

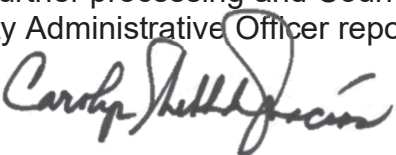
0150-12718-0000

TRANSMITTAL

TO Janisse Quinones, General Manager Los Angeles Department of Water and Power	DATE 08/01/2024	COUNCIL FILE
FROM The Mayor	COUNCIL DISTRICT ALL	

**LOS ANGELES DEPARTMENT OF WATER AND POWER PROPOSED RESOLUTION
AUTHORIZING A SECOND AMENDMENT TO AGREEMENT NO. 47565 WITH POWER
SETTLEMENTS CONSULTING AND SOFTWARE, LLC FOR ENERGY IMBALANCE
MARKET MERCHANT AND ENTITY SETTLEMENT AND TRANSMISSION BILLING
SYSTEMS SOFTWARE**

Transmitted for further processing and Council consideration.
See the City Administrative Officer report attached.



MAYOR
(Carolyn Webb de Macias for)

Attachment
MWS:PJH:BC:JVW:IR:JFH:10250002t

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER


Date: July 12, 2024

CAO File No. 0150-12718-0000

Council File No.

Council District: ALL

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer 

Reference: Correspondence from the Department of Water and Power dated May 31, 2024; received and referred by the Mayor for a report on July 1, 2024

Subject: **LOS ANGELES DEPARTMENT OF WATER AND POWER PROPOSED RESOLUTION AUTHORIZING A SECOND AMENDMENT TO AGREEMENT NO. 47565 WITH POWER SETTLEMENTS CONSULTING AND SOFTWARE, LLC FOR ENERGY IMBALANCE MARKET MERCHANT AND ENTITY SETTLEMENT AND TRANSMISSION BILLING SYSTEMS SOFTWARE**

RECOMMENDATIONS

That the Mayor:

1. Approve the Los Angeles Department of Water and Power proposed Board Resolution authorizing a Second Amendment to Agreement No. 47565 with, Power Settlements Consulting and Software, LLC to extend the existing five-year term of the agreement by an additional three years, with two one-year extension options, for a total term of ten years from October 9, 2024, through October 8, 2029, with an increase in the not-to-exceed contract amount of \$5,959,710 from \$3,909,230 to \$9,868,940, including contingencies, to continue the software support of the Energy Imbalance Market Merchant and Entity Settlement and Transmission Billing Systems, including new options and enhancements;
2. Authorize and direct, upon proper certification, the Chief Accounting Employee to draw demands on the Power Revenue Fund over the term of this Amendment to the Agreement and accompanying Resolution; and,
3. Return the proposed Resolution to the Los Angeles Department of Water and Power for further processing, including Council consideration.

SUMMARY

The Los Angeles Department of Water and Power (LADWP, Department) requests authority to execute a Second Amendment to Agreement No. 47565 with Power Settlements Consulting and

Software, LLC (Power Settlements), for software support and maintenance of the Energy Imbalance Market Merchant and Entity Settlement and Transmission Billing Systems.

Approval of a proposed Second Amendment will extend the contract's current five-year term for an additional three years with two one-year extension options, from October 9, 2024, through October 8, 2029, for a total term of ten years. The proposed Amendment also increases the total not-to-exceed amount of Agreement 47565 by \$5,959,710 from \$3,909,230 to \$9,868,940 including contingencies. Additional amendments are made to the Contract as described in a revised Exhibit H, Statement of Work, Attachment A and Revised Exhibit C, Fee Schedule. All other contract terms and conditions remain unchanged.

In 2017, the Board and Council approved the Energy Imbalance Market Implementation Agreement with the California Independent System Operator (CAISO) in an effort to attain the lowest cost energy to serve real-time customer demand, while sharing resources with participating entities in the western United States. The Energy Imbalance Market Merchant and Entity Settlement and Transmission Billing Systems support critical functions performed by the LADWP's Open Access Same-Time Information System and the Energy Reconciliation group that are part of the Power System's Energy Control Center and are essential for continued participation in CAISO.

Power Settlements is the sole provider of this proprietary software previously purchased by the LADWP under competitive solicitation and therefore all functional upgrades and updates must be provided by the firm.

In accordance with Charter Section 373 and the Los Angeles Administrative Code Section 10.5(e), The Second Amendment requires City Council approval because the total term of the agreement is greater than five years. This Office has reviewed the request and recommends approval.

BACKGROUND

In 2017, the Board and the City Council approved the LADWP's Energy Imbalance Market Implementation Agreement with CAISO in an effort to attain the lowest cost energy to serve real-time customer demand, while sharing resources with participating entities in the western United States (C.F. please find and add in the Council File Number).

Initial Contract and First Amendment - On September 24, 2019, as a result of a competitive procurement, the Board approved Resolution No. 020 050, awarding the initial contract to Power Settlements for the Energy Imbalance Market Merchant and Entity Settlement and Transmission Billing Systems for a term of three years. On September 13, 2022, the Board approved Resolution No. 023 046 authorizing a First Amendment to the Power Settlements Agreement which amended the term by providing two one-year extension options and increased the new not-to-exceed compensation amount in the Agreement by \$1,010,800 from \$2,520,374 to \$3,531,174.

The Energy Imbalance Merchant and Entity Settlement and Transmission Billing Systems are critical to the operation of the Open Access Same-Time Information System and the Energy Reconciliation group that are part of the Power System's Energy Control Center. The Systems automate LADWP's processes for Energy Imbalance Market energy and transmission system

transactions and provide an interface with CAISO systems and were required for entrance into the CAISO Energy Imbalance Market as a Balancing Authority on April 1, 2020.

The contracts for three other LADWP information systems which are equally critical for continued participation in CAISO are also expiring soon and their extension or replacement is being addressed by the Department in separate requests to the Board and Council. The other information systems and agreement numbers are:

1. EIM Meter Data Management System Solution and Support Services (Agreement No, 47573)
2. EIM Merchant Bidding and Scheduling System (Agreement No. 47577)
3. EIM Merchant Variable Energy Resource Forecasting Services (Agreement No. 47595)

Second Amendment Changes and Costs - The proposed Amendment provides additional new software options for settlement and transmission billing to load serving entities (LSE) within LADWP's Balancing Authority Area (BAA). The Amendment will also continue hosting, software maintenance, and technical support services, and provide for additional services for LSE within the BAA and provide other potential enhancements, modifications and adaptability to new market opportunities while supporting LADWP's continued participation in the Energy Imbalance Market Merchant.

The proposed Amendment extends the terms of the agreement by three years, from five to eight years, with two one-year extension options, from October 9, 2024, through October 8, 2029, for a potential total of ten years. The proposed Amendment also increases the not-to-exceed contract maximum amount by \$5,959,710 from \$3,909,230 to \$9,868,940, including contingencies, new software options and enhancements as described in a revised Exhibit H, Statement of Work, Attachment A and Revised Exhibit C, Fee Schedule. All other contract terms and conditions remain unchanged.

Power Settlements has performed satisfactorily under the current agreements.

Alternatives Considered – There are no viable alternatives. Power Settlements is the sole provider of this proprietary software previously purchased under a competitive procurement. All functional upgrades and updates must come from Power Settlements. A new competitive solicitation to replace the existing software would not be practical or cost effective when the current software is still useful for many years. A new software system would involve costly and time-consuming design, testing, integration, and training before implementation and is therefore not a viable solution.

As a substantial participant in the Western Energy Imbalance Market supporting nearly 80 percent of California's total energy consumption, LADWP's assets are vital to this market. During the 2022-2023 fiscal year, the LADWP's Power Settlements software systems contributed to a net ratepayer savings of approximately \$50 million. Lack of availability of these software packages would force LADWP's withdrawal from the Western Energy Imbalance Market as required by the CAISO Tariff and result in significant financial losses.

CITY COMPLIANCE

California Environmental Quality Act (CEQA) – The LADWP has determined, subject to Board approval, that the item is exempt from CEQA pursuant to Section 15060(c)(3) that states an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378(b)(2) states that governmental fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant impact on the environment do not meet that definition. Therefore, the amendment of a contract for software services is not subject to CEQA.

Charter Section 1022 – Pursuant to Charter Section 1022, the Board determined that it is more feasible to have the work performed by an independent contractor than by City employees.

The City Attorney has approved the proposed Second Amendment as to form. In accordance with Charter Section 373 and the Los Angeles Administrative Code Section 10.5(e), the amendment requires City Council approval because the total term of the agreement is greater than five years. Our Office has reviewed the request and recommends approval.

FISCAL IMPACT STATEMENT

Approval of the proposed Second Amendment to Agreement No. 47565 with Power Settlements Consulting and Software, LLC for the continued support of the Energy Imbalance Market Merchant and Entity Settlement and Transmission Billing Systems software will not have an impact on the General Fund. Approval of the proposed Second Amendment increases the maximum not-to-exceed contract amount by \$5,959,710 from \$3,909,230 to \$9,868,940, extends the term by an additional three years, with two one-year extension options, for a total of ten years funded by LADWP's Power Revenue Fund.

Attachment – May 31, 2024 Correspondence from LADWP, Proposed Resolution, and Amendments

MWS:PJH:BC:JVW:IR/JFH:10250002