



July 1, 2005

**VIA FEDERAL EXPRESS – 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 docket, please find an original and 14 copies of the Status Report of the California Independent System Operator Corporation ("ISO"). These copies contain a redacted version of Attachment A. The ISO is also submitting one copy marked **CONFIDENTIAL**, which has a nonredacted version of Attachment A. The ISO 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 ISO'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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Attorneys for the California Independent  
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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 (“ISO”)<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 November 27 Order required the ISO to file reports on the first Monday of each month, beginning in January 2003, to update the Commission on the ISO’s progress in designing and implementing the market redesign effort.<sup>2</sup> The Commission directed the ISO 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 selected) to be used 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”)

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 ISO'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 ISO to update the market redesign implementation plan on a monthly basis, indicating the progress made and the upcoming steps.

On January 10, 2003, the ISO filed its first Status Report in compliance with the November 27 Order. Subsequent to the first filing, the ISO 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**

Sections A and B include narratives of the significant changes to the "Program Plan – High Level" schedule activity that have occurred since the filing of the prior month's Status Report. Section C includes a narrative regarding the budget along with an updated Budget Tracking and Status Report.<sup>4</sup> Section D identifies the ISO's key market redesign implementation issues including the previous month's accomplishments, major milestones, upcoming activities, issue

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

<sup>4</sup> The narrative includes only non-confidential information.

resolution with stakeholders and items requiring timely resolution by the Commission in order to meet the project schedule.

**A. Market Redesign and Technology Upgrade (“MRTU”) Program**

The Market Redesign and Technology Upgrade (“MRTU”) Program is comprised of seven major system projects – (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) Master File Redesign (“MFRD”), (6) Post Transaction Repository (“PTR”) and (7) Legacy Systems. As indicated below, the aforementioned projects are at different stages of implementation, but they are projected to converge by January 2006 for system integration and integration testing. The current status of these projects is as follows:

- IFM/RTM/FNM: system infrastructure Factory Acceptance Testing (“FAT”) commenced in June 2005
- SIBR: entered pre-Factory Acceptance Testing (“pre-FAT”) in June 2005
- CRR: development stage currently underway
- SaMC:
  - Stage 1 (current ISO markets) – Factory Acceptance Testing (“FAT”) underway in June 2005
  - Stage 2 (MRTU markets) – design completed June 2005

- Market Clearing – Site Acceptance Test (“SAT”) preparation currently underway
- MFRD: on schedule to complete development phase in August 2005
- PTR: on schedule to complete the design stage in August 2005
- Legacy Systems: on schedule to complete the design stage in July 2005

## **B. Market Redesign Budget Update**

Attachment A -- the Budget Status and Tracking Report (which remains confidential) – summarizes expected cost at completion compared to the May 2004 budget. Specifically, Attachment A shows the program budget amount, actual costs to date, estimated costs to complete and the project cost at completion.

## **C. Key Issues**

### **1. Resolution of Open Design and Policy Issues**

The ISO held a Market Redesign and Technology Upgrade (“MRTU”) Stakeholder meeting on June 21-23, 2005. The following topics were discussed at the meeting:

1. CRR Allocation Rules, including:
  - a. Metrics proposed for the CRR Study 2 analysis;
  - b. CRR Study 2 request guidelines;
  - c. Structure of the annual CRR instrument; and

- d. Allocation of CRRs to entities with load outside the CAISO control area.
- 2. Integration of Resource Adequacy and MRTU
- 3. CAISO's latest version of its straw proposals on Market Power Mitigation issues;
- 4. Gas price indices and emissions costs used in Start-up/ Minimum Load cost and default bids;
- 5. Update on Tariff simplification/reorganization and MRTU filing timelines;
- 6. Pricing of Ancillary Services procured in HASP and Real-Time; and
- 7. Work Group Break-Out Sessions for the following topics:
  - a. Congestion Revenue Rights
  - b. Resource Adequacy
  - c. Competitive Transmission Path Assessment
  - d. Frequently Mitigated Units Bid Adder

The next MRTU stakeholder meeting is scheduled for July 13-14, 2005.

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## II. CONCLUSION

In Section I of this Report, the ISO 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 ISO 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: July 1, 2005

ATTACHMENT A

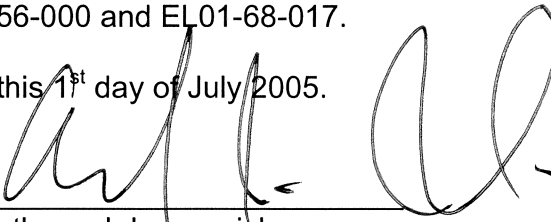
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**CERTIFICATE OF SERVICE**

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 July 2005.



Anthony J. Ivancovich