



March 31, 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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Sidney Mannheim Davies  
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Operator Corporation  
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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”)<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. APRIL 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.

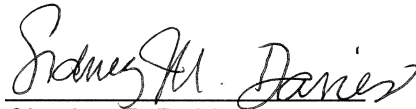
Attachment A to this Report includes (1) Budget Status and Tracking Report, which summarizes expected cost at completion compared to the May 2004 budget; and (2) confidential information concerning details of the Critical Path details. Both documents are confidential. The Budget Status and Tracking Report includes the program budget amount, actual costs to date, estimated costs to complete and the project cost at completion.

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; and (3) Key Risks to the MRTU Program.

## 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,



Charles F. Robinson  
Anthony J. Ivancovich  
Sidney Mannheim Davies

Counsel for the California Independent  
System Operator Corporation

Dated: March 31, 2006

**ATTACHMENT A**

**REDACTED**

## **ATTACHMENT B**

## MRTU Executive Summary

### • **Project Management Office**

- Initiated weekly financial tracking across Program
- Revised Program governance design implemented to clarify roles and responsibilities at all levels

### • **Vendor Projects**

- Siemens (IFM/RTM) – Second release development complete and FAT on schedule, new vendor delivery schedule being reviewed
- Siemens (SIBR) – Second release of FAT on schedule, new vendor delivery schedule being reviewed
- Nexant (CRR) – Second release of FAT on schedule, Data Input Module on schedule
- AREVA (SaMC) – Requirements definition on schedule, vendor delivery on schedule

### • **Internal Projects**

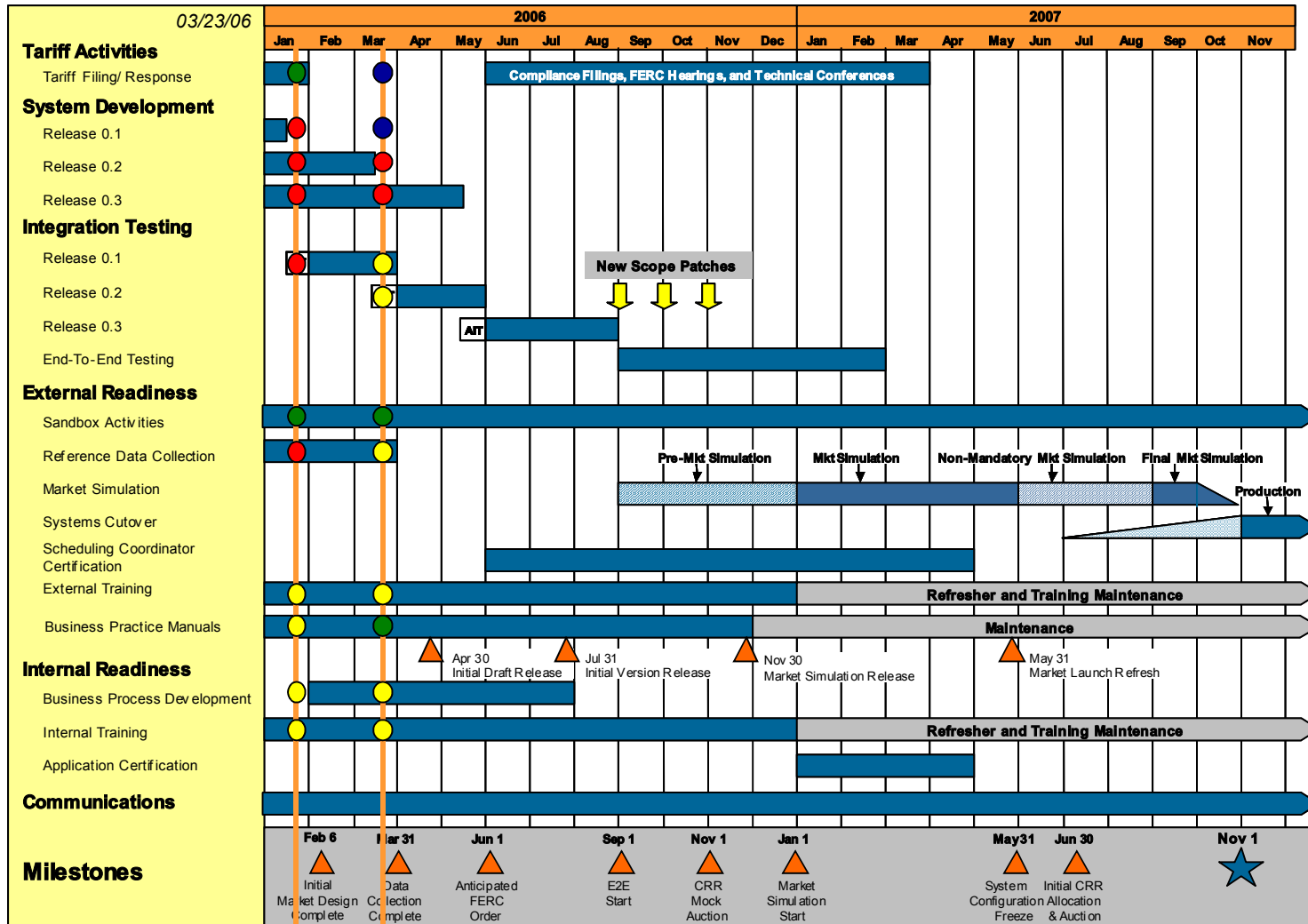
- Legacy Applications – Second release behind schedule, change requests being evaluated
- Full Network Model and State Estimator – On schedule
- Integration Testing – First release complete with open defects, Second release on schedule but key components in late delivery
- System Integration – Project manager replaced, approach being re-evaluated, Application Integration Testing behind schedule
- Training – Training needs analysis on schedule
- Business Process Development - Effort kicked off and on schedule

### • **External Projects**

- Business Practice Manuals – Effort kicked off and on schedule
- Market Simulation – Approach defined and presented to stakeholders for comment
- 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.

## 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 31st day of March 2006.

  
Sidney M. Davies  
Sidney Mannheim Davies