

August 2, 2019

MEMORANDUM

To: Housing, Health, Energy and Workers' Rights Committee
From: Eric McConaghy, Council Central Staff
Subject: Proposed City Light Western Energy Imbalance Market Ordinance – C.B. 119571

On August 15, 2019, the Housing, Health, Energy and Workers' Rights Committee (Committee) will receive a briefing, discuss and may vote on Seattle City Light's (City Light's) proposed [Council Bill \(C.B.\) 119571](#) that would authorize City Light to enter and participate in the Western Energy Imbalance Market (EIM). Participating entities in EIM buy and sell "extra" electricity on short time intervals in this wholesale market. If authorized, then City Light intends to begin participating in EIM in April 2020. The non-profit California Independent System Operator (CAISO) manages and operates EIM.

Background

The EIM allows participating entities to engage in short-term energy transactions on a real-time basis, in 15-minute and five-minute intervals, in a market that encompasses much of the western continental United States. Seattle City Light determined that participation in EIM will likely produce these benefits:

- Reduction of overall carbon emissions across the EIM region, with renewable energy sources such as City Light's hydro power replacing non-renewable power sources;
- Increased wholesale revenues;
- Improved planning and utilization of City Light's electricity transmission grid; and
- Growth of employee expertise and experience along with improved coordination across City Light's divisions.

On October 31, 2016, Council passed [Ordinance 125176](#) authorizing City Light "take all steps necessary or convenient to prepare for participation" in the CAISO EIM including the authority to execute agreements with CAISO or otherwise related to EIM implementation. In the same ordinance, City Light was directed to "provide the Council's Energy and Environment Committee¹ with a detailed analysis of costs, benefits, and potential risks of participation in the CAISO EIM to support the Council's decision about its participation in the market" by April 10, 2017.

Since then, City Light has:

- reported on March 28, 2017 to the Council's Energy and Environment Committee as directed by Ordinance 125176;

¹ At the time, this Council committee had oversight of City Light.

- executed its EIM implementation agreement with CAISO, with approval by the Federal Energy Regulatory Commission (FERC) in July 2017; and
- taken steps to prepare the utility to enter and participate in the EIM, including acquiring additional labor, marketing and risk software, and integration consulting support.

Subsequent to the passage of Ordinance 125176, Council has approved annual City budgets providing appropriations to support City Light's preparation to participate in EIM. Most recently, the Council approved a budget of approximately \$14.0 million for the [2019-20 Adopted Budget](#) and [2019-24 Capital Improvement Program](#) for the EIM implementation project (Western Energy Imbalance Market project, MC-CL-XP9976).

City Light's participation in wholesale energy exchange would not begin with participation in EIM. City Light currently sells power in excess of its retail demand in the wholesale power markets. The revenue generated is used to offset costs that would otherwise be borne by City Light's retail ratepayers. All wholesale power marketing activities are governed by Wholesale Energy Risk Management (WERM) Policy and Procedures.

City Light's participation in the EIM will also be governed by the established WERM Policy & Procedures. And no specific revisions to the policies are required as a result of EIM participation.

If authorized to do so, City Light plans in April of 2020 to join the EIM and begin transacting in the market. Current participants including Arizona Public Service, California ISO, Idaho Power, NV Energy of Nevada, PacifiCorp, Portland General Electric, Powerex (subsidiary of BC Hydro), Puget Sound Energy, and the Balancing Authority of Northern California/Sacramento Municipal Utility District. EIM participants operate in portions of Arizona, California, Idaho, Nevada, Oregon, Utah, Washington, Wyoming, and British Columbia, Canada.

In addition to City Light, other entities who have signed implementation agreements to begin participation include Arizona's Salt River Project (2020); Turlock Irrigation District of California's Central Valley, Los Angeles Department of Water and Power, Butte, Montana-based NorthWestern Energy, and Public Service Company of New Mexico (2021); and Avista, based in Spokane, WA, and Tucson Electric Power (2022).²

Next steps

If the Committee recommends passage of C.B. 119571 on August 15, then the City Council could take final action as soon as September 3, 2019.

cc: Kirstan Arestad, Central Staff Director
Dan Eder, Deputy Director

² "California ISO announces Turlock Irrigation District's intent to join Western EIM." May 14, 2019. <https://www.westerneim.com/Documents/CaliforniaISOAnnouncesTurlockIrrigationDistrictsIntenttoJoinWesternEIM.pdf>. Last accessed August 2, 2019.