operation Automation and Desk Consolidation Tariff Admin and Interchange Desks	\$ 514	\$ 534	standard practice
• Process Improvements and Increased Efficiency (12) FTE in Zero-Base analysis	\$ 1,430	standard practice	standard practice
<b>Total Operations Staffing Cost Reductions</b>	<b>\$ 1,944</b>	\$ 534	
<b>Capital Non-Staffing Cost Reductions</b>			
• Year 3 of Oracle Unlimited Database Licensing Agreement	\$ 1,802	standard practice	standard practice
<b>Operations Non-Staffing Cost Reductions</b>			
• Enhanced approach to SPP on-site Medical Clinic vs. baseline	\$ 214	standard practice	standard practice
• ABRA upgrade eliminates Meloria contract support costs	\$ 40	standard practice	standard practice
• Switched coffee service vendor for Corporate Campus	\$ 60	standard practice	standard practice
• Meeting expense reduction strategy to leverage new Corporate Campus	\$ 175	standard practice	standard practice
<b>Total Operations Non-Staffing Cost Reductions</b>	<b>\$ 489</b>		
<b>Grand Total Cost Reductions (\$ 000)</b>	<b>\$ 4,235</b>	\$ 534	

Headcount Reductions (Efficiency and FTE Deferrals)	
2014 Headcount Baseline from 2013 Budget	Headcount Change
<b>Process Improvements, Automation, Learning Curve, Innovation, Staff Planning and Management Challenge Headcount Efficiency</b>	
(1) Settlements Analyst	- 1
(1) Sr Compliance Analyst	- 1
(1) Market Monitor II	- 1
(1) Sr Accountant	- 1
(3) Operations Engineers (Ops Suppt/Market Ops)	- 3
(1) Manager, Operations Quality Assurance (RT Ops)	- 1
(1) Engineer/BA (Congestion Hedging)	- 1
<b>Total Process Improvement/Efficiency</b>	<b>- 9</b>
<b>Capacity Creation Initiatives (offsets Scope Increase) see above</b>	
(1) Operator (Real time operations) position transferred to Cust Relations	- 1
(1) Customer Trainer (supports Business Continuity Specialist)	- 1
(1) PMO Project Manager (allocation of 1 FTE to support Lean focus)	- 1
<b>Total Capacity Creation</b>	<b>- 3</b>
<b>Total</b>	<b>-12</b>



## Cummulative Productivity/Cost Avoidance Tracked

Productivity Improvements and Cost Avoidance (in \$ thousand)			
<u>Year</u>	<u>Budget</u>	<u>Attainment</u>	<u>Variance</u>
2 <sup>nd</sup> Half 2011	\$ 3,503	\$ 4,031	\$ 528
2012	\$ 6,448	\$ 8,432	\$ 1,984
2013	\$ 1,858	\$ 6,513	\$ 4,655
<u>2014</u>	<u>\$ 4,235</u>	<u>\$ 4,235</u>	
<b>Total</b>	<b>\$ 16,044</b>	<b>\$ 23,211</b>	<b>\$ 7,167</b>

## Historical Tracking of Cost Reduction/Avoidance Programs #1

<u>Cost Reduction Category</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Operations Staffing Cost Reduction</u>				
Settlements Process Improvements	\$ 84	\$ 287	\$ 96	
Compliance Process Improvements		\$ 184		
Operations Automation			\$ 158	\$ 514
Reduction of (12) FTE Headcount				\$ 1,430
<u>Operations – Non-Staffing</u>				
In source Tariff Service Agreements	\$ 400	\$ 577		
FERC Sect 205 Filing/Tariff Revisions	\$ 25	\$ 332		
SPPNet In-house monitoring	\$ 139	\$ 139		
In-source Leadership Program		\$ 37		
Wellness Program modification				\$ 214
(3) Corporate Services changes				<u>\$ 275</u>
<b>Operations Sub-Total</b>	<b>\$ 648</b>	<b>\$ 1,556</b>	<b>\$ 254</b>	<b>\$ 2,433</b>



## Historical Tracking of Cost Reduction/Avoidance Programs #2

Cost Reduction Category	2011	2012	2013	2014
<u>Capital Non-Staffing Cost Reduction</u>				
Server Virtualization	\$ 2,584	\$ 5,314		
Oracle Licensing - Virtualization	\$ 115	\$ 893		
Purchasing Competitive Bidding	\$ 684	\$ 541		
Desktop/laptop refresh changes		\$ 49		
Desktop Virtualization		\$ 79	\$ 56	
Microsoft Software Rationalization			\$ 38	
Unlimited Oracle Database Licensing			\$ 6,165	\$ 1,802
<b>Capital Sub-Total</b>	\$ 3,383	\$ 6,876	\$ 6,259	\$ 1,802
<b>Operations Sub-Total</b>	\$ 648	\$ 1,556	\$ 254	\$ 2,433
<b>GRAND TOTAL</b>	\$ 4,031	\$ 8,432	\$ 6,513	\$ 4,235
<b>4 Year Cumulative Total = \$23.2 Million</b>				