

0150-09566-0001

TRANSMITTAL

TO

David H. Wright, General Manager
Department of Water and Power

DATE

COUNCIL FILE NO.

FROM

The Mayor

COUNCIL DISTRICT

**CALIFORNIA INDEPENDENT SYSTEM OPERATOR ENERGY IMBALANCE MARKET
IMPLEMENTATION AGREEMENT**

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.

MAYOR

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 20, 2017

CAO File No. 0150-09566-0001
Council File No.
Council District:

To: The Mayor

From: Richard H. Llewellyn, Jr., Interim City Administrative Officer

Reference: Communication from the Department of Water and Power dated March 1, 2017

Subject: **CALIFORNIA INDEPENDENT SYSTEM OPERATOR ENERGY IMBALANCE
MARKET IMPLEMENTATION AGREEMENT**

RECOMMENDATIONS

That the Mayor:

1. Approve the proposed resolution authorizing the execution of the California Independent System Operator Energy Imbalance Market Implementation Agreement BP 17-001; and,
2. Return the proposed resolution to the Department for further processing, including Council consideration.

SUMMARY

Approval of the proposed resolution and agreement establishes terms and conditions for the Department of Water and Power to integrate with the California Independent System Operator (CAISO) Energy Imbalance Market (EIM). The EIM is an energy market designed to sell short-term energy to manage power system imbalances, to avoid curtailment of renewable resources, and to optimize the utilization of energy in the market.

Based on analysis by the Department and an independent third-party, the benefits of participating in the EIM include:

- Enables intra-hour trades (every 5 minutes) of excess energy to balance the system;
- Mitigates the risk of turning off intermittent renewable energy sources when the generation level exceeds customer demand;
- Expands the geographic territory for integrating renewable energy;
- Increases use of renewable energy in California and reduces emissions statewide;
- Provides net benefits of between \$2 million to \$5 million per year;
- Recovers the costs of capital investments; and,
- Reduces the overall electric system requirements statewide.

Furthermore, participation in the EIM will allow DWP to realize additional benefits as the renewable energy market matures, the availability of renewable energy on EIM increases, and the membership on the EIM expands.

The proposed EIM Implementation Agreement is anticipated to result in payments to CAISO totaling \$1,156,250 which includes a 25 percent contingency for unanticipated expenses. A schedule of six milestones and costs for integration and participation in the EIM is included in the proposed agreement. Additional DWP expenses for implementation are estimated to range between \$15 million and \$20 million. Funding for this proposal is included in the budget for the Power System.

Participation by DWP in the EIM is voluntary and both the DWP and CAISO can terminate the agreement with 30 days written notification.

It is noted that upon successful completion of the EIM implementation, subsequent agreements will be presented for Council and DWP Board consideration to authorize DWP's participation in the CAISO EIM.

The EIM implementation process generally requires approximately 24 months, as indicated in the proposed project scope and schedule. However, DWP anticipates the implementation could require in excess of three years to complete due to DWP's unique system configurations and required upgrades. As a result, Council approval is requested pursuant to Charter Section 373.

In accordance with the Los Angeles Administrative Code Section 10.5, unless the Council takes action disapproving the proposed Agreement within 60 days after submission to the Council, the Agreement will be deemed approved. The City Attorney has approved the proposed resolution as to form and legality.

FISCAL IMPACT STATEMENT

Approval of the proposed resolution will impact the DWP Power Revenue Fund. There is no fiscal impact to the City General Fund. The proposed Agreement complies with the Department's adopted Financial Policies.

RHL:RR:10170106