

STRATEGIC OBJECTIVE	SUB-OBJECTIVES AND CORPORATE INITIATIVES	2008 MILESTONE COMPLETION	HIGHLIGHTS OF Y-T-D MILESTONE DELIVERABLES
<b>1.0 Excellence in Grid and Market Operations</b>	A. Establish a compliance monitoring framework.	On Schedule	Implementing framework. Established organizational ownership of FERC-approved standards. Independent third-party review and gap analyses of standards compliance documentation/evidence underway. Governance, Risk and Compliance (GRC) tool selected and initial release scheduled for mid-July.
	B. Leverage and integrate advanced analysis tools and new control room technologies.	On Schedule	Planning and design completed for Synchro-Phaser Measurement and Voltage Stability Analysis and in development and testing for roll-out to operators in late 2008. CAISO vision of SmartGrid defined.
	C. Implement projects to facilitate integration of renewable resources.	On Schedule	Comprehensive project plan developed. Evaluating new renewable forecasting services for day-ahead and hour-ahead forecasts. Joint effort underway to develop ramp forecast tool. Development of wind production GUI displays underway. Developing guidelines for integrating solar energy production into the Participating Intermittent Resources Program (PIRP).
	D. Institute actions to achieve efficient cash clearing timeframe.	Not Yet Started	Project plan complete for implementing 6 months after Settlements and Market Clearing go-live. Project discussion draft posted May 30.
<b>2.0 Grid Resource Development</b>	<b>2.1 Infrastructure Guided by Price Transparency</b>		
	A. Maintain long-term transmission rights feasibility through the transmission planning process.	Launched	Project Plan complete. Process of running Simultaneous Feasibility Test (SFT) with approved transmission projects defined. Testing and fine tuning of process underway.
	B. Reform the Large Generator Interconnection Process (LGIP).	On Schedule	Stakeholder process underway since January. Petitioned FERC in May to grant waiver of provisions of CAISO current LGIP and Interconnection Agreements. Management's proposal goes to Board on July 9 requesting approval to file amendments to CAISO Tariff to incorporate CAISO's Generator Interconnection Process Reform.
	C. Establish a framework for enabling competition between generation, transmission and demand response in the transmission planning process.	Launched	Plan complete. Review of FERC Order 890 to identify additional changes underway.
	D. Ensure maximum delivery of renewable resources with transmission additions and upgrades.	On Schedule	Proposed tariff language for the Generator Interconnection Process Reform addresses renewables. CAISO-approved transmission project (Tehachapi Segments 1,2, 3 and Sunrise Powerlink provide access to renewables. Completed assessment of three largest IOU's ability to meet 20% RPS mandate during 2010-2021 and introduced conceptual transmission plans to access renewable resource areas to achieve 33% mandate.
	<b>2.2 Robust and Transparent Electricity Markets</b>		
	A. Implement Market Redesign and Technology Upgrade (MRTU).		
	Enhance MRTU communication and readiness efforts.	On Schedule	Progress reported monthly to Board.
Launch the MRTU program.	On Schedule	Progress reported monthly to Board.	
Monitor performance and resolve issues post MRTU launch.	Launched	Cross-functional team has been formed and launched.	

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<b>2.0 Grid Resource Development (continued)</b>	B. Implement value-added market design enhancements as guided by the Market Initiatives Road Map.		
	Implement market elements for Long-Term Resource Adequacy (LTRA)	Launched	Initial project phase of product scoping and design underway. Filed comments on initial CPUC Staff report on LTRA.
	Increase demand participation in the ISO markets.	On Schedule	CAISO opened "DR365" Lab in December 2007 and capabilities continue to be added. Executed planning phase of a Demand Response Pilot for new participating load and for expanding participation with MRTU start-up. Working on market enhancements for designing a Dispatchable Demand Response model to be implemented 1 year after MRTU start-up. CAISO is actively engaged in regulatory processes at both state and federal levels.
	Improve market monitoring capabilities associated with new market design enhancements.	On Schedule	Advanced market simulation tool in testing phase and scheduled for August implementation.
	C. Enhance regional coordination and facilitate improvements to regional energy markets.	On Schedule	Completed design and filing to FERC on CAISO IBAA proposal. CAISO successfully negotiated and executed an operating agreement with BPA, Transmission Business Line formalizing procedures, satisfying compliance with mandatory reliability standards and providing a basis for long-term and more comprehensive IBBA operating agreement between BPA and CAISO.
	<b>2.3 Alignment with State and Federal Priorities</b>		
	A. Collaborate and help develop environmental policy consistent with reliable system operations.		
	Integrate state and federal environmental policies with ISO wholesale energy markets.	On Schedule	CAISO is a key participant in the RETI with the CPUC, CEC, IOUs other stakeholders helping the state develop major transmission lines to reach "Competitive Renewable Energy Zones." CAISO also extended expert consultation along with MSC to the CARB deliberative process (also involving a joint CPUC/CEC proceeding) on finalizing the CARB scoping memo and decision on the regulatory framework for AB32 GHG implementation.
	Identify obstacles to market participation by combined heat and power.	Launched	Project scoping and outreach underway.
	B. Implement Rebuttable Presumption.	On Schedule	Secured alignment with CPUC on Rebuttable Presumption goals. Conducted overviews of Rebuttable Presumption Process. Hosted initial stakeholder meetings on C3ETP.
<b>3.0 Organizational Effectiveness</b>	<b>3.1 People Strategies</b>		
	A. Plan, design, construct and occupy a new facility.		
	Construct new facility to meet essential physical security needs.	On Schedule	Completed schematic design and third party security review of Folsom Iron Point site. Submitted Developmental Application Package to City of Folsom.
	Upgrade current control rooms and design/occupy new one.	On Schedule	Completed upgrades to monitors, rear projection, site-to-site communications, and ergonomics providing parity between existing Folsom and Alhambra facilities.
	B. Expand the California ISO Academy.	On Schedule	Completed analysis of skills and target audience, course design and development. Course delivery underway.
	C. Manage ISO employee talent pool to optimal efficiency.		
Mature the ISO talent management strategy.	On Schedule	Designing President's Leadership Certification Program which lays foundation for desired and optimal behaviors.	

	Develop a corporate rotation program for professional development.	Not Yet Started	Project plan complete. Work scheduled to start in 3rd Quarter, 2008.
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<b>3.0 Organizational Effectiveness (Continued)</b>	D. Expand the Corporate Internship Program	On Schedule	Expanded campus footprint to include interns from 14 universities nationwide. Conducted on-boarding and orientation for 24 interns.
	E. Develop Global Recruitment Strategy.	Launched	Conducting research on best practices for global recruitment.
	<b>3.2 Maturity in Capabilities</b>		
	A. Enhance organizational effectiveness		
	Build on existing Process Centered Management.	On Schedule	Completed MRTU process walkthroughs for 15 Tier 1 processes by May 1. Enhanced centralized process repository to include 19 control plans, linkages to BPMs and Critical Information Protection Standards. In addition to basic training on Process and Quality, designed and rolled out intermediate training in Process and Quality concepts and application.
	Increase measurement capabilities- activity-based accounting.	On Schedule	Project vision, scope and plan defined. Design and implementation requirements for time reporting, costing and tracking for all projects and activities underway.
	Mature technology capabilities	On Schedule	Implemented Information Technology Infrastructure Library (ITIL) concepts/techniques for managing IT changes, configuration, incidents and release management. Implemented architectural governance and IT standards to strategically plan infrastructure and reduce costs of using common applications and hardware. Implementing audit controls to help assess adherence to current maturity level.
	Further develop program management capabilities.	On Schedule	Deployed information and tools providing foundation for how projects are effectively launched and managed. Deployed and began applying model program to guide organization. Deployed Program Lifecycle as the over-arching Project Management methodology.
	Expand enterprise risk management capabilities.	On Schedule	Completed control plans for Tier 1 MRTU processes. 2008 annual ERM evaluation underway.
	B. Improve strategy execution.	Launched	Process review of initiative launch to implementation underway to identify improvements.
	<b>3.3 Superior Customer Service</b>		
	A. Expand the customer issue resolution process to move from measures of timeliness to measures of service quality.	On Schedule	Analysis and identification of service quality measures complete. Defined standard approach for conducting root cause analysis.
	B. Continue the transformation of the stakeholder process to better meet customer needs.	On Schedule	Developed new stakeholder process quality guidelines and metrics to track and measure compliance with guidelines. Deployed standardized stakeholder approach and stakeholder engagement plan showing all active processes and timelines.
	C. Expand customer portal to access market information and issue resolution data.	On Schedule	Completed plans for integrating secure documents into market participant portal, implementing customization and personalization features and integrating production support and MRTU simulation portal content.
<b>Overall Objective</b>	<b>Financial Management</b>		
	A. Establish GMC for the coming year consistent with corporate goals	On Schedule	Guidelines issued and 2009 budget preparation underway.
	B. Maintain annual O&M expenses compared to budgeted amount.	On Track	Tracking toward Target based on mid-year forecast.