



Los Angeles
Department of
Water & Power

RESOLUTION NO. _____

BOARD LETTER APPROVAL


David W. Hanson (Sep 26, 2024 13:25 PDT)

DAVID W. HANSON
Senior Assistant General Manager
Power System


Aram Benyamin (Sep 26, 2024 14:33 MDT)

ARAM BENYAMIN
Chief Operating Officer



JANISSE QUIÑONES
Chief Executive Officer and Chief Engineer

DATE: September 19, 2024

SUBJECT: Amendment No. 2 to Agreement No. 47577 for Energy Imbalance
Market Merchant Bidding & Scheduling System with Power Costs, Inc.

SUMMARY

This proposed Amendment No. 2 (Amendment) to Agreement No. 47577 (Agreement) with Power Costs, Inc. (PCI) is to extend the term of the Agreement by an additional three-year period with two one-year extension options, for a total term of up to ten years (anticipated expiration date of November 2029) and increase the agreement not-to-exceed amount by \$9,999,887 from \$8,541,860 to \$18,541,747 (budgeted), including 10 percent contingency.

This Amendment will provide for LADWP's continued use of PCI's proprietary Merchant Bidding and Scheduling (MBS) System software and related technical support services, including software updates, configurations, hosting, and maintenance required to continue LADWP's successful participation in the California Independent System Operator's (CAISO) Western Energy Imbalance Market (WEIM also known as EIM). This Amendment also includes additional software options for future market expansion.

City Council approval is required in accordance with Charter Section 373.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of the Amendment to the Agreement with PCI.

ALTERNATIVES CONSIDERED

The following alternatives to this Amendment were considered:

1. Develop a new competitive solicitation. This alternative is not a viable option and is not cost effective to LADWP. This would require LADWP to abandon all the time and funding already invested into the current software that is still usable for many years to come.
2. Wholesale Energy Resource Management (WERM) explored training LADWP personnel to upgrade, configure, and maintain the software. However, since the software is proprietary, PCI will not allow LADWP access to modify their software. Consequently, LADWP cannot itself implement required changes without voiding the vendor warranty and hindering support services.

Amending the Agreement is the most desirable option to LADWP. It is in LADWP's best interest to have a continued hosting, software maintenance, and support services of the MBS System from PCI.

This software package is a critical operational tool used on a daily basis to plan and dispatch LADWP's power system resources reliably, economically and in compliance with all environmental regulations and reliability requirements to serve its customers. The software also enables LADWP's system resources to participate in all western energy markets. While LADWP does not depend on these markets for reliability, the net benefit to its ratepayers from such non-participation will be immediately impacted.

Failure to approve this Amendment would directly impact LADWP's ability to reliably operate its power system and result in having to halt all energy trading and withdraw from WEIM participation due to inability to operate within contractual agreement obligations and timelines already in place.

FINANCIAL INFORMATION

The proposed Amendment will extend the term of the Agreement by an additional three-year period with two one-year extension options, for a total of ten years, and increase the Agreement not to exceed amount by \$9,999,887 from \$8,541,860 to \$18,541,747 (budgeted), including 10 percent contingency.

	Original Maximum Expenditure	Requested Amendment No. 1	Requested Amendment No. 2	Amended Maximum Expenditure
Original Agreement Amount	\$4,772,612	\$2,992,715	\$9,090,806	\$16,856,133
Contingency	\$ 190,904	\$ 585,629	\$ 909,081	\$ 1,685,614
Not-to-Exceed Amount	\$4,963,516	\$3,578,344	\$ 9,999,887	\$18,541,747

BACKGROUND

The Western Energy Imbalance Market (WEIM) is a real-time wholesale energy trading market that enables participants anywhere in the western United States to buy and sell energy when needed. Participating utilities use the WEIM to balance supply and demand within their respective service areas in real time by scheduling power deliveries every 15 minutes with five-minute resource dispatching. WEIM's advanced market systems automatically find the lowest-cost energy to serve real-time customer demand across a wide geographic area. Entities participating in the WEIM maintain control over their assets and remain responsible for meeting the North American Electric Reliability Corporation's Balancing Authority requirements while sharing in the benefits the market produces for its participants.

PCI's MBS is used to perform many tasks that are essential to reliable operation of the LADWP power system and required for WEIM participation, including automating LADWP's processes for transactions and interfaces with CAISO WEIM systems. The MBS system is capable of exchanging information with other WEIM related software systems including system load, Variable Energy Resources generation estimates, and other information that affect base schedule optimization.

On May 4, 2010, PCI was awarded Agreement No. 47957 under Resolution No. 010 310 to purchase the off-the-shelf power system planning software to provide unit commitment and economic dispatch modeling and cost analysis of LADWP's generation assets. The PCI software used by LADWP's WERM, located at the Power System's Energy Control Center to model generation, was competitively purchased under Request for Proposal No. 226-09.

On November 1, 2014, CAISO went "live" with its WEIM, together with PacifiCorp East and PacifiCorp West BAAs as the initial market participants. Participation in WEIM provides better reliability and more efficient renewable resource integration for participating WEIM Entities, and the region as a whole, by sharing and economically dispatching a broad array of resources throughout the West. Since 2014, CAISO WEIM has expanded to other western entities, such as NV Energy, Arizona Public Service Company, and Puget Sound Energy. Other entities also have pledged future participation in the WEIM, including Portland General Electric, Idaho Power, Sacramento Municipal Utility District, Balancing Authority of Northern California, and Seattle City Light.

On November 5, 2014, LADWP established a sole source agreement with PCI to provide maintenance, support, as-needed training and consulting services used by LADWP's WERM group to manage wholesale training operations under Agreement No. 47284. The software used to optimize costs needed to be recalibrated in order to provide accurate system costs and energy pricing to the Wholesale Energy Traders for forward marketing. Accurate pricing provides a protection against poor business practices.

On March 21, 2017, Resolution No. 017 190 authorized the execution of the "CAISO EIM Implementation Agreement" LADWP No. BP 17-001 to establish terms and conditions to integrate LADWP electric system into CAISO's real-time market as an entity. The Agreement stipulated payments to the CAISO and scheduled milestones for the required work between LADWP and CAISO for the WEIM implementation. Participation in WEIM was voluntary and within LADWP's sole discretion.

On November 5, 2019, the Board approved Agreement No. 47577 with PCI under Resolution No. 020 075 to provide software, configuration, maintenance, support, and training services for the MBS Systems for a term of three years under Request for Sole Source Proposal No. 90490 because PCI has proprietary knowledge and expertise to provide software, maintenance, support, training, and enhancements to the existing MBS System.

On April 2021, LADWP joined WEIM as a Balancing Authority. On September 14, 2021, Amendment No. 1 was adopted by the Board under Resolution No. 022 021 to extend the term of the Agreement by two years for a total of five years, add scope, and increase the Agreement not-to-exceed amount by \$3,578,344 from \$4,963,516 to \$8,541,860, including 10 percent contingency.

Aside from its operational criticality, the MBS system is LADWP's means of bidding into the WEIM by generating optimal base schedules to communicate LADWP's load and generation information to the WEIM and conforming to any dispatch constraints that must be considered for producing an optimal and reliable market solution. By utilizing the MBS system across a large geographic area, LADWP, like other utilities, will more effectively manage to serve its demand while significantly lowering the cost of delivering power to consumers.

PCI has performed satisfactorily under this Agreement.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's Report was approved on August 30, 2024.

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)(2)

states that continuing administrative or maintenance activities, such as amendments to existing contracts, do not meet that definition. Therefore, the award of a contract amendment for an EIM Meter Data Management System 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
- CAO Report

PROCUREMENT SUMMARY

1.	Recommended Vendor: Power Costs, Inc. (PCI)
2.	Procurement Type: Amendment
3.	Procurement Details: A. Contract Status: Amendment No. 2 B. Bid Advertisement Date: N/A C. Pre-Bid Conference Date: N/A D. Bid/Proposal Due Date: N/A E. Number of Downloads of Solicitation N/A F. Number of Bids/Proposals Received: N/A G. Protest Received: (Yes/No) N/A
4.	Buyer Assigned: Ramiro A. Puhawan
5.	Contract Administrator: Erick Gallegos
6.	LADWP System/Division: Power System/Fuel and Purchased Power
7.	Contact Person for Item: Erick Gallegos

A. Evaluation Rating Summary of Proposals

Not applicable to this Amendment.

B. Evaluation of Amendment

PCI have not increased their pricing for software and related technical support services, including software updates, upgrades and hosting fees and maintenance services since the inception of the contract in 2019. The average Consumer Price Index (CPI) from 2019 to 2023 has increased an average of 10 percent per year. PCI will increase their pricing based on CPI but at a maximum rate of 7 percent per year for years 7 thru 10. Pricing for additional years 6-10 has been determined to be fair and reasonable based on historical costs, current market trends, and increasing CPIs.

C. Procurement History

Service/Item History – Number of Times Item or Service has been Procured					
Contract/ PO No.	Contractor	Term of Contract	Start Date	Ending Date	Contract Amount
47577	Power Costs Inc.	5 years	11/18/19	11/17/24	\$8,541,860
47573	Power Costs Inc	5 years	11/18/19	11/17/24	\$2,317,089

Vendor Experience – Number of Contracts Vendor had with LADWP During the Past 10 Years					
Contract/ PO No.	Contract Description	Term of Contract	Start Date	Ending Date	Contract Amount
47577	Energy Imbalance Market Merchant Bidding & Scheduling (MBS) System	5 years	11/18/19	11/17/24	\$8,541,860
47573	EIM Meter Data Management System	5 years	11/18/19	11/17/24	\$2,317,089

49488	Enhancement of Generation Economic Modeling Software	1 year	11/26/18	11/25/19	\$ 150,000
47284	Maintenance, Support, Training and Consulting Services for PCI Software	3 years	12/10/14	12/09/17	\$2,134,290

D. Local Business Preference Program

Not applicable to this Amendment.

E. Additional Outreach Efforts Taken

Not applicable to this Amendment.

F. Small Business Enterprises (SBE)/Disabled Veterans Business Enterprises (DVBE)/Minority Business Enterprises (MBE)/Women Business Enterprises (WBE)/Other Business Enterprises (OBE) Participation

Not applicable to this Amendment. There were no subcontracting opportunities identified under this Agreement; however, PCI was encouraged to utilize SBE, DVBE, MBE, and WBE, and other firms where feasible.