



Los Angeles  
Department of  
Water & Power

RESOLUTION NO. \_\_\_\_\_

BOARD LETTER APPROVAL

**REIKO A. KERR**

Senior Assistant General Manager - Power System  
Engineering, Planning, and Technical Services

**MARTIN L. ADAMS**

General Manager and Chief Engineer

**DATE:** February 14, 2022

**SUBJECT:** Amendment No. 6 to Agreement No. 47443 for Energy Transaction  
Scheduling and Settlement Services - Open Access Technology  
International, Inc.

**SUMMARY**

The proposed Amendment No. 6 (Amendment) will add California Independent System Operator (CAISO) Energy Imbalance Market (EIM) Entity Scheduling Coordinator Services to Agreement No. 47443 (Agreement), extend the Agreement term by six years to December 31, 2028, and increase the Agreement expenditure limit by \$9,611,000 from \$16,425,000 to a not-to-exceed amount of \$26,036,000 (budgeted). The expenditure limit increase includes a ten percent contingency fund of \$895,000.

The term extension is needed to continue access to Open Access Technology International (OATI) services that provide energy scheduling, energy trading, and transmission management tools which are required to support LADWP compliance with regulatory mandates.

LADWP joined the EIM on April 1, 2021. The implementation of the EIM project requires the procurement and implementation of additional software services that interface with the CAISO system. The Amendment provides for data interfaces, process automation, and reporting needed for LADWP to operate in the EIM as an Entity Scheduling Coordinator.

City Council approval is required according to Charter Section 373.

## **RECOMMENDATION**

It is recommended that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of the execution of the Amendment to the Agreement between LADWP and OATI as required in Charter Section 373.

## **ALTERNATIVES CONSIDERED**

### **EIM Service Subscriptions**

LADWP hired consultant Utilicast to assist with its EIM implementation. Utilicast has experience with several other utilities, and they offered the following opinion about alternatives:

This is a functional extension to an existing proprietary system, and the EIM timeline prohibits bringing on another vendor to provide an EIM Entity Scheduling Coordinator capability and create a base application that would be necessary to support the new EIM functionality. That approach would duplicate existing LADWP scheduling functionality already provided for in this Agreement. Any such option would require significant time, effort, and cost to develop system criteria and design functionality (including functionality already present with the existing LADWP Energy Transaction Scheduling and Settlements system), train staff on the new system, translate data, test additional interfaces beyond what is needed for EIM, and develop/configure a new application to match existing LADWP functionality. Furthermore, the services involve OATI's proprietary technology.

### **Existing Service Subscriptions**

There is no other alternative at this time. OATI is the sole provider for most of these subscriptions. The subscriptions include customization for LADWP requirements and limited technical support that require extensive training and specialization on OATI's proprietary systems. Additionally, OATI is the provider that westTTrans (an organization of 27 western utilities including LADWP) chose for the Common Western Open Access Same-Time Information System (OASIS) service.

### **Communications Services (OATInetPlus)**

Continued use of the public Internet for the Emergency Dispatch Center (EDC), and a combination of the public Internet and the existing three megabit per second (Mbps) service (called OATInet) at the Energy Control Center (ECC) are possible, but with less security and reliability than the proposed services.

**FINANCIAL INFORMATION**

The Agreement currently expires on December 31, 2022. The proposed Amendment would extend the Agreement by six years to December 31, 2028, and increase the Agreement limit by \$9,611,000 from \$16,425,000 to a not-to-exceed amount of \$26,036,000 (budgeted).

	<b>Original Maximum Expenditure</b>	<b>Requested Amendment</b>	<b>Amended Maximum Expenditure</b>
Original Period (5 years)	\$700,000		\$700,000
Amendment No. 1		\$0	\$700,000
Amendment No. 2 (5 years)		\$1,564,000	\$2,264,000
Amendment No. 3		\$5,852,000	\$8,116,000
Amendment No. 4		\$0	\$8,116,000
Amendment No. 5 (7 years)		\$8,309,000	\$16,425,000
Amendment No. 6 (5 years)		\$9,611,000	\$26,036,000
<b>Total Not-to-Exceed Amount</b>			<b>\$26,036,000</b>

The new contract not-to-exceed amount is calculated as follows:

<b>Expense</b>	<b>Cost</b>
Extend existing services six years from 2023 through 2028	\$5,063,000
Add EIM services through 2028	\$3,101,000
Options to subscribe to additional services: <ul style="list-style-type: none"> <li>• Add EIM to Quality Assurance System</li> <li>• Additional EIM user subscriptions</li> <li>• Reliability Coordinator Services</li> </ul>	\$601,000
<b>Subtotal of added expenses, 2020 – 2028</b>	<b>\$8,765,000</b>
Contingency, 10%	\$877,000
Funds not expended, 2016 – 2021	(\$31,000)
<b>Total contract increase</b>	<b>\$9,611,000</b>

<b>Expense</b>	<b>Cost</b>
Existing not-to-exceed amount	\$16,425,000
<b>Total amended not-to-exceed amount</b>	<b>\$26,036,000</b>

OATI services under Agreement No. 47443 were less expensive than the competitively-bid services they replaced. The costs for the additional services are considered reasonable based on the added complexity and a comparison to existing services.

## **BACKGROUND**

OATI was awarded Agreement No. 47443 by the LADWP Board of Commissioners on January 18, 2006, for energy transaction scheduling and settlement services.

Amendments 1 through 5 to Agreement No. 47443 provided LADWP additional energy transaction scheduling and settlement services, new subscriptions to the Common Western OASIS service, extended the contract period from January 1, 2010 to December 31, 2022, and increased the Agreement not to exceed amount to \$16,425,000.

The proposed Amendment No. 6 will provide funds to extend OATI services for an additional six years, increase the contract not-to-exceed amount by \$9,611,000, and add EIM Entity Scheduling Coordinator capability to the existing Energy Scheduling Services. Below are the services being added:

- webEIM Entity Scheduling Coordinator Base Service, which provides all of the data interfaces, process automation, and reporting needed for LADWP to operate in the EIM as an Entity Scheduling Coordinator.
- Premium Market Compliance Service for webEIM, where OATI will continue to provide minor Western EIM compliance changes as part of base service at no additional cost for each compliance change.
- webEIM Demilitarized Zone (DMZ) Service, which replicates selected webEIM data onto a database server for exclusive use by the customer. The database is located within a protected network segment (DMZ) at the OATI data centers. The DMZ configuration will provide the capability to query hosted EIM data that would otherwise not be accessible locally.
- OATInetPlus, which provides secure, private, managed, and redundant data communication between LADWP's ECC and OATI's data centers in Minneapolis, and between LADWP's EDC and OATI's data centers. It uses OATI's OATInet service with automatic failover to OATI's OATI-VPN (virtual private network) service. At the ECC, this is an upgrade to the existing OATInet service in order to

provide path redundancy and greater bandwidth for communications between the ECC and OATI's data centers. At the EDC, this is a new service.

Additionally, this amendment includes options to add more EIM users and to add EIM capability to the existing contract option for the Quality Assurance System.

### **Regulatory and Economic Considerations:**

#### **Added Service Subscriptions**

The EIM service subscriptions are necessary for LADWP to function in the EIM as an Entity Scheduling Coordinator. LADWP joined the EIM on April 1, 2021. The upgraded communication services will increase the reliability and security of all data exchanges with OATI including the EIM data exchanges.

#### **Existing Service Subscriptions**

Except for the Energy Trading Service, all the existing services provided in this Agreement are required to support LADWP compliance with regulatory mandates. The items designated as options are not presently required, but may become required during the term of the Agreement as amended by this Amendment.

The Energy Trading Service supports LADWP's wholesale energy business conducted by the Wholesale Energy Resource Management Section (WERM). That section engages in two activities that bring value to LADWP ratepayers. The first is purchasing energy from the market below LADWP's generation costs. The second is selling surplus energy into the market at prices greater than LADWP's generation costs. Both activities require the ability to communicate energy transactions using e-tags. WERM estimates that the total benefit to LADWP from these activities is about 22.5 million dollars per year.

Below are some of the mandates that LADWP must comply with:

- North American Electric Reliability Corporation requires utilities to exchange electronic tags (e-tags) that describe energy purchases and sales among utilities.
- The Federal Energy Regulatory Commission (FERC) documents FERC policies for the use of OASIS services, which provides regional offerings of available transmission capacity for sale.

#### **Delegations of Authority**

There are two preexisting delegations of authority for this Agreement. Both reference the contract-not-to-exceed limit, which they cannot exceed or alter. This Amendment updates that limit, so the attached Board Resolution updates these delegations of

authority with the new contract not-to-exceed amount. Below are the purposes of these delegations:

### Pricing Changes

Since the services under the Agreement are required for compliance with regulatory mandates, OATI must update them from time to time during the contract period to accommodate regulatory changes. OATI may also have to update them from time to time to accommodate CAISO EIM changes. The Agreement permits OATI to adjust its pricing with 60-day advance written notice. The Board has previously authorized the General Manager or the General Manager's designee to accept and implement such pricing changes. These are paid from the contingency funds in the contract.

OATI has exercised this pricing provision nine times since the start of the Agreement in 2006: Seven times to comply with new regulatory mandates and two times to implement a technical change requested by LADWP.

### Common Western OASIS Procedures

For the OASIS service, LADWP has joined the Common Western OASIS, also called wesTTrans, which currently consists of 27 western utilities. LADWP subscribes to the OASIS service that OATI provides to the members of this organization. The wesTTrans is an enhanced site where participating utilities maintain their own transmission tariff, but collectively provide a common and efficient method of enhancing the transmission market within the western power grid. They include a provision for wesTTrans members to be able to make future changes to the procedures, so the Board has previously authorized the General Manager or the General Manager's designee to accept and implement such procedural changes. Any cost impacts from such changes will be paid from the contingency funds in the contract.

This delegation of authority is specifically for the wesTTrans procedures in that attachment, and is not applicable to any other portion or aspect of this Agreement. This delegation of authority has not yet been used.

### City Administrative Officer (CAO) Report

In accordance with the Mayor's Executive Directive No. 4, the approved CAO Report, dated November 19, 2021, is attached.

### **ENVIRONMENTAL DETERMINATION**

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 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 authorization of term extension and increased expenditure limit for Energy Transaction Scheduling and Settlement Services with Open Access Technology International, Inc. is not subject to CEQA.

### **CITY ATTORNEY**

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

### **ATTACHMENTS**

- Procurement Summary
- Resolution
- Amendment No. 6 to Agreement No. 47443
- CAO Report