



RESOLUTION NO. _____

BOARD LETTER APPROVAL

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REIKO A. KERR
Senior Assistant General Manager – Power System
Engineering, Planning, and Technical Services

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MARTIN L. ADAMS
General Manager and Chief Engineer

DATE: May 21, 2020

SUBJECT: General Manager's Certificate Recommending Approval of the Amendments to Los Angeles Department of Water and Power's Open Access Transmission Tariff (OATT) to Facilitate Entry into the Energy Imbalance Market

SUMMARY

Requesting approval of the General Manager's (GM) Certificate recommending the amendments to Los Angeles Department of Water and Power's (LADWP) OATT to facilitate LADWP's entry into the California Independent System Operator's (CAISO) Western Energy Imbalance Market (EIM) and to update the LADWP's Real Power Loss Factors that were approved by the Board of Commissioners in 2017. The proposed revisions to facilitate LADWP's entry into the EIM were largely limited to non-rate terms and conditions of LADWP's OATT and to ensure that services under the proposed, revised OATT were provided in a comparable and not unduly discriminatory or preferential manner to all of LADWP's OATT customers (Transmission Customers). The 2020 OATT is recommended for approval following the conclusion of a formal, extensive stakeholder process in accordance with LADWP's business practice for Tariff Change Procedures (Public Stakeholder Process BP).

City Council approval is required pursuant to Los Angeles Administrative Code Section 23.134.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners (Board) consider adopting the attached Resolution recommending City Council's approval of the OATT.

The OATT will remain effective until it is rescinded or a new amendment is approved by the Board and the City Council.

ALTERNATIVES CONSIDERED

Alternatives are not applicable. As a municipal utility, LADWP's wholesale sales and provision of transmission in interstate commerce is generally not subject to the jurisdiction of the Federal Energy Regulatory Commission (FERC). LADWP voluntarily provides open access transmission and interconnection services on a comparable, non-discriminatory and non-preferential basis to all qualified transmission and interconnection service customers, including LADWP, taking service under LADWP's OATT. The 2020 OATT will enable LADWP: 1) to participate in CAISO's EIM; 2) to provide non-discriminatory open access transmission and interconnection service on LADWP's transmission system; and 3) to generate revenue from the use of available transmission capacity in excess of native load needs on its system.

FINANCIAL INFORMATION

LADWP's participation in the EIM will subject LADWP to charges assessed by CAISO. Charges LADWP receives from CAISO will be sub-allocated to all Transmission Customers (including LADWP) in accordance with the newly added Attachment O of the 2020 OATT. However, EIM is a tool to ultimately reduce costs for LADWP and its participating OATT customers

BACKGROUND

The EIM is a real-time bulk power trading market, the first of its kind in the western United States. The EIM's advanced market system automatically finds the lowest-cost energy to serve real-time customer demand across a wide geographic area, thereby enabling its participants to improve the ability to: (1) manage intermittency associated with variable energy resources; (2) manage congestion across balancing authority areas (BAAs), (3) offer increased resource diversity including renewable resources in other participating geographic areas; and (4) provide additional efficiencies between BAAs. Under the EIM, utilities that manage and operate BAAs, such as LADWP, can elect to participate as an EIM Entity where they will continue to be responsible for balancing requirements within their respective BAAs while sharing the costs and benefits the EIM produces with all of its other participants within the BAA taking service under the LADWP OATT. A summary of pending and active EIM Participants is provided in Table 1 below.

LADWP's proposed revisions in the 2020 OATT incorporate changes reflecting the specific market structure associated with the EIM, and are consistent with the FERC-adopted changes in the OATTs of other EIM Entities that are currently participating (or will soon participate) in the EIM. To address some of LADWP's non-OATT commitments, with CAISO's concurrence, LADWP proposed defining a LADWP EIM

Entity BA that recognizes characteristics unique to LADWP's BAA, as described in the 2020 OATT, attached hereto as part of the General Manager's Certificate.

Table 1: Summary of Pending and Active EIM Participants

ACTIVE Participants	Pending Participants
Salt River Project – entered 2020	Los Angeles Department of Water & Power – entry 2021
Seattle City Light – entered 2020	Public Service Company of New Mexico – entry 2021
Balancing Authority of Northern California (Phase 1) – entered 2019	NorthWestern Energy – entry 2021
Idaho Power Company – entered 2018	Turlock Irrigation District – entry 2021
Powerex (Merchant) – entered 2018	Balancing Authority of Northern California (Phase 2) – entry 2021
Portland General Electric – entered 2017	Avista – entry 2022
Puget Sound – entered 2016	Tucson Electric Power – entry 2022
Arizona Public Service – entered 2016	Tacoma Power – entry 2022
NV Energy – entered 2015	Bonneville Power Administration – entry 2022
PacifiCorp – entered 2014	
California ISO – entered 2014	

In addition, during the last OATT update in 2017, LADWP committed to updating the Real Power Loss Factors in a future OATT update. Therefore, in this 2020 OATT, LADWP is honoring its prior commitment by updating its 2017 Real Power Loss Factors (Loss Factors). The updated Loss Factors are based on a study conducted by nFront Consulting, LLC in 2019 (Real Power Loss Study) and do not impact transmission and ancillary service rates as Loss Factors depend on transmission system usage. In addition, those Loss Factors were subject to the Public Stakeholder Process. The Real Power Loss Study is attached hereto as Attachment E of the 2020 OATT.

SUMMARY OATT 2020 REVISIONS

- LADWP, like the other EIM Entities, is proposing to adopt amendments to its new OATT along with a new OATT attachment—Attachment O—dedicated to defining the rights and responsibilities of LADWP (as both an EIM Entity and a Scheduling Coordinator), and that of its Transmission Customers with respect to the EIM. These OATT revisions are designed to work in concert with parallel provisions of the CAISO OATT, which defines CAISO's role and responsibility as the EIM market operator without establishing contractual privity between LADWP's Transmission Customers and CAISO. Details specific to the OATT changes are outlined in the General Manager's Certificate, attached hereto for reference. Participation in the EIM does not change LADWP's existing responsibilities as a balancing authority.
- Along with the OATT changes to facilitate entry into the EIM, the existing 2017 Real Power Loss Factors set forth in the OATT have been updated as shown in Table 1 below, based on the 2019 Real Power Loss Study. Table 2 below summarizes LADWP's existing Real Power Loss Factors and the proposed final Loss Factors recommended in the General Manager's Certificate. The reduction

in the loss factors is due to improved system design, more efficient use of the transmission facilities and weather impact.

Description	Existing	Proposed
For any path using only Alternating Current segments.	4.80%	1.78%
For any path using the Intermountain Power Project Direct Current segments.	6.20%	5.02%
For any path using the Pacific Direct Current Intertie ("PDCI").	6.20%	6.07%

SUMMARY OF STAKEHOLDER OUTREACH PROCESS

LADWP has adopted transmission business practices for the development of tariff changes. The attached Tariff Revisions were developed following the process set forth in the Public Stakeholder Process Business Practice for a "Major Rate Adjustment" and a "Major Tariff Change." Attached is the General Manager's Certificate, which includes a summary of the stakeholder process and schedule followed by LADWP. LADWP's stakeholder process complies with the Public Stakeholder Process BP.

This General Manager's Certificate along with its attachments: the suite of supporting data, studies and document incorporated into the General Manager's Certificate and the proposed 2020 OATT are provided as part of this Board Letter for consideration by the Board and City Council. Notwithstanding, documents filed in the public-stakeholder process are available on LADWP's OASIS website at <http://www.oasis.oati.com/lwpp/index.html> in the folder **DWP Notices\LADWP 2020 OATT Stakeholder Process**.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guideline 15060(c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(4) states that government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment do not meet that definition. Therefore, the amendment to an open access transmission tariff is not subject to CEQA.

City Administrative Officer (CAO) Report

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's (CAO) Report dated May 8, 2020, is attached.

CITY ATTORNEY

The Office of the City Attorney reviewed and approved the 2020 OATT and Resolution as to form and legality.

ATTACHMENTS

- Resolution
- General Manager's Certificate, including all relevant documents in support of the OATT
- Supplemental General Manager's Certificate
- CAO Report

