Background Information for Agenda Item 4c.

PERSONNEL REPORT SPP RE COMPLIANCE GROUP

2009 Approved Complement	9 Employees
On Staff	7 Employees
Starting May 16, 2009	1 Employee
Outstanding Offers	0
Pending Offer	1 Employee

Changes since January 2009

Kevin Perry has joined the SPP RE as the Director of Critical Infrastructure Protection [effective April 2009].

Shon Austin has been reassigned to work with Kevin Perry.

Kevin is reviewing credentials of two proposed contractors to provide assistance to the CIP team for upcoming spot audits of registered entities beginning July 1, 2009.

Tasha Ward has accepted a position [effective May 1, 2009] as a Compliance Specialist and will be assigned to work with Joe Gertsch as part of the Enforcement and Mitigation team.

Pending one more reference check, an offer will be forthcoming for a Lead Compliance Specialist that will be assigned to the Compliance Monitoring team. Among other duties, this employee will be coordinating the effort to enhance SPP RE written procedures.

Discussion of Potential Future Resource Additions [2009 to 2011]

The SPP RE General Manager, Executive Director of Compliance and Legal Counsel are beginning a review of the post-2009 resource needs for the SPP RE Compliance Monitoring and Enforcement activities. The results of this review will be presented at the July 29, 2009 SPP RE Trustee meeting. Nonetheless, given the NERC 2010 budget cycle deadlines, the following recommendations are made for inclusion in the draft budget due to NERC on May 8, 2009.

Summary of Proposed Resource Additions:

2009:

1 - Critical Infrastructure Protection
1 - Administrative

2010:

1 – Critical Infrastructure Protection
2 – Compliance Monitoring & Entity Registration
2 - Compliance Enforcement

Critical Infrastructure Protection [2009: +1, 2010: + 1]

The Regional Entities have produced an internal whitepaper, discussing the evolution of the compliance monitoring of the CIP standards, recommending that the on-site audit teams include 4 team members beginning in July 2010 for required on-site audits of the 41 enforceable requirements contained in the CIP standards. In the interim, smaller spot audits will be performed, beginning in July 2009 that will require 3 team members. The SPP RE is required to either spot audit or fully audit all Balancing Authorities, Transmission Operators, and Reliability Coordinators between July 2009 and December 2010. The SPP RE intends to perform the initial spot audits with the current CIP team of Kevin Perry and Shon Austin augmented by one contract personnel. In addition to the required spot audits beginning in July 2009, the SPP RE will begin a review of

the risk based methodology assumptions used by the registered entities to determine critical asset identification. The 2009 addition to the SPP RE staff will be assigned the duties of gathering and analyzing the information from the 90 +/- registered entities that are subject to the CIP standards and advising the SPP RE, NERC and the registered entities on the findings as well as making recommendations to all of the interested parties. In 2010, one additional SPP RE employee will be added to form the 4-person nucleus for CIP activities, augmented by contract personnel, as required.

Compliance Monitoring [other than CIP] & Entity Registration [2010: + 2]

The current complement of 3 personnel [Kevin Goolsby, Jim Williams and one open position] is insufficient to continue to perform the compliance monitoring functions dictated by the NERC Business Plan beyond 2009. In 2009, NERC introduced mandatory spot audits of specific standards and requirements in addition to the prescribed suite of standards for compliance audits. While these spot audits can generally be performed by the SPP RE staff from its offices in Little Rock, the administrative requirements are effectively equivalent to a compliance audit including formal notices, possible staff interviews, and formal reports.

In addition, a recent FERC Audit of the SPP RE activities recommended increased evidence review and corroboration for compliance violations both during the initial investigations and in the post mitigation plan closing activities. These activities will likely result in more on-site visits by the SPP RE staff while conducting these investigations and mitigation plan reviews.

All current NERC Reliability Standards are in a three-year review and revision cycle requiring constant monitoring adjustments and educational outreach to the registered entities. This monitoring adjustment and outreach efforts will fall mainly on the Compliance Monitoring groups of each Regional Entity.

As discussed earlier, Shon Austin has been re-assigned to the CIP group and will be transferring his duties of entity registration to the Compliance Monitoring and Registration group. The addition to personnel in 2009 will be largely occupied with enhancing SPP RE written procedures and following and incorporating FERC and NERC orders and recommendations into the SPP RE procedures.

The SPP RE will utilize its strong contractor base to assist this staff during the remainder of 2009 but due to certain requirements that dictate dedicated RE personnel and for workforce stability, a staff expansion will be required possibly late 2009 and certainly in 2010. Based on current workload projections, the SPP RE is anticipating adding 2 additional personnel in this area.

Compliance Enforcement [2010: +2]

Joe Gertsch and Tasha Ward form the nucleus of the Compliance Enforcement group with substantial assistance from Alison Hayes [SPP Legal Counsel] and Machelle Smith [Administrative Assistant]. The role of this group is to complete the regional entity processes for all compliance violations discovered by any of the 8 prescribed monitoring measures. This includes developing and delivering formal notices, penalty determinations, mitigation plan acceptances, settlement discussions and final notices to NERC and FERC on each violation processed by the SPP RE.

This group may engage the technical resources from other SPP RE groups as well as the contractor pool to assist in investigations, mitigation plan reviews as well as post mitigation plan closing activities. In addition, the SPP RE and other regional entities have begun working on common settlements and notices for multi-regional entities in order to share some of the workload in this area. We believe this activity as well as a proposed short-form settlement process will begin to reduce the backlog of violations that has built up in this area across the NERC footprint.

As discussed earlier in this paper, the enforceable CIP standards are being phased in across the SPP RE footprint with a two pivotal dates occurring in 2009. The first auditably compliant threshold for BA/TOP/RC is reached on June 30, 2009 and the compliant state for all 41 requirements is reached by the other 70 registered entities in the SPP RE footprint on December 31, 2009. The FERC has determined that enforcement should begin at the compliant state. The SPP RE experience has shown that the introduction of monitoring on new or enforceable standards is accompanied by a rise in violations for these standards. Enforcement activities for these standards will require more manpower per violation due to the sensitive nature of the information surrounding investigations, record development, notices and settlements.

The workload in this area is very dependent on the number of violations processed by the SPP RE and will be monitored carefully to assure the proper resources are allocated to this function. Additional personnel for this area are not anticipated until 2010 and beyond.

Reliability Assessment and Event Analysis [+ 0]

Alan Wahlstrom joined the SPP RE in December 2008 and has been assigned these two areas of concentration.

Alan's role in the Reliability Assessment area is to coordinate and oversee the activities of the SPP RTO shared staff in developing and publishing the required NERC Reliability Assessments for the SPP RE footprint as well as representing the SPP RE on the NERC Reliability Assessment Subcommittee.

In addition, he is responsible for initiating and coordinating all event analysis activities in the SPP RE footprint. He may serve directly on the event analysis team or actively recruit other SPP RE personnel or contractors to represent the SPP RE on any teams that are formed. He also acts as the liaison to the SPP Working Groups that eventually review final reports from either the entities involved in an event or from an Event analysis team.

The activities surrounding the Reliability Assessment activities are generally fairly predictable; however, the amount of activities surrounding event analysis is totally dependent on the number of reportable events in the SPP RE footprint.

Readiness Evaluation/Situational Awareness [+ 0]

The NERC Readiness Evaluation Program was discontinued in 2008 and the SPP RE has allocated no personnel to this activity for 2009 to 2011.

The SPP RE has historically relied on the SPP Reliability Coordinator to provide the required information and reports to NERC and FERC required by the Situational Awareness activities and has allocated no personnel to this activity for 2009 to 2011.

Standards Development/Analysis/Coordination [2010: + 1]

The SPP RE has relied on the SPP RTO shared staff to provide oversight and analysis in the area of Regional Standards development and analysis of changes/additions to the NERC Reliability Standards. Recent changes to the SPP RE and SPP RTO staffs, progress on the SPP RE Regional Standards, a full calendar of NERC standards revisions and interpretations have exposed this area as an area that needs the stability of a permanent assignment. In addition to advising the RE staff on upcoming changes to NERC standards, overseeing the development of the SPP Regional Standards, more effort needs to be made in the outreach efforts to the registered entities in certain areas such as ballot body registration, soliciting comments, drafting team participation, and education efforts. This position will be assigned to an appropriate group in the SPP RE organizational structure.

Other [2009: + 1]

An administrative resource is needed in 2009 to implement a single point of contact document management and calendar tracking process for the audit through enforcement and settlement process. All documents and files assembled by the SPP RE must be kept and be retrievable for at least 5 years. This includes both physical files as well as electronic files.

Additionally, once the SPP RE is relocated to remote offices away from the main headquarters the SPP RE will lose much of the support provided by shared administrative staff in the areas of mail delivery, meeting planning plus other types of activities.

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