



REGIONAL ENTITY TRUSTEES MEETING

OCTOBER 26, 2015

SPP Corporate Center

Little Rock, Arkansas

A G E N D A

8:00 a.m. – 3:00 p.m.

- 1. **Call to Order/Introductions.....John Meyer**
Chairman Meyer welcomed SPP, Inc. Board members Julian Brix and Jim Eckelberger, SERC’s Scott Henry, and MRO’s Dan Skaar.
- 2. **Antitrust Guidelines.....John Meyer**
Chairman Meyer reviewed the guidelines.
- 3. **Approval of Meeting Minutes – July 27, 2015John Meyer**
John Meyer noted that the Trustees names need to be added to the sign-in sheet of the last meeting’s minutes. The minutes were unanimously approved.
- 4. **Comments from NERC Board MemberJan Schori**
Ms. Schori was unable to attend.
- 5. **Winter Reliability Assessment Overview Lanny Nickell**
Every year we perform a winter reliability assessment to identify areas of concern and make mitigation recommendations as needed. Some SPP, Inc. members are not members of SPP RE but are members of MRO.

We are expecting almost 42,000 MW total internal demand and just over 67,000 MW of existing capacity. We have plenty of reserves for winter, which is typical for SPP. We do not anticipate any reliability concerns; however, we are monitoring fuel supply and wind integration issues. We expect 162 miles of new transmission to go into service during the winter timeframe. The lines are in the Texas and New Mexico area to serve oil drilling load. The draft report has been submitted to NERC. The Trustees unanimously accepted the report.

- 6. **NERC Operating Committee (OC) Report Jim Useldinger**
Mr. Useldinger reported on the OC’s September meeting. The Eastern Interconnection Data Sharing Network (EIDSN) was formed in 2014. The Operating Reliability Subcommittee is working closely with NERC staff and the EIDSN to ensure a smooth and reliable transition from NERCnet to the new Elnet. All companies are connected to Elnet.

The North American SynchroPhasor Initiative continues to work on the use of networked phasor measurement devices, phasor data-sharing, and applications development.

NERC staff is looking at frequency response across the industry. There is a draft reliability guideline addressing frequency control. The purpose of the guideline is to provide generator operators with guidance on equipment settings that support frequency response (i.e., dead bands, droop, outer loop control, etc.)



The Essential Reliability Services Task Force produced a draft Measures Framework Report that included six recommended measures and three recommended industry practices. The report should go to the NERC Board in December.

The Inadvertent Interchange Working Group determined that there is inadvertent interchange balance. The group's intent is to reconcile the balances. The OC approved a letter to the REs to verify each region's balance. SPP RE only has two Balancing Authorities, and we have returned our response to NERC verifying that our numbers were accurate.

There is a new version 3 of the Event Analysis (EA) Process; the OC approved it. The EA Subcommittee is developing a guidance document for reporting events. Please remember that EOP-004 is a required standard for reporting events and the EA process is voluntary for analyzing events.

The Personnel Subcommittee is reviewing possible definitions of term "Situational Awareness".

7. **CIP Update**..... **Kevin Perry**

Two Lessons learned and 27 FAQs were posted as final on the NERC website. More Lessons Learned are in the approval process and are expected to be finalized by the end of 2015. It has been frustrating across the industry that materials have not been coming out more quickly.

SPP RE has conducted six on-site CIP V5 outreach sessions at the request of Registered Entities and has supported six NERC Small Group Advisory Sessions. We have scheduled three more on-site sessions in 2015 and nine on-site sessions for Q1 2016. We will shift the focus of V5 outreach to Low Impact BES Cyber Systems starting Q2 2016. We will see a large group of companies that will be facing CIP technical requirements for the first time.

The initial effective date for CIP Version 5 Standards is April 1, 2016; some requirements have a delayed effective date. All Registered Entities with BES Cyber Systems must be compliant with CIP-002-5.1 R1 and R2 by April 1, 2016. This includes Registered Entities that only have Low Impact BES Cyber Systems. Security Controls implementation for Low Impact BES Cyber Systems is not required before April 1, 2017.

FERC issued a Notice of Proposed Rulemaking (NOPR) on July 16, 2015; it proposed to approve CIP Version 5 Revisions with revisions. FERC added "supply chain management" as a risk factor to consider in the standards. We currently expect FERC to approve the standards no later than the FERC December open meeting, resulting in CIP V5 Revisions becoming effective April 1, 2016. We anticipate additional standards development activity to address issues with Programmable Electronic Devices and External Routable Connectivity.

Regarding CIP-014, compliance with R1 was required as of October 1, 2015, and compliance with R2.2 no later than December 30, 2015. A physical security plan is required within 120 days of completion of all of R2, with a third-party review completed within 90 days thereafter.

We are no longer auditing the CIP V3 standards. Eight CIP V5 audits are scheduled for Q2-Q4 2016. The focus will be on CIP-002-5.1, CIP-005-5, CIP-006-5, CIP-007-5, and CIP-010-1. Additional requirements may be added based on the Registered Entity's Inherent Risk Assessment.

FERC is expected to conduct CIP V5 and CIP-014-2 audits beginning in 2016. SPP RE will cancel planned audit activities if FERC steps in.

8. 2015 Stakeholder Satisfaction Survey Results Ron Ciesiel

SPP RE issues a separate stakeholder survey from the SPP RTO. SPP RE issued the 2015 Stakeholder Satisfaction Survey on September 15, 2015, to the 88 Primary Compliance Contacts (PCC) who are registered in SPP RE's compliance database. We had fewer PCCs this year than in previous years due to de-registrations. The survey had a 65% response rate, up from 62% in 2014. Of the 58 respondents, 12 opted out of the survey.

Respondents were asked to assess seven SPP RE programs on their importance, how well they meet expectations, and customer service/responsiveness. Stakeholders were also asked to assess SPP RE's performance in relation to other Regional Entities, to rate overall performance, and to provide qualitative comments.

Of the respondents who interact with other Regional Entities, none rated SPP much worse, 5% rated SPP RE somewhat worse, 19% rated SPP RE about the same, 43% rated SPP RE somewhat better, and 33% rated SPP RE much better.

When asked how well SPP RE's programs and services meet expectations, respondents rated all with average scores in the *meets expectations* range between 3.2 and 3.6. When asked to rate employees' customer service ability or programs' responsiveness to needs, respondents rated all with average scores between *good* and *excellent*, from 4.1 to 4.6. The 2015 overall satisfaction rating of 4.1 is the same as last year's rating.

Fred Meyer and Jeff Knottek noted that SPP RE's outreach efforts have been helpful and a big improvement over previous years.

9. Event Analysis/FAC/Winter Data Request Alan Wahlstrom

So far in 2015 we have had 11 events; we had one category 2 and five category 1 events analyzed via NERC's Event Analysis process. For the third quarter of 2015, we had One category 2b, *complete loss of monitoring or control at a control center for 30 minutes*, and one category 1a, *loss of three or more elements*. (This was a late submittal of a 2014 event.)

The number of events is down for SPP RE compared to previous years. Reportable system events are down across North America.

NERC has published lessons learned on *Loss of EMS Communications Due to Lack of Validation on EMS Database RTU Configuration Parameter and Relay Design and Testing Practices to Prevent Scheme Failures*.

NERC's Facility Ratings Alert program is still ongoing. There are six companies in SPP RE with open projects. Registered Entities in all eight REs have completed high priority lines. Four of the eight REs have completed medium priority lines. All REs are in the process of remediating low priority discrepancies.

FERC asked four REs to submit responses to questions concerning winter performance for Jan. 7-9 and Feb. 15-20 of 2015. SPP did not have any hour exceeding 1,710 MW of outages. Median MW outages of both time periods did not exceed 918 MW per hour. The majority of outages were due to natural gas curtailment. Only two units experienced outages that previously experienced outages during the 2014 polar vortex.

10. 2016 Implementation PlanJim Williams

In 2014, NERC began to consolidate the Implementation Plan (IP) with the Regional Entities' information as Appendices; SPP RE is Appendix A6. NERC provided the REs with the criteria for developing the IP.

In 2016, the risk-based compliance oversight framework will continue. SPP RE is responsible for assessing Registered Entities' risks through the Inherent Risk Assessment (IRA) and tailoring the monitoring method (Audit, Spot-Check, or Self-Certifications), frequency, and scope. The IRA assessment criteria reviews 35 Risk Factor Attributes to determine the Registered Entity's Risk.

SPP RE completed 24 IRAs for Registered Entities on the 2015 audit schedule. By the end of 2015, SPP RE will complete IRAs for Registered Entities on the 2016 schedule. By the end of 2016, SPP RE will complete IRAs for the remaining Registered Entities.

NERC has posted an Internal Control Evaluations (ICE) Guide. ICE is a voluntary program. Registered Entities may elect to have their internal controls evaluated. If a Registered Entity elects not to participate in ICE or doesn't have internal controls, SPP RE will monitor per usual.

SPP RE developed a 2016 Monitoring Scope Plan that identifies risk elements in the SPP RE footprint: Restoration, Frequency Response, Voltage Support, and Critical Infrastructure Protection. We expanded the ERO Risk Elements to add Human Performance and Maintenance and Management of BPS Assets.

Monitoring methods will be determined by the IRA. CIP will not conduct audits for Registered Entities with Low Impact BES Cyber Systems. SPP RE will continue to require Registered Entities to perform a Self-Certification to ensure compliance. The 2016 NERC IP has not identified standards and requirements that require Self-Certification. SPP RE has identified requirements based on the Scope Plan. Self-Certification will be conducted using webCDMS. The 2016 NERC IP does not identify requirements that require periodic data submittals. SPP RE does identify requirements that require periodic data submittal.

11. Enforcement Report.....Joe Gertsch

The current caseload is 95; 22 are multi-region, 33 are Ops and Planning, and 62 are CIP. The number of incoming violations has declined significantly. There are 59 active violations with no mitigation plans. We have processed 108 violations so far this year. Most of the Find, Fix Track issues are now processed as Compliance Exceptions.

The only mechanism enforcement staff has to force a Registered Entity to submit a mitigation plan is to issue a Notice of Alleged Violation And Penalty Sanction. The Registered Entity then has 30 days to respond. Ron Ciesiel noted that it is important for Registered Entities to submit mitigation plans in a timely manner.

12. SPP RE 2015 Trustee Self-AssessmentJohn Meyer

The Trustees' major accomplishments included having a 2014 metrics achievement of 121.8%, processing Bulk Electric System Definition exceptions and registration changes, implementing Risk-Based Compliance Monitoring and Enforcement Program processes, accepting three regional reliability assessments, maintaining a favorable stakeholder satisfaction score on the SPP RE annual survey, and operating SPP RE within approved budget limits.

Pending issues include working with Registered Entities on the CIP version 3 to version 5 transition, working with NERC and other Regional Entities to streamline and standardize risk-based processes, monitoring Registered Entities' remediation of Facility Ratings

discrepancies, monitoring relay misoperations and the Event Analysis program, and considering the emerging issue of the diverging SPP RE and RTO footprints.

The Trustees unanimously approved the assessment for submission to the SPP Corporate Governance Committee.

13. General Manager’s Report/Compliance Report.....Ron Ciesiel

On October 15, 2015, FERC approved the petition to remove the Load-Serving Entity (LSE) from the NERC Registry. There are 50 LSEs on the SPP RE Registry as of October 2, 2015. There are only 3 LSEs on the SPP RE Registry that will completely drop out of the Registry. SPP RE will not evaluate LSE compliance obligations going forward. LSEs have obligations other than compliance obligations, such as paying SPP RE and NERC Assessments.

The third quarter had no vegetation contacts. The CIP standards still dominate the Most Violated Standards list. The misoperations trend is slightly up. We have not made a lot of headway in reducing misoperations. The SPCWG is now analyzing “incorrect settings and design errors” as a cause of misoperations. Michael Desselle reported that he would follow up with the SPCWG on this issue, as reducing misoperations is part of the SPP, Inc. strategic plan.

14. SPP RE Third Quarter Financial Report.....Debbie Currie

SPP RE’s total expenses are ~\$1,458k under budget. Open positions drive a large percentage of SPP RE’s actual-to-budget variance. In 2016 we will remove two full-time positions that are currently unfilled. At the end of the third quarter, SPP RE projects a year-end budget under-run of ~\$1.83 million.

15. Staff Goals and MetricsRon Ciesiel

SPP RE is generally on track with staff performance metrics year-to-date.

16. Outreach ActivityEmily Pennel

The 2016 workshops and trustee meetings are scheduled. The fall workshop had 209 registrants, in-person and webinar. Attendees rated the workshop 22% “excellent”, 74% “good”, and 4% “average”.

17. NERC COMMITTEE REPORTS – Comments or Questions

17a. Planning CommitteeNoman Williams

There was a discussion about how valuable the NERC seasonal assessments are and ways the assessments may be changed in the future.

17b. Compliance and Certification CommitteeJennifer Flandermeyer

17c. System Protection and Control Open

17d. Critical Infrastructure Protection Committee..... Eric Ervin

18. Existing and New Action Items Emily Pennel

Ron Ciesiel noted that we need to consider our use of the term “area of concern”, which is also used in NERC’s Rules of Procedure.

19. Future MeetingsJohn Meyer

- January 25, 2016 - Oklahoma City
- April 25, 2016 - Santa Fe
- July 25, 2016 - Rapid City
- October 24, 2016 - Little Rock

REGIONAL ENTITY TRUSTEE MEETING

OCTOBER 26, 2015

ATTENDANCE LIST

| NAME | SYSTEM |
|------------------|--------|
| Sheila Scott | SPP RE |
| Emily Pennel | SPP RE |
| Michael Desselte | SPP |
| Joe Gertsch | SPP RE |
| Alan Wahlstrom | SPP RE |
| LANNY NICKELL | SPP |
| Debbie Currie | SPP RE |
| Kevin B. Potts | SPP RE |
| DAN SKAAR | MRO |
| Dave Christiano | SPP RE |
| John Meyer | SPP RE |
| Gerry Burrows | SPP RE |
| RON CIESIEL | SPP RE |
| BRENT BAKER | EMPIRE |
| Fred Meyer | Empire |
| Jim Williams | SPP RE |
| BILL HARRELSON | GS EC |

Mark Bowling

SAP R/3

| NAME | SYSTEM |
|-----------------------------|-------------------------------|
| ROBERT McCRAWHAW | AEC |
| Jennifer Flandermeyer | KCP |
| Jim Eckelberger | SPP Director |
| Norman Williams | South Central M&W |
| JEM USELDINGER | KCP |
| Tom NESTERMAN | Sunflower |
| KRISTINE SCHMIDT | SWAN CONSULTING |
| JULIAN BRIT | SPP DIRECTOR |
| John Olsen | Westar Energy |
| Scott Henry | SEEC |
| Mike Hughes | SPP RE |
| JEFF KNOTTEK | SPRM |
| BARY WARREN | Guidance/South Central M&W |
| Jake Langhorne | O&E |
| Tim Jacoby | AEP |
| Steven Keller | SPP RE |
| John Allen (teleconference) | City Utilities of Springfield |
| Terri Pyle ("") | O&E |
| Kim Van Brimer ("") | SPP |
| Bob Jones ("") | Westar Energy |
| Tom Stuchlik ("") | |
| Kevin Perry (M&W) | SPP RE |
| Chris Haley teleconference | SPP |
| Lori Frisk-Thompson ("") | |

John Pineda (teleconference)
Jody Holland
Trent Carlson

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SCMCA
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