Southwest Power Pool, Inc.

Regional Entity Trustee's Meeting

April 29, 2009

ERO Three-Year Assessment Update

- FERC's 2006 order approving NERC as the ERO requires NERC to submit an assessment of the performance of NERC and the Regional Entities by July 20, 2009.
- NERC requested that the Regional Entities provide self assessments to NERC on April 1, 2009 and continue to update the self assessments
- NERC will post a draft of its assessment of the Regional Entities and its self- assessment for discussion at the May 5, 2009 NERC Board of Trustees Compliance Committee meeting
- NERC will accept comments from stakeholders at the end of May.

Southwest Power Pool (SPP RE) Statement of its Activities, Achievements and Effectiveness in Carrying Out its Delegated Responsibilities

The Commission's regulations at 18 C.F.R. §39.3(c) require NERC to "submit an assessment of its performance three years from the date of certification by the Commission, and every five years thereafter." The initial performance assessment report is due to be filed with the Commission by July 20, 2009.

Consistent with the FERC regulations and the guidance in FERC's order as quoted above, the principal focus of the Regional Entity's document should be the Reliability Standards Development and Organization Registration and Compliance Monitoring and Enforcement (OC/CMEP) programs. (The Regional Entity should also include a discussion of its activities in the other four statutory program areas, but a less extensive discussion is needed.)

INTRODUCTION

Southwest Power Pool, Inc. (SPP) is a Regional Transmission Organization, approved by the Federal Energy Regulatory Commission (FERC) to ensure reliable supplies of power, adequate transmission infrastructure, and competitive wholesale prices of electricity. In April, 2007, FERC approved the Delegation Agreement between NERC and SPP for the purpose of delegating to SPP certain responsibilities and authorities as a Regional Entity (RE) as defined by Section 215 of the Federal Power Act for the SPP region. These responsibilities and authorities include: i)Reliability standard development; ii)compliance enforcement; iii)Organization registration and certification; iv)Reliability readiness audit and improvement; v)Training and education and vi)Situational awareness and infrastructure security. SPP RE has registered entities in eight states across the central southwest United States.

The SPP RE is governed by three independent Regional Entity (RE) Trustees. The RE Trustees have autonomy over decisions in fund allocation and approval of the SPP RE Budget, as well as oversight of RE decisions on regional standards, compliance enforcement actions, and penalties.

The SPP RE is funded separately from other SPP, Inc. non-statutory activities by Load Serving Entities (LSEs), who are billed quarterly by NERC for their share of the RE and NERC budgets. Invoices are based on the LSE's annual Net Energy for Load calculations.

The SPP RE Budget provides funding for all programs included in the SPP RE Delegation Agreement. SPP RE Trustees have authority over the RE Budget and are responsible for completing an annual Business Plan and Budget, which is submitted by NERC (on SPP RE's behalf) to FERC for final approval every August. SPP RE employs dedicated RE staff to perform the Compliance and Enforcement program and Organization Registration and Certification. Other SPP RE programs are performed by shared SPP staff. Appropriate separation of staff functions and SPP Bylaws ensure that the SPP RE meets independence requirements as set forth in the April 2007 FERC Order.

Review of Stakeholder Inputs

Stakeholder ratings and comments from the ERO three-year assessment survey support the notion that SERC has developed a fundamentally sound regional entity governance and staff. On the subject of governance and independence, the following inputs were received[1]:

- SPP scored 1.67 (27 respondents) indicating strong agreement that SPP is sufficiently independent of owners, operators, and users to effectively perform statutory duties with objectivity and integrity (Survey Question 63).
- SPP scored 1.63 (24 respondents) supporting the notion that SPP has sufficient rules to ensure its independence from bulk power system owners, operators, and users (Survey Question 65).
- Stakeholders also agree SPP is qualified, competent, well-prepared, and organized in the conduct of its statutory functions (score 1.47 on Question 59) and is timely and responsive to stakeholders on reliability matters (score 1.65 on Question 60).

I. Reliability Standards Development

A. Describe Regional Entity's activities and accomplishments in regional reliability standards development since January 1, 2007. Include discussion of improvements to activities and operations since January 1, 2007.

SPP RE facilitates the activities of the SPP Regional Standards Development Process, which was adopted as part of the SPP Regional Entity Delegation Agreement approved by FERC in 2007.

SPP RE is currently facilitating the development of one draft standard.

- PRC-006-SPP-01 – Regional Underfrequency Load Shedding

SPP RE and the SPP Markets and Operations Policy Committee (MOPC) have assigned the System Protection and Control Working Group (SPCWG) as the Standard Drafting Team (SDT) for the drafting of this standard. The SPCWG meets every two months, more often if necessary. The SDT meetings offer internet conferencing for those team members who are unable to attend in person. SPP RE employees facilitate all meetings and provide assistance in the standards development process**.** To promote wider awareness of and participation in the reliability standards process throughout the SPP region, SPP RE has updated the SPP RE website to provide information on standards being developed and the SPP Regional Entity Standards email exploder list. The site allows all registered parties access to meeting notices of the SDT, drafts of proposed standards, and links to minutes of meetings.

[1] Scores are based on a scale of 1 to 5, with 1 being fully agree, 3 being neutral, and 5 being fully disagree.

SPP RE staff also provide updates to the SPP RE Trustees at their regularly scheduled quarterly meetings. Since SPP RE utilizes existing working groups and subcommittees for SDTs, the current active standard being drafted by the SPCWG has been the subject of regular updates to its parent Committee, the MOPC at its regular quarterly meetings. SPP RE staff participates in the NERC Regional Reliability Standards Working Group and has contributed to the 2009-2011 NERC Work Plan and the proposed NERC Underfrequency Load Shedding standard.

Since January 2009, SPP RE SDT has developed a first draft for the UFLS standard. This draft is based on the key requirements as listed in NERC's Continent Wide Standard and SPP Criteria 7.3. SPP RE SDT is planning on releasing this draft standard for industry comments for 30 days in the first week of April. This group will continue to monitor the NERC SDT's progress on developing a continent-wide standard and will make necessary adjustments to the SPP RE standard accordingly.

B. Explain how the Regional Entity has the ability to develop regional standards and has a standards development process that provides for openness, due process and balancing of interests.

The SPP RE Standards Development Process, as approved by NERC and FERC as Exhibit C to SPP's Delegation Agreement with NERC, provides for openness, due process, and balancing of interests. Participation in SPP RE's Standards Development Process is open to all parties with a direct and material interest in the SPP region bulk power system (BPS) with no undue financial barriers, and any such entity has the right to participate by expressing an opinion, having its opinion considered, and having the right to appeal. Notices of all meetings of the SPP RE and all drafting teams are provided on the SPP RE website, at least seven days in advance; all meetings are open to the public.

The SPP RE Standards Development Process provides for a balance of interests as evidenced by the five market segments and a requirement of a vote of at least two-thirds of the segments for approval of any regional standard. No three segments can dominate, and no single segment can defeat any matter.

SPP RE's Standards Development Process provides fair due process by providing sufficient public notice of the intent to develop a standard and all proposed standards via posting such on the SPP RE Standards Tracking Site for public comments. The site allows all interested parties to submit comments during the commenting period. The Process also provides an appeals process.

During 2008, a revision to the Standards Development Process was made to incorporate a FERC directive in the Order for the SPP RE Delegation Agreement. In that Order, FERC requested SPP RE to clarify that each entity is allowed only one vote in the RBB, and that if an entity held business interests in more than one industry segment, it would be required to choose only one for purposes of voting on a proposed regional standard.

C. State Regional Entity's assessment of its own effectiveness in reliability standards development since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.

SPP RE has implemented changes to its infrastructure to facilitate the SPP RE Standards Development Process. Since the Delegation Agreement was approved in April 2007, SPP RE has trained appropriate staff on the standards development process and has reviewed the process with members of the currently functioning SDT (the SPCWG). A Q&A sheet for the process, including eligibility requirements for voting and participation on the SDT, is posted on the SPP RE website. In October 2007, SPP RE hired full-time Counsel. This position oversees adherence to the requirements of the SPP RE Standards Development Process and has authority to direct SPP RE staff to meet those requirements. In addition, the SPP RE Trustees have been trained on the process and receive updates on the progress of the current proposed standard. SPP RE staff also updates RE Trustees on upcoming regional standards activities for resource planning purposes.

D. State any proposals of Regional Entity to improve its effectiveness in reliability standards development

SPP RE has a representative on the NERC Regional Reliability Standards Working Group. This group is a resource for regional entities to share their experiences with regional standards development. It also provides the regional entities with coordination with NERC to ensure consistency between regional and continent-wide standards. Communications from the SPP representative on the NERC working group with the SPP standards drafting team will aid in expediting the processing of regional standards through NERC after SPP RE approves a regional standard.

II. <u>Organization Registration and Compliance Monitoring and Enforcement Program</u>

A. *Describe Regional Entity's activities and accomplishments in OC/CMEP since January 1, 2007. Include discussion of improvements to activities and operations since January 1, 2007.*

<u>Staffing</u>

SPP RE Organizational Chart

The organizational chart for the SPP RE as of March 16, 2009 is provided in Attachment 1:

On January 1, 2007, there were two full-time employees serving as the regional compliance monitoring and enforcement office, as well as the internal compliance monitor for the SPP RTO registered entity. Upon approval of the SPP Regional

Delegation Agreement in April 2007, these two employees formed the nucleus of the independent SPP RE staff. The SPP RTO formed its own internal compliance group as a registered entity. During 2007, the SPP RE added one more staff member to the technical staff and Counsel, ending 2007 with a total staff of four.

In 2008, the SPP RE staff continued to expand by adding three technical staff each assigned areas of concentration such as compliance monitoring, mitigation and enforcement, and event analysis and investigations. In addition, an administrative assistant was added to the SPP RE staff. At the end of 2008, the SPP RE staff totaled eight full-time personnel consisting of six technical staff, one legal counsel and one administrative assistant. Among the credentials held by this staff includes three licensed attorneys, two registered professional engineers and three NERC certified operators.

The 2009 staffing plan calls for the addition of three more technical positions to be filled in the first quarter of 2009. On March 16, 2009 an RE General Manager was hired. At each scheduled SPP RE Trustees meeting, a workload/staffing assessment is discussed consisting of historical activities, current workload and future initiatives.

The SPP RE also utilizes independent contractors to augment the full-time staff during the performance of compliance audits, spot checks, event analysis, and investigations.

Organization Registration

The SPP RE follows the NERC Statement of Compliance Registry Criteria and has adopted the NERC definition of the Bulk Electric System in assessing potential candidates for functional registration. Registration of entities began in 2006 with a general request to all members of SPP to begin registration activities and to assist in identifying other users, owners and operators of the Bulk Electric System in the SPP RE footprint that might be candidates for the compliance registry. The SPP RE staff made numerous presentations concerning registration at SPP meetings, membership meetings of cooperatives and municipalities, and at individual company events in order to expand the knowledge of the registration criteria.

In 2008, the SPP RE added the Interchange Authority to the list of registered functions contained in the Compliance Registry.

As of February 28, 2009 there were 111 registered entities performing 364 functions registered in the SPP RE footprint. The SPP RE has had one registration appeal filed by a registered entity. This appeal is still pending as of February 28, 2009. The SPP RE monitors the registration appeals of entities in other regions to stay apprised of changes in registration policies. The SPP RE also works with individual entities concerning registration issues such as new interconnections, changes in ownership, and changing business relationships.

Compliance Workshops

The SPP RE has held public compliance workshops to educate the membership and other interested parties to comply with SPP criteria since 2000 and after 2007 to comply with NERC reliability standards. In recent years, the SPP RE has expanded the number of workshops to two per year, open to everyone but targeted to registered entities, usually one in the spring and one in the fall.

Each workshop lasts approximately two days. Attendance ranged from 115 to 140 participants per workshop in 2007 and 2008. Each workshop agenda includes a variety of speakers, panel discussions, and interactive Q & A sessions. Participants are encouraged to provide feedback to the workshop coordinator concerning the current workshop and ideas for future workshops.

All of the workshops include some standard items such as a NERC speaker, recent results from the compliance program, registration issues, compliance data management system updates and compliance program schedules. Other topics presented during the 2007 and 2008 workshops included:

- Vegetation Management Standard Activities
- Relay Maintenance Programs
- CIP Standards Implementation
- Audit Preparation Panels
- Internal Compliance Program Attributes
- Annual Compliance Program Rollout

The SPP RE and the SPP Critical Infrastructure Protection Working Group have recently sponsored two workshops dedicated to CIP reliability standards. The attendance at each workshop has been approximately 70 participants and featured speakers from the NERC staff, SPP RTO staff, SPP RE staff, industry experts, and other stakeholders. The February, 2009 workshop had over 100 attendees.

Compliance Audits

All registered entities in the SPP RE footprint are subject to compliance audits. Reliability Coordinators, Balancing Authorities, and Transmission Operators are scheduled for audits on a 3-year rotation while all other registered entities are scheduled on a 6-year rotation. The audits for entities on the 3-year rotation program are all conducted as on-site audits. The audits for entities on the 6-year rotation program are conducted either as on-site audits at the registered entity's offices or as off-site audits conducted at the SPP RE's office in Little Rock, Arkansas. The SPP RE also participates with other regional entity staffs on certain audits of multi-regional registered entities.

Compliance Audit Statistics

	2007	**2008**	**2009** (scheduled)
On Site Audits	6	7	15
Off Site Audits	0	11	23

The SPP RE publishes an audit schedule in November of each year with specific dates for the subsequent year, including a proposed list of the entities scheduled for the full 6-year audit rotation. This list is published on the public SPP RE website.

Self Certification

The SPP RE Self Certification program is performed on an annual basis for each program year with an open certification period beginning in the fourth quarter of each year and closing in mid-January of the following year. All of the self-certification activities are conducted through the SPP RE Compliance Data Management System (CDMS). Each registered entity must complete the annual self-certification forms, provide an executed corporate signature page, and submit a completed internal compliance program questionnaire. The CDMS program alerts the SPP RE staff when submittals are made by the registered entities including notices on non-compliance certifications.

The self-certification activity for the 2007 program year yielded 42 notices of non-compliance from four entities. These entities were relatively new registrants in the compliance registry, with three of the four having registration dates after June 18, 2007.

Self-certification for the 2008 program year closed on January 18, 2009. No new compliance violations have been reported by the entities that have completed the certification.

In addition to the annual self certification, the SPP RE conducted a CIP-002 through CIP-009 self certification for the periods ending in June 2007, June 2008 and December 2008. The SPP RE currently has scheduled additional CIP standards self-certifications for the periods ending June 2009 and December 2009.

Compliance Program Statistics

As of February 28, 2009

Violations Processed			Comments
	Pre-June 18, 2007	157	153 Self-reported; 4 from pre-June 18th audits
	Post-June 18, 2007	74	24 Self-reported
			7 Compliance Audit
			42 Self-certification 1 Periodic Data Submittal
Mitigation Plans Processed			
	Pre-June 18, 2007	157	156 Reported complete; one completed plan under verification by SPP RE
	Post-June 18, 2007	62	62 Accepted by SPP RE
			32 Reported complete; 30 have been verified as completed by SPP RE
			30 In progress

The SPP RE received and processed no complaints in 2007 and only one complaint in 2008.

B. Describe how the Regional Entity has the ability to enforce reliability standards and to provide for an adequate level of bulk power system reliability in its Region.

The SPP RE has the authority to monitor and enforce compliance with the NERC Reliability Standards through a FERC approved Delegation Agreement with NERC. The SPP RE has adopted the NERC Compliance Monitoring and Enforcement Program (CMEP) without exceptions. In addition, the SPP RE follows the NERC Rules of Procedure.

The SPP RE General Manager, compliance monitoring and enforcement staff and the RE Counsel are independent of all other departments of SPP, Inc. The SPP RE Trustees has delegated certain levels of enforcement actions to the full-time staff but has retained

approval authority over major enforcement actions and all proposed settlements of compliance violations.

The SPP RE also utilizes FERC Orders, FERC staff guidance, NERC Process Bulletins and NERC staff guidance to form its authority and ability to monitor and enforce the NERC Reliability Standards.

The 2009 staffing plan is expected to be adequate to perform the required elements of the 2009 CMEP program including the enforcement function of the program. As discussed earlier, a manpower/workload assessment is performed and presented at each SPP RE Trustees meeting.

C. Describe how the Regional Entity has fair and impartial procedures for enforcing reliability standards.

All SPP RE employees are required to have a current SPP Code of Conduct on file with the SPP Human Resources department. In addition, all of the SPP RE employees must be current on all SPP Policies and Procedures relating to SPP employees. All SPP RE employees are expected to be free of conflicts of interest that could impede their ability to make decisions that are fair and independent of any other user, owner or operator of the BES.

In 2007, the SPP RE staff moved into a separate area of the SPP offices with access controlled by an electronic key lock system. Access to the offices has been restricted to the SPP RE staff plus other shared SPP staff personnel that provide support services to the SPP RE such as Human Resources and IT. Other SPP staff and stakeholders must request access to the SPP RE offices and are escorted at all times while in the RE office area. This separation has allowed for more open discussion among the compliance staff and improved decision making by the compliance staff.

The SPP RE allows all audited registered entities an opportunity to accept or object to any member of a proposed audit team. A short biography of each audit team member is attached to the original audit notice to the registered entity to aid the registered entity in identifying conflicts from prior employment or other activities.

In addition to avoiding conflicts of interest, all violation assessments and enforcement actions are performed as a team or collaborative effort. Findings from compliance audits, spot checks, complaints and investigations are identified by the compliance team assigned to the activity (generally 3 or more members) before being presented to the SPP RE management staff for approval. Findings from self-certification, self-reports, periodic monitoring, and exception reporting are reviewed by the SPP RE staff assigned to the activity, other SPP RE staff members, and the registered entity that submitted the violation notice before being presented to the SPP RE management staff for approval. Enforcement actions are also processed using a team approach generally involving the Lead Engineer assigned to the enforcement group, the compliance monitoring staff that

discovered the violation, the Executive Director and the RE Counsel. The use of this type of team approach helps educate all of the SPP RE staff involved in compliance monitoring and enforcement, draws on each staff member's experience and expertise, and reduces the number of violations that are later dismissed.

The SPP RE staff also participates in numerous working groups with other regional entities and NERC personnel. The goal is to compare and contrast compliance, enforcement and event analysis activities in order to provide a consistent product from the regional entity standpoint. These groups are particularly helpful during events or violations of "first impression" in the SPP RE, allowing the SPP RE staff to draw on the experiences of other regional and NERC personnel.

As discussed earlier, the SPP RE is affiliated with the SPP RTO, which is a registered entity in the SPP RE and SERC regions. In order to avoid the appearance of any conflicts in performing compliance audits for the SPP RTO, NERC is planning to take the lead in performing the compliance and enforcement activities for all of the functions for which the SPP RTO is registered.

D. State Regional Entity's assessment of its own effectiveness in OC/CMEP since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.

The effectiveness of the SPP RE in administering the Organization Registration/Certification and annual CMEP programs is steadily increasing. The primary contributors to this improvement include: additional dedicated SPP RE staff, allowing SPP RE to process the number of violations occurring at any time; the experience level of the staff resulting in increased productivity and the ability to quickly respond to changes in the CMEP program and its requirements; and the growing experience of the registered entities in performing internal compliance activities and processing the data flow required by the SPP RE.

On January 1, 2007, there were approximately 35 entities participating in the pre-enforceable compliance program. Most of these entities had been participating in the pre-enforceable program since 1999 and were familiar with the SPP staff, NERC, the existing reliability standards and the tools used by the SPP staff for reporting compliance activities. By June 2007 when the standards became mandatory, approximately 120 entities had registered in the SPP RE footprint, a 250% increase in registered entities. Accompanying this large increase in participating entities was a wave of pre-June 18th self-reports that primarily came from these new entities (over 90% of the pre-June 18th self-reports came from new registrants). This wave of self-reports overloaded the initial SPP RE staff and every aspect of the compliance process. In addition to the sheer number of violations, some of the reports were incomplete and inaccurate requiring extra processing time. However, with the collaboration with the other regional entities' staff and guidance from the NERC staff, these violations were moved through the system and

for the most part, were reported complete and verified by the summer of 2008. While the number of reported violations diminished, it became quite evident that additional dedicated staff was required to perform the delegated compliance monitoring, enforcement activities, and comprehensive mitigation plan monitoring activities.

The second major challenge occurred at the end of 2007 when the registered entities were required to perform their first annual self-certification utilizing the SPP RE CDMS program tool. Portions of both 2007 compliance workshops were dedicated to the CDMS program tool and the interfaces with the registered entities. First time users still struggled with the CDMS program tool as well as the concept of producing a complete self-certification for all of the requirements assigned to each functional registration. In addition, the SPP RE utilized a new release of the CDMS program tool that proved to be inadequate under the stress of so many new users. The CDMS problems required many man hours of the SPP RE staff time to respond to users calls for assistance and led the SPP RE to extend the final due date for the self-certifications by approximately 40 days. The SPP RE staff and Midwest Reliability Organization (MRO) staff worked with the developers to make improvements to the CDMS program tool and launched a vastly improved version in April 2008. This new version has corrected the problems and even received accolades from many of the users. Importantly, it provides the SPP RE staff with improved reporting and monitoring capabilities.

E. State any proposals of Regional Entity to improve its effectiveness in OC/CMEP.

The SPP RE staff has an average of approximately 18 years experience in the electric utility industry. However, with the exception of the Executive Director and the Lead Engineer, the average tenure in any compliance monitoring and enforcement program is less than 1½ years (the Executive Director and Lead Engineer have an average of 8 years of tenure in the voluntary and mandatory NERC Compliance Program). The SPP RE staff continues its professional development through training courses offered by NERC, private training companies, and FERC sponsored conferences. The SPP RE staff also participates on numerous regional entity working groups that are designed to improve consistency and effectiveness of the regional work product.

During the 3rd quarter of 2008, the SPP RE conducted a survey of registered entities to gather feedback concerning issues including regional reliability standards, readiness evaluations, compliance program issues, training, and suggestions for improvements. Approximately 75 responses were received. The SPP RE staff is reviewing the responses and suggestions and will implement the suggestions for improvement, as appropriate.

In addition to the public workshops discussed earlier, the SPP RE has assisted the SPP RTO in launching the Compliance Users Forum at which registered entities of the same functions can meet to discuss issues and share ideas for best practices. After two preliminary sessions held following the SPP RE compliance workshops, the first stand alone meeting was held in February 2009 in Little Rock, Arkansas.

In 2009, the SPP RE also plans to expand its outreach efforts by launching a quarterly newsletter to provide another source of information to the registered entities in the SPP RE footprint.

III. Other Program Areas

A. Reliability Readiness Evaluation and Improvement Program

1. Describe Regional Entity's activities and accomplishments in Reliability Readiness Evaluation and Improvement since January 1, 2007, including discussion of improvements in this area.

The SPP RE staff managed all aspects of the NERC Readiness Evaluation and Improvement Program in the SPP RE footprint. These activities included the scheduling of reviews, soliciting regional volunteers, acting as regional co-lead during the evaluation and finally monitoring the recommendations from each evaluation. In addition, some members of the SPP RE staff participated as out-of-region volunteers for evaluations of Reliability Coordinators in other regions.

From 2004 through 2008, all Reliability Coordinators, Balancing Authorities, and Transmission Operators registered in the SPP RE footprint participated in at least one, and for approximately half of the entities a second, Readiness Evaluation before the program began phasing out near the end of 2008. The SPP RE hosted five Readiness Evaluations in 2007 and three Readiness Evaluations in 2008.

The SPP RE benefits from an experienced pool of volunteers who not only served the Readiness Evaluation Program in the SPP RE footprint, but also provided a pool of volunteers for the out-of-region slots. This pool of volunteers also provided valuable insight to their own companies that were scheduled for upcoming evaluations as well as the opportunity to share knowledge and experiences with other industry participants.

2. State Regional Entity's assessment of its own effectiveness in Reliability Readiness Evaluation and Improvement since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.

As discussed above, the SPP RE staff performed the role of the regional co-lead for almost every Readiness Evaluation from 2004 until early 2008. This role brought consistency and experience to each evaluation in the SPP RE footprint. However, in late 2007 and early 2008, the NERC Compliance and Certification Committee of stakeholders made a recommendation to NERC that compliance personnel from the regional staffs not participate as team members on future Readiness Evaluations. The

entire dedicated SPP RE staff is involved in the Compliance Monitoring and Enforcement Program, effectively eliminating the existing RE staff from participating in future Readiness Evaluations. The robust pool of volunteers developed over the previous four years allowed a smooth transition to an all volunteer SPP contingent for the scheduled evaluations in late 2008. However, only three evaluations were performed of the original six scheduled due to NERCs proposed phase out of the program.

The SPP RE continues to monitor the progress of the recommendations from each evaluation report and provides quarterly updates to NERC to support its continuing efforts at the national level. At present, the Readiness Program is scheduled to be phased out in the first quarter of 2009, but the SPP RE has allocated manpower to track all open recommendations to conclusion and continue to update the NERC staff as appropriate.

3. **[Discussion of proposed improvements not needed, since this program is being phased on in the first quarter of 2009.]**

   NO RESPONSE REQUIRED

B. Training, Education and Operator Certification

1. ***Describe Regional Entity's activities and accomplishments in Training, Education and Operator Certification since January 1, 2007, including discussion of improvements in this area.***

NERC requires personnel responsible for the operation of the electrical grid to obtain 32 hours of emergency operations training annually. In addition, to maintain Operator certification required by NERC, Operators must obtain up to 200 hours of training over three years which includes simulation training. It was critical that SPP training staff develop training elements to provide knowledge and operating practice in support of the emergency operating plans for the SPP region, with SPP registered entities, and between regions.

To accomplish this, SPP training staff developed a Regional Emergency Operations curriculum in early 2007. This curriculum included a variety of training topics, delivery styles, and environments all designed to address different training needs throughout the SPP region.

SPP training staff created a catalog of remotely delivered internet conferences on Transmission Loading Relief, Congestion Management, Voltage Control, System Stability, IROL, SPP Reserve Sharing System, and SPP Procedures. SPP training staff developed a total of seven internet conference topics delivered in 2007 and 2008, with multiple deliveries of each.

In addition to the internet conferences, SPP training staff developed an in-person emergency operations class. This class is designed to utilize simulated scenarios facilitated through a critical decision making process. Through the use of this process, small groups in this class work together to resolve operational issues such as flow limit violation and voltage control. The use of tools such as the SPP Dispatcher Training Simulator (DTS) allows the participants to practice problem solving in an operational environment.

SPP training staff also enhanced the restoration drills to allow registered entity operators to practice simulated restoration exercises and implement their own restoration plans in conjunction with other registered entities throughout their sub-region and the SPP region as a whole. The restoration drills provide an excellent opportunity for registered entity operators to work with each other and SPP operations personnel to simulate the restoration of the transmission systems utilizing their respective restoration plans. There are eight sub-regional and two regional drills annually, allowing ample opportunity for operators to hone their skills in restoration principles. These drills are offered remotely, via Virtual Private Network connections, allowing a wider mix of operations personnel, without the burden of travel. Registered entity operators are remotely connected to the SPP DTS and participate in a group comprised of other registered entity companies, along with SPP operations personnel. Together they restore the registered entity company systems as well as a significant portion of the SPP region during each drill.

SPP training staff hosts System Operations Conferences. These conferences were offered twice in 2007 and 2008. With a wide variety of operations-related topics, the participants interact with their peers throughout the 3-day conference. In 2007 SPP training staff added critical decision making exercises to the existing knowledge-based offerings typical of a conference setting. These exercises offer an excellent opportunity for operators to share ideas and experience, compare different operations perspectives, and add to their knowledge base with specific regard to a large array of operational topics.

In each of these delivery settings, SPP training staff has continued to make use of different types of training. These offerings utilize knowledge-based lectures to broaden the platform of general knowledge for registered entity operations personnel. SPP training staff uses critical decision making exercises and problem-centered learning exercises to allow operators to interact and work together in resolving operational issues. Performance-based assessments, along with traditional quizzes and exams allow a more thorough evaluation of the learning process throughout the training catalog and a deeper look at the competency level of SPP registered entity operations personnel.

Finally, in 2008 SPP training staff provided a three-part Train-the-Trainer series designed to promote a wide range of training deliverables along with the necessary components required of quality training programs. The series is designed to promote the 360-degree (knowledge, skills and attitudes) training perspective that SPP is utilizing within its own training department. The Train-the-Trainer sessions provide trainers within the SPP region the opportunity to explore different training methods and delivery styles, from performance-based assessments to critical decision making and problem-centered learning exercises.

2. ***State Regional Entity's assessment of its own effectiveness in Training, Education and Operator Certification since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.***

During 2007, SPP training staff delivered 24 internet conferences, with an average of nearly ten participants per conference. A total of 392 Continuing Education Hours (CEH) were awarded from these sessions. In 2008, the participation improved to an average of 22 participants providing a total of 726 CEH.

The Regional Emergency Operations Class was delivered five times in 2007 with 780 CEH awarded, averaging eight participants per session. In 2008, there were six sessions, averaging more than 11 participants per session and awarding more than 1,400 CEH.

Nearly 5,000 CEH were awarded during the ten restoration drills delivered in 2007. Average attendance in the sub-regional drills and regional drills was 28 and 69, respectively. During 2008, by comparison, approximately 7,550 CEH were awarded. Average participation rose to 30 for the sub-regional drills and 98 for the regional drills during 2008.

The two 2007 System Operations Conferences (SOC) included 110 participants and nearly 2,600 CEH awarded. In 2008, 103 participants received a total of 2,440 CEH. The number of participants dropped in 2008 conferences due to a participant limit enforced primarily due to facility constraints and the move to the more interactive, facilitation-driven exercise format.

From 2007 to 2008, SPP training staff increased the number of CEH awarded to operators at registered entity companies by approximately 35%.

From January 1, 2009 to February 28, 2009 the SPP training staff delivered one Regional Emergency Operations classroom training, three internet conferences, and two sub-regional restoration drills. The REOPs classroom enrollment is up from an average of 11 in 2008 to 18 for the delivery in February 2009. The internet conferences enrollment is up from an average of 22 in 2008 to 32 in February 2009. The sub-regional restoration drill enrollment is up from an average of 28 in 2008 to 43 in February 2009. A total of 1516 CEH were awarded from January 1, 2009 to February 28, 2009.

The information above reflects SPP RE's commitment to improve training and increase the number of operators participating in training. Below are selected relevant comments from the semi-annual regional training survey that SPP RE training staff has worked to respond to:

> *More System Operator Conferences. We can't get enough people free to attend them at only two per year. How about every quarter?*
> ***SPP training staff increased the number of conferences from two to three.***
>
> *More venues for the regional training sessions.....bring the training to the customers rather than them come to you.*

Each conference is held in a different geographic location including (for 2009) Missouri, Arkansas and Louisiana.

I attended the Regional "Black Start" drill (3 days) in Dec and have taken various "Net Conference" classes. Each time we go through the drills and classes, it goes a little better. I think you're on the right track. This is an evolving process for us all. We learn from our mistakes as well as the things we do right.
SPP training staff continues to be an industry leader in the design and facilitation of our restoration drills.

Please try to keep the SOC from being a NERC type training class only. The table top exercises are good as they promote group input and creative thinking.

SPP training staff designed its SOC to address real world scenarios and support critical decision making and situational awareness through problem-based scenarios.

3. State any proposals of Regional Entity to improve its effectiveness in Training, Education and Operator Certification.

SPP RE has made significant progress in making the training activities much more interactive, utilizing critical decision making as well as a problem-centered learning approach to training. These exercises allow operators an opportunity to train in an intense, interactive environment more closely resembling the environment in which they work. Through the System Operations Conferences, the Regional Emergency Operations classes, and the System Restoration Drills, the operators within the SPP region can share invaluable experience with each other while sharpening their own skills in risk management and critical thinking. SPP training staff intends to migrate the net conferences to a more interactive delivery as well, by using breakout sessions to facilitate more group interaction.

SPP training staff has developed more training activities that can be delivered remotely, including the net conferences and the restoration drills. This allows registered entity operators the opportunity to participate in quality training without the added burden of travel. Through these remote training activities, SPP RE has designed environments which include group activities. These activities help develop idea sharing and the advantage of perspective from different parties, all with the increased ease of scheduling and participation. The Operations Training Working Group (OTWG), which is comprised primarily of training personnel at registered entities within the SPP RE footprint, expressed an interest in SPP trainings staff developing not only remotely delivered training, but training which also included interaction among its operators at registered entities. The training catalog developed by SPP training staff does both.

Based on semi-annual regional training surveys and with feedback from the OTWG, SPP training staff will continue to manage its regional training catalog to meet the varied needs within the region. SPP RE strives to offer multiple deliveries of all training activities to help reach as many registered entity operators as possible.

Looking at 2009 and beyond, SPP training staff will:

a) offer an additional System Operations Conference to allow more personnel to take advantage of this training opportunity. SPP training staff also plans to conduct these conferences in three different geographic areas within the SPP RE footprint (Little Rock, AR; Springfield, MO; and Lafayette, LA) to better facilitate registered entity participation while lessening the burden of travel.
b) include training on Human Factors Performance to address continued concerns regarding operations personnel and situational awareness, as well as increase the use of performance-based training, such as critical decision making exercises and problem-centered learning.
c) update its net conference offerings to include a course on SPP Criteria and NERC Reliability Standards, specifically aimed at those policies and procedures addressing emergency operations concerns. These two new net conference offerings will replace the SPP Procedures and the Interconnection Reliability Operating Limit (IROL) net conference in 2009, based on feedback from operators completing the survey, as well as feedback from the OTWG members.

d) continue its Train-the-Trainer sessions to help trainers at registered entities develop their own training programs in light of the potential impact of NERC PER-005 (System Personnel Training Standard).
e) offer training on the NERC PER-005 System Personnel Training Standard to help inform and prepare registered entity training personnel on the potential impacts of this standard.
f) migrate regional emergency operations net conference training sessions to a self-study format.
g) continue to explore ways to increase availability of the DTS to registered entities.
h) continue to provide enhancements to the DTS in order to bring the simulator functionality closer to real world applications.
i) continue to seek out strategic partnerships that will allow SPP RE to provide registered entity operations personnel with high quality training and performance support.
j) continue to develop its catalog using surveys and program evaluations to determine how well SPP RE is meeting the current and future needs of SPP registered entity operations personnel.

C. Reliability Assessment and Performance Analysis Program

1. Describe Regional Entity's activities and accomplishments in Reliability Assessment and Performance Analysis since January 1, 2007, including discussion of improvements in this area.

SPP RE through SPP RTO staff has been performing the Reliability Assessment and Performance analysis function since January 1, 2007. Each calendar year, SPP staff has actively participated in the following assessments that were coordinated through NERC's Reliability Assessment Subcommittee (RAS):

- Summer Assessment (2007 and 2008)
- Winter Assessment (2007 and 2008)
- Long Term Reliability Assessment (10 year outlook with emerging issues)

SPP staff has also developed power flow models and conducted various reliability assessments to meet NERC Transmission Planning Standard (TPL 001 through 004) requirements

In addition, SPP staff has been working with neighboring regions to conduct an inter-regional assessment to meet the NERC TPL-005 requirement. Since January 1, 2007 SPP staff has conducted summer and winter inter-regional assessments for year 2007 and 2008. For 2009, SPP RE is in a process of conducting 2009 and 2014 summer inter-regional studies. The results of the 2009 summer inter-regional study will be available in the first week of May 2009.

2. State Regional Entity's assessment of its own effectiveness in Reliability Assessment and Performance Analysis since January 1, 2007. If effectiveness

has changed over this period (either improved or worsened), this should be discussed.

SPP RE staff has been closely monitoring the reliability assessments and performance analysis while providing independent review from time to time. Going forward, an SPP RE staff person has been appointed to NERC's RAS team to actively participate in all reliability assessments going forward.

SPP stakeholder comments on the ERO assessment survey lend support to the notion that SPP is meeting expectations in this area:

- Rating of 2.29 on Question 32 by 17 respondents indicating SPP is effective in performing accurate and independent assessment of future reliability and adequacy.
- Rating of 1.78 on Question 34 by 23 respondents indicating SPP effectively communicates reliability assessment results.

3. **State any proposals of Regional Entity to improve its effectiveness in Reliability Assessment and Performance Analysis.**

   SPP RE, along with other NERC Regional Entities through the NERC RAS group, has recommended a "Scenario Assessment" be performed in 2009 for NERC's Long Term Reliability Assessment (LTRA). This assessment will allow each region to develop a scenario in addition to their reference cases. SPP RE, along with other regions, including Midwest Reliability Organization, Reliability First Corporation and Northeast Power Coordinating Council, have chosen "Wind Penetration" as a possible scenario. The reliability impact of this scenario will be discussed in NERC's 2009 LTRA report.

D. Situational Awareness and Infrastructure Security Program

Note: Although Situational Awareness and Infrastructure Security is one of the program areas designated for a lesser amount of discussion in this template, Regional Entities that are actively performing the Reliability Coordinator function as a statutory function should provide more extensive discussion of that activity.

1. **Describe Regional Entity's activities and accomplishments in Situational Awareness and Infrastructure Security since January 1, 2007, including discussion of improvements in this area.**

   The SPP RE provided active participation in the area of critical infrastructure protection by supporting NERC Critical Infrastructure Protection Committee (CIPC) meetings. Three SPP RE representatives attended CIPC meetings, representing the physical, cyber, and operations expertise areas. These representatives provided

insight and support of these critical CIPC functions, and provided an informational conduit between NERC and SPP registered entities.

In addition to CIPC representation, the SPP RE also supported four quarterly Critical Infrastructure Protection Working Group (CIPWG) meetings. These meetings brought together SPP RE staff and registered entity representatives to discuss the NERC CIP Standards (CIP-002 through CIP-009). Specifically, standards revision activities, ongoing implementation recommendations, and updated cyber and physical security threats were discussed at length during these meetings. External agencies, such as the Department of Homeland Security and the Federal Bureau of Investigation, were invited to educate registered entity representatives on the latest emerging threats to critical infrastructure.

SPP also conducted CIP Compliance "How To" workshops in 2007 and 2008 as well as included CIP compliance in the periodic Regional Compliance Workshops. Another CIP workshop is scheduled for May 2009.

As the reliability coordinator for the region SPP participates in daily Reliability Coordinator (RC) morning calls with neighboring RCs to review outages, weather, special operating situations and any relevant events that impact the reliability of the bulk power system. SPP also provides NERC and FERC with a Daily Report of the SPP Region. This report includes information about outages, current congestion, and other pertinent system information for the operating day.

2. **State Regional Entity's assessment of its own effectiveness in Situational Awareness and Infrastructure Security since January 1, 2007. If effectiveness has changed over this period (either improved or worsened), this should be discussed.**

In the stakeholder survey, feedback was positive regarding SPP's role in support of CIP:

- Rating of 1.61 by 18 respondents to Question 45 regarding SPP's role as a leader and facilitator in the CIP area.

SPP RE continues to improve its efforts related to Situational Awareness. On April 6, 2009, SPP RE was also able to add a full-time Director of Critical Infrastructure Protection. SPP enhanced stakeholder understanding by initiating CIP workshops.

3. **State any proposals of Regional Entity to improve its effectiveness in Situational Awareness and Infrastructure Security.**

Upcoming critical infrastructure protection activities include ongoing support of CIPC and the SPP CIPWG, and a CIP Standards compliance workshop for SPP registered entity companies beginning in May 2009. This workshop will provide

additional guidance on the evolving CIP Standards, emerging technologies, procedures, and best practices for achieving CIP compliance.

SPP RE is also working with NERC and the other regional entities to determine more ways to provide situational awareness information to NERC and FERC to satisfy the electric reliability legislative requirements.

E. Budgeting

1. Describe Regional Entity's activities and accomplishments in the development and submission of its annual business plan and budget, beginning with the 2007 business plan and budget.

The SPP RE successfully obtained NERC and FERC approval of both its 2007 and 2008 business plans and budgets and conditional approval of its 2009 business plan and budget. Similarly to the other regional entities and NERC, SPP RE has improved its budgeting estimates and processes since its submission of its 2007 business plan, primarily because the expectations of regional entities have become clearer over the past two years, and SPP RE has gained experience in performing regional entity duties.

Below are a few of the processes and systems that SPP has put in place since the 2007 business plan was completed and the delegation agreement was formally approved by FERC. These processes and systems have significantly improved the ability of SPP RE to budget and forecast:

- SPP established a methodology for charging direct costs and allocating indirect costs to SPP RE. This methodology consists of charging all directly identifiable costs such as salary, benefits and payroll taxes of each SPP RE and SPP shared staff member performing statutory functions to the statutory program, based on the number of hours worked performing those functions. The overhead/indirect cost rate per hour is calculated annually based on total SPP overhead costs. The overhead/indirect costs are allocated to SPP RE by multiplying the hourly overhead/indirect cost rate times the number of hours recorded by SPP RE and SPP shared staff members to SPP RE statutory direct programs. Unlike the direct costs, which are specific to the staff member, the hourly overhead/indirect rate used for the indirect cost allocation is the same for all staff. This methodology is further described in SPP's Delegation Agreement and in previous filings with the Commission.

- Beginning in January 2008, SPP initiated a company wide time-tracking system used to record time devoted to performing statutory functions. The system is a third party hosted solution which is accessed through the internet. This system allows SPP management to review and approve timesheets

submitted by each SPP user. Coupled with the cost allocation methodology described above, this timetracking system has allowed SPP to "carve out" staffing costs associated with the regional entity statutory functions.

- Beginning in first quarter 2008, SPP initiated a new expense tracking tool. The new tool allows SPP to more easily identify expenditures associated with the regional entity statutory functions.

2. State Regional Entity's assessment of its own effectiveness in developing its business plans and budgets and in the submission its business plans and budgets in a consistent manner with NERC and the other Regional Entities.

The SPP RE's effectiveness in developing and submitting business plans and budgets in a consistent manner with NERC and the other regional entities has steadily improved with each filing. For all of its submitted business plans and budgets, SPP RE has followed NERC guidance and templates, attended all scheduled budgeting meetings with NERC and the other regional entities, and had numerous discussions with NERC and the other regional entities regarding the preparation of the business plans and budgets. NERC has improved its processes and templates and hosted more discussions with the regional entities to try to improve the consistency of the business plans and budgets. Overall, SPP RE's business plan and budget was consistent with NERC guidance. Due to the varying structures of the regional entities, there may be differences in how each organization prepares its respective operating budget but, particularly in light of the October 16, 2008 FERC Order on the 2009 business plans and budgets, the regional entities will continue to discuss and harmonize any remaining differences with NERC and each other.

3. State any proposals of the Regional Entity to improve its effectiveness in submitting effective, adequate and consistent business plans and budgets.

- SPP RE suggests that NERC and the regional entities use generally accepted accounting principles to increase the level of consistency in the business plans and budgets. This would require NERC and each regional entity to prepare an operating budget and a separate capital expenditures budget.
- SPP RE believes that NERC and the regional entities need to standardize language and expectations regarding the acceptable components of indirect costs so that the regions can consistently budget certain expenses as either indirect (overhead) or direct (functional). With two full years of experience, and in accordance with FERC guidance, NERC and the regional entities should be able to implement a uniform expense allocation that will enhance consistency among the regional entities and NERC.