

TRANSMITTAL

0150-03656-0091

TO
Martin L. Adams, General Manager

DATE
MAY 19 2020

COUNCIL FILE NO.

FROM
The Mayor

COUNCIL DISTRICT
All

**LOS ANGELES DEPARTMENT OF WATER AND POWER: THIRD AMENDMENT
TO THE OPEN ACCESS TRANSMISSION TARIFF (OATT)**

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

MAYOR

Ana Guerrero

RHL:IR:10200114

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 8, 2020

CAO File No. 0150-03656-0091

Council File No.

Council District:

To: The Mayor

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

Reference: Communication from the Department of Water and Power dated April 15, 2020,
Referred by Mayor's Office April 28, 2020.

Subject: **LOS ANGELES DEPARTMENT OF WATER AND POWER: THIRD AMENDMENT
TO THE OPEN ACCESS TRANSMISSION TARIFF (OATT)**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution authorizing a Third Amendment to the Open Access Transmission Tariff (OATT), including the General Manager's Certificate and the General Manager Supplemental Certificate recommending amendments to update the non-rate terms, conditions, and procedures for open access transmission and ancillary services to the OATT, to facilitate entry into the Energy Imbalance Market;
2. Upon proper certification, the Chief Accounting Employee is authorized and directed to draw demands on the Power Revenue Fund, in payment of the obligations under the Third Amendment; and,
3. Return the proposed Resolution to the Department for further processing, including City Council consideration.

SUMMARY

The Los Angeles Department of Water and Power (LADWP) requests approval of the proposed Resolution and Third Amendment to the existing Open Access Transmission Tariff (OATT) non-rate terms, conditions and procedures for transmission and ancillary services to facilitate entry into the California Independent System Operator's (CAISO) Energy Imbalance Market (EIM). The OATT revisions proposed by LADWP incorporate changes reflecting the specific market structure associated with the EIM, and are largely consistent with already adopted changes in the OATTs of other EIM entities that are currently participating in the EIM. LADWP will be joining the CAISO market in April 2021 and will be participating in providing bulk energy to the market through the power grid system.

Under LADWP's current OATT policy and procedures adopted by the City Council in July 2017 (C.F. 14-0738) authority is provided to sell surplus capacity to eligible transmission customers in accordance with the terms and conditions of the OATT. LADWP's participation in the EIM is a form of ancillary service identified in the OATT, and allows for the sale of energy to participating customers in the wholesale transmission market. Per LADWP, anticipated gross revenue is estimated between \$7 and \$12 million by 2024, excluding charges to be assessed by CAISO.

The OATT will remain effective until it is rescinded or a new amendment is approved by the Board and the City Council.

The Board of Water and Power Commissioners (Board) have the authority to establish and set all tariffs, terms, conditions and charges, subject to City Council approval. In accordance with the Los Angeles Administrative Code (LAAC) Section 23.134, the proposed Resolution is subject to approval by a simple majority vote of the City Council. The City Attorney has approved the proposed Resolution as to form and legality.

Background

Through the OATT Program, the LADWP may sell surplus capacity to eligible customers in the wholesale energy markets upon review of its internal needs and a determination that such capacity is available. This evaluation is completed every two years. The OATT was originally approved in March 2002, and further amended in 2014. More recently the pro forma Agreement was approved by the Board and the City Council in July 2017 (C.F.14-0738). The OATT Agreement outlines the standard rates, terms and conditions for open access transmission and ancillary services available relative to the LADWP transmission system for all eligible transmission customers.

LADWP will be joining CAISO's EIM in April 2021 and is proposing revisions to LADWP's OATT non-rate terms and conditions reflecting the specific market structure associated with the EIM. The EIM is a real-time bulk power trading market system which automatically finds the lowest-cost energy to service real-time customer demand in the western United States. The benefit of joining CAISO EIM include better integration of intermittent renewable resources over a larger geographic area, increases resource diversity and provides efficiencies between balancing authorities.

Public Process

The OATT Tariff Change Business Practice encourages a public process to address concerns. LADWP conducted three public stakeholder meetings to address the proposed revisions, including one public information forum in November 2019, and two public comment forums. In addition to the stakeholder meetings, LADWP scheduled additional technical workshops, held outside of this process to better inform stakeholders on topics such as operational practices and requirements. The LADWP report includes the General Manager's (GM) Certificate dated February 27, 2020, and a Supplemental GM Certificate dated April 3, 2020. The GM Certificate summarizes the OATT Amendment No. Three stakeholder process and comments received from stakeholders including those related to the amended tariff and related study report. The Supplemental GM's Certificate summarizes LADWP's responses to disputes received from stakeholders following the release of

the GM's Certificate. In addition, the Supplemental GM's Certificate contains the final draft of the amended OATT and related documents updated to reflect any changes.

Proposed Agreement

The OATT revisions proposed by LADWP incorporate changes reflecting the specific market structure associated with the EIM, and are largely consistent with already adopted changes in the OATTs of other EIM entities that are currently participating in the EIM. In addition, these revisions will ensure that services are provided in a comparable and non-discriminatory or preferential manner for all of LADWP's OATT.

Attachment O is a new OATT attachment added which outlines the requirements for participants, obligations of LADWP as the EIM Coordinator, reporting requirements, settlement and billings of EIM charges, compliance obligations of participants, and rules and procedures during market contingencies. Other new additions include, Dispute Resolution procedures, CAISO EIM administrative fees which allow for cost recovery of CAISO administrative charges, and a new Schedule 12 which outlines the financial settlement obligations required by transmission customers when compensating for real power losses.

Real Power Loss

Lastly, updates to the existing 2017 Real Power Loss Factors have been completed based on a Real Power Loss Study conducted by nFront Consulting in 2019. LADWP as a transmission operator operates three distinct transmission networks as identified in Table Two in the Department's report. Each system has different operational characteristics, loading, and voltage levels resulting in different power losses. Real Power Losses occur during the transmission of energy over long distances which creates a loss of heat and energy from the starting point to the final destination. The study indicates that the amount of energy loss is reduced from 2017 levels. LADWP indicates that the reduction in the loss factors is due to an improved system design, more efficient use of the transmission facilities and weather impact.

FISCAL IMPACT STATEMENT

There is no General Fund impact. Approval of the proposed Resolution and Third Amendment to the OATT impacts the Power Revenue. The proposed Agreement complies with the LADWP Financial Policies.

RHL:IR:10200114

Attachments