



California Independent
System Operator Corporation

July 2, 2007

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

**Re: Monthly Status Report re MRTU, California Independent
System Operator Corporation, Docket No. ER06-615**

Dear Ms. Bose:

Enclosed for filing in the above-captioned docket, please find an electronic copy of the July 2007 Status Report of the California Independent System Operator Corporation.

Respectfully submitted,

/s/ Sidney Mannheim Davies

Sidney Mannheim Davies
The California Independent System
Operator Corporation
151 Blue Ravine Road
Folsom, CA 95630

Attorneys for the California Independent
System Operator Corporation

each element; (3) progress report; (4) accomplishments/milestones; and (5) planned activities¹. Attachment B addresses the development of both the CAISO and market participant readiness criteria. The information contained in Attachment B reflects the current status of the CAISO's MRTU Readiness Program.²

Highlights related to MRTU implementation identified in Attachment A include: **(1) Integration Interfaces** – completed CIM parser design optimization effort, released to Functional Integration Testing (FIT) and continued build for various defects, and provided support for Integrated Market Simulation (IMS) Release 2 in staging environment, IMS Releases 3 and 4 in FIT environment and Load & Performance testing; **(2) Settlements and Market Clearing (SaMC) Systems** – tested Period 1A process, completed negative testing for cancellation and RMR invoice import and cancellation, completed Release 5 charge code design guides; **(3) Integrated Forward Markets/Real-Time Nodal** – IFM Coordinated Release (CR)3b / CR4 Factory Acceptance Testing: continued ETC/TOR testing, and successfully ran CR3b FIT in Folsom environment; **(4) SIBR** – CR4 Site Acceptance Testing (SAT) completion on track for July 6; **(5) Market Quality Systems** – began FAT with v2.0, and created first Expected Energy (EE) and Allocation payloads from IFM/RTM save cases; **(6) Congestion**

¹ The Market Redesign and Technology Upgrade 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) Legacy Systems, (6) Master File Redesign (“MFRD”) and (7) Post Transaction Repository (“PTR”).

² Documents relating to the CAISO's MRTU implementation and readiness activities, including the MRTU Readiness Criteria Dashboard posted on January 31, 2007, can be found at the following link: <http://www.aiso.com/docs/2005/06/21/2005062113583824742.html>.

Revenue Rights – completed FAT at Nexant for FERC Release 1 functionality, completed SAT in Folsom for FERC Release 1 functionality, and finalized FERC Release 2 requirements for 2009; **(7) Testing** – Integration Testing team conducted Integrated Market Simulation Release 2 Day-Ahead execution, and for IMS Release 3: prepared FIT environment for Real-Time and Day-Ahead runs for integration with Real-Time, and started running RTM continuously in FIT environment.

Highlights on status of readiness activities included in Attachment B: **(1) MRTU Working Groups** – continue to support Participant Readiness Advisory Group, MRTU Implementation Workshops, SaMC User Group and Systems Interface User Group; **(2) Market Participant Assessments** – began first follow-up assessment for Market Participants by communicating timeline and providing an assessment workbook to be filled out prior to the assessment; **(3) Market Participant Training** – conducted Bid to Bill Training for Market Participants on-site and off-site sessions hosted by Market Participants including Southern California Edison and Morgan Stanley; and **(4) MRTU Training for CAISO Staff** – 78% of CAISO Staff have completed Level 100, 200 and 300 training; and conducted an Open House for CAISO employees to provide an opportunity to view the new applications and learn more on Readiness and Training activities.

Dated: July 2, 2007

Respectfully submitted,

/s/ Sidney Mannheim Davies
Sidney Mannheim Davies

Counsel for the California Independent
System Operator Corporation

ATTACHMENT A

Attachment A - FERC Status Report – July 2007

Market Redesign and Technology Upgrade FERC Update

July 2007

MRTU Schedule	
Current Period	Trend
	
<p>Tracking Delay: 0 weeks Critical Path Items: Vendor Delivery, Integration Testing <i>*Based on approved 2/1/08 Go-Live Trade date</i></p>	

MRTU Budget	
Current Period	Trend
	
<p>Approved MRTU budget: \$189.223 M* <i>*Based on approved budget on 12/06</i></p>	

- Application development completed for majority of MRTU scope, with the exception of some FERC scope. Focus shifting to integration testing.
- Integration testing of Real-Time engine underway; focus on Real-Time runs and downstream systems;
- Operating automatically with Real-Time constraints was proven successful at the factory and in Folsom with improved Day-Ahead information
- IMS R2 preliminary evaluation on 7/6 and R2 final evaluation/target end date extended to 7/20 based on Market Participant feedback; R2 report cards to be published on 6/25, 7/2, 7/9 and 7/16.

- PMO continues to process change requests and evaluate against approved budgets.
- PMO evaluating April 20th, May 8th FERC Orders and June 25th FERC Compliance Order.
- PMO implemented resource changes to Testing team to mitigate schedule delays. Budget impact currently being managed without Program contingency.

	 Delay, but will not impact 2/1/08 Go-Live Trade date.
	 Delay, will impact 2/1/08 Go-Live Trade date. Use of contingency funds.

	Variance less than +2 %		Situation has improved since last reporting period.
	Variance between +2 % and +6 %		No change since last reporting period.
	Variance over +6 %		Situation has deteriorated since last reporting period.



■ External Readiness:

- ✓ Distributed all action plans from initial Stakeholder assessment
- ✓ Posted the first follow-up Participant Assessment workbook
- ✓ Begun conducting the first follow-up Stakeholder Assessments

■ Internal Readiness:

- ✓ Facilitated phase 2 internal process walkthrough kickoff meetings with Human Resources and Treasurer's Office
- ✓ Completed revisions to Internal Readiness Criteria Dashboard and finalized internal assessment results
- ✓ Began first of three Internal Readiness Certification Milestone checkpoints.

■ Training team:

- ✓ Continued working on OASIS and No-Pay/UDP CBTs,
- ✓ Continued Grid Ops training development
- ✓ Completed Bid-to-Bill sessions in San Gabriel, Folsom and New York and continued registration for final Bid-to-Bill sessions

Integrated Market Simulation (IMS) Status

- Release 2 beginning on 5/29, conducted market participant workshops, held briefing and debriefing market participant calls, and published weekly report cards, and issues and variance reports.
- IMS R2 participation is less than IMS R1 in terms of bid submissions and participation in retrieving IMS R2 settlement statements, which has been declining over the simulation. CAISO working on resolution of outstanding issues.
- IMS R3/4 planning stakeholder meeting was on 6/28. Stakeholders requested a re-evaluation of the market simulation timeline given the lessons learned to date.

CRR Production Readiness

- 66 entities have been registered, executed CRR agreements and became Candidate CRR Holders ready to start CRR allocation/auction
- TRTC Instructions Overdue – still working with some Participating TOs for data
 - CAISO will use data received so far in TRTC Instructions as well as all other available data, including the CRR Dry Run data for: 1) Modeling of ETCs, TORs and CVRs; 2) Adjustments to Load Metrics; and 3) Intertie set aside
- 7/24: Close Load Submittal Market
- 8/1: Close Tier 1 Annual CRR Nominations
- 8/6: Post results from Tier 1 Annual Allocation

Accomplishments & Milestones

Integration (Interfaces)

- Completed Cimparsen design optimization effort and released to Functional Integration Testing (FIT)
- Continued build for various defects
- Provided support for IMS R2 in staging environment, IMS R3/4 in FIT environment, and Load & Performance testing

SaMC

- Tested Period 1A process
- Completed negative testing for cancellation and RMR invoice import and cancellation
- Completed R5 charge code design guides

Integrated Forward Markets/Real-Time Nodal

- IFM CR3C / CR4 FAT: Continued ETC/TOR testing
- Ran CR3B FIT successfully in Folsom environment

Scheduling Infrastructure and Business Rules (SIBR)

- SIBR CR4 SAT completion on track for 7/6

Market Quality Systems

- Began Factory Acceptance Testing (FAT) with v2.0
- Created first Expected Energy (EE) and Allocation payloads from IFM/RTM save cases

Congestion Revenue Rights

- Completed FAT at Nexant for FERC Release 1 functionality
- Completed SAT in Folsom for FERC Release 1 functionality
- Finalized FERC Release 2 requirements for 2009

Testing

- Integration Testing team conducted IMS R2 Day-Ahead execution
- IMS R3: Prepared FIT environment for Real-Time and Day-Ahead runs for integration with Real-Time; started running RTM continuously in FIT environment

Planned Activities

Integration (Interfaces)

- Continue build of SaMC services
- Upgrade framework to 1.9.8
- Continue various FIT environment upgrades
- Analyze and fix duplicate payload issue

Integrated Forward Markets/Real-Time Nodal

- CR3B FIT to merge Real-Time (RT) with NA
- CR3C / CR4 FAT: Continue ETC/TOR testing; review operator display requests related to FNM

Legacy

- Request approval to exit CAPS and OASIS SAT

Market Quality Systems

- Complete FAT and begin SAT
- Support FIT testing for v1.1 FIT for IMS R3/4

Congestion Revenue Rights

- Continue working with participants to confirm verified source amounts and upload historical load data into CRR system
- MUI load data and nomination upload preparation

Testing

- Integration Testing team to perform IMS R3 FIT test execution with integrated RT runs
- Support IMS R2 Day Ahead activities; continue IMS R3 test data preparation

Market Simulation

- R2 preliminary evaluation on 7/13 and R2 final evaluation/target end date on 7/20; R2 report cards to be published on 6/25, 7/2, 7/9, and 7/16
- Develop IMS R3/4 scripts and documents; post technical interface documents
- The target start date for R3/4 is no longer 7/23; the structure and schedule of IMS-R3/4 is being evaluated based on Market Participant feedback and updates will be provided on 7/2 and 7/9.

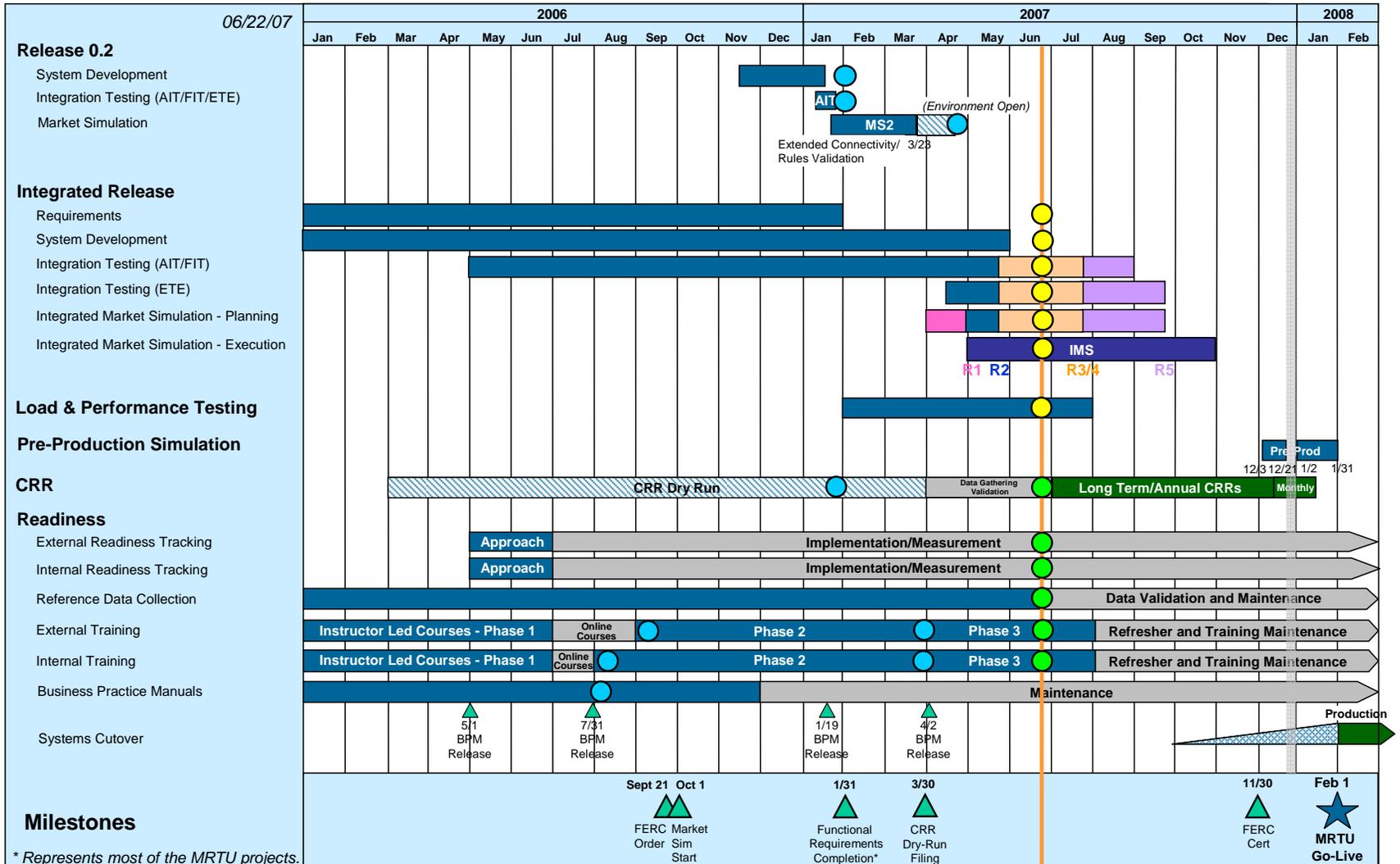
MRTU Program Progress as of June 26th, 2007

Program Area	Design	Build	Test	Integration Test	End-to-End Test	Market Simulation	Deployment
Phase 1A							
Phase 1B							
Market Systems							
Real-Time Market							
Integrated Forward Market							
Hour-Ahead Processor							
Residual Unit Com.							
Scheduling							
Policy Must-Haves							
FERC Changes - Market Systems							
Settlements							
Base Product							
Charge Types							
Congestion Revenue Rights							
FERC Changes - Settlements/CRRs							
Legacy							
Automated Dispatch System (ADS)							
Reference Level Calculator (RLC)							
Scheduling and Logging System (SLIC)							
Compliance Automation Production System (CAPS)							
Existing Transmission Contract Coordination (ETCC)							
Operational Meter Analysis and Reporting (OMAR)							
Open Access Same-Time Information System (OASIS)							
Reliability-Must-Run Application Validation Engine (RAVE)							
Other Applications							
Market Quality System							
PTR							
Portal							
MFRD							
FERC Changes - Legacy/Other Applications							

Preliminary application - specific testing conducted

Legend	Supporting Activities
Phase not started	
Phase in progress	
Phase complete	

Program Area	Planning	Development	Execution
Internal Readiness			
External Readiness			
Training			
Business Processes (Phase 1)			
BPMS			



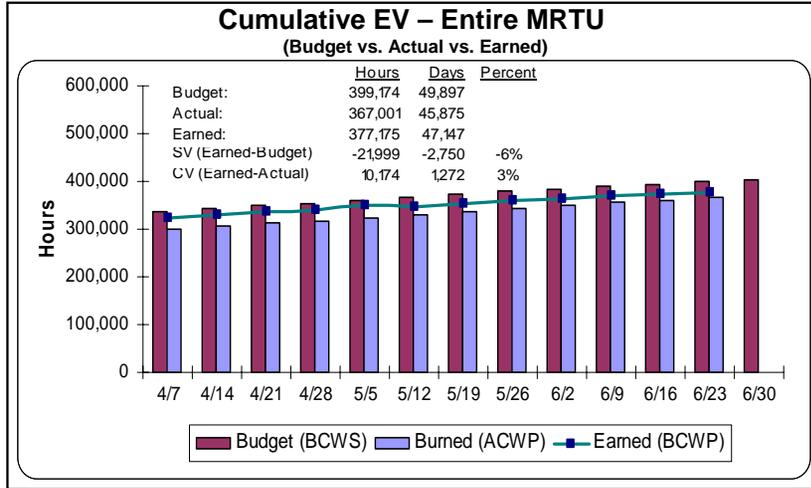
 Complete

 No Delays

 Delay, but will not impact 02/01/08 Go Live Date

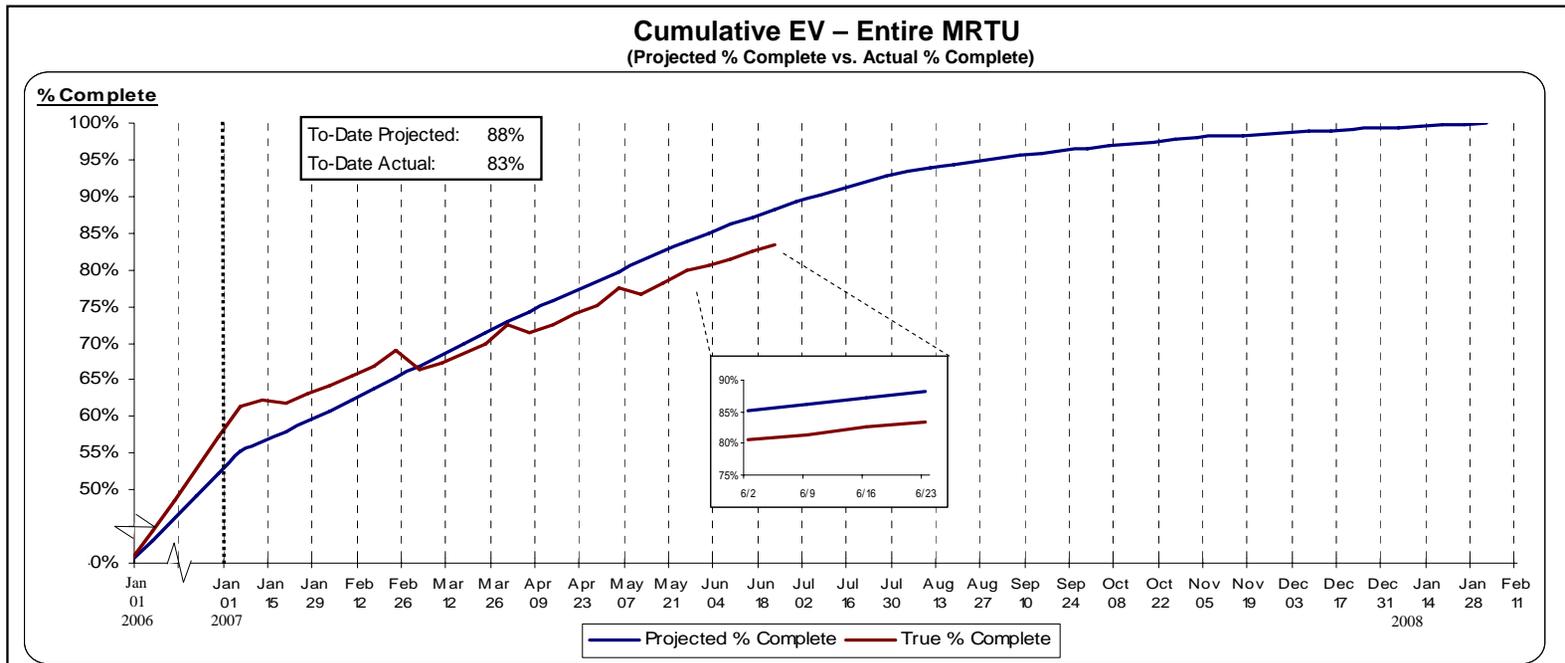
 Delay, will impact 02/01/08 Go Live Date

June 22



Notes/Comments:

Graph represents the new baseline as of June 2006.
Addition of MDS project starting 52107.



Included in Graphs: BPM, Business Process, SIBR, Training, FNM/SE, IFM, MQS, CRR, MDS, MFRD, SaMC, Portal, Testing, Integration, PTR, PMO, Legacy, STING, Readiness, and Technical Architecture.

Not Included in Graphs: n/a

California Independent System Operator
Summary of Expected Completion Costs vs. December, 2006 Budget
May 31, 2007
(In Thousands) *

Project	Re-baselined Project Costs Dec. 2006 (a)**	Actual Costs Through 2006 (b)	Paid Invoices To Date 5/31/07 (c)	Estimated Costs to Complete (d)	Estimated Cost of Project at Completion (e)=(c+d)	Increase (Decrease) from Baseline (f)=(e-a)
Market Redesign	\$ 64,807	\$ 49,990	\$ 53,090	\$ 11,717	\$ 64,807	\$ -
1 Automatic Mitigation Procedures/Phase 1A	773	773	773	0	773	0
2 Real Time Markets/Phase 1B	16,297	16,297	16,297	0	16,297	0
3 Integrated Forward Markets/Real -Time Market (IFM/RTM)	33,372	23,673	25,980	7,392	33,372	0
4 Congestion Revenue Rights (CRR)	4,516	3,986	4,191	324	4,516	0
4A Market Quality System (MQS)	6,261	2,315	2,903	3,359	6,261	0
11A Hardware & Software Purchases	3,588	2,947	2,947	642	3,588	0
Technology Upgrade	\$ 74,179	\$ 61,020	\$ 66,393	\$ 7,786	\$ 74,179	\$ -
5 Scheduling Infrastructure Business Rules (SIBR)	13,323	9,727	10,258	3,065	13,323	0
6 Settlements and Market Clearing (SaMC)	18,030	16,170	16,994	1,036	18,030	0
6 Master File (MFRD)	2,300	2,291	2,340	(40)	2,300	0
9 Post Transactional Repository (PTR)	2,461	2,236	2,649	(187)	2,461	0
10 Legacy Systems	7,785	6,379	6,870	914	7,785	0
10A State Estimator/Full Network Model	1,345	1,040	1,159	187	1,345	0
11 Technology Infrastructure/ Portal	2,065	2,050	2,051	14	2,065	0
11B Hardware & Software Purchases	6,923	5,197	6,067	857	6,923	0
12A System Integration/Enterprise Architecture	17,989	15,540	17,160	829	17,989	0
12B Technology Architecture	1,957	389	846	1,112	1,957	0
Common Projects ***	\$ 41,214	\$ 25,738	\$ 31,724	\$ 9,491	\$ 41,214	\$ -
13 Training/Readiness Projects	9,709	6,975	8,635	1,074	9,709	0
14A Project Management	17,666	11,907	13,057	4,609	17,666	0
14B Testing	13,840	6,856	10,032	3,808	13,840	0
Ongoing Scope Adjustments	\$ 1,523	\$ -	\$ -	\$ 1,523	\$ 1,523	\$ -
Pending MRTU Scope Changes	1,523	0	0	1,523	1,523	0
Contingency	\$ 7,500	\$ -	\$ -	\$ 7,500	\$ 7,500	\$ -
15 Program Contingency	7,500	0	0	7,500	7,500	0
Total MRTU Project	\$ 189,223	\$ 136,748	\$ 151,206	\$ 38,017	\$ 189,223	\$ -

* Columns and rows may not total due to rounding.

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

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

ATTACHMENT B

Attachment B - FERC Status Report – July 2007

MRTU Readiness Program Summary

FERC Update

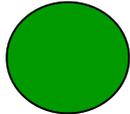
July 1, 2007

MRTU Readiness Program Executive Summary

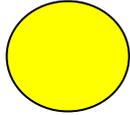
The MRTU Readiness program focuses on a set of activities to ensure that the people, processes, and technologies for both CAISO and the Participants are ready for the implementation of the MRTU program in February 08. The MRTU Readiness Program continues to make progress in the following areas:

- Continued to conduct weekly progress reporting and tracking for Internal Readiness with all key Business Units
- Continued to support activities to be completed during the fourth readiness milestone (Build) for all core and non-core Business Units
- Kicked off Phase 2 Process Walkthrough sessions across Business Units for the original 12 processes plus 4 new processes.
- Approximately 78% of CAISO staff have completed Level 100, 200, and 300 MRTU Training
- Conducted an Open House for all CAISO employees to provide an opportunity to view the new applications and learn more on Readiness and Training activities.
- Conducted an Internal Readiness Survey to track the ongoing effectiveness of the communication activities for MRTU progress
- Began the 1st Follow-up assessment for Market Participants by communicating timeline and providing an assessment workbook to be filled out prior to the assessment.
- Continued conducting ongoing Market Participant Meetings such as PRAG, Implementation Workshop and Technical Workshops
- Conducted Bid to Bill Training for Market Participants on-site and off-site sessions hosted by Market Participants including Southern California Edison and Morgan Stanley.

MRTU Readiness Overview

Internal Readiness	
Current Period	Trend
	

- All Internal Business Units have begun the Build Phase activities of the internal readiness assessment process.
- CAISO internal readiness activities for core Business Units continue to be reviewed on a weekly or monthly basis.
- Readiness Criteria was updated at end of May 2007.
- 60 Day Certification process for Milestone 1 completion is in progress.

External Readiness	
Current Period	Trend
	

- Market Participants are expressing concerns on readiness based on lack of ability to see more details such as end-to-end processes and applications available in Market Simulation
- Participants are not demonstrating high participation rates in Market Simulation based on average participation statistics over a 4 week period at an aggregate level.

	Complete		No Delays
	Delay, but will not impact 11/07 go-live date. Contingency maintained, but at risk.		
	Delay, will impact program delivery and 11/07 Go-live date. Use of contingency funds.		

Overall MRTU Participant Readiness

Based on feedback from Participants and information resulting from Market Simulation Release 2, the following represents some of the key risks and mitigations that represent the Participants current MRTU Readiness level (yellow):

Risk	Mitigation
<ul style="list-style-type: none"> ■ Settlement files to date have not met Participant expectations and requirements for testing ■ All specific details and activities outlining the scope of the Market Simulation Release 2 are not available 	<ul style="list-style-type: none"> ■ CAISO recognizes that the ability for Participants to retrieve and verify settlements data within the published scope of the simulation is currently the most significant issue and risk to Market Simulation Release 2. ■ This issue is actively being addressed so that participants will be able to validate the in-scope charge types on their settlement statements, as well as verify bill determinants in the Configuration Files. ■ CAISO will provide a status update during the June 28 Integrated Market Simulation Release 3 and 4 Planning Session
<ul style="list-style-type: none"> ■ Market Simulation Release 2 has reached the 4 week timeframe without achieving simulation success relevant to product testing and business processes 	<ul style="list-style-type: none"> ■ Issues being experienced by participants hindering their ability to achieve the bid to bill objective of the simulation has been acknowledged by CAISO as a risk. ■ CAISO will continue to work with participants during the remaining weeks of Release 2 to identify issues that pose the highest risk to simulation and will develop a detailed action to mitigate those risks ■ CAISO has resolved issues that hinder meeting Release 2 objectives and has extended R2 simulation by an additional week for Participant testing.

Internal Readiness Update

At the completion of the Design Phase, Business Units were assessed against criteria and deliverables outlining how the progress of their future processes, accountabilities and organization transition plans. The following represents risks and mitigations that can impact CAISO’s Readiness level as Business Units progress towards the next internal readiness milestone (Build Phase):

Risk	Proposed Mitigation
<ul style="list-style-type: none"> ■ Testing delays are impacting readiness workplans for Business Units. 	<ul style="list-style-type: none"> ■ Business Units are proactively investigating alternative methods and workshops to understand what the applications will provide.
<ul style="list-style-type: none"> ■ Business Units do not have a clear understanding of testing and market simulation 	<ul style="list-style-type: none"> ■ A communication effort has been launched to work with the Business Units to explain the scope and impacts of their roles in end to end testing ■ More opportunities will be explored to include Business Unit Resources to participate in testing and market simulation activities more actively and for longer durations to become familiar with the application changes
<ul style="list-style-type: none"> ■ Business Units are managing multiple projects in addition to MRTU leading to some situations of resource constraints on MRTU. 	<ul style="list-style-type: none"> ■ Each Business Unit is reviewing their projects and are asked to re-prioritize resources to focus on MRTU
<ul style="list-style-type: none"> ■ Business Units need more focus on confirming data and reporting requirements. 	<ul style="list-style-type: none"> ■ A project team has initiated efforts to work with the Business Units to understand what the reporting requirements/data validation requirements are and if the Enterprise Data Repository will meet the needs.

Next Steps

The following list summarizes the remaining activities to be completed:

- Continue to work with CAISO's Internal Business Owners to receive status on Readiness activities and deliverables to prepare for the next major readiness milestone (Build Phase).
- Work with Internal Business Units on Readiness mitigation strategies towards the Build phase
- Work with Market Participants on mitigation actions for Market Simulation Phase 2
- Begin Phase 2 Process Walkthrough sessions for original 12 business processes and 4 new processes across impacted Business Units.
- Develop Business Unit action plans for Readiness Survey results
- Begin conducting the 1st follow-up Assessment with Market Participant
- Continue tracking all readiness activities using updated Readiness Criteria for June report
- Complete 1st 60 Day Certification Status Milestone and begin gathering deliverables for 2nd 60 Day Status Milestone
- Complete remaining MRTU Market Participant Bid to Bill sessions
- Conduct additional 200 Level Training course for Market Participants in July

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 No. ER06-615.

Dated at Folsom, California, this 2nd day of July 2007.

/s/ Charity N. Wilson
Charity N. Wilson