



**Southwest Power Pool**

**REGIONAL ENTITY TRUSTEES MEETING**

**July 28, 2014**

**Embassy Suites Omaha-Downtown/Old Market**

**Omaha, Nebraska**

**A G E N D A**

**8:00 a.m. – 12:00 p.m.**

- 1. Call to Order/Introductions ..... John Meyer
- 2. Antitrust Guidelines ..... Emily Pennel
- 3. Approval of Meeting Minutes – June 17, 2014 ..... John Meyer

John Meyer called the meeting to order at 8:00 a.m. and welcomed Mike Rison with the MRO Board, SPP Board members Larry Altenbaumer and Phyllis Bernard, and NERC’s Mike Moon.

- 4. Long Term Reliability Assessment ..... Lanny Nickell

The LTRA is a ten year outlook for 2015-2024 that assesses reliability and makes recommendations for needed mitigations. The assessment showed a modest annual load growth of 1.5%. We are forecasting an average annual growth of 3.5% in energy efficiency and demand response programs through 2024. Over 3 GW of nameplate capacity of is expected to be retired in this time frame, primarily coal. We do not expect this to cause reliability issues due to the ~7 GW that is expected to come into service, which is primarily wind and natural gas.

There are 65,500 MWs Existing Certain Capacity in 2015. To continue to be above the reserve margin we must have the anticipated generation installed. There is concern about proposed environmental regulations. We expect reserve margins to be adequate but to decrease to ~14.5% in 2024. SPP members are required to maintain a 12% capacity margin, which translates to a 13.6% reserve margin. SPP has formed the Capacity Margin Task Force to improve the SPP capacity margin construct. We are taking nominations now. Every SPP member may nominate one task force member.

We do a capacity adequacy study that is a four-year outlook. Current studies indicate there will be adequate time to the perform generator retrofits necessary to comply with known environmental regulations.

We expect 3,500 miles of 100+ kV transmission over the 10-year assessment period. There is particular emphasis on the western part of the grid due to the influx of renewable generation and localized load growth.

We created the Gas Electric Coordination Task Force in January 2013 to oversee activities between the gas and electric industries in the SPP region. A weather operational plan was created for communication between major gas suppliers and SPP Operations.

We are currently managing reliability concerns regarding the exchange of energy between MISO Central/North and MISO South. Other long term reliability issues include potential coal delivery delays, drought and flooding conditions, and operational issues due to higher wind output.

The Trustees unanimously agreed to accept the draft LTRA for submission to NERC.

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5. 2Q Events Report and Facility Ratings Alert Update..... Alan Wahlstrom

We have had 16 system events through 2Q 2014. Eight of the events were analyzed via NERC's event analysis process. There was one Category 1h event (loss of monitoring or control at a control center) and two Category 1f events (unplanned evacuation from a control center facility). NERC has published several lessons learned that we encourage stakeholders to read:

- a. *High AC Voltage Can Lead to Remote Terminal Unit (RTU) Failures*
- b. *Circuit Breaker Modification Leads to Inadvertent Trips*
- c. *Improved Contractor Oversight Needed*
- d. *Generation Relaying – Underfrequency Protection Coordination*
- e. *Loss of SCADA Due to Memory Resources Being Fully Utilized*
- f. *Generation Relaying – Overexcitation*
- g. *Verify That Actions Called for in Operating Guides Can Be Implemented Within Required Time Frames*

On the Facility Ratings Alert, remediation is complete for 100% of the High priority lines, 68% of the Medium priority, and 66% of the Low priority lines. Ron Ciesiel thanks everyone for their participation in the FAC program.

6. Discussion: Extending Trustee Meeting Length in 2015.....Ron Ciesiel

In the last few years, the SPP RE Trustees meetings have grown in both attendance and breadth of topics covered. The Trustees meetings typically do not cover multiple action items; instead, they are primarily opportunities for staff, stakeholders, and Trustees to discuss important reliability matters. The Trustees and a few stakeholders said that it would be a good idea to extend the meeting length until 2:00 or 3:00 p.m. Action items and the most important topics would be put first on the agenda. The Trustees agreed to begin extending the meeting times in October 2013.

7. NERC Operating Committee Report..... Jim Usledinger

The Operating Reliability Subcommittee endorsed the SERC and MISO reliability plans. The Wisconsin and Michigan state regulatory commissions have opened proceedings related to the proposed Local Balancing Authority split identified in the MISO plan. The Balancing Authority ACE Limit Field Trial has been going on since 2005; it was recommended that the field trial continue until BAL-001-2 becomes effective. The Reliability Subcommittee drafted *Reliability Guideline: Generating Unit Operations during Complete Loss of Communications* to provide a strategy for power plant operations in the case of complete loss of communications (both data and voice) between the on-site generating unit operator and the System Operator. The OC approved the guideline and asked the Resource Subcommittee to consider several comments addressing additional areas related to reactive power schedules, transmission system reliability, and regional operating criteria.

The EMS Working group reports to the Events Analysis subcommittee. The group's scope is to analyze events that affect monitoring, control, and situational awareness of the BES and communicate with industry on lessons learned. More 1h events being reported now and 2b events are trending lower. The second annual Monitoring and Situational Awareness Conference is Sept. 23-24 at PJM.

A new joint task force (PC & OC) was created in response to a recommendation from NERC's LTRA to develop a primer on essential reliability services. The task force is developing a tutorial that identifies each essential reliability service and discusses the importance of those services to the operational requirements needed to ensure reliability. The goal is to educate and inform industry leadership, regulators, and policy-makers and develop an approach for tracking and trending.

8. State of Reliability Report..... Mike Hughes

This is the third annual State of Reliability report. The report reviews reliability performance, identifies risks and trends, and provides input to standards projects. The report found that transmission circuit availability was over 97% and transmission transformer availability over 98%. The Daily Severity Risk Index (SRI) has been stable to improving from 2008 to 2013. On average, SRI was approximately as good as 2008 performance, which is the best year on record. Frequency response is trending above the recommended interconnection frequency response obligation; BAL-003-1 will help with this.

The report found that protection system misoperations cause transmission events. There were 71 events related to transmission; over half of those were related to misoperations. Substation equipment failures also impact transmission event severity. Looking continent-wide, NERC found there were issues with 345 kV SF6 puffer-type breakers failing. This was a success story in identifying the root cause of some events.

Seven Energy Emergency Alert (EEA) Level 3 events were declared in 2013, which is less than in prior years. Only one of the EEA 3 events required firm load shed to preserve BES reliability.

Ron Ciesiel encouraged each company to look at this report, which includes a lot of important information and trends.

9. CIP Update..... Kevin Perry

The first round of CIP Version 5 balloting concluded on July 16; all passed but CIP-003-6 and CIP-010-2. Regarding Low Impact BES Cyber Systems, commenters raised concerns that there is an implied requirement to inventory the Low Impact BES Cyber Systems to demonstrate compliance, that identification and monitoring of Physical Access Points is burdensome, “external routable protocol path” needs clarification, and a significantly longer implementation schedule is warranted. It was suggested that NERC combine requirements for Low- and Medium/High-Impact BES Cyber Systems with similar requirements.

Commenters stated that removal of the Identify, Assess, and Correct language reintroduces zero tolerance, irrespective of the enforcement discretion included in the Reliability Assurance Initiative. Other concerns were that the proposed CIP RSAWs introduce new obligations exceeding the CIP requirements, are excessively burdensome, and are inconsistent.

NERC is finalizing the updated CIP Transition guidance; it is expected to be released in August. It will allow entities to assert compliance with V5 requirements during the V3 enforcement period for “mostly compatible” requirements. Any new Critical Cyber Assets resulting from adoption of V5 Impact Rating Criteria will not be subject to V3 compliance expectations.

On July 17 FERC issued a Notice of Proposed Rulemaking (NOPR) on CIP-014, proposing to approve the standard with modifications to allow governmental authorities (i.e., FERC and any other appropriate federal or provincial authorities) to add or subtract facilities from an applicable entity’s list of critical facilities and to remove the term “widespread” in the phrase “widespread instability.” FERC is accepting comments on the NOPR.

10. Enforcement Report.....Joe Gertsch

So far this year we have issued 42 Notices of Possible Violations (NPV). The majority of violations are going through the Find, Fix, and Track process. The active caseload is 171 open violations; 63 are Ops & Planning, 108 are CIP, and 21 are High Impact. The RAI Compliance Exception Process will allow us to process issues outside the enforcement track. We hope this process will be in place in September. Compliance will have the ability to identify compliance exceptions and no NPV will be issued.

Ron Ciesiel noted that incoming violations are continuing to decline, which is good news. The percentage of self-identified violations is increasing. It's important that when we identify violations, mitigation activities occur quickly. This is where we can implement the compliance exception program, ultimately allowing companies to log their own issues.

11. General Manager's & Compliance Report .....Ron Ciesiel

The BESNet tool is open for submitting Self-Determinations and Exception Requests. If your organization is registered as an RC, PA, TO, TOP, or BA, you must have at least one BESnet Entity Administrator even if you do not expect to submit Notifications or Requests. Exception Requests submitted between 7/1/14 and 9/1/14 will be considered for Compliance purposes as received on 7/1/14. SPP RE has processed 11 requests to date; activity has been modest across the ERO.

There were no reportable vegetation contacts in SPP RE footprint in 2Q 2014; this is the fifth consecutive quarter with no reportable contacts.

The goal of the RAI project is to close the gap between the "one-size-fits-all" program of today to a more risk-informed, customized program. With the wrap-up of the RAI pilot programs, the RAI Steering Team is in the process of developing two final reports on Inherent Risk Assessment and Internal Controls Review (ICR). The ICR will be a formal program for REs to assess Registered Entities' internal control programs. SPP RE has been implementing an enhanced IRA practice for its audit activities for approximately one year and will make the adjustments, if needed, in the final NERC IRA instructions.

NERC is finalizing a transition guidance document for use by the REs and Registered Entities that includes instructions on how to deal with issues surrounding the now defunct Version 4, oversight activities for small entities, and other issues. The expected publication date is mid-August 2014.

12. Outreach Activity ..... Emily Pennel

SPP RE will host the fall workshop Sept. 30 and Oct. 1 in Oklahoma City, followed by the RTO Compliance Forum. Four new videos were posted to the online video training library.

13. Year-to-Date Financial Statement.....Debbie Currie

We are underrunning the budget by \$1.2 million and are projected to underrun for the rest of year. We have three open positions that we are holding in reserve for RAI activities. We gave up one FTE equivalent for the next budget cycle. We are only collecting 80-85 cents on the dollar from entities due to the budget underruns.

14. Staff Goals and Metrics .....Ron Ciesiel

We are on track with staff goals and metrics except 2, 5, 7.

15. NERC Committee Representative Written Reports - Comments or Questions

15a. Planning Committee .....Noman Williams

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- 15b. Compliance and Certification Committee .....Jennifer Flandermeyer
- 15c. Critical Infrastructure Protection Committee .....Robert McClanahan
- 15d. System Protection and Control ..... Lynn Schroeder

16. New Action Items ..... Emily Pennel

- Invite the SPCWG to the October meeting to discuss the misoperations white paper
- Begin the longer meeting format in October 2014

17. Future Meetings ..... John Meyer

Chairman Meyer adjourned the meeting at 12:15 p.m.

- October 27, 2014 - Little Rock
- January 26, 2015 - Dallas
- April 27, 2015 - Tulsa
- July 27, 2015 - Kansas City
- October 26, 2015 - Little Rock

REGIONAL ENTITY TRUSTEE MEETING

July 28, 2014

ATTENDANCE LIST

| NAME              | ORGANIZATION            |
|-------------------|-------------------------|
| Sheila Scott      | SPP RE                  |
| Emily Pennel      | SPP RE                  |
| Sevan Perry       | SPP RE                  |
| Alan Wahlstrom    | SPP RE                  |
| Debbie Currie     | SPP RE                  |
| Joe Gertsch       | SPP RE                  |
| TOM HESTERMAN     | Sunflower Electric      |
| Stacy Duabet      | SPP                     |
| Denise Buckingham | KCP&L                   |
| Joe Lang          | Lincoln Electric System |
| MIKE MOON         | NERC                    |
| Jim JACOBY        | AEP                     |
| LARRY ALLENBACH   | SPP Board Director      |
| Mike Risan        | BEPC                    |
| Noman Williams    | Sunflower               |
| Thad Neri         | Xcel Energy             |
| Bo Jones          | Westar Energy           |
| Tiffany Lake      | Westar Energy           |
| Bill HARRELSON    | Golden Spread           |
| RON CRESIEL       | SPP RE                  |



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|-----------------------------|-------------------------------|
| Mahmood Safi                | Omaha Public Power Dist.      |
| John Rhee                   | OG&E                          |
| Jennifer Flandermeyer       | KCP&L                         |
| Mike Hughes                 | SPP RE                        |
| Terri Pyle (teleconference) | OG&E                          |
| Jim Useldinger (teleconf)   | KCP&L                         |
| Jeff Knottel (teleconf)     | City Utilities of Springfield |
| Kim Van Brimer (teleconf)   | SPP                           |
| Bryan Kauffman (teleconf)   | Xcel Energy                   |
| Chris Haley (teleconf)      | SPP                           |
| Robert Pickle (teleconf)    |                               |
| Noumvi Ghomsi (teleconf)    | Missouri Public Utilities     |
| Jason Chaplin (teleconf)    |                               |
| Geoffrey Rush (teleconf)    |                               |
| John Allen (teleconf)       | City Utilities of Springfield |
| Heather Starnes (tele)      | HHS Services                  |
| Phyllis Bernard             | SPP BOB                       |
| John Meyer                  | SPP RE Trustee                |
| Dave Christiano             | SPP RE Trustee                |
| Henry Burrows               | SPP RE Trustee                |