



REGIONAL ENTITY TRUSTEES MEETING

APRIL 27, 2015

Tulsa, Oklahoma Hyatt Regency

Minutes

8:00 a.m. – 3:00 p.m.

Meeting Materials

- 1. **Call to Order/Introductions**..... **John Meyer**
Chairman Meyer called the meeting to order at 8:00 a.m. We observed a moment of silence in remembrance of Stacy Duckett.
- 2. **Antitrust Guidelines** **John Meyer**
Chairman Meyer reviewed the antitrust guidelines with attendees.
- 3. **Approval of Meeting Minutes – 1/26/15 and 2/17/15** **John Meyer**
The Trustees unanimously approved the minutes.
- 4. **Summer Reliability Assessment** **Lanny Nickell**
Lanny Nickell reviewed the summer reliability assessment, which found a projected 2015 peak demand of 50,529 MW and 63,605 MW existing capacity resources. A lot of transmission is going into service this summer; the most significant is a Balanced Portfolio project, the 31 mile latan -Nashua 345 kV line. We have sufficient resources expected for summer. The forecasted reserve margin is 32%.

Reliability concerns include a possible reduction in coal supplies or delays due to railroad congestion, load growth due to increase in oil and gas drilling, and wind integration. Demand response programs in SPP assessment area are voluntary and primarily targeted for summer peak.

The assessment area has sufficient capacity to meet forecasted demand during the 2015 summer assessment period. SPP has sent the finalized draft assessment to NERC, and NERC will publish it in May.

- 5. **Regional Delegation Agreement** **Debbie Currie**
The Regional Delegation Agreement (RDA) gives SPP RE the ability to perform its compliance and enforcement work. The agreement is a five-year term, which ends at the end of 2015. Due to SPP RE’s structure with SPP, Inc., NERC removed the pro forma RDA’s automatic renewal clause for SPP RE.

Ron Ciesiel noted that SPP RE has met all expectations regarding SPP RE’s independence from SPP RTO. Michael Desselle noted that SPP has been discussing SPP RE’s independence for 10 years and it will be discussed again at the next Strategic Planning Committee meeting. Trustee Burrows noted that SPP RE has an

independent board, and he is troubled that NERC is raising SPP RE's independence as an issue. NERC board member Ken Peterson noted that this issue has not been debated at the NERC board, but it clearly needs to be addressed. Barry Warren stated that SPP RE has very good performance and does a good job for the region. SPP, Inc. board member Larry Altenbaumer noted that we have had great success with SPP RE's effectiveness and expressed concern that NERC seems not to like the SPP RE/RTO structure.

NERC made some changes to the pro forma RDA, and SPP RE also made some changes including transferring a Registered Entity, removing the SPP Bylaws and regional standard development procedure from the agreement, and expanding the regional hearing body. The revised document designates the SPP RE Trustees Chairman as an alternative to the SPP RE General Manager to authorize funds transfer, and changed the structure of the SPP, Inc. overhead charge.

NERC will take the pro forma RDA to NERC Board for approval in May. Before June 15, the REs will approve the RDAs. NERC will file the RDAs with FERC no later than July 1.

The SPP RE Trustees endorsed the proposed changes, subject to the favorable resolution of the renewal provision for the SPP RE, to the Regional Delegation Agreement and grant the SPP RE General Manager the authority to execute the agreement once it is approved by the NERC Board, absent any material changes from the current version.

6. Preliminary 2016 SPP RE Business Plan and Budget.....Debbie Currie

SPP RE is recommending a budget decrease for 2016, but we don't expect this to impact our day-to-day operations. We propose a \$10.3 million budget, a reduction of \$1.55 million. We have been carrying four open full-time employees (FTE), and are eliminating two FTEs. Two part-time law clerks are becoming full-time, and our shared staff (RTO Engineering) is increasing by half an FTE. There will be a net decrease of half of one FTE.

Direct expenses are projected to be decreased 8% and indirect expenses decreased 21%. We had a significant reduction in consulting/professional services and removed the budget item for hearing costs. The SPP, Inc. overhead charge was previously allocated based on SPP RE's head count. Now, costs will be allocated based on a fixed amount, which will save SPP RE almost \$1 million.

The Trustees authorized submitting the preliminary Business Plan and Budget to NERC. Stakeholders may submit comments to SPP RE through May 31. We will submit the final budget to NERC on July 6. NERC will submit its budget packet to FERC on August 24.

7. Planning Committee (PC) Report.....Noman Williams

The PC's March meeting was more of an informational meeting. The main approval item was the 2014 probability assessment. This assessment reviews resource adequacy for the entire NERC footprint. Comparison of assessment results to the Long Term Reliability Assessment (LTRA) is still problematic. Ongoing LTRA changes should help improve the ability to compare results.

The Integration of Variable Generation Task Force has completed its work and has been effectively disbanded. The PC is reviewing the task force's recommendations. There has been a lot of activity with CIP-014. The initial ballot passed and will be going to the NERC Board in May. Implementation would start six months after FERC's approval. The Essential Reliability Services Task Force is developing measures to gauge how well reliability services are working. The AC Substation Equipment Task Force brought recommendations to the PC.

Regarding the EPA's Clean Power Plan (CPP), the PC is conducting a three-part assessment. On April 21, NERC [posted an assessment](#) on the potential risks to reliability resulting from the CPP. NERC is assessing the CPP separately from the Regional Entities. SPP, Inc. is conducting a regional compliance approach and a state-by-state analysis.

NERC has been working with EPRI on issues related to FAC-003 vegetation management research. Preliminary testing has determined that a gap factor of 1.0 may be more appropriate than the present value of 1.3 contained in FAC-003-3.

8. CIP Update..... Kevin Perry

NERC is issuing three types of guidance. "Communications to Industry" are clarifying guidance that are expected to be followed by industry and Regional Entities. Lessons Learned can be submitted by any Registered Entity and are informative, experience-based guidance and recommendations that discuss challenges faced by a Registered Entity and how the challenges were solved. Frequently Asked Questions are short general questions and responses.

Communications to Industry topics include Programmable Electronic Device definition, External Routable Connectivity, Network devices as BES Cyber Systems, Generation Interconnection, Control Centers operated by TOs and non-registered BAs, and Third Party Notifications of Medium Impact assets.

SPP RE has conducted three on-site CIP V5 outreach sessions at the request of Registered Entities. Five more on-site sessions are scheduled in 2015, including a NERC Security Reliability Program, formerly known as Sufficiency Review Program review. We added a [CIP V5 page](#) to SPP.org with links to training and reference information.

Most Version 5 effective dates are unchanged by industry approval of Version 5 revisions: April 1, 2016 for High and Medium Impact BES Cyber Systems and April 1,

2017 for Low Impact BES Cyber Systems, assuming prompt FERC action on revised standards. Extended effective dates are defined for new requirements in the Implementation Plan.

Ken Peterson thanked SPP RE and our Registered Entities for our support of NERC and the CIP version transition.

9. Summary of Recent System Events .. Alan Wahlstrom

This quarter has had fewer events than previous quarters. We had four category 1 events: two were category 1h - *Loss of monitoring or control at a control center* and two were category 1a - *An unexpected outage, contrary to design, that results in three or more BPS facilities having outages.*

NERC published Lessons Learned on:

- Importance of Backup Energy Management System Failover Testing after Network Device Reconfiguration
- Importance of State Estimator Save Cases and Troubleshooting Guide
- Digital Inputs to Protection Systems May Need to be Desensitized to Prevent False Tripping Due to Transient Signals
- Consideration of the Effects of Mutual Coupling when Setting Ground Instantaneous Overcurrent Elements

10. Enforcement Report..... Joe Gertsch

The current active caseload is 94 violations, with a caseload index of 5.5 months. This is the lowest caseload index we have had, due to the decreasing number of violations. There are 62 CIP violations and 32 Operations and Planning; 11 are High Impact. We haven't had any High Impact violations incoming YTD. We have done a good job of ensuring High Impact violations are mitigated.

NERC completed a spot check of SPP RE's procedures and 17 mitigation plans. NERC noted several positive attributes, such as staff's outreach efforts and thorough and timely review of mitigation plans. NERC suggested that Registered Entities improve their identification of root causes in mitigation plans and submit the plans in a more timely manner.

11. YTD Financial Update.....Debbie Currie

SPP RE is under budget, primarily due to open positions and lower consultant/professional services costs. YTD we are under budget ~\$546,000. Our year-end projection is that we will be \$1.1 million under budget.

12. General Manager's Report.....Ron Ciesiel

The new Bulk Electric System definition is going smoothly. The fourth quarter of 2014 was the seventh consecutive quarter with no vegetation contacts. We will remove the Purchasing Selling Entities from our compliance registry per NERC's risk-based registration initiative. CIP-002 is the most violated standard; CIP standards dominate

the region’s most violated standards. Seven Transmission Owners have extensions in the Facility Ratings Alert program. In the SPP RE region, 6,450 discrepancies were found.

Communication failures have dropped as a leading cause of regional misoperations; this may be due to SPP System Protection and Control Working Group’s white paper and focus on improving communications. In the last quarter of 2014 there were 330 total operations with 38 misoperations. Most of the misoperations are occurring at lower voltages, and most are due to unnecessary trips.

A number of standards have been revised in the last 18 months. Effective April 1 are BAL-003-1, EOP-010-1, and PRC-005-2. MOD-032-1 is effective July 1. Effective October 1 are CIP-014-1, PRC-006-2. Effective January 1, 2016 are FAC-001-2, FAC-002-2, and NUC-001-3. Effective April 1, 2016 are the CIP V5 standards and PRC-00503.

SPP RE has completed 12 Inherent Risk Assessments (IRA) for Registered Entities on the 2015 audit schedule. SPP RE has developed a voluntary Internal Control Evaluation (ICE) program. ICE will be the focus for Registered Entities on the 2015 audit schedule after April 1. Registered Entities will have opportunity to request an ICE when they receive their IRA summary letter. Full implementation of the Multi Regional Registered Entity (MRRE) program will occur in June 2015.

13. YTD Staff Performance Goals and Metrics.....Ron Ciesiel

SPP RE staff is on track YTD with the 2015 staff performance goals and metrics. We have identified six continuous improvement objectives for 2015: developing risk based implementation processes and procedures; creating workbooks for compliance, enforcement, and the budget; implementing the MRRE process, and reviewing SPP RE’s internal controls for compliance monitoring and enforcement program activities. Staff teams have been established for each project and milestones have been established.

14. Outreach Update.....Emily Pennel

The CIP workshop will be held June 2-3 via webinar and in Kansas City. The spring 2015 workshop at SPP was attended by over 205 stakeholders in-person or via webinar. On the follow-up survey, 92% of attendees rated the workshop *good* or *great*. A majority said they prefer to hold two of the three annual workshops at SPP in 2016. We have received over 1,400 plays on our training videos YTD.

15. NERC COMMITTEE REPORTS – Comments or Questions

- a. Compliance and Certification Committee... ..Jennifer Flandermeyer
- b. Critical Infrastructure Protection.....Eric Ervin
- c. System Protection and ControlOPEN
- d. Interchange SubcommitteeJason Smith



16. New Action Items..... Emily Pennel
Ron Ciesiel will notify the Trustees of any changes to the RDA.

17. Future Meetings John Meyer

June 15 - Teleconference (budget meeting)

July 27, 2015 - Kansas City

October 26, 2015 - Little Rock

The meeting was adjourned at 2:17. A closed executive session followed the meeting for the Trustees and SPP RE management to discuss enforcement actions and personnel issues.

REGIONAL ENTITY TRUSTEE MEETING

APRIL 27, 2015

ATTENDANCE LIST

NAME	ORGANIZATION
Sheila Scott	SPP RE
Emily Pennel	SPP RE
Kevin J. Perry	SPP RE
Joe Gentsch	SPP RE
BARY WARREN	Empire District Electric Co.
Fred Meyer	Empire District Electric Co.
BRENT BAKER	Empire District Electric Co.
TRACY STEWART	SWPA
ANGELA SUMMER	SWPA
Beth Emery	Gridliance - SoCentral MCN
TRENT GILSON	Gridliance - SoCentral MCN
CHIP KOLOINI	GOLDEN SPREAD ELECTRIC
Michael Desselte	SPP
Dave Christiano	SPP RE
John Meyer	SPP RE
GERRY BURROWS	SPP RE
KEN PETERSON	NERC BOT
RON CIESIEL	SPP RE
Bo Jones	Wastar
Norman Williams	Southcentral MCN

LARRY AUSTENBAMEN	SPP DIRECTOR
Debbie Curran	SPP RE
Alan Wahlstrom	SPPRE
Darrell Piatt	FERC
Thad Ness	Xcel Energy
TOM HEJERMANN	Sunflower Electric
Jim Jacoby	AEP
Mike Wise	GSEC
BILL HARRELSON	GSEC
Terri Gallup	AEP

TELECONFERENCE ATTENDEES

Mike Hughes	SPP RE
John Allen	SPP RM
Jennifer Flandermeyer	RE KCPL
Kalem Long	Empire District
John Pineda	OGE
Terri Pyle	OGE
Kim Van Brimer	SPP
Leesa Dokes	SPP RE
Eric Erwin	Wester
Andrea Poucelle	SPP RE