

June 1, 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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**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”)<sup>1</sup> 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.<sup>2</sup> The Commission directed the CAISO to file a full market redesign implementation plan, including a detailed timeline with the sequential and

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

<sup>2</sup> 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.<sup>3</sup> 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. JUNE STATUS REPORT**

The Market Redesign and Technology Upgrade ("MRTU") Program is comprised of seven major system projects<sup>4</sup> – (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

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<sup>3</sup> November 27, Order at P 9.

<sup>4</sup> 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.<sup>5</sup>

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<sup>5</sup> 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,

  
Sidney Mannheim Davies

Counsel for the California Independent  
System Operator Corporation

Dated: June 1, 2006

**ATTACHMENT A**

**REDACTED**

## **ATTACHMENT B**

# MRTU Executive Summary

## **Project Management Office**

- Implemented detailed effort-based forecasts of remaining work across Program
- Refining additional scope impacts to budget and schedule
- Implemented standard weekly financial reporting and forecasting across Program

## **Vendor Projects**

- Siemens (IFM/RTM) – Executing to new plan based on updated vendor delivery schedule that coordinates releases with SIBR
- Siemens (SIBR) – Executing to new plan based on updated vendor delivery schedule that coordinates releases with IFM
- Siemens (MQS) – Effort kicked off and planning completed. Requirements complete, design on schedule
- Nexant (CRR) – Second release complete, Data Input Module on schedule
- AREVA (SaMC) – Requirements complete, software delivery delayed, internal calculations build on schedule

## **Internal Projects**

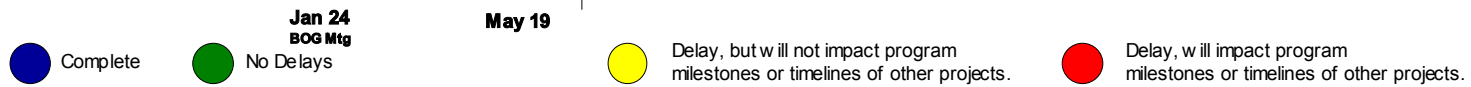
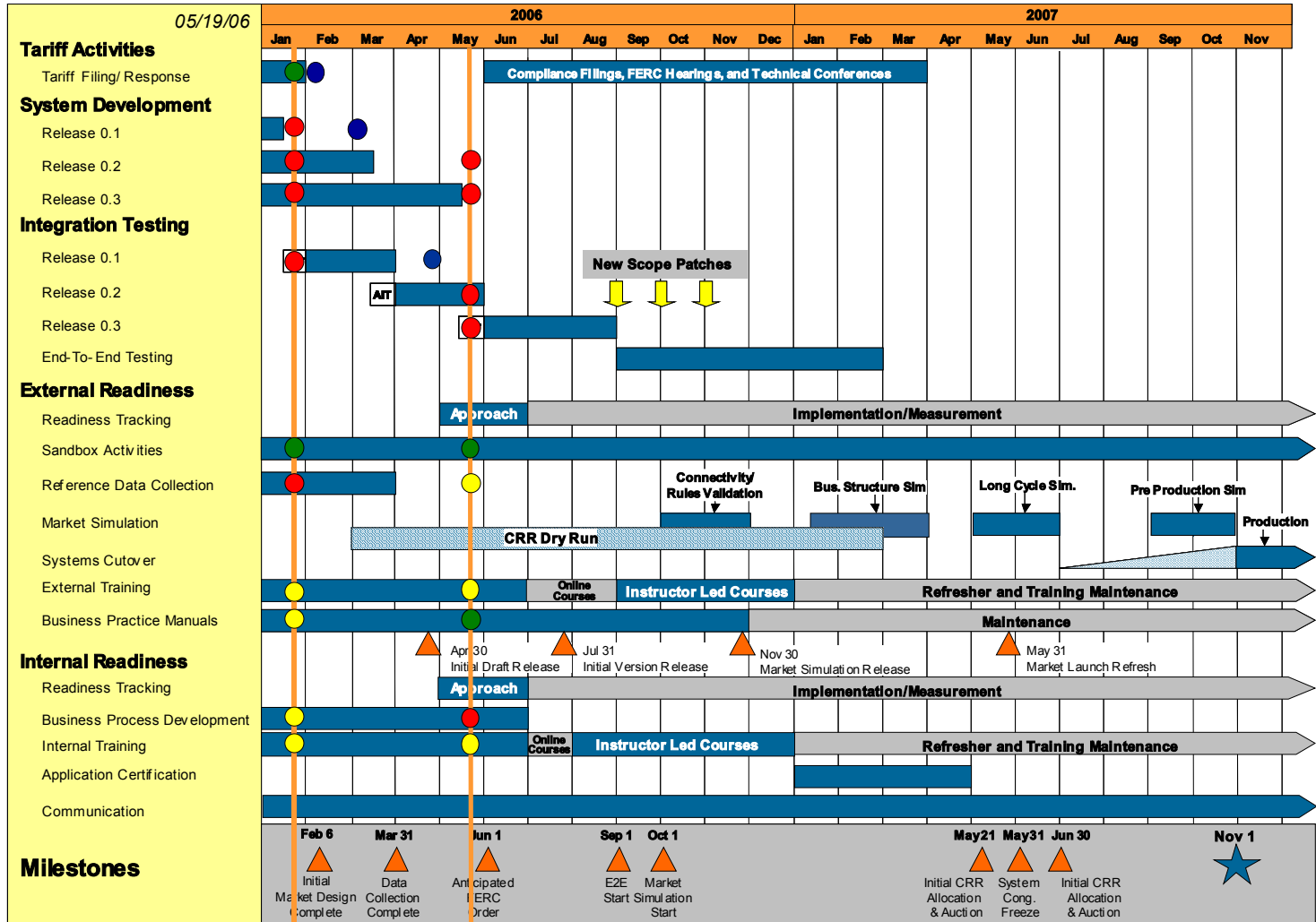
- Legacy Applications – Re-planned and executing to new schedule
- Full Network Model and State Estimator – Re-planned for additional scope and executing to new schedule
- Integration Testing – Re-planned based on delayed product releases due to additional scope items. Currently executing the Second release.
- System Integration – Re-planned and executing to new approach and schedule
- Training – Draft BLAST video completed, remainder of development on schedule
- Business Process Development - Process development in process and implementation on schedule
- MFRD – Effort kicked off and on schedule
- PTR - Delays due to upstream requirement changes. Initial build of external scheduling reports on schedule.

## **External Projects**

- Business Practice Manuals – Initial drafts delivered and being reviewed with Stakeholders
- Market Simulation – Published Guidebook and reviewing stakeholder comments
- Sandbox – Stubbed data interfaces were migrated into Sandbox
- Reference Data Collection – Data collection complete and validation still underway



# Critical Path Jan 2006 through Go-Live



Attachment B: MRTU Update  
 For June 2006 FERC  
 Status Report

California Independent System Operator  
 Summary of Expected Completion Costs vs. 5-1-04 Budget  
 April 30, 2006  
 (In Thousands) \*

Project	Reforecast Project Costs January 2006 <b>(a)**</b>	Actual Costs Through 2005 <b>(b)</b>	Project To Date Actual Costs <b>(c)</b>	Estimated Costs to Complete <b>(d)</b>	Cost of Project at Completion <b>(e)=(c+d)</b>	Increase (Decrease) from Reforecast <b>(f)=(e -a)</b>
<b>Market Redesign</b>	<b>\$ 51,823</b>	<b>\$ 40,235</b>	<b>\$ 41,088</b>	<b>\$ 13,379</b>	<b>\$ 54,467</b>	<b>\$ 2,644</b>
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
3 Integrated Forward Markets/Real -Time Market/Full Network Model (IFM/RTM/FNM)	27,365	17,010	17,686	9,680	27,365	(0)
4 Congestion Revenue Rights - (CRR)	3,800	3,386	3,479	321	3,800	0
4A Market Quality System - (MQS) ****	0	0	20	2,624	2,644	2,644
11A Hardware & Software Purchases	3,588	2,769	2,833	755	3,588	0
<b>Technology Upgrade</b>	<b>\$ 60,247</b>	<b>\$ 34,137</b>	<b>\$ 42,344</b>	<b>\$ 17,904</b>	<b>\$ 60,247</b>	<b>\$ (0)</b>
5 Scheduling Infrastructure Business Rules - (SIBR)	10,240	6,326	7,643	2,597	10,240	0
6 Settlements and Market Clearing -(SaMC)	18,102	5,313	10,119	7,983	18,102	0
7 Master File -(MFRD)	2,085	1,860	2,044	40	2,085	0
9 Post Transactional Repository - (PTR)	1,778	1,041	1,280	499	1,778	(0)
10 Legacy Systems	8,337	3,590	4,792	3,545	8,337	0
11 Technology Infrastructure	2,057	2,028	2,036	21	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	9,772	952	10,724	0
<b>Common Projects ***</b>	<b>\$ 26,143</b>	<b>\$ 9,670</b>	<b>\$ 12,112</b>	<b>\$ 14,486</b>	<b>\$ 26,598</b>	<b>\$ 455</b>
13 Training/Readiness Projects ****	2,943	916	1,658	1,740	3,398	455
14A Project Management	13,908	7,674	8,856	5,051	13,908	0
14B Testing	9,292	1,080	1,597	7,695	9,292	0
<b>Additional Scope (will be allocated to above projects as required)</b>	<b>\$ 26,832</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,733</b>	<b>\$ 23,733</b>	<b>\$ (3,099)</b>
Must Have Policy Scope	15,928	0	0	15,928	15,928	0
Pending MRTU Scope****	6,584	0	0	3,940	3,940	(2,644)
Readiness Projects****	4,321	0	0	3,866	3,866	(455)
<b>Common Projects ***</b>	<b>\$ 5,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,000</b>	<b>\$ 5,000</b>	<b>\$ -</b>
15 Contingency	5,000	0	0	5,000	5,000	0
<b>Total MRTU Project</b>	<b>\$ 170,045</b>	<b>\$ 84,042</b>	<b>\$ 95,544</b>	<b>\$ 74,502</b>	<b>\$ 170,045</b>	<b>\$ (0)</b>

\* 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 re-allocated during May. Costs incurred in April do not increase overall budget.

## 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 1<sup>st</sup> day of June 2006.

  
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Sidney Mannheim Davies