



**REGIONAL ENTITY TRUSTEES MEETING
JANUARY 25, 2016
Oklahoma City, Oklahoma
A G E N D A
8:00 a.m. – 2:30 p.m.**

Meeting Materials

1. **Call to Order/Introductions** **John Meyer**
John Meyer called the meeting to order at 8:00 a.m. He welcomed SPP Board member Phyllis Bernard and candidates for the SPP, Inc. Board, Bruce Scherr and Graham Edwards.

2. **Antitrust Guidelines**..... **John Meyer**
Mr. Meyer reviewed the guidelines with attendees.

3. **Approval of Meeting Minutes – 10/26/15**..... **John Meyer**
The Trustees approved the minutes.

4. **2015 Year in Review**..... **Ron Ciesiel**
In 2015, SPP RE staff achieved a high level of success when measured by our goals and metrics; staff’s weighted total metrics achievement was 114.7%. Other accomplishments include:
 - Implemented Multi-Region Registered Entity, Inherent Risk Assessment, Internal Control Evaluation, NERC Auditor Handbook, Self-Logging, and Compliance Exception processes
 - Improved pre-audit evidence reviews, resulting in decreased audit times and team sizes
 - Continued downward trend in violations
 - Developed “how to” guides for compliance and enforcement processes
 - Developed internal controls for compliance and enforcement requirements
 - Processed registration changes due to the revised Bulk Electric System Definition and FERC Orders related to Load-Serving Entities, Purchasing-Selling Entities, and Distribution Providers
 - Received positive feedback from NERC and FERC observers of SPP RE audits
 - Received favorable ratings on the annual stakeholder survey
 - Continued engagement with NERC’s Events Analysis and Facility Ratings Alert programs
 - Published three Regional Reliability Assessments
 - Increased attendance at outreach activities

Michael Desselle thanked SPP RE staff for their outreach to the SPP RTO on the CIP V5 transition and 2013 CIP audit response.

Gerry Burrows thanked staff for a job well done, especially on outreach. He also thanked the Registered Entities for stepping up and improving their compliance programs and reducing violations, particularly high impact violations.

5. Accept 2015 Goals and Metrics Performance * Action item Ron Ciesiel

John Meyer noted that while there are a large number of goals, the goals do encompass all RE staff. Dave Christiano noted that SPP RE employees do not have direct control over the relay operations success rate. However, reducing misoperations is very important for grid reliability. Fred Meyer noted that SPP RE's outreach, especially regarding CIP V5, has been very good and he thanked staff for their hard work. The Trustees unanimously approved the 2015 Goals and Metrics achievement.

6. Approve 2016 Goals and Metrics * Action item..... Ron Ciesiel

Ron Ciesiel reviewed the 15 goals for SPP RE's staff performance in 2016. The Trustees approved the metrics with the following changes: on goal 5, lower the 150% contribution from 30 days to 25. On goal 11, drop the weighting to 2.5%. On goal 15, increase the weight to 10%.

7. Approve SPP RE Merit Pool * Action item..... Ron Ciesiel

SPP, Inc. approved a 2.5% merit pool for the SPP RTO staff for the 2016 calendar year. During the 2016 SPP RE budget development, the SPP RE Trustees approved a 3% merit pool increase for budgetary purposes, which is in line with what other REs have approved and implemented. At this meeting, the SPP RE Trustees approved a merit pool of 2.75%, which will be applied for the SPP RE staff for 2016.

8. CIP Update..... Kevin Perry

On January 21, FERC approved the CIP Version 5 Revisions in Order 822. The Order removed the "Identify, Assess, and Correct" language; clarified protections for Low Impact BES Cyber Systems; accepted NERC's discussion of the term "communication networks" in lieu of a new Glossary definition; and approved the Implementation Plan, violation risk factors, and violation severity levels.

Order 822 also directed NERC to develop risk-based modifications to the CIP standards to address FERC's concerns regarding protections for transient electronic devices used at Low Impact BES Cyber Systems and for data and the communication links supporting the data communicated between Bulk Electric System Control Centers. NERC is to modify the definition of Low Impact External Routable Connectivity (LERC) consistent with the related discussion found in the Guidelines and Technical Basis section of CIP-003-6. By 4/1/17, NERC must complete and submit a study of the efficacy of the remote access protections afforded by the CIP V5 Standards. The Order deferred further action on Supply Chain Management until after the 1/28/16 technical conference.

Order 822 was published in the Federal Register on 1/26/16 and is effective 3/31/16. That means the V5 Revisions will become enforceable 7/1/16. Per the Implementation Plan, CIP-003-6, R1, Part 1.2 and R2 are enforceable 4/1/17. Other new requirements have delayed effective dates. You will need to refer to both the CIP V5 and CIP V6 Implementation Plans for the enforcement dates for selected Requirements.

This year FERC will be leading audits to assess compliance with standards, adequacy of Registered Entity's controls where compliance discretion is permitted, and instances of ambiguity/entity compliance in light of the ambiguity. The SPP RE region may have a FERC-led audit.

We will begin auditing CIP V5 on 4/1/16. We will initially collect evidence only for the V5 (and later, V6) revisions (depending on the Requirements in effect at the time). If V5 or V6 non-compliance is found for a Requirement/Part with a mostly compatible V3 predecessor Requirement, the audit team will look at compliance with prior versions to determine the start of the violation. The audit team will identify gaps in the Standards as recommendations, which will be discussed separately in the audit report.

To assist with the evidence management and audit approach, NERC posted an optional evidence request and user guide. This document was developed in response to industry concerns about Regional audit consistency and was developed against the CIP V5 Revisions (also known as CIP V6). NERC is seeking industry review and comment on the document.

There will be two Self-Certifications in 2016. CIP-002-5.1 is a compliance Self-Certification with data collection between 2/1/16 to 5/2/16. A NERC-standardized Excel workbook will be used for data collection. Registered Entities may use the data submission mechanism in webCDMS or the secure EFT Server to submit the completed workbook. If you need a user account for the EFT Server, please contact Leesa Oakes.

CIP-014-2 will be a more traditional Self-Certification, using the webCDMS Self-Certification tool between 3/15/16 to 5/2/16. Similar to the CIP-002-5.1 Self-Certification, there is expected to be a simple Excel spreadsheet for the Registered Entity to complete. If the Registered Entity responds "yes" to certain questions, SPP RE will follow-up to get additional detail about the substations identified for physical protections.

This quarter, the SPP RE CIP team has been invited to visit 11 Registered Entities to help ensure the companies are ready for CIP V5 before it becomes effective. We visited with seven companies in late 2015, performing outreach and readiness reviews. We will shift our outreach focus to the Low Impact requirements after 4/1/16, although we will be happy to continue to offer outreach on High/Medium Requirements, including those with a delayed enforcement

date. If you would like assistance from SPP RE to prepare for CIP V5, we will try to work your company into our very full travel schedule. Please contact Steven Keller. Otherwise, the best way to ask us questions is to email us. We hope you can attend the CIP Workshop in May as well, which will focus on Low Impact requirements.

NERC is planning two Small Group Advisory Sessions later in the year, focused on the Low Impact Requirements. Look to this newsletter and NERC announcements for details as they become available. This is a great opportunity to spend a couple of hours with NERC and Regional audit staff discussing your challenges and getting your questions answered.

9. **NERC Compliance and Certification Committee (CCC)....Jennifer Flandermeyer**

The NERC Board of Trustees endorsed the Compliance Guidance Policy document intended to consider approaches “useful in providing guidance for implementing standards, and develop a policy proposal for the purpose, development, use, and maintenance of this guidance.” The policy established two types of guidance: Implementation Guidance, which is vetted and endorsed by industry, and CMEP Practice Guides, which will be written by ERO Enterprise CMEP staff.

The CCC will collaborate with the standards committee to vet additional non-qualified organizations to submit guidance documentation, work with NERC on endorsing guidance, and reviewing existing documents to recommend for ERO endorsement

Ron Ciesiel and John Meyer thanked Jennifer Flandermeyer and our other NERC representatives – Eric Ervin, Jim Usledinger, and Noman Williams - for their work.

10. **Governance Issues.....Dave Christiano**

SPP RE was created in 2007, and shortly afterward we were audited by FERC. FERC noted concerns about SPP RE’s independence from SPP RE. By 2012, SPP RE had satisfied all of FERC’s recommendations regarding separation between SPP RE and RTO.

Last year during renewal of the RE delegation agreements, NERC raised concerns about SPP RE’s independence from SPP RTO. The issue is due to our unique governance; SPP RE is governed by its own independent board but exists under the SPP Inc. corporate structure and bylaws. We believe we have made headway in educating NERC that SPP RE is independent.

The SPP RTO and SPP RE footprints are diverging. This issue has been partially solved by limiting voting on election of SPP Trustees to SPP members who are also Registered Entities in the SPP RE. The issue remains however, for

Registered Entities in SPP RE who are not SPP members, and thus have no vote. This represents about one half of the Registered Entities, approximately 50.

The SPP, Inc. Corporate Governance Committee nominates Regional Entity Trustees and recommends Trustee compensation. The committee includes members who are not SPP RE Registered Entities: three new northern SPP members (Lincoln, WAPA, NPPD) plus CEO Nick Brown and Chairman Jim Eckelberger.

Does it make sense for non-SPP RE Registered Entities to vote on SPP RE matters? Dave Christiano brings these items up for future discussion and consideration.

11. Quarterly System Events & FAC Update Alan Wahlstrom

There were 21 system events in 2015; only 9 were analyzed via the NERC Events Analysis process. There were two SPP Regional Events in the last quarter of 2015.

In the Facility Ratings Alert program, 100% of high priority line discrepancies are complete, 78.6% of medium priority line discrepancies are complete, and 88.2% of low priority line discrepancies are complete.

When NERC asked us about companies doing a good job with line ratings, we recommended that NERC talk to Westar.

12. Enforcement Report Joe Gertsch

The overwhelming majority of violations are low-risk and processed via the Compliance Exception process. We received 89 violations in 2015. The caseload index is 7.5 months. We have 82 active violations now.

There are 44 active violations with no Mitigation Plan. There is no obligation for a Registered Entity to submit a Mitigation Plan until it receives a Notice of Alleged Violation. SPP RE needs to ensure that violations are mitigated, and a completed Mitigation Plan assures the Registered Entity that the company has returned to compliance. According to the chart of “average time to mitigate top ten violated standards”, it takes Registered Entities from 7 to 14 months to complete mitigation. We encourage Registered Entities to complete mitigation as soon as possible. Timely mitigation can potentially reduce penalties too.

13. General Manager’s Report Ron Ciesiel

The Regional Entity delegation agreements have been filed at FERC and are awaiting final approval. SPP RE’s 2016 staffing is at 26 employees vs. the approved 28 employees. Violations continue to trend downward. Our last actionable vegetation contact was in 2010. Communication failures continue to be the leading cause of misoperations out of over 600 operations in each of the

last two quarters. Most of the issues occur at 160 kV and below. 95% of misoperations can be declared as unnecessary.

14. Financial Report.....Debbie Currie

SPP RE's 2015 total expenses were \$1,907k under budget. The budget underrun was in the areas of personnel, meeting and travel, professional services, and the SPP. Inc. overhead charge.

This year, we expect the budget, expenditures and assessments to become more aligned. The 2016 budget of \$10.1 million is ~14% less than the 2015 budget of \$11.8 million.

15. Outreach ActivityEmily Pennel

The December webinar on Low Impact Cyber Assets had 150 registrants. We had 1,400 plays on our training videos in 2015. The spring workshop is March 15-16 in Little Rock. The CIP workshop is May 24-25 in Little Rock.

The RTO plans to start holding its forums in conjunction with the Regional Compliance Working Group meetings rather than the SPP RE workshops. Phyllis Bernard noted that it has been beneficial holding the RTO forums and SPP RE workshops together.

16. NERC COMMITTEE REPORTS – Comments or Questions

- a. Planning.....Noman Williams
- b. Critical Infrastructure Protection.....Eric Ervin
- c. OperatingJim Useldinger

17. Existing and New Action Items.....Emily Pennel

- a. Staff is to revise the 2016 goals and metrics document with the suggested changes.
- b. The CIP team will assure that participants in the CIP-002-5.1 Self-Certification receive adequate instruction and explanations.
- c. Dave Christiano will work with the Corporate Governance committee on the issues noted in item 10.

18. Future MeetingsJohn Meyer

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

Chairman Meyer adjourned the meeting at 3:16 p.m.

The meeting was followed by a closed session for the Trustees and General Manager to discuss personnel issues.

REGIONAL ENTITY TRUSTEE MEETING

January 25, 2016

ATTENDANCE LIST

NAME	ORGANIZATION
Emily Penney	SPP RE
Sheila Scott	SPP RE
Alan Wahlstrom	SPP RE
Joe Gertsch	SPP RE
Kevin Brooks	SPP RE
Debra	SPP RE
Bo Jones	Westar
Geoffrey Edwards	SPP
Bruce Scherr	SPP
ROD CRESSEL	SPP RE
CHIP KOLOINI	GOLDEN SPREAD
Michael Desselle	SPD
Terri Pyle	OGE
Dana Gillett	OGE
Jennifer Flandermeier	KCPL
BA Bank	EDE
Fred Myers	EDE
Noman Williams	SCMCN
BARY WARREN	SCMCN-GREDLIANCE
Ashley Stringer	OMPA

David Osburn	OMPA
Clem Cassmeyer	WFEC
DARRELL PIATT	FERC
Ellen Watkins	SEDC
Paul Mehlfaff	SEPC
Jim Jacoby	AEP
John Rhee	CAE
TRACY STEWART	SWPA
Dave Christiano	SPP RE
John Meyer	SPP RE
GERRY BURROWS	SPP RE
Phyllis Bernard	SPP Director
Shirley Scott	SPP RE

Tom Maldonado	Xcel	teleconf.
John Allen	City Utilities	teleconf.
Jim Useldinger	RCPL	""
Christine Schmidt	ITC	""
Jeff Knottelk	City Utilities	""
Trent Carlson	Gridliance	""
Steven Keller	SPP RE	""
Lori Frisk-Thompson	BEPC	"
Christopher Matos	FSEC	"
Kim Van Brimmer	SPP	"
Sing Tay	OF+E	"
Andrea Doucette	SPP RE	"
Tina Weyand	EDPR	"