

BOARD LETTER APPROVAL

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Aram Benyamin (Feb 6, 2024 17:03 PST)

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DATE: February 5, 2024

SUBJECT: Participation in the California Independent System Operator's
Extended Day-Ahead Market

SUMMARY

The attached Resolutions authorizes LADWP to proceed with necessary activities, agreement preparations, and other related Extended Day-Ahead Market (EDAM) work that will be brought back to the Board of Water and Power Commissioners (Board) for consideration and final approval on EDAM participation. The California Independent System Operator (CAISO), with approval from the Federal Energy Regulatory Commission (FERC), has established an EDAM through an extensive and inclusive stakeholder process. Numerous Western Energy Imbalance Market (WEIM) entities, including LADWP, participated in the process. EDAM builds on the success of WEIM providing additional benefits to its participants while increasing regional coordination, supporting policy goals of the State of California, and meeting demand more efficiently.

LADWP estimates a potential increase in net revenue of \$20 million to \$59 million per year. The majority of the projected increased revenue is expected to result from savings in adjusted production costs and enhanced EDAM transmission-related congestion transfers.

LADWP estimates \$14.7 million to set up and commence its participation in EDAM which includes system upgrades, training, and CAISO on-boarding support fees.

Once EDAM is operational, LADWP estimates the annual costs to be \$21.7 million, the majority of which will be from CAISO market administrative fees. Overall, EDAM presents a strong net annual financial opportunity while helping LADWP better integrate additional renewable generation, thereby minimizing curtailments and greenhouse gas emissions in its service territory and the western region.

Participation in EDAM is voluntary and is within LADWP's sole discretion.

City Council approval is not required.

RECOMMENDATION

It is recommended that the Board authorizes LADWP to proceed with necessary activities, agreement preparations, and other related EDAM work that will be brought back to the Board for consideration and final approval on EDAM participation.

Any final determination to enter into EDAM will be brought back to the Board in the future for approval.

ALTERNATIVES CONSIDERED

Participation in EDAM is voluntary and is within LADWP's sole discretion. There are no other alternatives for LADWP's consideration.

FINANCIAL INFORMATION

No financial impact is applicable at this time. Setup costs are estimated at approximately \$14.7 million. These costs will be further discussed when final determinations to enter into EDAM are brought back to the Board for approval.

BACKGROUND

In 2017, per Resolution No. 017 190, the Board and the City Council approved the WEIM Implementation Agreement (LADWP No. BP 17-001) with CAISO. LADWP, as a Balancing Authority (BA), later joined WEIM in April 2021.

WEIM is a regional operating model by which BAs in the western states can voluntarily participate in CAISO's five-minute real-time wholesale energy market. WEIM's advanced market systems automatically find the lowest cost energy to serve real-time customer demand across a wide geographic area. LADWP, at all times, maintains control over its assets and remains responsible for balancing load with generation and all other BA requirements while sharing and optimizing resources with other WEIM participants.

Since its launch in 2014, WEIM has grown to 22 participating western BAs and has produced more than \$4.66 billion in benefits to its participants through September 2023.

By leveraging the significant resource diversity and transmission connectivity between major supply and demand regions of the West, WEIM has demonstrated the value of collective resource optimization across a broad regional footprint. Similarly, EDAM will provide significant additional benefits through optimal resource commitment and scheduling of supply in the more extensive day-ahead timeframe.

EDAM is a voluntary day-ahead electricity market with the potential to deliver significant economic, environmental, and reliability benefits to participants across the West. EDAM will help to further integrate renewable resources and address increasing operational challenges presented by a rapidly changing resource mix, emerging technologies, and the impacts of climate change efficiently and effectively. EDAM builds upon the proven success of WEIM to increase regional coordination, support state policy goals, and meet demand more efficiently.

In the course of performing its due diligence to best assess the effects and results of LADWP's participation in the EDAM, LADWP participated in an EDAM study which produced a footprint-wide benefit estimate for all participants collectively as well as an LADWP-specific estimate of benefits. Moreover, LADWP independently validated the results of a commissioned EDAM cost-benefit study.

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)(5) states that organizational or administrative activities that will not result in direct or indirect physical changes in the environment do not meet that definition. As such, participation in the CAISO EDAM stakeholder process is not subject to CEQA.

CITY ATTORNEY

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

ATTACHMENT

- Resolution