

December 30, 2010

The Honorable Kimberly D. Bose Secretary Federal Energy Regulatory Commission 888 First Street, NE Washington, DC 20426

Re: California Independent System Operator Corporation

Docket Nos. ER10-300-___ and ER06-615-___ January 2011 Convergence Bidding Report

Dear Secretary Bose:

Pursuant to the Commission's February 18, 2010 order in the above-identified dockets, *Cal. Indep. System Operator Corp*, 130 FERC ¶ 61,122 (2010), the California Independent System Operator Corporation submits the attached monthly report describing its progress toward convergence bidding implementation.

Respectfully submitted,

By: /s/ Sidney M. Davies__

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Convergence Bidding Report

Federal Energy Regulatory Commission

January 2011

Introduction

This report addresses the status of the California Independent System Operator Corporation's implementation of Convergence Bidding. The target date for Convergence Bidding implementation is February 1, 2011 and the initiative is currently on track to meet this target.

The project milestones below are presented to the ISO Market Participants and Board of Governors on a regular basis.

Milestone	Planned Date	Status	
Publish Final Draft Proposal	Oct 2, 2009	Complete	
ISO BOG Approval	Oct 29-30, 2009	Complete	
Publish Business Requirements	Dec 2, 2009 April 21, 2010	Complete	
Publish Technical Specifications	March 31, 2010	Complete	
Implementation Guide Draft	April 21,2010	Complete	
File tariff amendment	June 23-25, 2010	Complete – filed on June 25, 2010 and accepted by FERC order on October 15, 2010	
Publish BPM Drafts	Q3 2010	Complete	
Begin Market Simulations	Oct 4, 2010	Complete – began on September 20, 2010	
Go-Live	Feb 1, 2011	On track	

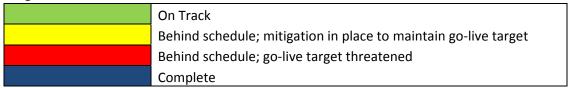
Overview

The ISO has prepared a dashboard to provide a high-level overview of the status of the core Convergence Bidding functionality. This dashboard is presented in Figure 1.

Figure 1 - Convergence Bidding Dashboard

	Design	Development	Testing	Simulation
IFM				
SIBR				
CRR Settlement Rule				
Credit Checking				
External Interfaces				
Internal Interfaces				
Server Infrastructure				
Market Monitoring				
Settlements				

Legend



Significant Implementation Phases

The ISO implementation process consists of six partially overlapping phases which provide the structure of this document: Requirements, Design, Development, Testing, Simulation, and Implementation. Significant achievements and key challenges are described in this section.

Requirements Phase

Two key sets of requirements documents are created to guide the implementation activities: Business Requirements and System Requirements.

Accomplishments

- Market Participants have requested an enhancement for the capability to obtain available credit through an automatic programmatic interface (API). The ISO has published technical specifications and is working on design and development efforts.
- The ISO has published technical specifications for two new OASIS reports. This enhancement will provide additional information to allow Market Participants the ability to have greater insights for when constraints are binding.

Challenges

• The ISO has no significant requirement challenges to report this month.

Design Phase

The Design phase translates the System Requirements into detailed software designs for all impacted applications.

Accomplishments

• The ISO has completed design specifications for both the credit automatic programmatic interface (API) and two OASIS reports; both of which are enhancements.

Challenges

• The ISO has no significant design challenges to report this month.

Development Phase

The development phase relates to the coding and delivery of the software solutions. The development of some systems may overlap with the creation of requirements for other systems. The Development effort is underway.

Accomplishments

- Development of the two new OASIS reports have been completed and delivered for testing. The ISO is anticipating rolling these two new reports out to Market Participants in early January.
- The ISO has completed development of the new tables and interfaces required to transfer and store information for monitoring.

Challenges

• Additional efforts have been made to develop monitoring reports. The ISO is now on track to complete all required monitoring deliverables for February 1st but continued effort and focus in this area is necessary throughout January.

Testing Phase

The testing phase will evaluate the completeness, relative to business, system and Tariff requirements and quality of the delivered software solution. The ISO is planning a Testing effort which began in July and stretched through December.

Accomplishments

- The ISO continues testing of the CRR Settlement Rule in an integrated environment.
- The ISO has successfully completed testing of the HASP Payment Reversal rule.
- The ISO is conducting load and performance testing. Some issues have been identified with SIBR and CMRI and are being remediated. We expect all issues to be resolved prior to February 1st.
- The ISO has completed testing of settlements functionality.
- The ISO has completed testing of internal and external interfaces. This does not include the enhancements which are still in the development phase.

Challenges

- There are still a significant number of variances that need to be closed. The number of critical variances for production has been significantly reduced over the past month. The ISO continues to actively work on prioritizing the most critical variances to meet deployment timelines.
- The CRR Settlement Rule has several critical variances which the ISO is currently focused on resolving. The ISO expects to resolve and validate issues prior to February 1st.
- Testing of monitoring procedures and metrics has begun. Once development of remaining metrics is complete, testing of these additional metrics will be required.

Simulation Phase

The Simulation phase allows the ISO to demonstrate to market participants the functionality which has been developed as well as allow market participants to test their own software. The ISO is planning a Simulation which will begin in October and stretch through January.

Accomplishments

- The ISO successfully executed twenty-three SIBR and IFM structured scenarios; fifteen of which are passed. The remaining eight scenarios are in pending status awaiting settlement verification.
- The ISO made available 10 new or modified OASIS reports and four new CMRI reports.
- The ISO continues to settle trade dates as outlined in the market simulation plan.
- The ISO continues to hold bi-weekly teleconference calls to review market simulation activities and structured scenarios results with participants.

Challenges

• Simulation related challenges with data have impacted Market Participants' ability to validate the CRR settlement rule.

Implementation Phase

The Implementation phase consists of cutover planning and execution.

Accomplishments

• There have been 62 Market Participants that have submitted registration material, and 46 Market Participants have successfully executed and returned the pro forma agreement and are ready for production.

Challenges

• The ISO has no significant implementation challenges to report this month.

Readiness

The ISO is preparing to activate convergence bidding on February 1, 2011. As part of these activities, the ISO is creating a deployment schedule and cutover plan. The ISO is planning to have SIBR available for Market Participants to submit bids seven days in advance of February 1st (January 25th).

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 30th day of December, 2010.

Isl Anna Pascuzzo

Anna Pascuzzo