January 31, 2011

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,  

Respectfully submitted,

By: /s/ Sidney M. Davies

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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.

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

<table>
<thead>
<tr>
<th></th>
<th>Design</th>
<th>Development</th>
<th>Testing</th>
<th>Simulation</th>
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<td>IFM</td>
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<td>Market Monitoring</td>
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<td>Settlements</td>
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**Legend**

- **Green**: On Track
- **Yellow**: Behind schedule; mitigation in place to maintain go-live target
- **Red**: Behind schedule; go-live target threatened
- **Blue**: Complete

**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

- The ISO has no significant accomplishments related to requirements to report this month. This phase is complete.

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 no significant accomplishments related to design to report this month. This phase is complete.

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

- This ISO has completed all required monitoring deliverables for February 1st.

Challenges

- The ISO has no significant development challenges to report this month.

Testing Phase

The testing phase evaluates the completeness, relative to business, system and Tariff requirements and quality of the delivered software solution. The ISO conducted a Testing effort which began in July and stretched through January.

Accomplishments

- The ISO continues work with Market Participants on their validation of the CRR Settlement Rule results.

- The ISO has done additional load and performance testing and remediated accordingly. Testing shows that the systems can handle a very high number of virtual bids.

- The ISO completed testing of internal and external interfaces including the enhancements described in the previous reports. However the Credit API has not been deployed since no Market Participants have confirmed testing of this feature.

Challenges

- The ISO has no significant testing challenges to report this month.
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 has conducted a Simulation which began in October and stretched through January.

Accomplishments

- The ISO has successfully completed market simulation activities. There were a total of twenty-seven SIBR and IFM structured scenarios that were executed and passed.
- The ISO has published all settlement statements as outlined in the market simulation plan.
- The ISO has continued to hold bi-weekly teleconference calls to review market simulation activities and structured scenarios results with participants.
- The ISO continues work with Market Participants on their validation of the CRR Settlement Rule results.

Challenges
Implementation Phase

The Implementation phase consists of cutover planning and execution.

Accomplishments

- The ISO has deployed all convergence bidding code into production and is ready to activate convergence bidding for Trade Date February 1st. The ISO will be hosting a conference call bridge to support bidding activities on January 31st.

- The ISO plans to heighten its level of monitoring during the first several weeks of the new convergence bidding market and have organized various task teams to support these activities.

- The ISO continues to work with Market Participants who have submitted registration materials after the deadline. The next opportunity for new Market Participants to participate in virtual bidding activities will be for trade date February 10th.

Challenges

- The ISO opened the day-ahead market to convergence bidding on January 25th, consistent with ISO tariff section 31.1 (seven days prior to the applicable trading day). The ISO experienced some challenges during the early deployment of convergence bidding which impacted Market Participants’ submissions on January 25th. These early issues have since been resolved.

- The ISO experienced a market disruption on January 28, 2011 that affected Scheduling Infrastructure Business Rules (SIBR) and the real-time market software. As part of the investigation and mitigation of those issues, convergence bidding submission functionality was disabled on January 28, 2011 at approximately 3:30 p.m. and was restored on January 30, 2011 at approximately 3:00 a.m.
Implementation Phase (continued)

Challenges

- The credit checking system has been working as designed. However, due to its interaction with SIBR, and in light of the market disruption, the credit check system is currently only being enabled between 8:05 a.m. and 3:05 p.m. daily. Bids submitted outside of that time window (which are valid or conditionally valid) will show a credit status of pending request. The ISO anticipates being able to enable the credit check system from 7:00 a.m. through 5:00 p.m. within one week and then enable the system twenty-four hours per day.

- The ISO will be reporting the SIBR market disruption and the mitigation measures that the ISO has taken, including limited availability of the credit check system on its next market disruption report to be filed on February 15, 2011.
Readiness

The ISO is preparing to activate convergence bidding for Trade Date February 1, 2011. Scheduling coordinators have been able to submit convergence bids for February 1, 2011 trading day since January 25th and subsequent trading dates that fall in the seven day advance bidding window, subject to the measures discussed above in the Implementation section of this report.
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 31st day of January, 2011.

/s/ Anna Pascuzzo

Anna Pascuzzo