



California Independent
System Operator Corporation

November 30, 2010

The Honorable Kimberly D. Bose
Secretary
Federal Energy Regulatory Commission
888 First Street, NE
Washington, DC 20426

**Re: California Independent System Operator Corporation
Docket Nos. ER10-300-____ and ER06-615-____
December 2010 Convergence Bidding Report**

Dear Secretary Bose:

Pursuant to the Commission's February 18, 2010 order in the above-identified dockets, *Cal. Indep. System Operator Corp*, 130 FERC ¶ 61,122 (2010), the California Independent System Operator Corporation submits the attached monthly report describing its progress toward convergence bidding implementation.

Respectfully submitted,

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California ISO
Your Link to Power

Convergence Bidding Report

Federal Energy Regulatory Commission

December 2010

Introduction

This report addresses the status of the California Independent System Operator Corporation's implementation of Convergence Bidding. The target date for Convergence Bidding implementation is February 1, 2011 and the initiative is currently on track to meet this target.

The project milestones below are presented to the ISO Market Participants and Board of Governors on a regular basis.

Milestone	Planned Date	Status
Publish Final Draft Proposal	Oct 2, 2009	Complete
ISO BOG Approval	Oct 29-30, 2009	Complete
Publish Business Requirements	Dec 2, 2009 April 21, 2010	Complete
Publish Technical Specifications	March 31, 2010	Complete
Implementation Guide Draft	April 21, 2010	Complete
File tariff amendment	June 23-25, 2010	Complete – filed on June 25, 2010 and accepted by FERC order on October 15, 2010
Publish BPM Drafts	Q3 2010	Complete
Begin Market Simulations	Oct 4, 2010	Complete – began on September 20, 2010
Go-Live	Feb 1, 2011	On track

Overview

The ISO has prepared a dashboard to provide a high-level overview of the status of the core Convergence Bidding functionality. This dashboard is presented in Figure 1.

Figure 1 – Convergence Bidding Dashboard

	Design	Development	Testing	Simulation
IFM				
SIBR				
CRR Settlement Rule				
Credit Checking				
External Interfaces				
Internal Interfaces				
Server Infrastructure				
Market Monitoring				
Settlements				

Legend

	On Track
	Behind schedule; mitigation in place to maintain go-live target
	Behind schedule; go-live target threatened
	Complete

Significant Implementation Phases

The ISO implementation process consists of six partially overlapping phases which provide the structure of this document: Requirements, Design, Development, Testing, Simulation, and Implementation. Significant achievements and key challenges are described in this section.

Requirements Phase

Two key sets of requirements documents are created to guide the implementation activities: Business Requirements and System Requirements.

Accomplishments

- The ISO has completed all requirements work associated to the initial defined requirements.

Challenges

- Market Participants have requested the capability to obtain available credit through an automatic programmatic interface (API). The ISO is prioritizing work efforts.

Design Phase

The Design phase translates the System Requirements into detailed software designs for all impacted applications.

Accomplishments

- The ISO has no significant accomplishments related to design to report this month. This phase is complete for the initial scope.

Challenges

- Additional design work may be required to realize enhancements.

Development Phase

The development phase relates to the coding and delivery of the software solutions. The development of some systems may overlap with the creation of requirements for other systems. The Development effort is underway.

Accomplishments

- Development of the CRR Settlement Rule has been completed and delivered for SAT testing.
- Development of the Settlement charge codes has been completed.
- Functionality to load Convergence Bidding data into Electronic Data Repository (EDR) which supports the ISOs analysis and market monitoring efforts has been completed and data loading has begun.

Challenges

- DMM custom monitoring metrics started approximately two weeks late due to environment and data constraints.

Testing Phase

The testing phase will evaluate the completeness, relative to business, system and Tariff requirements and quality of the delivered software solution. The ISO is planning a Testing effort which began in July and is expected to stretch through December.

Accomplishments

- The ISO has begun site acceptance testing of the CRR Settlement Rule in an integrated environment.
- The ISO has begun site acceptance testing of the HASP Reversal Rule in an integrated environment.
- The ISO has successfully upgraded to 64 bit architecture for the IFM engine and performance has been excellent.
- The ISO has implemented an approach in splitting payloads to reduce the size. Initial results have showed improvement in performance of the integration layer.

Challenges

- Payload splitting required patches to downstream system to accommodate the new file structure which caused integration challenges.
- The backlog of known variances continues to grow. The ISO is actively working to prioritize the most critical variances to meet market simulation testing timelines.
- Challenges related to the availability of test environments and resource constraints will continue through early December but are mostly resolved.

Simulation Phase

The Simulation phase allows the ISO to demonstrate to market participants the functionality which has been developed as well as allow market participants to test their own software. The ISO is planning a Simulation which will begin in October and stretch through January.

Accomplishments

- The ISO has begun IFM market simulation with publication of results to downstream systems.
- The ISO successfully executed and passed seven IFM structured scenarios in addition to the five previously passed SIBR structured scenarios.
- The ISO made available five new or modified OASIS reports and one CMRI report.
- The ISO has begun settling trade dates one week ahead of schedule.
- The ISO continues to hold bi-weekly teleconference calls to review market simulation activities and structured scenarios results with participants.

Challenges

- There are known variances logged against internal and external payloads and interfaces.
- CRR Settlement Rule code base was received late and has delayed testing efforts.

Implementation Phase

The Implementation phase consists of cutover planning and execution.

Accomplishments

- There have been 59 Market Participants that have submitted registration material, and 37 Market Participants have successfully executed and returned the pro forma agreement and are ready for production.

Challenges

- The ISO has no significant implementation challenges to report this month.

Implementation Plan

The Implementation Plan is a document which the ISO creates and maintains to provide additional details to market participants about various aspects of the project. It serves as a key reference document containing timelines and instructions for market participants as well as providing a repository for references to business and technical documentation.

Readiness

To date the ISO has conducted eight Convergence Bidding training classes to over 380 external Market Participants. This concludes the planned external training efforts. On November 15, 2010, a California Public Utilities Commission administrative law judge issued a proposed decision that, if adopted, will grant Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company interim authority to participate in Convergence Bidding. A copy of the proposed decision is available at the following website: <http://docs.cpuc.ca.gov/efile/PD/126426.pdf>.

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document upon the parties listed on the official service lists in the above-referenced proceedings, in accordance with the requirements of Rule 2010 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.2010).

Dated at Folsom, California this 30th day of November, 2010.

/s/ Anna Pascuzzo

Anna Pascuzzo