



September 29, 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 dockets, 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 black ink, reading "Sidney M. 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

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

California Independent System)	Docket No. ER06-615
Operator Corporation)	
)	

**STATUS REPORT OF THE
CALIFORNIA INDEPENDENT SYSTEM OPERATOR CORPORATION**

The California Independent System Operator Corporation (“CAISO”) respectfully submits this monthly progress report (“Report”) in compliance with Paragraph 1415 of the Commission’s September 21, 2006 “Order Conditionally Accepting The California Independent System Operator’s Electric Tariff Filing To Reflect Market Redesign and Technology Upgrade,” 116 FERC ¶ 61,274 (2006) (“September 21 Order”), issued in the above-referenced docket. The CAISO will continue to file this monthly report on the first Monday of the month through the Market Redesign and Technology Upgrade (MRTU) implementation, currently slated for November 2007.

The September 21 Order requires the CAISO to file monthly reports. As the CAISO has in the past, the CAISO will continue to file these reports on the first Monday of each month to update the Commission on the CAISO’s progress in designing and implementing MRTU and, as required by P. 1415, on readiness criteria. Starting in November 2006, the monthly report will contain two attachments: Attachment A will include the following elements as previously provided: (1) detailed timeline with the sequential and concurrent nature of the

design elements; (2) cost estimates for each element; (3) progress report; (4) accomplishments/milestones; and (5) planned activities¹. Attachment B will address the development of both the CAISO and market participant readiness criteria.

The instant Report is intended to satisfy the monthly reporting requirement in the September 21 Order for October 2006 by updating the information included in prior Status Reports and generally advising the Commission of the current status of the MRTU implementation effort as the CAISO has in the past. This information is provided in Attachment A. The CAISO has not yet had sufficient time to develop an Attachment B report on readiness criteria to include in this first monthly report issued since the September 21 Order but intends to include a CAISO and market participant readiness report as Attachment B to the November status report.²

Dated: September 29, 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”).

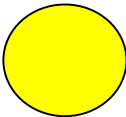

² Documents relating to the CAISO’s MRTU implementation and readiness activities can be found at the following link: <http://www.caiso.com/docs/2005/06/21/2005062113583824742.html>.

ATTACHMENT A

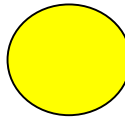
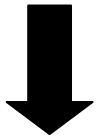
Market Redesign and Technology Upgrade FERC Update

October 2006





MRTU Executive Summary

MRTU Schedule	
Current Period	Trend
	

- Majority of System Development activities will be completed by 10/06. Vendor-related delays continue to prevent timely delivery of a few projects. Mitigations are being implemented to pull back the current 3-4 week IFM/SIBR schedule slip.
- The Integration team continues to make steady progress towards achieving its milestones and mitigating the 1 week delay in the overall MRTU critical path.
- Integration Testing started execution of R2/R3 Functional Integration Testing (FIT)
- Market Simulation commenced delivery of data packages to market participants on 9/8/06, in support of the 10/02/06 Market Simulation execution date.
- Training, Readiness, and other MRTU initiatives on schedule.
- Recent accomplishments include: on-time delivery of Business Practice Manuals, delivery of base Areva settlements product, completion of first phase of MRTU Business Processes, delivery of CR1 web services, and successful execution of several external Training sessions

MRTU Budget	
Current Period	Trend
	

- Completed periodic financial analysis on all MRTU projects to confirm Actuals, Estimates to Complete, and Estimate at Completion.
- Confirmed CAISO staff participation requirements to support MRTU.
- Mitigation Levers identified to minimize budget impact of assigning internal CAISO resource costs to MRTU program. Potential \$3 Million of contingency at risk, unless additional mitigations can be identified

	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

The MRTU program steadily progressed towards its November 2007 Go Live this month, with projects successfully completing critical development and testing milestones and MRTU support activities expanding execution to ensure a smooth transition to live operations.

Throughout the design, build, and testing phases of the program, each MRTU project has worked aggressively to mitigate earlier schedule delays and to achieve its various delivery milestones. Several MRTU projects completed Site Acceptance Test (SAT) milestones recently, including successful delivery of the Areva Settlements product and all Settlements and Market Clearing (SaMC) Release 3 Charge Types and functionality. Multiple Legacy applications also completed SAT and are now ready for Integration Testing, as are the Coordinated Release 1 functionalities for both the Integrated Forward Markets (IFM) and Scheduling Infrastructure Business Rules (SIBR) projects.

The new Integration team and the Integration Testing team have worked collaboratively to re-design and re-prioritize interface development and testing approaches against the new release plan, actively analyzing and executing to recover potential schedule gains along the MRTU Critical Path. The Integration team has successfully planned all Priority 1 (P1) to Priority 4 (P4) interfaces and built its P1/P2 interfaces, while the Testing team continues to execute Application and Functional Integration Testing according to schedule.

The MRTU program also launched concurrent Readiness efforts during the past month. The Internal and External Readiness teams have conducted workshops and coordinated meetings with various Market Participants, business units, and other stakeholders to assess internal and external readiness levels, the second draft of Business Practice Manuals (BPMs) have been completed, the Training team is currently conducting its third Training session with Market Participants, and the Market Simulation team continued preparations for the first round of Market Simulation, which is currently slated to begin in early October.

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

Supporting Activities

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

Site Acceptance Testing (SAT):

- IFM – Baseline functionality and partial coordinated release 1 (CR1) SAT completed
- SIBR – CR1 SAT completed
- CRR – Data Input Module SAT completed
- MFRD – Release 3 SAT completed
- SaMC – Areva Settlements SAT, Phase 1 Charge Types SAT, and System Test completed (all R3 functionality)
- Legacy – ETCC, RLC, OMAR, OASIS (for Market Simulation) SAT test cycles completed
- PTR – All Market Simulation reports completed and tested
- STiNG – Back-end functionality SAT completed

Development and Factory Acceptance Testing (FAT):

- IFM – Continued CR2 FAT
- SIBR – CR2 FAT completed, will start CR2 SAT pending exit approval
- SaMC – Continued Phase 2 Charge Code design and development
- Portal – ClearTrust web services development completed
- STiNG – Continued development of front-end (all) functionality

Integration

- All P1 – P4 interfaces planned, P1 – P3 interfaces designed, and P1 – P2 interfaces built

Integration Testing

- Continued AIT and FIT test execution and R2/R3 test planning

Readiness Activities

- CRR Dry Run Market opened to participants and Auction and Allocation Prep – External Data Collection completed
- 2nd Draft of Business Practice Manuals (BPMs) completed
- The Training team conducted three successful external Training sessions with Market Participants
- The Internal and External Readiness teams developed metrics to gauge participant readiness, met with business units and other stakeholders, and prepared toolkits and other presentations to ensure a smooth transition to Go Live
- Market Simulation, Technical Architecture, Technical Infrastructure, and Orchestration initiatives launched

Planned Activities

Integration

- Obtain sign offs to all P3 designs and continue build activities for P3 and P4 interfaces

Integration Testing

- Continue working to R2/R3 testing plan and proceeding with AIT and FIT planning and execution

Legacy

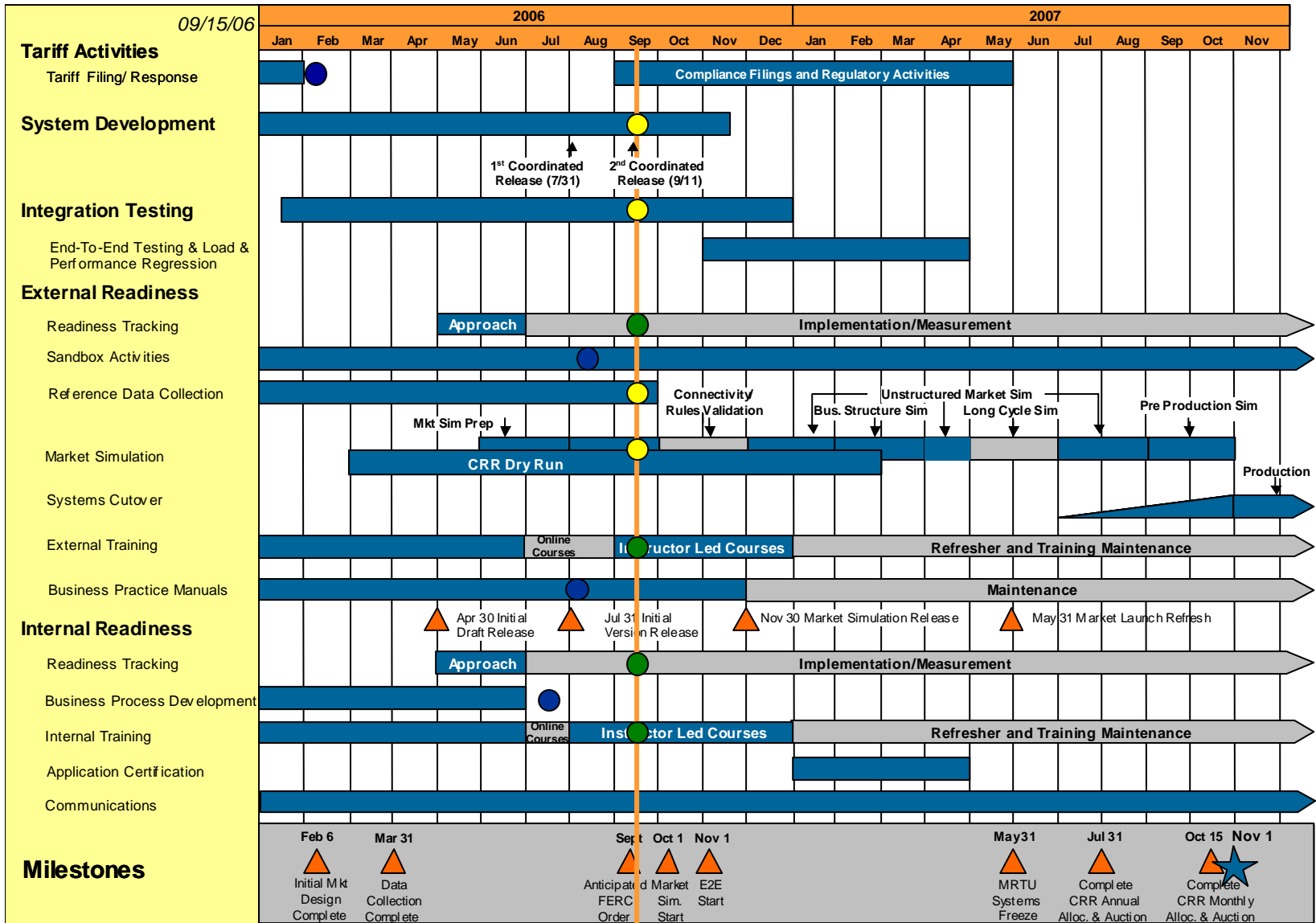
- Start CAP SAT, continue RLC and OMAR SAT variance remediation, and continue OASIS report development (R4)

Applications

- CRR to start first Market Run and complete Network Application variance testing
- IFM to start SAT for all remaining CR1 functionality and complete CR2 FAT for partial functionality
- SaMC to continue Phase 2 Charge Code design and build
- SIBR to start CR2 SAT and prepare for CR3 development
- STiNG to complete development for all functionality and submit FAT/SAT test cases for review
- MQS to complete pre-FAT and obtain ORB approval to start FAT

Readiness Efforts

- Training to continue external sessions with Market Participants and development of Level 300 courses
- Market Simulation to prepare for Market Simulation's connectivity phase, which begins October 2
- Internal and External Readiness to continue development and execution of metrics, workshops, and kick-off meetings



Complete

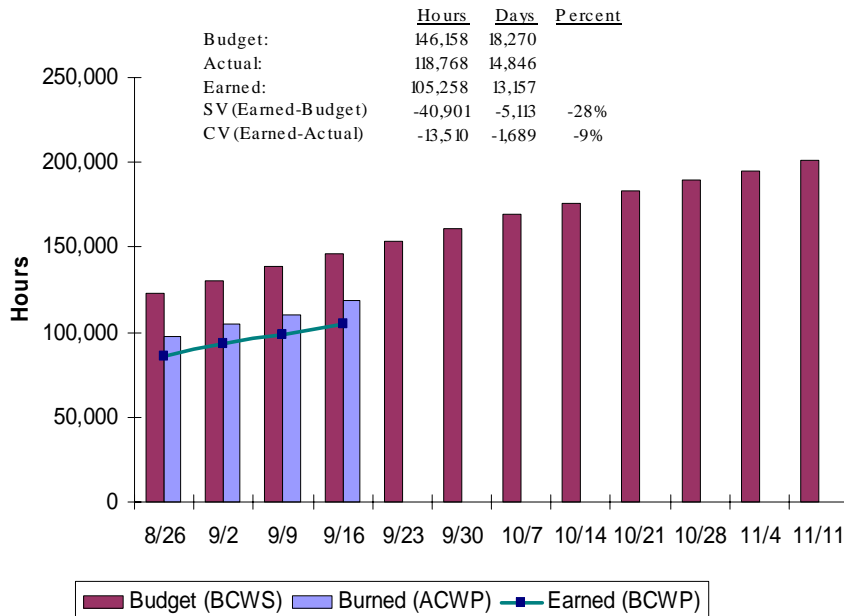
No Delays

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

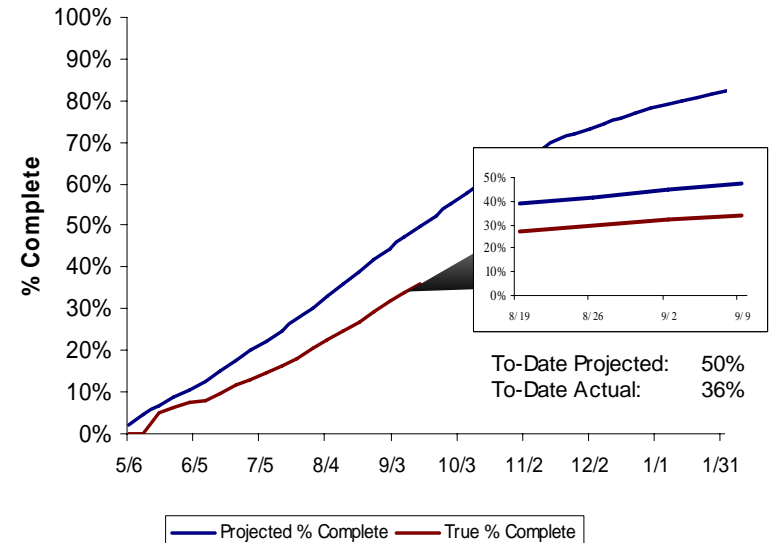
Delay will impact Program Delivery and 11/07 Go Live Date

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, External Readiness, Internal Readiness, PMO, Legacy, and STING.

Not Included in Graph: Technical Architecture

- 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

California Independent System Operator
Summary of Expected Completion Costs vs. January 30, 2006 Budget
August 31, 2006
(In Thousands) *

Project	Budgeted Project Costs May 2006 **	Re-baselined Project Costs June 2006 (a)**	Actual Costs Through 2005 (b)	Paid Invoices To Date 8/31/06 (c)	Estimated Costs to Complete (d)	Cost of Project at Completion (e)= (c+d)	RA Increase (Decrease) from Rebaselined (f)=(e-a)
Market Redesign	\$ 57,925	\$ 56,519	\$ 40,235	\$ 45,567	\$ 10,808	\$ 56,375	\$ (145)
1 Automatic Mitigation Procedures/Phase 1A	\$ 773	\$ 773	\$ 773	773	\$ -	773	0
2 Real Time Markets/Phase 1B	16,297	16,297	16,297	16,297	0	16,297	0
Integrated Forward Markets/Real -Time Market/Full							
3 Network Model (IFM/RTM/FNM)	29,696	29,205	17,010	21,550	7,874	29,425	220
4 Congestion Revenue Rights - (CRR)	4,045	4,014	3,386	3,736	350	4,086	72
4A Market Quality System - (MQS) ****	3,526	2,643	0	265	1,942	2,206	(436)
11A Hardware & Software Purchases	3,588	3,588	2,769	2,947	642	3,588	0
Technology Upgrade	\$ 64,608	\$ 68,954	\$ 34,137	\$ 51,824	\$ 15,131	\$ 66,955	\$ (1,999)
5 Scheduling Infrastructure Business Rules - (SIBR)	12,378	12,086	6,326	9,041	2,855	11,896	(190)
6 Settlements and Market Clearing -(SaMC)	18,183	17,391	5,313	14,076	3,598	17,673	282
7 Master File -(MFRD)	2,284	2,279	1,860	2,241	29	2,270	(9)
9 Post Transactional Repository - (PTR)	1,959	2,177	1,041	1,671	428	2,099	(78)
10 Legacy Systems	7,861	7,638	3,434	5,439	835	6,274	(1,364)
10A State Estimator/Full Network Model	1,038	1,024	157	865	159	1,024	1
11 Technology Infrastructure	2,057	2,065	2,028	2,042	79	2,121	56
11B Hardware & Software Purchases	6,923	6,923	4,566	4,758	2,165	6,923	0
12 System Integration/Enterprise Architecture	11,923	17,372	9,412	11,691	4,983	16,673	(698)
Common Projects ***	\$ 39,170	\$ 36,215	\$ 9,670	\$ 17,043	\$ 18,466	\$ 35,509	\$ (705)
13 Training/Readiness Projects	13,246	10,021	916	3,873	5,798	9,670	(350)
14A Project Management	14,248	14,248	7,674	10,138	3,341	13,479	(768)
14B Testing	11,677	11,946	1,080	3,033	9,327	12,359	413
Ongoing Scope Adjustments	\$ 3,343	\$ 3,357	\$ -	\$ -	\$ 6,206	\$ 6,206	\$ 2,850
Pending MRTU Scope****	3,343	3,357	0	0	6,206	6,206	2,850
Contingency	\$ 5,000	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000	\$ -
15 Contingency	5,000	5,000	0	0	5,000	5,000	0
Total MRTU Project	\$ 170,045	\$ 170,045	\$ 84,042	\$ 114,434	\$ 55,611	\$ 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

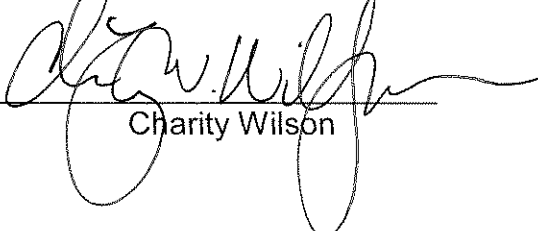
*** Common Projects Allocation: 47.9% to Market Redesign; 52.1% to Technology Upgrade

**** Monthly ongoing scope adjustments

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 29th day of September 2006.


Charity Wilson