



April 28, 2006

VIA HAND DELIVERY – PUBLIC VERSION

The Honorable Magalie Roman Salas
Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: California Independent System Operator Corporation,
Docket No. ER02-1656-009, -010, and -011 and Investigation of
Wholesale Rates of Public Utility Sellers of Energy and
Ancillary Services in the Western Systems Coordinating
Council, Docket No. EL01-68-017**

Dear Secretary Salas:

Enclosed for filing in the above-captioned dockets, please find an original and 14 copies of the Status Report of the California Independent System Operator Corporation ("CAISO"). These copies contain a redacted version of Attachment A. The CAISO is also submitting one copy of this letter marked **CONFIDENTIAL**, which has a nonredacted version of Attachment A. The CAISO requests privileged treatment for the instant filing pursuant to 18 C.F.R. § 388.112 because public disclosure of the entire contents of Attachment A would disclose confidential business information and jeopardize the CAISO's future negotiation with vendors regarding implementation of the market redesign.

Two additional copies of the public version of this filing are enclosed. Please date-stamp them and return them in the self-addressed prepaid Federal Express envelope.

Respectfully submitted,

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Operator Corporation
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Attorneys for the California Independent
System Operator Corporation

**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

California Independent System Operator Corporation)	Docket No. ER02-1656-009
)	
)	
Investigation of Wholesale Rates of Public Utility Sellers of Energy and Ancillary Services in the Western Systems Coordinating Council)	Docket No. EL01-68-017
)	
)	

**STATUS REPORT OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“CAISO”)¹ respectfully submits this monthly progress report (“Report”) in compliance with the Commission’s November 27, 2002 “Order Clarifying The California Market Redesign Implementation Schedule,” 101 FERC ¶ 61,266 (2002) (“November 27 Order”), issued in the above-referenced dockets. The CAISO normally files this monthly report on the first Monday of the month.

The November 27 Order required the CAISO to file reports on the first Monday of each month, beginning in January 2003, to update the Commission on the CAISO’s progress in designing and implementing the market redesign effort.² The Commission directed the CAISO to file a full market redesign implementation plan, including a detailed timeline with the sequential and

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

² This market redesign effort, previously known as “MD02”, has been renamed Market Redesign & Technology Upgrade (“MRTU”)

concurrent nature of the design elements, the software and vendors (once selected) to be used and the cost estimates for each element. The November 27 Order required that the first report include explanations of the following: (1) any alternative methods of developing market redesign elements; (2) the CAISO's progress in developing the market redesign elements; (3) the action required to establish such elements; and (4) a detailed breakdown of the total start-up costs.³ The Commission directed the CAISO to update the market redesign implementation plan on a monthly basis, indicating the progress made and the upcoming steps.

On January 10, 2003, the CAISO filed its first Status Report in compliance with the November 27 Order. Subsequent to the first filing, the CAISO continues to file monthly Status Reports with the Commission on the first Monday of each month. The instant Report is intended to satisfy the monthly reporting requirement in the November 27 Order, update the information included in prior Status Reports and generally advise the Commission of the current status of the market redesign implementation effort.

I. MAY STATUS REPORT

The Market Redesign and Technology Upgrade ("MRTU") Program is comprised of seven major system projects⁴ – (1) Integrated Forward Markets/Real-Time Market/Full Network Model ("IFM/RTM/FNM"), (2) Scheduling Infrastructure Business Rules ("SIBR"), (3) Congestion Revenue Rights ("CRR"), (4) Settlements and Market Clearing ("SaMC"), (5) Legacy Systems, (6) Master

³ November 27 Order at P 9.

⁴ The major milestones for the MRTU projects are included in Attachment B.

File Redesign (“MFRD”) and (7) Post Transaction Repository (“PTR”). The CAISO submitted the MRTU Tariff and supporting documentation with the FERC on February 9, 2006, which is now pending in Docket No. ER06-615.

Attachment A to this Report includes confidential information concerning the Critical Path details.

Attachment B to this Report provides the MRTU Update and includes: (1) Executive Summary; (2) Critical Path graphical depiction from January 2006 through Go-Live that provides the current status for Tariff Activities, System Development, Integration Testing, External Readiness, Internal Readiness, Communications and Milestones; (3) Key Risks to the MRTU Program; and (4) Budget Status and Tracking Report, which summarizes expected cost at completion compared to the May 2004 budget. The Budget Status and Tracking Report includes the program budget amount, actual costs to date, estimated costs to complete and the project cost at completion.⁵

⁵ The Budget Status and Tracking Report had previously been submitted as confidential. Pursuant to CAISO Governing Board and officer directives, the CAISO is now filing this document as part of the publicly available portion of the MRTU Update.

II. CONCLUSION

In this Report, the CAISO has responded to the Commission's request for specific information on progress, critical issues, budget and alternative methods for the market redesign implementation effort. The CAISO appreciates having the opportunity to comment and report on the progress being made on its market redesign.

Respectfully submitted,

Handwritten signature of Sidney Mannheim Davies in cursive script, with a circled initial 'SM' to the right.

Charles F. Robinson
Anthony J. Ivancovich
Sidney Mannheim Davies

Counsel for the California Independent
System Operator Corporation

Dated: April 28, 2006

ATTACHMENT A

REDACTED

ATTACHMENT B

MRTU Executive Summary

• **Project Management Office**

- Implemented Weekly financial tracking across Program
- Implemented detailed effort-based forecasts of remaining work across Program
- Estimated additional scope items to projects and allocated budget to projects

• **Vendor Projects**

- Siemens (IFM/RTM) – Second release SAT in progress, re-planning third release based on additional scope items
- Siemens (SIBR) – Third release in progress, re-planning third release based on additional scope items
- Nexant (CRR) – Second release of FAT on schedule, Data Input Module on schedule
- AREVA (SaMC) – Requirements complete, Design on schedule

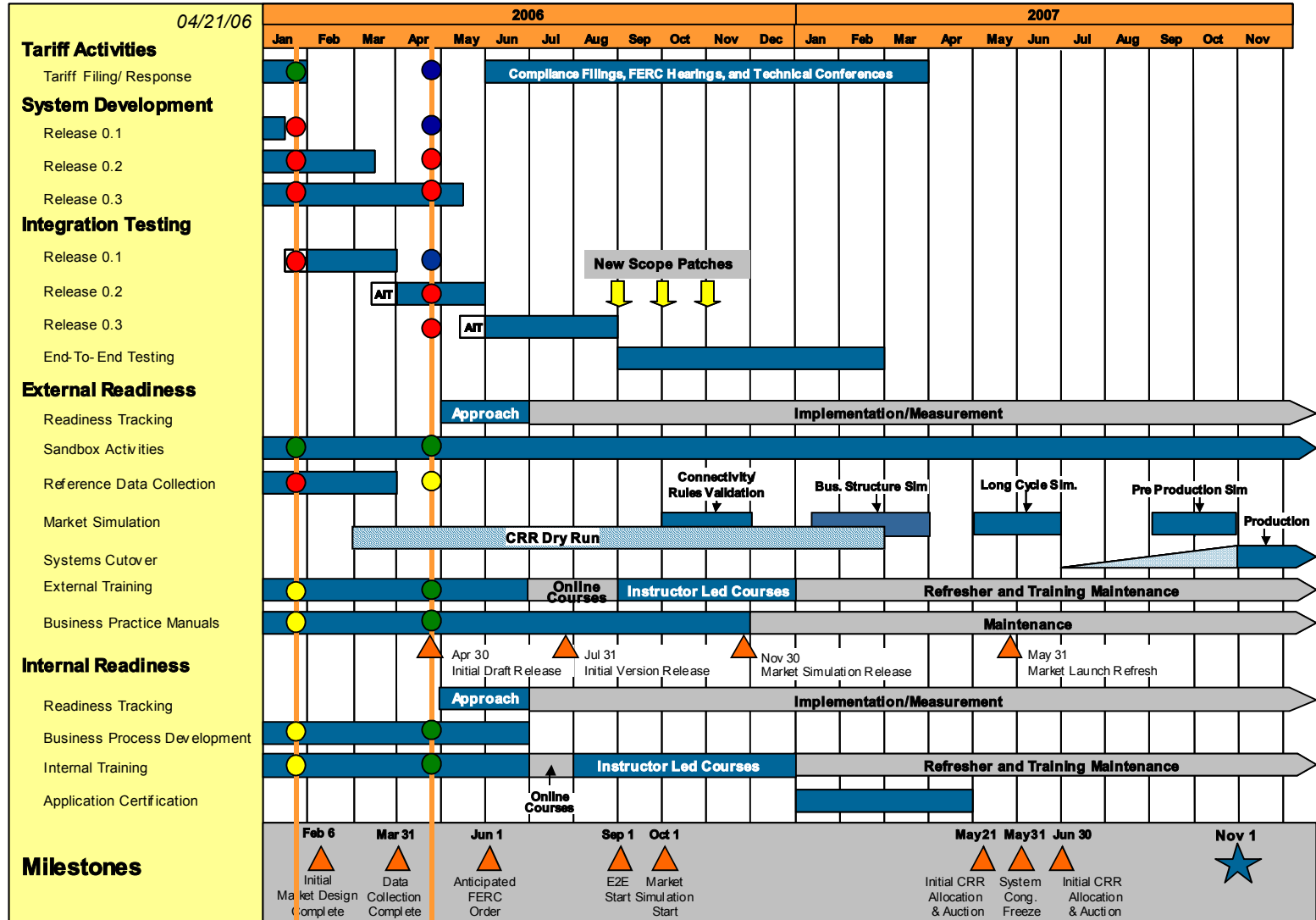
• **Internal Projects**

- Legacy Applications – Re-planning based on delayed start for third release
- Full Network Model and State Estimator – Re-planning delivery to coincide with additional scope items
- Integration Testing – Second and Third release delayed and being re-planned due to additional scope items
- System Integration – Re-defined approach and re-planned project
- Training – Re-planned project and executing to new schedule. Project on schedule.
- Business Process Development - Effort kicked off and on schedule

• **External Projects**

- Business Practice Manuals – Effort kicked off and on schedule
- Market Simulation – Reviewed comments from stakeholders and refined approach
- Sandbox – Basic API and User Interface installed
- Reference Data Collection – Data collection complete and being validated

Critical Path Jan 2006 through Go-Live



● Complete
 ● No Delays
 ● Delay, but will not impact program milestones or timelines of other projects.
 ● Delay, will impact program milestones or timelines of other projects.

Attachment B: MRTU Update
 For May 2006 FERC
 Status Report

California Independent System Operator
 Summary of Expected Completion Costs vs. 5-1-04 Budget
 March 31, 2006
 (In Thousands) *

Project	Reforecast Project Costs January 2006 (a)**	Actual Costs Through 2005 (b)	Project To Date Actual Costs (c)	Estimated Costs to Complete (d)	Cost of Project at Completion (e)=(c+d)	Increase (Decrease) from Reforecast (f)=(e-a)
Market Redesign	\$ 51,823	\$ 40,235	\$ 40,738	\$ 11,085	\$ 51,823	\$ (0)
1 Automatic Mitigation Procedures/Phase 1A	\$ 773	\$ 773	773	\$ -	773	0
2 Real Time Markets/Phase 1B	16,297	16,297	16,297	0	16,297	0
Integrated Forward Markets/Real -Time Market/Full						
3 Network Model (IFM/RTM/FNM)	27,365	17,010	17,447	9,919	27,365	(0)
4 Congestion Revenue Rights - (CRR)	3,800	3,386	3,451	349	3,800	0
11A Hardware & Software Purchases	3,588	2,769	2,772	817	3,588	0
Technology Upgrade	\$ 60,247	\$ 34,137	\$ 39,965	\$ 20,282	\$ 60,247	\$ (0)
5 Scheduling Infrastructure Business Rules - (SIBR)	10,240	6,326	7,283	2,957	10,240	0
6 Settlements and Market Clearing -(SaMC)	18,102	5,313	9,347	8,755	18,102	0
7 Master File -(MFRD)	2,085	1,860	1,973	111	2,085	0
9 Post Transactional Repository - (PTR)	1,778	1,041	1,160	618	1,778	(0)
10 Legacy Systems	8,337	3,590	4,002	4,335	8,337	0
11 Technology Infrastructure	2,057	2,028	2,035	22	2,057	0
11B Hardware & Software Purchases	6,923	4,566	4,657	2,266	6,923	0
12 System Integration/Enterprise Architecture	10,724	9,412	9,507	1,218	10,724	0
Common Projects ***	\$ 26,143	\$ 9,670	\$ 10,937	\$ 15,207	\$ 26,143	\$ -
13 Training/Communication/Rollout	2,943	916	1,076	1,867	2,943	0
14A Project Management	13,908	7,674	8,552	5,355	13,908	0
14B Testing	9,292	1,080	1,308	7,984	9,292	0
Additional Scope (will be allocated to above projects as required)	\$ 26,832	\$ -	\$ -	\$ 26,832	\$ 26,832	\$ -
Must Have Policy Scope	15,928	0	0	15,928	15,928	0
Pending MRTU Scope	6,584	0	0	6,584	6,584	0
Readiness Projects	4,321	0	0	4,321	4,321	0
Common Projects ***	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -
15 Contingency	5,000	0	0	5,000	5,000	0
Total MRTU Project	\$ 170,045	\$ 84,042	\$ 91,640	\$ 78,406	\$ 170,045	\$ (0)

* Columns and rows may not total due to rounding.

** Budgets include: Consultant Labor, Vendor Costs, Travel & Meals Expenses, Training, Hardware, Software, Maintenance, Employee Backfill costs

*** Common Projects Allocation: 47.9% to Market Redesign; 52.1% to Technology Upgrade

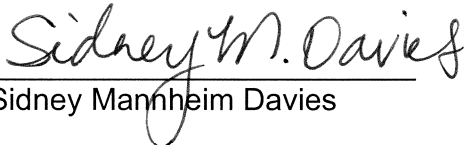

Key Risks To MRTU Program

- IFM/RTN/SIBR and SaMC Vendor Software Delivery Delays – Delays in the delivery of any planned software releases from vendors can impact MRTU timelines
 - Mitigation Activities in Place
 - Vendor Management
 - Weekly Vendor Team Performance Reporting
- FERC Response to Tariff Filing – MRTU schedule and budget does not allow for any material market design changes.
 - Mitigation Activities in Place
 - MRTU Scope Management Process
- Scope Changes – MRTU has made specific schedule and budget allowances for identified scope items.
 - Mitigation Activities in Place
 - MRTU Scope Management Process
- Market Participant Readiness - Participant readiness is critical to begin Market Simulation on schedule.
 - Mitigation Activities in Place
 - MRTU Change Readiness Group Lead position filled, centralizing responsibility, accountability and coordination of MRTU Readiness efforts.

CERTIFICATE OF SERVICE

I hereby certify that I have caused the public version of the foregoing document to be served upon the Public Utilities Commission of the State of California and upon all parties of the official service lists maintained by the Secretary for Docket Nos. ER02-1656-000 and EL01-68-017.

Dated at Folsom, California, this 28th day of April 2006.

 
Sidney Mannheim Davies