



June 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

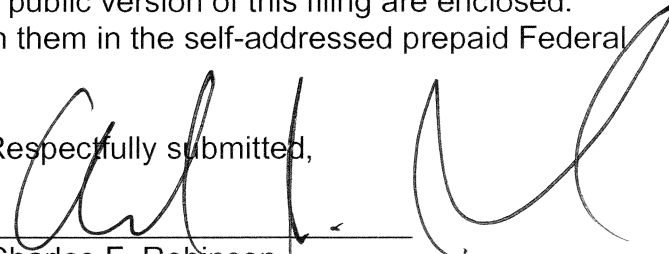
**Re: California Independent System Operator Corporation,
Docket No. ER02-1656-009, -010, and -011 and Investigation of
Wholesale Rates of Public Utility Sellers of Energy and
Ancillary Services in the Western Systems Coordinating
Council, Docket No. EL01-68-017**

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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System Operator Corporation

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

California Independent System Operator Corporation)	Docket No. ER02-1656-009
)	
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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. JULY 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.

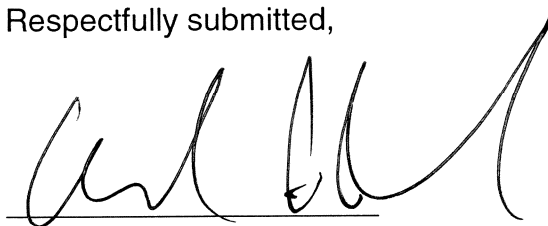
Attachment B to this Report provides the MRTU Update and includes: (1) Executive Summary; (2) Critical Path graphical depiction from January 2006 through Go-Live that provides the current status for Tariff Activities, System Development, Integration Testing, External Readiness, Internal Readiness, Communications 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,

A handwritten signature in black ink, appearing to be 'C. F. Robinson', written over a horizontal line.

Charles F. Robinson
Anthony J. Ivancovich
Sidney Mannheim Davies

Counsel for the California Independent
System Operator Corporation

Dated: June 28, 2006

ATTACHMENT A

REDACTED

ATTACHMENT B

MRTU Executive Summary

Project Management Office

- Continuing to execute using detailed effort-based forecasts of remaining work across Program
- Refining additional scope impacts to budget and schedule
- Implemented issue management tool across Program

Vendor Projects

- Siemens (IFM/RTM) – Working with vendor to prioritize efforts and deliver to coordinated release schedule with SIBR
- Siemens (SIBR) – Working with vendor to prioritize efforts and deliver to coordinated release schedule with IFM/RTM
- Siemens (MQS) – Executing to plan. Design complete and build on schedule
- Nexant (CRR) – Executing to plan. Data Input Module build complete and ready for testing
- AREVA (SaMC) – Executing to new schedule. Software delivery containing additional scope expected in July

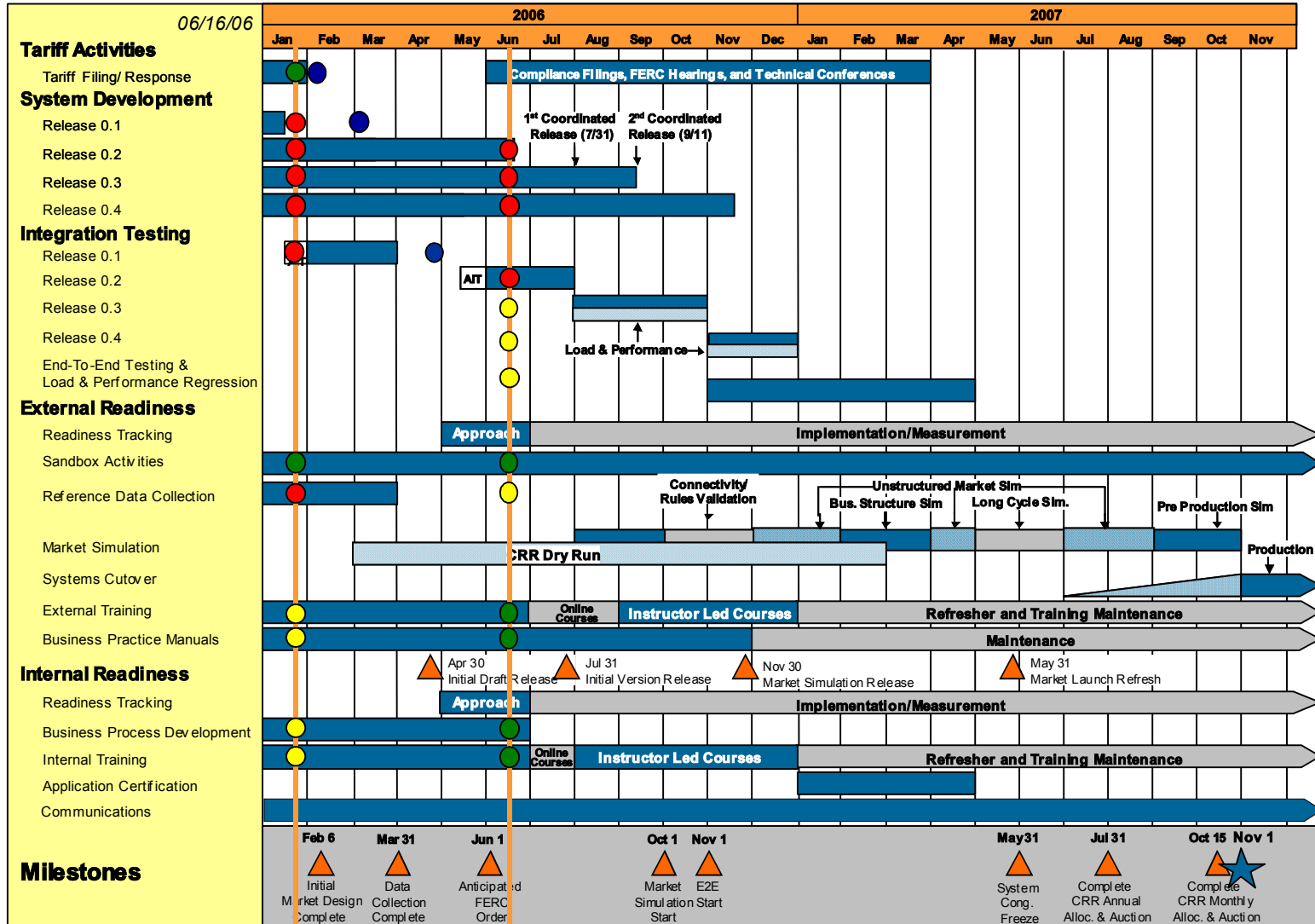
Internal Projects

- Legacy Applications – Executing to new schedule, completing scope review of functional changes
- Full Network Model and State Estimator (SE) – Executing to new schedule. SE Readiness Acceptance testing in process.
- Integration Testing – Second Release delayed due to product release and interface build delays. Re-planning in process.
- System Integration – Executing to new approach and schedule. Delayed due to resource roll-on constraints.
- Training – Updating MRTU Overview video based on feedback. 100 level courses completed, developing 200 level courses.
- Business Process Development – Phase 1 process development reaching completion. Phase 2 process work being planned.
- MFRD – Executing to plan. Design and build in progress.
- PTR – Executing to new schedule. Release 2 build of interfaces and external scheduling reports on schedule.

External Projects

- Business Practice Manuals – Revising initial set of manuals and developing draft of remaining manuals for July release.
- Market Simulation – Revising Guidebook based on Stakeholder comments, planning and preparing for Market Simulation.
- Sandbox – Working on additional interfaces for a July release.
- Reference Data Collection – Data collection complete and validation still underway

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 July 2006 FERC
Status Report

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

Project	Reforecast Project Costs January 2006	Re-allocated Project Costs May 2006 (a)**	Actual Costs Through 2005 (b)	Project To Date Paid Costs (c)	Estimated Costs to Complete (d)	Cost of Project at Completion (e)= (c+d)	Increase (Decrease) from Re- allocation (f)=(e-a)
Market Redesign	\$ 51,823	\$ 57,925	\$ 40,235	\$ 41,324	\$ 14,242	\$ 55,566	\$ (2,359)
1 Automatic Mitigation Procedures/Phase 1A	\$ 773	\$ 773	\$ 773	773		773	0
2 Real Time Markets/Phase 1B	16,297	16,297	16,297	16,297		16,297	0
Integrated Forward Markets/Real -Time Market/Full							
3 Network Model (IFM/RTM/FNM)	27,365	29,696	17,010	17,863	10,360	28,223	(1,473)
4 Congestion Revenue Rights - (CRR)	3,800	4,045	3,386	3,494	533	4,026	(18)
4A Market Quality System - (MQS) ****	0	3,526	0	63	2,596	2,658	(868)
11A Hardware & Software Purchases	3,588	3,588	2,769	2,835	753	3,588	0
Technology Upgrade	\$ 60,247	\$ 64,608	\$ 34,137	\$ 43,776	\$ 25,869	\$ 69,645	\$ 5,038
5 Scheduling Infrastructure Business Rules - (SIBR)	10,240	12,378	6,326	7,696	4,430	12,126	(252)
6 Settlements and Market Clearing -(SaMC)	18,102	18,183	5,313	10,593	7,144	17,737	(446)
7 Master File -(MFRD)	2,085	2,284	1,860	2,095	208	2,303	19
9 Post Transactional Repository - (PTR)	1,778	1,959	1,041	1,395	830	2,225	266
10 Legacy Systems	7,331	7,861	3,434	4,727	3,126	7,853	(8)
10A State Estimator/Full Network Model	1,006	1,038	157	545	522	1,067	29
11 Technology Infrastructure	2,057	2,057	2,028	2,037	28	2,065	8
11B Hardware & Software Purchases	6,923	6,923	4,566	4,725	2,199	6,923	0
12 System Integration/Enterprise Architecture	10,724	11,923	9,412	9,964	7,383	17,347	5,424
Common Projects ***	\$ 26,143	\$ 39,170	\$ 9,670	\$ 13,317	\$ 25,312	\$ 38,629	\$ (542)
13 Training/Readiness Projects	2,943	13,246	916	2,099	10,300	12,399	(847)
13 Training/Readiness Projects ****	2,863	3,212	916	1,298	1,576	2,873	(339)
Readiness Project/Communication	80	2,007	0	316	1,256	1,572	(435)
Business Practice Manual			0	0	0	0	0
MRTU Processess	0	1,027	0	455	499	954	(73)
Market Engine Certification		500		0	500	500	0
Market Price Validation		500		0	500	500	0
HR & Organization Readiness	0	3,000	0	31	2,969	3,000	(0)
External Readiness		3,000	0	0	3,000	3,000	0
14A Project Management	13,908	14,248	7,674	9,275	4,959	14,234	(14)
14B Testing	9,292	11,677	1,080	1,943	10,052	11,996	319
Additional Scope (will be allocated to above projects as required)	\$ 26,832	\$ 3,343	\$ -	\$ -	\$ 1,206	\$ 1,206	\$ (2,137)
Must Have Policy Scope	15,928	0	0	0	0	0	0
Pending MRTU Scope****	6,584	3,343	0	0	1,206	1,206	(2,137)
Readiness Projects	4,321	0	0	0	0	0	0
Contingency	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -
15 Contingency	5,000	5,000	0	0	5,000	5,000	0
Total MRTU Project	\$ 170,045	\$ 170,045	\$ 84,042	\$ 98,417	\$ 71,629	\$ 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

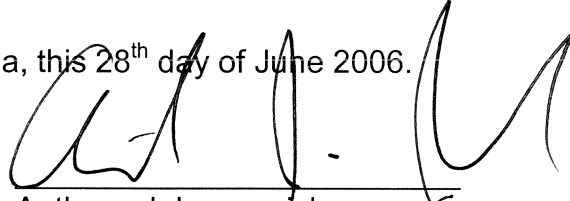
Key Risks To MRTU Program

- 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 June 2006.

A handwritten signature in black ink, appearing to read 'A. J. Ivancovich', written over a horizontal line.

Anthony J. Ivancovich