

MRTU Update 60-Day Process



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California ISO
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Board of Governors Meeting
December 12-13, 2007

Overview of 60-Day Decision Process

- 🌐 December Board meeting to discuss process
- 🌐 January Board decision will be based on:
 - A report by management of the readiness requirements that are complete and those that remain to be completed during the 60-days for both market participants and CAISO; and
 - A report on the viability of market launch on March 31, 2008
- 🌐 Based on the above, three weeks prior to go-live, management will request a second decision to assess progress since January 31st and confirm whether market launch is on-track
- 🌐 Two days prior to go live, management will provide the Board with a very last check point to confirm that all systems are ready for market launch
- 🌐 ***In summary, this must be done right. Readiness is people, process and technology, not just systems ready to go.***

FERC Requirements for Go Live

-  FERC April 2007 Order Paragraph 202: “As part of its readiness certification, CAISO is directed to affirm that the MRTU systems and software can accommodate RA units or that the CAISO has developed a manual workaround.”
-  FERC April 2007 Order Paragraph 246: As part of its readiness certification, CAISO will “include a contingency plan that addresses any failure of MRTU software and systems to function as designed.”
-  FERC September 2006 Order Paragraph 1414: “CAISO to file at least 60 days prior to the effective date of MRTU Release 1, a statement certifying market readiness”
-  FERC September 2006 Order Paragraph 1417: CAISO will, “as of the effective date of MRTU Release 1, commence filing post-implementation performance reports on a quarterly basis within 30 days of the end of each calendar quarter”

FERC Requirements for Go Live

-  FERC September 2006 Order Paragraph 1415: CAISO will develop “measurable Readiness Criteria through a collaborative process, identifying mitigation actions for non-performance or failure to meet Readiness Criteria, establishing a methodology to determine if the CAISO, Scheduling Coordinators and Market Participants are prepared for MRTU implementation and developing an MRTU readiness tracking system tied to specific milestones within the MRTU program timeline”

60-Day FERC Certification Process

- 🌐 Posted Proposal for comments – 11/20/2007
- 🌐 Stakeholders provided comments – 11/30/2007
- 🌐 CAISO Governing Board Meeting – 1/28-29/2008
- 🌐 FERC Information Filing - 1/31/2008
- 🌐 Update 2 Market Sim scheduled to complete - 2/29/2008 *
- 🌐 Special Board Meeting – Early March 2008
- 🌐 FERC Informational Filing – 3/10/2008
- 🌐 Notice of Market Launch – 3/20/2008
- 🌐 Open Day-Ahead Market – 3/25/2008
- 🌐 Close First Day-Ahead Market – 10 AM on 3/31/2008

* *Within 10 days of Update 2 Market Simulation completion CAISO will make an informational filing providing the Commission notice that Update 2 has completed.*

January Informational Filing Includes

- 🌐 Background and Context – approach overview
- 🌐 Overall Dashboard (People, Process, Technology)
- 🌐 Status of Internal Readiness – CAISO Business Unit assessment
- 🌐 Status of External Readiness – Feedback from Market Participant assessment
- 🌐 Status of Market Simulation – Update
- 🌐 Status of Readiness Criteria
- 🌐 Status of FERC Filings and outstanding FERC Orders
- 🌐 Statement by Key Officers (IT, Operations, Market Development)
- 🌐 Remaining Activities and Milestones
 - SAIC Market Software Certification
 - LECG Report on market solution
 - PWC Audit Opinion on settlements software
 - Status of Market Simulation Exit Criteria
 - Market Participant readiness statements

Subsequent Informational Filings

- 🌐 If not March 10th, within 10 days of Update 2 Market Simulation completion
 - IMS Update 2 Exit Criteria Status and was it met
- 🌐 March 10, 2008
 - Report from March Special Board Meeting
 - Status of remaining activities and milestones

Market Participant Comments

- 🌐 Plan needs additional detail and additional stakeholder review – Sempra, SMUD, SCE
 - *CAISO will provide draft of 1/31/2008 filing to stakeholders by 1/14/2008 and will discuss at MRTU Implementation Workshop on 1/17/2008*
- 🌐 Status of IMS Update 2 Exit Criteria should be reported to FERC – Sempra, PG&E
 - *CAISO agrees filing added*
- 🌐 Schedule is aggressive – Goldman Sachs
 - *CAISO agrees but believes it is achievable*
- 🌐 Timeline may not allow enough time to resolve issues and retest – PG&E
 - *Timeline will need to be evaluated on an on-going basis*

Market Participant Comments (cont)

- Accelerate SAIC Certification, PWC Audit Opinion and LECG Report to February – PG&E
 - Draft of SAIC and LECG Report will be available as soon as possible but no later than February 2008. PWC Audit Opinion can not be delivered to CAISO until March 31st by necessity, pursuant to the requirements under CAISO Tariff §11.29.5.4. Status of audit will be reported in January.*
- Concerns with Market Simulation, issue resolution and software functionality – Goldman Sachs, Sempra, SCE, Western, PG&E
 - Participant issues are being addressed through Market Simulation, additional participant outreach programs, and a newly formed issues triage team.*

MRTU 60-Day Readiness Certification: Summary of Milestones & Activities

	November	December	January	February	March	April
60-Day Milestones				<ul style="list-style-type: none"> • Status of remaining IMS Exit Criteria (completed after the 60-Day filing) 	<ul style="list-style-type: none"> • Readiness Statements - from key Market Participants • SAIC Software Certification - software systems accurately implement MRTU Tariff and traceable through business requirements and test cases • Completed LECG Report - consistency of market software solutions with MRTU Tariff and LMP pricing methodology • PWC Audit Opinion - settlements software calculates quantities and prices, in all material respects, in compliance with MRTU Tariff 	
CAISO Activities	<p>11/20 11/30</p> <p>▲ ▲</p> <ul style="list-style-type: none"> • 11/20: Posted proposal for comments • 11/30: Stakeholders provided comments 		<p>1/28-1/29 1/31</p> <p>▲ ▲</p> <ul style="list-style-type: none"> • 1/28 – 1/29: CAISO BOG meeting to approve 60-Day Filing • 1/31: CAISO files 60-Day Readiness Certification at FERC 	<p>2/17 2/22</p> <p>▲ ▲</p> <ul style="list-style-type: none"> • 2/17: Scheduled end of Integrated Market Simulation Update 2 • 2/22: FERC Informational Filing (within 7 days of Market Simulation Update 2 completion) 	<p>3/10 3/20 3/25 3/31</p> <p>▲ ▲ ▲ ▲ ▲</p> <ul style="list-style-type: none"> • Early March: special BOG meeting • 3/10: FERC Informational Filing (Report from March special BOG meeting & status of remaining activities & milestones) • 3/20: Notice of Market Launch • 3/25: CAISO opens Day-Ahead Market for April 1, 2008 Trade Date • 3/31: Close first Day-Ahead Market 	
Market Participant			<ul style="list-style-type: none"> ✓ Feedback from MP's provided throughout IMS R2 Update 2 ✓ Final Readiness Assessments ✓ Feedback from MP's through Touch Points and Outreach activities 		<ul style="list-style-type: none"> ✓ Early March: Key Market Participants affirmation of March 31 Go-Live ✓ Final Readiness Checkpoint 	