



California Independent
System Operator Corporation

August 31, 2006

VIA FEDERAL EXPRESS

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"). Two additional copies are also enclosed. Please date-stamp them and return them in the self-addressed prepaid Federal Express envelope.

Respectfully submitted,

Charles F. Robinson
Anthony J. Ivancovich
Sidney Mannheim Davies
The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

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 concurrent nature of the design elements, the software and vendors (once

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

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.

SEPTEMBER 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

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


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.

The CAISO is not seeking confidential treatment for any information contained in the September 2006 Report. Accordingly, all information is contained in a single attachment, Attachment A.

Respectfully submitted,



Charles F. Robinson
Anthony J. Ivancovich
Sidney Mannheim Davies

Counsel for the California Independent
System Operator Corporation

Dated: August 31, 2006

ATTACHMENT A



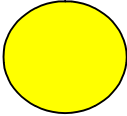

California ISO
Your Link to Power

California Independent
System Operator Corporation

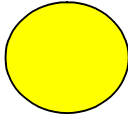

Market Redesign and Technology Upgrade Budget & Schedule Report

Board of Governors Meeting
Executive Sponsor: Charles A. King, PE
September 06, 2006





MRTU Executive Summary

MRTU Schedule	
Current Period	Trend
	

- The majority of System Development activities will be completed by 10/06, with current mitigation actions actively being executed to help IFM/SIBR gain back their current 3-4 week vendor delay-induced schedule slip. Additional 1/2 week slip is anticipated and currently being mitigated.
- Integration team is making progress toward required milestones and is actively working to mitigate 2 week impact to MRTU critical path.
- Detailed test plan produced for R2/R3 Integration Release by Integration Test team.
- Market Simulation, Readiness teams, and other supporting activities progressing on schedule to support 11/07 go-live date.
- Recent accomplishments include: on-time delivery of BPMs (7/31), delivery of base Areva product (SaMC), completion of first phase of MRTU Business Processes, delivery of CR1 web services, and completion of 100/200 Training courses & start of training delivery dry-run.

MRTU Budget	
Current Period	Trend
	 <p>Risk of \$3 Million to contingency funds</p>

- Completed periodic financial analysis on all MRTU projects to confirm Actuals, Estimates to Complete, and Estimate at Completion.
- Worked with the Business Units to confirm CAISO staff participation requirements to support MRTU.
- 8/06 management decision to re-assign internal CAISO resource costs to MRTU program. This places approximately \$3 Million of contingency at risk. PMO developing strategies to mitigate and avoid risk to contingency funds.

	Complete		No Delays
	Delay, but will not impact 11/07 go-live date. Contingency maintained, but at risk.		
	Delay, will impact program delivery and 11/07 Go-live date. Use of contingency funds.		

MRTU Executive Summary

Over the past month, MRTU has moved closer towards its November 2007 go-live date with the various MRTU projects steadily achieving their development, testing, and delivery milestones.

From the System Development perspective, many projects completed their Site Acceptance Tests (SAT) this month, including SaMC's Areva Settlements Product, the first coordinated release of IFM and SIBR, MFRD (application built and tested), and Legacy's ETCC project. Other projects completed development and Factory Acceptance Tests (FAT) for phases of their projects, helping to eliminate some of the earlier delays caused by vendor-related issues or upstream dependencies.

At the same time, these project teams have worked closely with the new Integration team and the Integration Testing team to re-prioritize development and delivery against the new release plan. In the process of planning, designing, and building the P1 through P4 interfaces, the Integration team has actively worked to mitigate a 2 week delay on the critical path. Along with these efforts, the Integration Testing team produced a detailed test plan based on the new R2/R3 release, coordinating efforts to ensure that all of the individual testing phases are executed smoothly and on-time.

The concurrent Internal and External Readiness efforts have also kicked-off in the past month. Second draft of Business Practice Manuals (BPMs) have been completed, the training team is conducting a dry-run of the Level 200 courses, and the Internal and External Readiness teams have been working with internal and external stakeholders via discussions, workshops, and metrics.

MRTU Program Progress as of August 25, 2006



California Independent System Operator Corporation

Program Area	Design	Build	Test	Integration Test	End-End Test	Market Simulation	Deployment
Phase 1A	✓	✓	✓	✓	✓	✓	✓
Phase 1B	✓	✓	✓	✓	✓	✓	✓
<u>Market Systems</u>							
Real-Time Market	✓	✓	✓				
Integrated Forward Mkt	✓	✓	✓				
Hour-Ahead Processor	✓	✓	✓				
Residual Unit Com.	✓	✓	✓				
Scheduling	✓	✓	✓				
Policy Must-Haves	✓						
<u>Settlements</u>							
Base Product	✓	✓	✓				
Charge Types	✓	✓					
<u>Congestion Revenue Rights</u>	✓	✓	✓				
<u>Legacy</u>							
Auto Dispatch System	✓	✓	✓				
Reference Level Calc.	✓	✓	✓				
Outage Mgmt System	✓	✓	✓				
Compliance (CAP)	✓	✓					
Trans. Cont. System	✓	✓	✓				
Metering System	✓	✓					
OASIS	✓	✓					

Supporting Activities

Program Area	Planning	Development	Execution
Internal Readiness	✓		
External Readiness	✓		
Training	✓	✓	
Business Processes (Phase 1)	✓	✓	
BPMs	✓	✓	

Site Acceptance Testing (SAT):

- IFM – Baseline functionality and partial coordinated release 1 (CR1) SAT completed
- SIBR – CR1 SAT completed
- CRR – Data Input Module SAT completed
- MFRD – Release 3 SAT completed
- SaMC – Areva Settlements Product SAT completed, System Test SAT to complete at end of August
- Legacy – ETCC SAT completed, RLC and OMAR SAT started
- STiNG – SAT started

Development and Factory Acceptance Testing (FAT):

- IFM – Partial CR2 FAT started
- SIBR – CR2 FAT started
- SaMC – System Test FAT completed
- Legacy – OASIS design completed, RLC and OMAR FAT completed
- Portal – ClearTrust web services development completed
- STiNG – FAT completed

Integration

- New Project Manager and team ramped-up, re-prioritized all interfaces against new release plan
- P1 through P3 interfaces planned (P4 underway), P1 and P2 interfaces designed (P3 underway), and P1 interfaces built (P2 and P3 underway)

Integration Testing

- QRB approval for combining R2/R3, finalized R2/R3 Integration Testing workplan, continuing test planning

Readiness Activities

- 2nd Draft of Business Practice Manuals (BPMs) completed
- Run-through of Level 200 Training courses underway, external stakeholders signed up for Training workshops
- Internal and External Readiness Teams ramped-up and developing key materials and metrics

Program Office (PMO)

- Budget mitigation analysis completed

Planned Activities

Integration

- Continue P3 design, complete P1 deployment to AIT, and continue working on P2 and P3 build

Integration Testing

- Continue re-planning of various Testing activities

Legacy

- Continue OASIS SAT and CAP SAT test case development
- Continue RLC and OMAR SAT execution

Applications

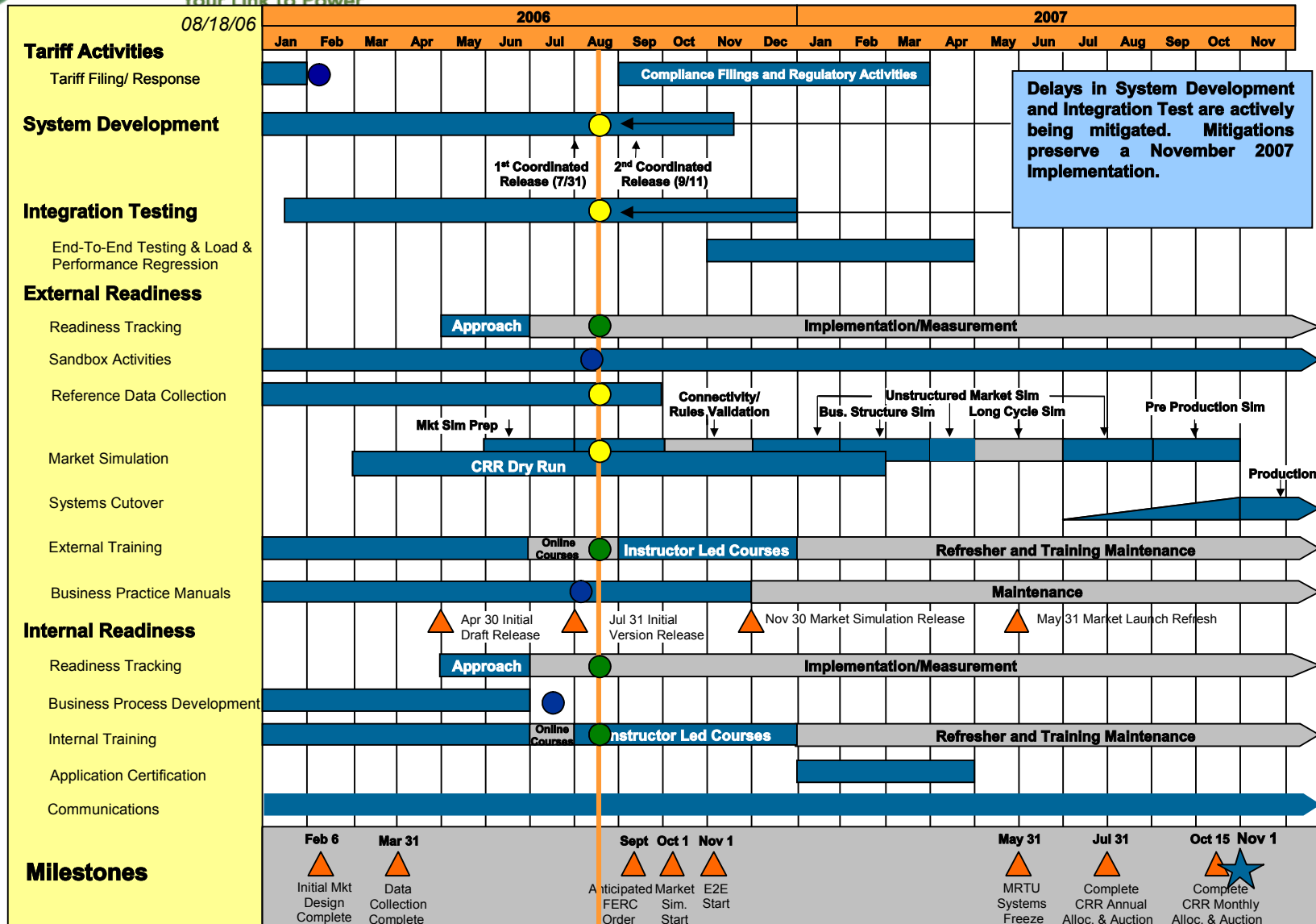
- IFM to start partial CR2 FAT, receive QRB approval for CR1 SAT exit, and complete AIT for CR1 web services
- SaMC to finish Phase 1 System Test and resume Performance Testing
- SIBR to continue CR2 FAT
- STiNG to present FAT results to QRB and start SAT
- MQS to continue pre-FAT and FAT planning

Readiness Efforts

- Training team to continue to train market participants and begin internal training for grid operations.
- Completing preparation and registration for connectivity phase of Market Simulation.
- Market Simulation connectivity phase scheduled to begin October 2.



Critical Path



August 18



Complete



No Delays



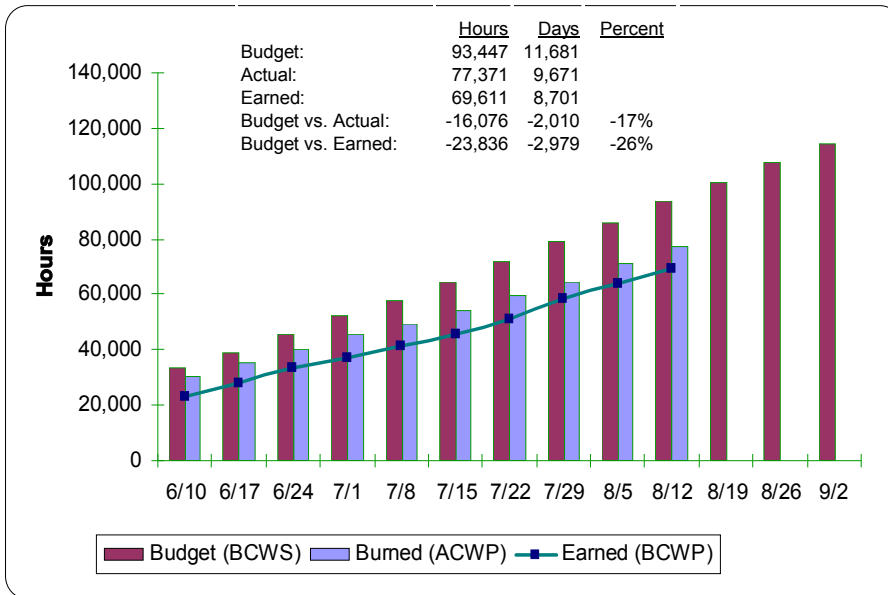
Delay, but will not impact 11/07 Go Live Date



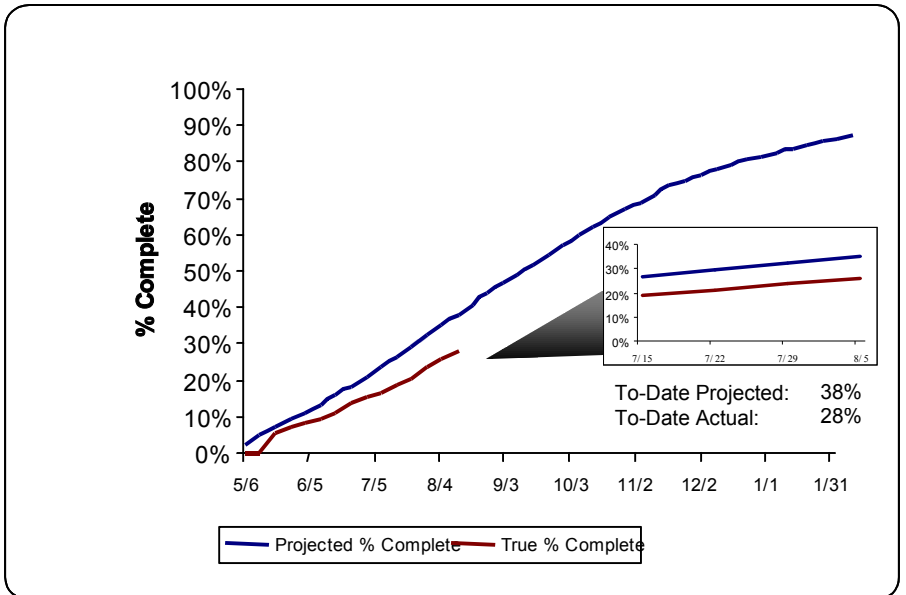
Delay will impact Program Delivery and 11/07 Go Live Date

Program Key Metrics

Cumulative EV – Entire MRTU
(Budget vs. Actual vs. Earned)



Cumulative EV – Entire MRTU
(Projected % Complete vs. Actual % Complete)



Included in Graph: BPM, Business Process, SIBR, Legacy, Training, FNM/SE, IFM, MQS, CRR, MFRD, SaMC, Portal, Testing, PTR, Integration, and STING.

Not Included in Graph: Communications and PMO.

- Actual hours burned by MRTU projects are below the planned rate. A significant portion of the discrepancy can be explained by Testing remaining understaffed until systems come online and earned value is consistent with burned hours
- Current earned value is tracking below planned earned value due to various delays



California Independent System Operator
Summary of Expected Completion Costs vs. January 30, 2006 Budget
July 31, 2006
(In Thousands) *

Project	Re-allocated Project Costs May 2006 (a)**	Actual Costs Through 2005 (b)	Paid Invoices To Date 7/31/06 (c)	Estimated Costs to Complete (d)	Cost of Project at Completion (e)= (c+d)	Increase (Decrease) from Reforecast (f)=(e-a)
Market Redesign	\$ 57,925	\$ 40,235	\$ 45,135	\$ 11,017	\$ 56,153	\$ (1,772)
1 Automatic Mitigation Procedures/Phase 1A	\$ 773	\$ 773	773		773	0
2 Real Time Markets/Phase 1B	16,297	16,297	16,297		16,297	0
Integrated Forward Markets/Real -Time Market/Full						
3 Network Model (IFM/RTM/FNM)	29,696	17,010	21,242	7,215	28,457	(1,239)
4 Congestion Revenue Rights - (CRR)	4,045	3,386	3,713	391	4,104	59
4A Market Quality System - (MQS) ****	3,526	0	164	2,770	2,934	(592)
11A Hardware & Software Purchases	3,588	2,769	2,947	642	3,588	0
Technology Upgrade	\$ 64,608	\$ 34,137	\$ 48,836	\$ 18,419	\$ 67,256	\$ 2,648
5 Scheduling Infrastructure Business Rules - (SIBR)	12,378	6,326	8,960	3,011	11,971	(407)
6 Settlements and Market Clearing -(SaMC)	18,183	5,313	12,129	5,254	17,383	(801)
7 Master File -(MFRD)	2,284	1,860	2,190	62	2,253	(31)
9 Post Transactional Repository - (PTR)	1,959	1,041	1,570	504	2,073	114
10 Legacy Systems	7,861	3,434	5,242	1,028	6,271	(1,591)
10A State Estimator/Full Network Model	1,038	157	778	239	1,017	(21)
11 Technology Infrastructure	2,057	2,028	2,040	26	2,065	8
11B Hardware & Software Purchases	6,923	4,566	4,758	2,165	6,923	0
12 System Integration/Enterprise Architecture	11,923	9,412	11,169	6,130	17,299	5,376
Common Projects ***	\$ 39,170	\$ 9,670	\$ 16,300	\$ 22,416	\$ 38,716	\$ (454)
13 Training/Readiness Projects	13,246	916	3,462	8,814	12,276	(970)
14A Project Management	14,248	7,674	10,052	4,196	14,248	0
14B Testing	11,677	1,080	2,786	9,406	12,192	515
Additional Scope (will be allocated to above projects as required)	\$ 3,343	\$ -	\$ -	\$ 2,921	\$ 2,921	\$ (422)
Must Have Policy Scope	0	0	0	0	0	0
Pending MRTU Scope****	3,343	0	0	2,921	2,921	(422)
Readiness Projects	0	0	0	0	0	0
Contingency	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -
15 Contingency	5,000	0	0	5,000	5,000	0
Total MRTU Project	\$ 170,045	\$ 84,042	\$ 110,271	\$ 59,774	\$ 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

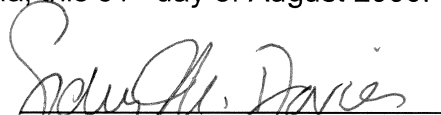
*** Common Projects Allocation: 47.9% to Market Redesign; 52.1% to Technology Upgrade

**** Additional Scope Items will be allocated as Project Scope items approved

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 31st day of August 2006.



Sidney Mannheim Davies