



November 3, 2006

VIA OVERNIGHT DELIVERY

The Honorable Magalie Roman Salas
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 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 ("CAISO"). An additional copy is also enclosed. Please date-stamp and return it in the self-addressed prepaid Federal Express envelope.

Respectfully submitted,

A handwritten signature in cursive script, reading "Sidney M. Davies", positioned above a horizontal line.

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

Attorneys for the California Independent
System Operator Corporation

accomplishments/milestones; and (5) planned activities¹. Attachment B will address the development of both the CAISO and market participant readiness criteria.

Attachment B provides current detail responsive to P. 1415 of the September 21 Order, including measurable readiness criteria that the CAISO has developed through a collaborative process, mitigation actions for non-performance or failure to meet readiness criteria, the methodology for determining if the CAISO, Scheduling Coordinators and market participants are prepared for MRTU implementation and an MRTU readiness tracking system tied to specific milestones within the MRTU program timeline. As directed by the Commission, the CAISO also intends to include in its readiness criteria an assessment of the system's effectiveness when responding to instances where demand bids exceed supply bids. The information contained in Attachment B reflects the current status of the CAISO's MRTU Readiness Program.²

Dated: November 3, 2006

Respectfully submitted,



Sidney Mannheim Davies

Counsel for the California Independent
System Operator Corporation

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 can be found at the following link: <http://www.caiso.com/docs/2005/06/21/2005062113583824742.html>.

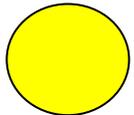
ATTACHMENT A

Attachment A - FERC Status Report - November 2006

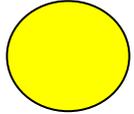
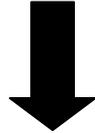
Market Redesign and Technology Upgrade FERC Update

November 2006

MRTU Executive Summary

MRTU Schedule	
Current Period	Trend
	

- MRTU working with vendors and projects to finalize delivery dates, as several System Development activities have or will be completed by 10/31. Mitigations are being implemented to pull back the current four week IFM/SIBR schedule slip
- CAISO response to FERC MRTU Tariff Order currently under assessment
- Market Simulation launch proceeding successfully. Connectivity using multiple technologies has been confirmed with participants
- Release Plan updated to address vendor delivery and Market Simulation requirements; Integration and Testing teams executing against updated release plan
- Training, Readiness, and other MRTU initiatives on schedule
- Recent accomplishments include: MQS and STiNG FAT, Integration P3 design and build, CRR published Tier I allocations, training and readiness sessions and workshops

MRTU Budget	
Current Period	Trend
	

- Confirmed CAISO staff participation requirements to support MRTU. Mitigation Levers identified to minimize budget impact of assigning internal CAISO resource costs to MRTU program
- Several budget discussions with business units held to identify and address additional potential cost savings, upward budget pressures, and potential mitigations
- Assessing impact of FERC MRTU Tariff Order

	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.		

MRTU Executive Summary

MRTU projects and readiness initiatives steadily progressed this month, highlighted by completion of various development and testing milestones and the October 2 launch of Market Simulation. MRTU leadership has also expanded analysis of: 1) the financial and schedule performance of the program; and 2) the CAISO assessment of the FERC MRTU Tariff Order.

Multiple projects completed key system development and testing phases this month. The MQS and STiNG projects began and completed their Functional Acceptance Tests (FAT), while Settlements (SaMC) and SIBR both completed their respective design and build activities. Concurrent with system development, the Integration Team continued to build interfaces between the various systems – completing P3 and starting P4 design and build. The Testing team continued execution of application testing initiatives.

The CRR Team published the Dry Run Tier I CRR allocations which is a tremendous accomplishment. The launch of Market Simulation was also a critical success for the program and the result of close collaboration between Market Participants and the MRTU teams. Meanwhile, efforts to ensure internal and external readiness continued with the Training team conducting several more off-site sessions and the Readiness team developing metrics and assessment tools to gauge stakeholder and CAISO readiness.

The MRTU leadership and Program Management Office have been conducting a thorough review of the MRTU program and the impact resulting from the FERC Order. As system development efforts begin to transition into more substantial testing phases, the MRTU Management will continue to actively analyze all development and readiness efforts to ensure a smooth transition to live operations.

Program Area	Design	Build	Test	Integration Test	End-End Test	Market Simulation	Deployment
Phase 1A	✓	✓	✓	✓	✓	✓	✓
Phase 1B	✓	✓	✓	✓	✓	✓	✓
<u>Market Systems</u>							
Real-Time Market	✓	✓	✓	In process			
Integrated Forward Mkt	✓	✓	✓	In process			
Hour-Ahead Processor	✓	✓	✓	In process			
Residual Unit Com.	✓	✓	✓	In process			
Scheduling	✓	✓	✓	In process			
Policy Must-Haves	✓						
<u>Settlements</u>							
Base Product	✓	✓	✓	In process			
Charge Types	✓	✓					
Congestion Revenue Rights	✓	✓	✓				
<u>Legacy</u>							
Auto Dispatch System	✓	✓	✓	In process			
Reference Level Calc.	✓	✓	✓				
Outage Mgmt System	✓	✓	✓				
Compliance (CAP)	✓	✓					
Trans. Cont. System	✓	✓	✓				
Metering System	✓	✓					
OASIS	✓	✓		In process			

Supporting Activities

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

Site Acceptance Testing (SAT):

- SIBR – Nearing completion for CR2 SAT testing
- Legacy – Completed RLC and OMAR SAT

Development and Factory Acceptance Testing (FAT):

- IFM – Completed pre-FAT and started and continued FAT execution for CR3 functionality
- MQS – Started and completed FAT testing one week ahead of schedule
- SaMC – Started design and build of R4 functionality; completed R4a Charge Code designs
- SIBR – Nearing completion of CR3 build, began CR3 FAT testing
- STiNG – Completed R4b FAT testing
- Legacy – Completed development of Market Simulation Phase I and II OASIS reports

Integration

- Design – P3 designs completed, awaiting P4a design sign-offs, began P4b designs
- Build – P3 build completed and partially deployed, began P4a build

Integration Testing

- Continued AIT and FIT execution
- Technical Architecture and Infrastructure teams continued support of Testing and Market Simulation activities

Readiness Activities

- Market Simulation launched on 10/2, progressing smoothly
- Assessment of FERC MRTU Tariff Order underway
- Internal Readiness team is gathering results for its Organizational Assessment Survey and continued development of the Communications Strategy
- External Readiness team finalized readiness assessment metrics/tools and developed an issues management process
- Training team held its 6th external training session with Market Participants and 5th Grid Ops workshop

Planned Activities

Integration

- Obtain P4a design sign-offs, continue P4a build, and start P4b build

Integration Testing

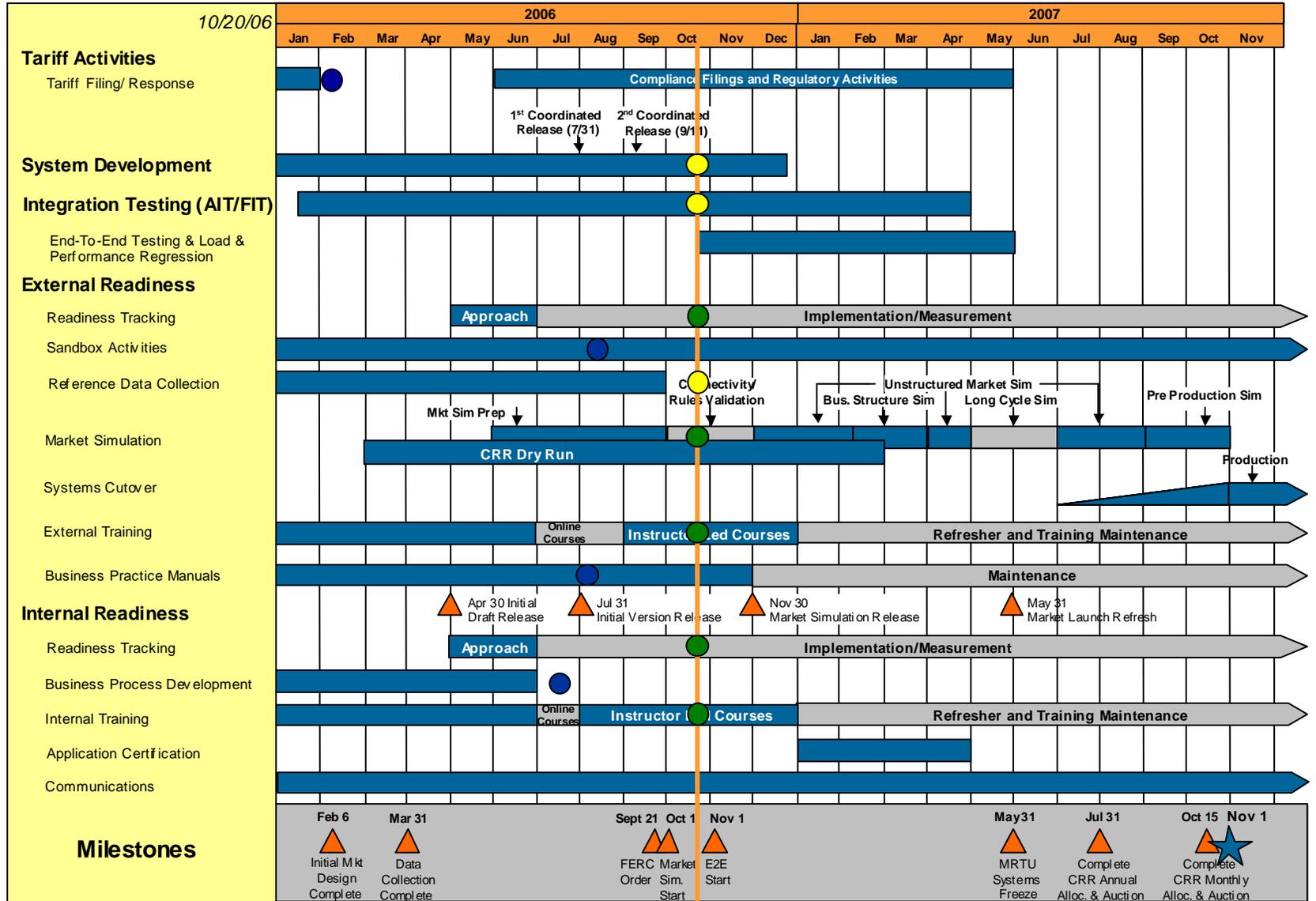
- Continue AIT and FIT execution

Applications

- CRR – Continue Network App SAT
- IFM – Continue FAT for CR3 functionality
- MQS – Begin SAT testing
- SaMC – Finish R4a build and R4b design
- STiNG – Start R4b SAT
- SIBR – Complete patch for CR2 SAT

Readiness Efforts

- Complete analysis of FERC MRTU Tariff Order
- Continue Market Simulation activities with Market Participants
- Continue CRR Dry Run
- Internal and External Readiness teams to continue developing tools and surveys to gauge and ensure internal and external stakeholder readiness prior to MRTU Go Live
- Training team to host the 7th Market Participant training session (the last of the year) and the 2nd Operations Level 200 session, and continue development of the Level 300 Bidding and Scheduling class



● Complete

● No Delays

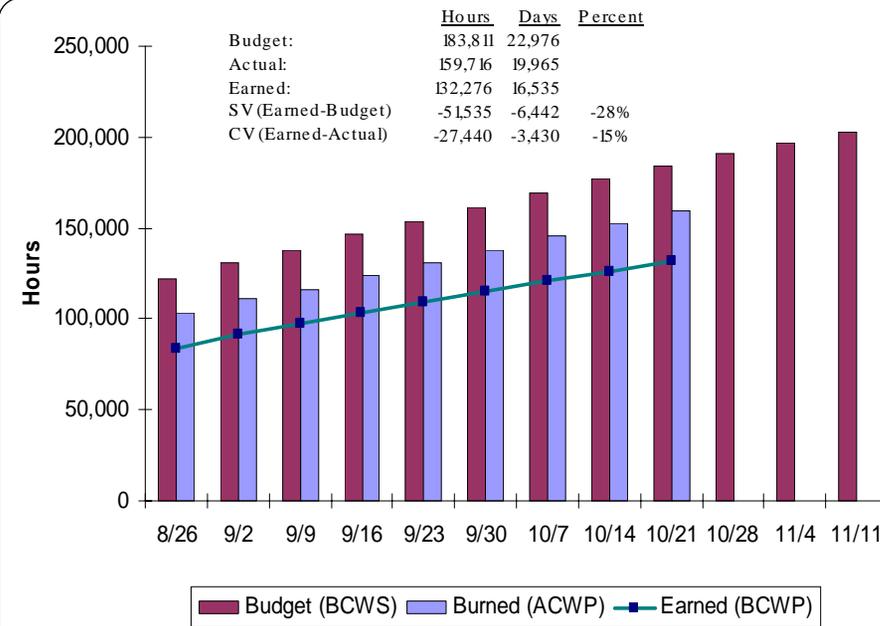
● Delay, but will not impact 11/07 Go Live Date

● Delay will impact Program Delivery and 11/07 Go Live Date

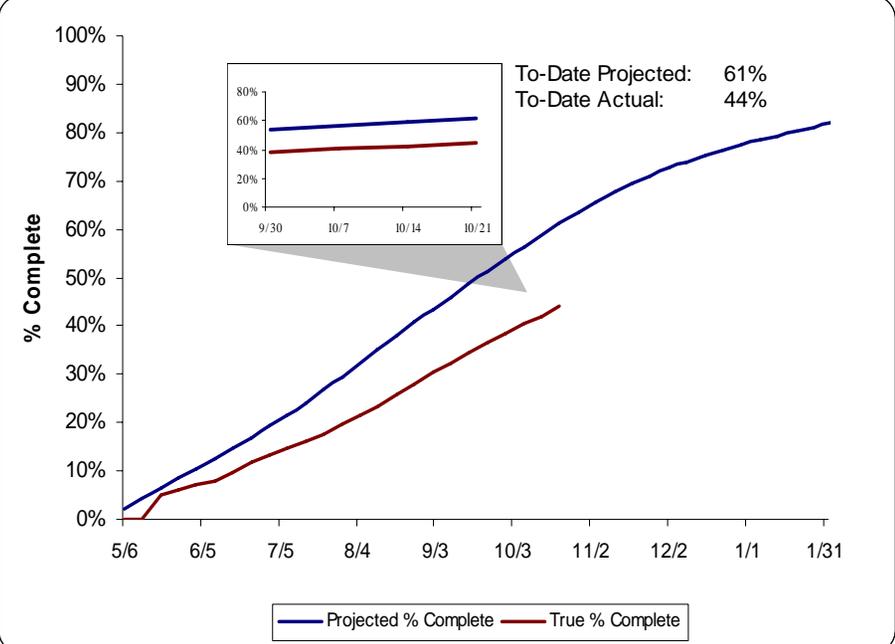
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Program Key Metrics

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, Training, FNM/SE, IFM, MQS, CRR, MFRD, SaMC, Portal, Testing, Integration, PTR, Readiness, PMO, Legacy, STING, and Technical Architecture.

Not Included in Graph: n/a

- Actual hours burned by MRTU projects are below the planned rate. A significant portion of the discrepancy can be explained by Testing remaining understaffed until systems come online and earned value is consistent with burned hours
- Current earned value is tracking below planned earned value due to various delays

MRTU Financials

California Independent System Operator
Summary of Expected Completion Costs vs. January 30, 2006 Budget
September 30, 2006
(In Thousands) *

California Independent
System Operator Corporation

Project	Re-baselined Project Costs June 2006 (a)**	Actual Costs Through 2005 (b)	Paid Invoices To Date 9/30/06 (c)	Estimated Costs to Complete (d)	Cost of Project at Completion (e)=(c+d)	RA Increase (Decrease) from Reforecast (f)=(e-a)
Market Redesign	\$ 56,519	\$ 40,235	\$ 46,905	\$ 10,131	\$ 57,036	\$ 516
1 Automatic Mitigation Procedures/Phase 1A	\$ 773	\$ 773	773	\$ -	773	0
2 Real Time Markets/Phase 1B	16,297	16,297	16,297	0	16,297	0
Integrated Forward Markets/Real -Time Market/Full						
3 Network Model (IFM/RTM/FNM)	29,205	17,010	22,019	7,310	29,329	125
4 Congestion Revenue Rights - (CRR)	4,014	3,386	3,749	453	4,202	188
4A Market Quality System - (MQS) ****	2,643	0	1,121	1,726	2,847	204
11A Hardware & Software Purchases	3,588	2,769	2,947	642	3,588	0
Technology Upgrade	\$ 68,954	\$ 34,137	\$ 54,242	\$ 14,045	\$ 68,286	\$ (668)
5 Scheduling Infrastructure Business Rules - (SIBR)	12,086	6,326	9,403	2,458	11,861	(224)
6 Settlements and Market Clearing -(SaMC)	17,391	5,313	14,742	2,241	16,983	(408)
7 Master File -(MFRD)	2,279	1,860	2,253	35	2,288	9
9 Post Transactional Repository - (PTR)	2,177	1,041	1,778	426	2,204	27
10 Legacy Systems	7,638	3,434	5,522	982	6,504	(1,134)
10A State Estimator/Full Network Model	1,024	157	933	146	1,079	55
11 Technology Infrastructure	2,065	2,028	2,044	18	2,062	(3)
11B Hardware & Software Purchases	6,923	4,566	4,758	2,165	6,923	0
12 System Integration/Enterprise Architecture	17,372	9,412	12,808	5,574	18,382	1,010
Common Projects ***	\$ 36,215	\$ 9,670	\$ 19,572	\$ 16,782	\$ 36,354	\$ 139
13 Training/Readiness Projects	10,021	916	4,833	4,585	9,418	(603)
14A Project Management	14,248	7,674	10,835	3,009	13,844	(403)
14B Testing	11,946	1,080	3,903	9,188	13,091	1,145
Ongoing Scope Adjustments	\$ 3,357	\$ -	\$ -	\$ 3,370	\$ 3,370	\$ 13
Pending MRTU Scope****	3,357	0	0	3,370	3,370	13
Contingency	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -
15 Contingency	5,000	0	0	5,000	5,000	0
Total MRTU Project	\$ 170,045	\$ 84,042	\$ 120,719	\$ 49,327	\$ 170,045	\$ 0

* 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

**** Monthly ongoing scope adjustments

ATTACHMENT B

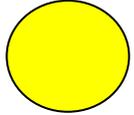
Attachment B - FERC Status Report - November 2006

MRTU Readiness Program Summary

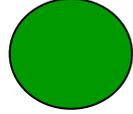
FERC Update

October 25, 2006

MRTU Executive Summary

MRTU Readiness Schedule	
Current Period	Trend
	

- Training conducted on schedule.
- Planning activities for assessing and tracking internal CAISO readiness has been completed.
- Participant Readiness activities have been running slightly behind schedule as various discussions on defining readiness criteria and measures have reached conclusion.
- Participant Assessments to establish readiness baseline were originally planned to take place during October and will be conducted during November and December. The delay has been a result of consensus on readiness criteria and schedule availability of Participants.
- Recent accomplishments include:
 - Successful execution and completion of all external Training sessions
 - Approval of Readiness Criteria definitions with Participants
 - Participant Assessments have been scheduled and will take place during November 06.

MRTU Readiness Budget	
Current Period	Trend
	

- Training activities are under budget.
- Confirmed CAISO staff participation requirements to support internal business unit readiness efforts.
- Reduced Consultant budget from original plan by establishing more responsibilities and accountability for business unit readiness with internal CAISO staff.

	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.		

MRTU Readiness Program Executive Summary

The MRTU Readiness program focuses on a set of activities that ensure people, processes, and technologies are ready for the implementation of the MRTU program in November 07. The MRTU Readiness Program has successfully launched and implemented concurrent Readiness efforts during the past 2 months since August 06 with the following areas of progress:

- Established a Stakeholder Interaction process to work with Participants to gain awareness, get an understanding of the changes, and to address inquiries.
- Established an Outreach program for both Participants and CAISO to identify gaps and make required process adjustments as necessary.
- Conducted working sessions with CAISO business units to set expectations, outline roles and responsibilities, and provide templates to develop detailed plans to revise processes, update job responsibilities, update technology requirements and address knowledge transfer and training needs.
- Conducted workshops with Participants to collaboratively establish Readiness Criteria that will be used to assess and monitor readiness towards the MRTU Implementation in November 07.
- Developed an Participant Assessment approach designed to assess and monitor Participants readiness along People, Process and Technology dimensions.
- Prepared to launch a baseline assessment in November 06 for Participant Readiness that will be updated with follow-up assessments throughout the months of January 07 to August 07.
- Drafted reports and process to assess progress of both Participants and CAISO business unit readiness to be provided starting November 06 through to November 07.

Internal Readiness Summary

Program Area	Planning	Development	Execution	Comments
Outreach	✓	✓	✓	<ul style="list-style-type: none"> Developing Outreach Campaign Design (Kick-off meetings, periodic assessments, progress communication). Conducted Business Unit Readiness planning Kick-off meetings with ISO departments
Assessments	✓	✓	✓	<ul style="list-style-type: none"> Deployed initial readiness assessment through company wide survey, results received Scheduling focused follow-up assessments
Business Unit Readiness	✓	✓		<ul style="list-style-type: none"> Readiness Plan developed to highlight 6 major areas. Currently still working with all ISO departments to complete following: <ul style="list-style-type: none"> Detailed tasks implementation over the next 13 months Approach for progress reporting and continuous improvement
Training	✓	✓	✓	<ul style="list-style-type: none"> Introductory courses developed and scheduled for 2006-2007 Intermediate courses developed, scheduled for 2006 - 2007 Advanced level courses under development, scheduled for 2007 Additional courses as required

External Readiness Summary

Program Area	Planning	Development	Execution	Comments
Stakeholder Interaction	✓	✓	✓	<ul style="list-style-type: none"> Established and supporting Participant Readiness Advisory Group Established and supporting MRTU Implementation Workshop Developing Stakeholder Action Items & Issues Report
Outreach	✓	✓		<ul style="list-style-type: none"> Developing Outreach Campaign Design (phone campaigns, periodic surveys, etc.) Supporting MRTU Bulletin Board content
Market Participant Readiness	✓	✓		<ul style="list-style-type: none"> Finalized participant assessment approach that includes approximately 70 market participants that will involve the following: <ul style="list-style-type: none"> On-site assessment Assisted self-assessment Self-assessment sample candidates Finalizing market participant assessment criteria Scheduling initial assessments
Training	✓	✓	✓	<ul style="list-style-type: none"> Introductory course developed, posted on CAISO web Intermediate courses developed and scheduled for 2006 and 2007 Additional training as required

Readiness Criteria Summary

Program Area	Planning	Development	Execution	Comments
Readiness Criteria	✓	✓		<ul style="list-style-type: none"> • Currently 41 draft readiness criterion within 4 functional areas: <ul style="list-style-type: none"> • Organization • Technology • Business Operation • Participant • Reports are in progress of development to include the following: <ul style="list-style-type: none"> • Roll-up of categories indicating readiness, risks and actions • Dashboards provided to the Business Unit owners, MRTU Steering Committee, Officers, Board and Market Participants

Internal Outreach

- Conducted Business Unit Readiness planning Kick-off meetings with impacted ISO departments

CAISO Internal Assessment (Personnel)

- Deployed initial readiness assessment through company wide survey, results received and analysis will be summarized for updating communication activities

Business Unit Readiness

- Developed detailed workplans outlining tasks for implementation over the next 13 months for each Business Unit
- Implemented approach for progress reporting and continuous improvement for each Business Unit

Internal Training

- Completed implementation of intermediate courses scheduled for 2006 – 2007

Stakeholder Interaction

- Established and running Participant Readiness Advisory Group and MRTU Implementation Workshop

External Outreach

- Implemented triage process for answering Participant inquiries for MRTU

Market Participant Readiness

- Finalized Participant Assessment approach and list for approximately 70 market participants
- Finalized market participant assessment criteria

Participant Training

- Introductory courses developed and posted on CAISO web
- Completed all external sessions with Market Participants for 2006

Readiness Reporting

- Drafted Readiness Criteria and reporting templates

Internal Outreach

- Conduct Business Unit Readiness Kick-off meetings with non-impacted ISO departments
- Conduct follow up Business Unit Readiness Kick-off meetings with impacted ISO departments to provide updates

CAISO Internal Assessment (Personnel)

- Schedule focused follow-up assessments to share feedback on survey results and actions to be taken

Business Unit Readiness

- Develop detailed Readiness Plan components and communicate with impacted Business Units including Grid Operations, IT, External Affairs, Market Services, and Operations Support

Internal Training

- Complete role based training based on requirements identified by Business Unit readiness activities
- Conduct Intermediate courses scheduled for 2006 – 2007
- Conduct Advanced Courses for 2007

Stakeholder Interaction

- Continue supporting Participant Readiness Advisory Group and MRTU Implementation Workshops

External Outreach

- Implement new triage process for answering Participant inquiries for MRTU and reporting capabilities to address FERC turnaround requirements

Market Participant Readiness

- Schedule and implement assessments in phases (Phase 1: Nov-Dec 06, Phase 2: March 07 – May 07, Phase 3: June 07 – July 07)

Participant Training

- Training to continue for Level 200 courses

Readiness Reporting

- Establish 60 Day Prior to MRTU Implementation sign-off process and governance approach
- Publish regular Readiness Progress provided to the Business Unit owners, MRTU Steering Committee, Officers, Board and Market Participants

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 3rd day of November 2006.


Cayden Jenness