



April 29, 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 dockets, 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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System Operator Corporation

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

California Independent System Operator Corporation)	Docket No. ER02-1656-000
)	
)	
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”)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 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.² 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

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”)

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.³ 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. MAY 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.⁴ Section D identifies the ISO's key market redesign implementation issues including the previous month's accomplishments, major milestones, upcoming activities, issue

³ November 27, Order at P 9.

⁴ 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. Currently, each project is at different stages of implementation, but are projected to converge by January 2006 for system integration and integration testing.

- IFM/RTM/FNM: on schedule to complete pre-Factory Acceptance Testing (“pre-FAT”) in May 2005
- SIBR: on schedule to complete development activities in August 2005
- CRR: on schedule to complete the design stage in June 2005
- SaMC:
 - Stage 1 (current ISO markets) – targeting to start Factory Acceptance Testing (“FAT”) in June 2005
 - Market Clearing – on schedule to complete Factory Acceptance Testing in May 2005
- MFRD: completed the design phase in April 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 April 12-13, 2005. The meeting objectives included the following:

1. Review stakeholder comments about the “Comprehensive Market Redesign Update” and “Proposed MRTU Market Power Mitigation Provisions” whitepapers;
2. Further discussion of the Category A market design issues⁵ – (1) clearing of demand bids at the Load Aggregation Point and (2) the Hour Ahead Scheduling Process;
3. Tariff simplification/reorganization and MRTU filing timelines;

⁵ The ISO classified remaining issues into four categories and Category A items are those that have not yet been filed with the Commission for conceptual approval and are necessary for the initial release of the market design.

4. Discussion of the key elements of the Market Power Mitigation provisions; and
5. Review of the Day-Ahead Market process.

Based on stakeholder input during the meeting, the ISO requested stakeholders submit additional comments/concerns on the MRTU design by April 21, 2005.

In addition, the ISO proposed to host monthly two-day MRTU Stakeholder Workgroup meetings to address the following issues:

1. MRTU-Resource Adequacy related issues;
2. Follow-up matters regarding Market Power Mitigation;
3. Congestion Revenue Rights;
4. Remaining Category B issues; and
5. MRTU Tariff drafting.

The first of the MRTU Stakeholder Workgroup meeting is scheduled for May 18-19, 2005, with additional meetings tentatively scheduled for the following dates:

- June 22 – 23, 2005;
- July 13-14, 2005;
- August 17-18, 2005;
- September 21-22, 2005; and
- October 26-27, 2005.

The ISO will seek ISO Board approval of certain market design and market power mitigation measures at the May 6 Board meeting. Based on the direction from the Board, the ISO plans to present the details to the Commission in a filing with the Commission in May 2005.

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: April 29, 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 29th day of April 2005.


Sidney Mannheim Davies