



California Independent
System Operator Corporation

August 4, 2006

VIA OVERNIGHT DELIVERY

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"). Two additional copies are also enclosed. Please date-stamp them and return them in the self-addressed prepaid Federal Express envelope.

Respectfully submitted,

Charles F. Robinson
Anthony J. Ivancovich
Sidney Mannheim Davies
The California Independent System
Operator Corporation
151 Blue Ravine Road
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”)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 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.² The Commission directed the CAISO 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

¹ Capitalized terms not otherwise defined herein are used in the sense given in the Master Definitions Supplement, Appendix A to the ISO Tariff.

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.³ 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.

AUGUST STATUS REPORT

The Market Redesign and Technology Upgrade ("MRTU") Program is comprised of seven major system projects⁴ – (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

² This market redesign effort, previously known as "MD02", has been renamed Market Redesign & Technology Upgrade ("MRTU")

³ November 27, Order at P 9.

⁴ 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.

The CAISO is not seeking confidential treatment for any information contained in the August 2006 Report. Accordingly, all information is contained in a single attachment, Attachment A. Attachment A is the Power Point presentation made to the California Board of Governors at the August 4 meeting.

Respectfully submitted,

Charles F. Robinson
Anthony J. Ivancovich
Sidney Mannheim Davies

Counsel for the California Independent
System Operator Corporation

Dated: August 4, 2006

ATTACHMENT A



California ISO
Your Link to Power

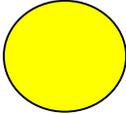
California Independent
System Operator Corporation

Market Redesign and Technology Upgrade Budget & Schedule Report

**Board of Governors Meeting
Executive Sponsor: Charles A. King, PE
August 3, 2006**

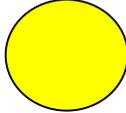
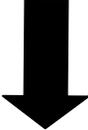
MRTU Executive Summary

MRTU Schedule

Current Period	Trend
	

- IFM/SIBR Vendor delivery currently tracking to a 3-4 week delay, but delay is being mitigated.
- Current mitigation actions being executed and additional mitigations identified will enable the IFM/SIBR project to gain back schedule slip.
- Settlement system is on site in Folsom and undergoing Site Acceptance Testing.
- Integration schedule is tight, but projected to deliver “Just In Time” so as not to impact critical path.

MRTU Budget

Current Period	Trend
	

- Estimate at Completion requires mitigation to be consistent with Budget – Mitigation assessments in progress
- Technical Architecture and Infrastructure efforts being restructured. Potential for un-budgeted cost.
- Capitalized backfill costs to be re-instated

MRTU Executive Summary

The program is progressing within budget and executing towards a November 2007 Implementation target. Vendor delivery is currently tracking 3-4 weeks behind schedule. The PMO has implemented various mitigation strategies to absorb the impact of the delay on the overall program schedule, thus preserving the November 2007 implementation date. Budget pressure mitigations under development and review to prevent cost overruns.

The program continues to achieve key milestones. Although slow vendor delivery has required mitigation steps, the core application functionality for both the Market Systems and Settlements has been delivered for Site Acceptance Testing in Folsom. Additionally, the system integration effort has completed re-engineering and re-planning efforts to resolve outstanding technical and schedule issues. A new project management team and the necessary staff to execute on the revised integration plan are on site.

Readiness activities are also in full swing. The program continues to work closely with market participants and CAISO staffs to insure all parties are prepared for MRTU. Market Simulation planning is well underway and preliminary steps for the Congestion Revenue Rights “dry run” have begun. The first phase of “To-Be” Business Processes have been completed and the first of three formal training waves have been deployed (level 100 computer based training). Development of Business Practice Manuals is on schedule.

Accomplishments and Milestones

Site Acceptance Testing complete:

- IFM – baseline functionality (IFM and RTM) + RUC
- SIBR – baseline validations and business rules, user interface and reports
- FNM – January 2006 system configuration
- CRR
- ADS and Portal

Development and Factory Acceptance Testing complete:

- SIRB – coordinated release 1 – SAT preparation
- IFM – coordinated release 1 – SAT preparation
- SaMC – charge code development for release 3 Integration
- SaMC – base functionality FAT complete
- ETCC and RLC development complete

Integration

- New Project Manager and first phase of design/build team on site, augmented with additional ISO management
- Effort to reduced payloads complete
- Effort in progress to prioritize work effort and revise work plan
- Technical Interface Specs completed and provided to participants

Program Office

- Implemented new release schedule
- Revised issue tracking/management process

Business Processes

- Phase 1 processes complete

Training

- Level 100 courses (computer based training) deployed

Planned Activities

Integration

- Revise work plan to deliver interfaces for just-in-time delivery to be in sync with Testing schedule.

Integration Testing

- Revise work plan for later phase of integration test and end-to-end test to be in sync with application delivery

Legacy

- replace in-house development of inter-tie tracking and scheduling application with vendor solution.

Applications

- IFM to complete FAT testing for HASP and associated release functionality
- Legacy to complete OMAR application development

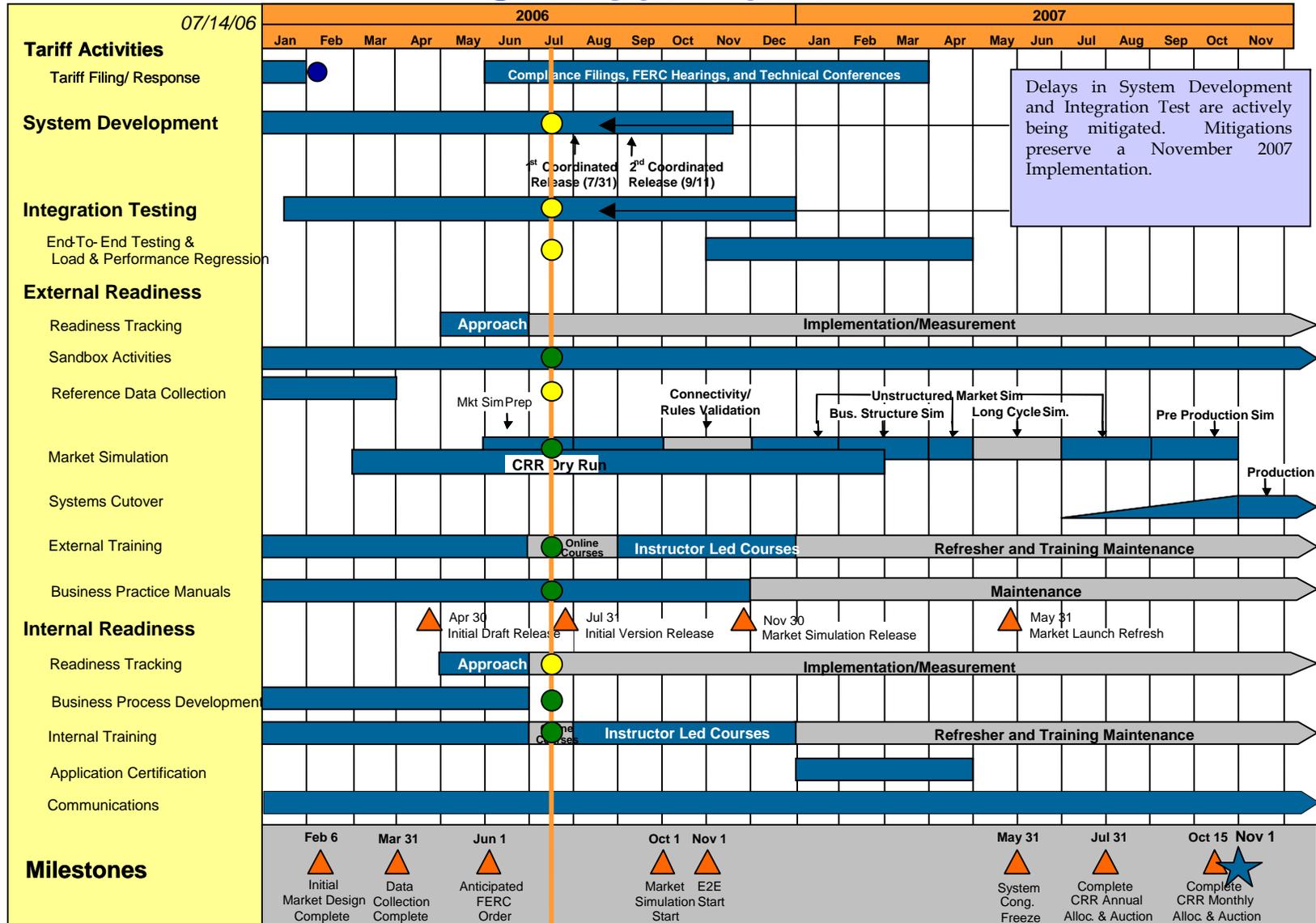
Readiness Efforts

- Training to continue developing Level 200 courses
- Market Simulation to work around delays and contractual issues

Program Office

- PMO to complete review of revised test and integration schedules to create an integrated release schedule
- Identify and Implement budget mitigations across program

Critical Path



July 14



Complete



No Delays



Delay, but will not impact program milestones or timelines of other projects.

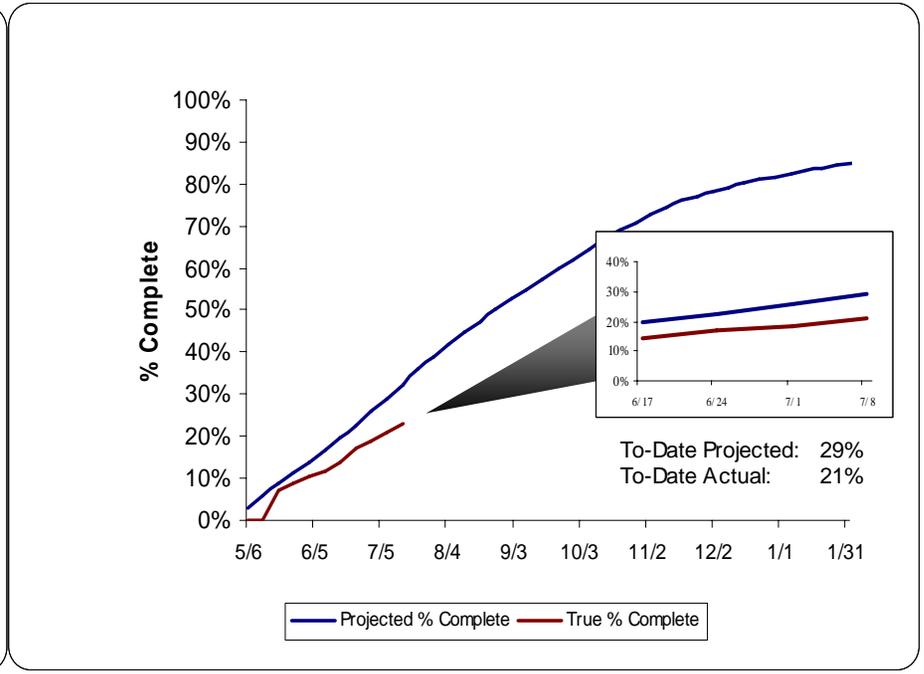
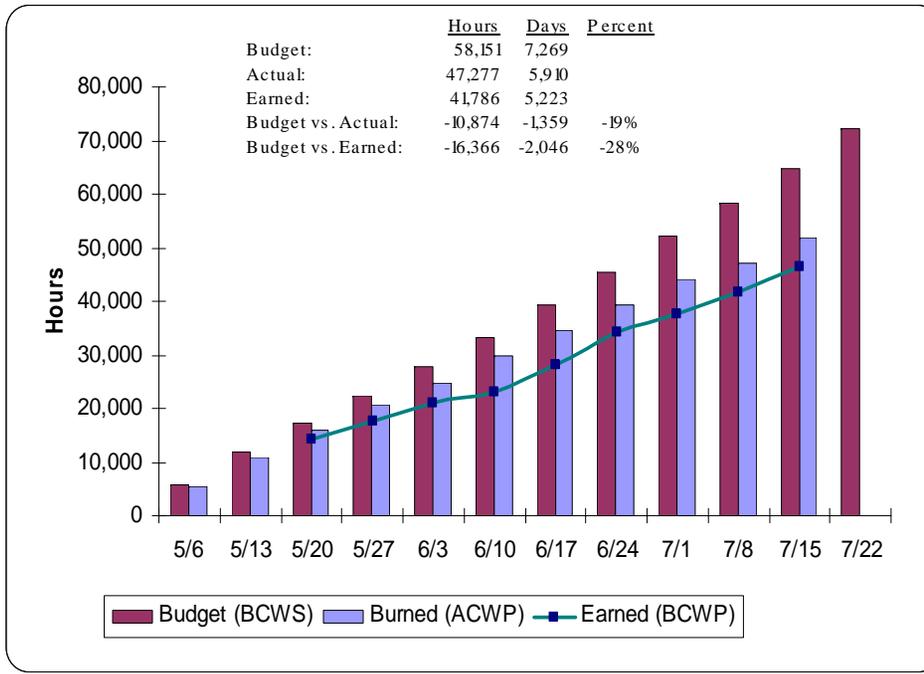


Delay, will impact program milestones or timelines of other projects.

Program Key Metrics

Cumulative EV – Entire MRTU
(Budget vs. Actual vs. Earned)

Cumulative EV – Entire MRTU
(Projected % Complete vs. Actual % Complete)



Included in Graph: BPM, Business Process, SIBR, Legacy, Training, FNM/SE, IFM, MQS, CRR, MFRD, SaMC, Portal, Testing, PTR

Not Included in Graph: Communications, PMO, Integration

- Steady progress towards hitting milestones hampered by vendor and internal delays
- Actual hours burned by MRTU projects is below planned rate
- Earned value is consistent with burned hours

- Current earned value is tracking below planned earned value mainly due to delays in vendor delivery, Integration, and Testing

MRTU Financials

California Independent System Operator
Summary of Expected Completion Costs vs. 5-1-04 Budget
June 30,2006
(In Thousands) *

Project	Re-allocated Project Costs May 2006 (a)**	Actual Costs Through 2005 (b)	Paid Invoices To Date (c)	Estimated Costs to Complete (d)	Cost of Project at Completion (e)= (c+d)	Increase (Decrease) from Reforecast (f)=(e-a)
Market Redesign						
1	\$ 57,925	\$ 40,235	\$ 41,858	\$ 13,708	\$ 55,566	\$ (2,359)
2						
1	\$ 773	\$ 773	773		773	0
2	16,297	16,297	16,297		16,297	0
Integrated Forward Markets/Real -Time Market/Full						
3	29,696	17,010	18,046	10,177	28,223	(1,473)
4	4,045	3,386	3,692	335	4,026	(18)
4A	3,526	0	105	2,553	2,658	(868)
11A	3,588	2,769	2,945	644	3,588	0
Technology Upgrade						
5	\$ 64,608	\$ 34,137	\$ 45,072	\$ 24,574	\$ 69,645	\$ 5,038
6						
5	12,378	6,326	7,759	4,366	12,126	(252)
6	18,183	5,313	11,141	6,596	17,737	(446)
7	2,284	1,860	2,139	163	2,303	19
9	1,959	1,041	1,470	755	2,225	266
10	7,861	3,434	5,012	2,840	7,853	(8)
10A	1,038	157	625	442	1,067	29
11	2,057	2,028	2,038	27	2,065	8
11B	6,923	4,566	4,725	2,199	6,923	0
12	11,923	9,412	10,162	7,184	17,347	5,424
Common Projects ***						
13	\$ 39,170	\$ 9,670	\$ 14,334	\$ 24,295	\$ 38,629	\$ (542)
14A						
13	13,246	916	2,424	9,975	12,399	(847)
14A	14,248	7,674	9,665	4,569	14,234	(14)
14B	11,677	1,080	2,245	9,751	11,996	319
Additional Scope (will be allocated to above projects as required)						
	\$ 3,343	\$ -	\$ -	\$ 1,206	\$ 1,206	\$ (2,137)
	0	0	0	0	0	0
	3,343	0	0	1,206	1,206	(2,137)
	0	0	0	0	0	0
Contingency						
15	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -
	5,000	0	0	5,000	5,000	0
Total MRTU Project						
	\$ 170,045	\$ 84,042	\$ 101,263	\$ 68,783	\$ 170,046	\$ 0

* Columns and rows may not total due to rounding.

** Budgets include: Consultant Labor, Vendor Costs, Travel & Meals Expenses, Training, Hardware, Software, Maintenance costs

*** Common Projects Allocation: 47.9% to Market Redesign; 52.1% to Technology Upgrade

**** Additional Scope Items will be allocated as Project Scope items approved

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 4th day of August 2006.

Sidney Mannheim Davies