# Wholesale Energy Risk Management Policy Update

SCLAC Committee Meeting
March 15, 2023

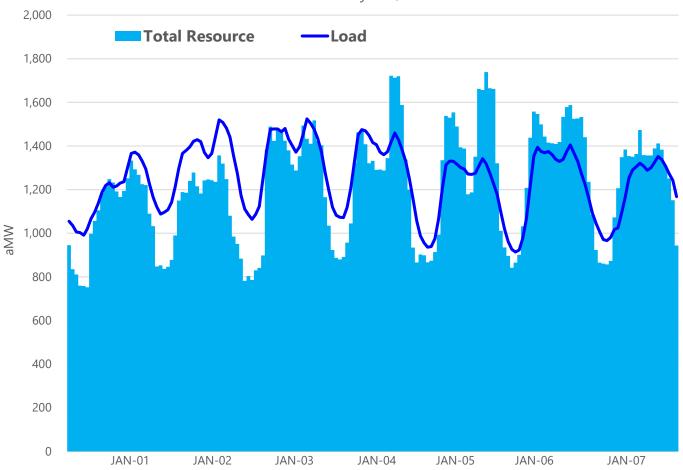


## Wholesale Energy Markets & Policy

- Electric utilities need wholesale markets to buy/sell power to balance supply and demand
- Wholesale market transactions can add significant financial risk
- In 2023, City Light bought \$131M and sold \$66M worth of power on the wholesale market
- Wholesale energy risk management helps support prudent risk-based decision making

#### **Example: City Light Hourly Load-Resource Balance**

January 1-7, 2023



## Evolution of Wholesale Energy Risk Management (WERM) at Seattle City Light



#### 2000-2001

Western Energy Crisis\* \$500M+ debt, credit downgrade, emergency rate increases of 58%



#### 2008

Res 31053

First WERM Policy adopted by Council



#### 2011

Rate Stabilization Account (RSA) established to protect ratepayers from wholesale market risks

SMC 21.49.086



#### 2018

Council approves extending SCL transaction authority from 2 to 5 years

Ord 125575



#### **Today**

Resolution authorizing City Light to maintain and update WERM Policy

SCL restructure

Risk Oversight function established within SCL

New BPA contract adds firm resources

2002-2003

SCL authorized to transact options in revised WERM Policy

Res 31230

2010

Latest WERM Policy adopted by Council

Res 31616

2015

Council authorizes SCL to join CAISO EIM automated real-time market

Ord 129504



2020

3

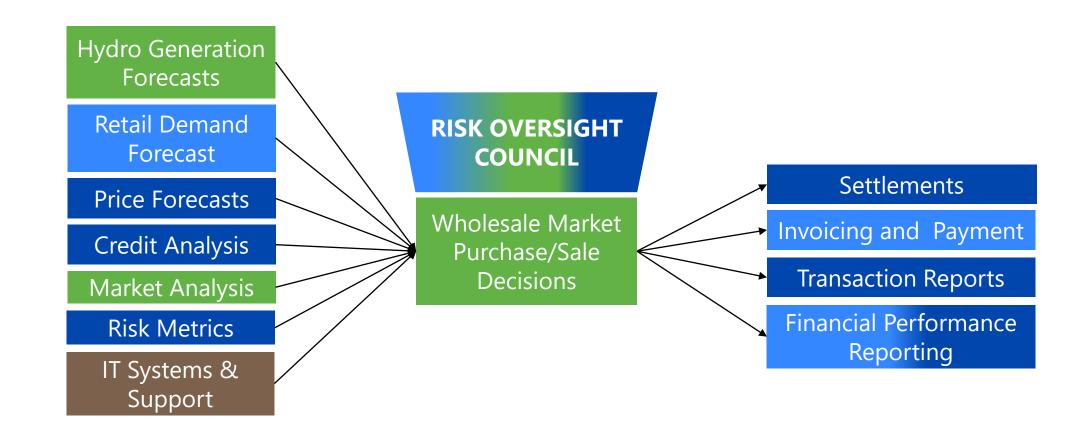
#### \* Reference: Seattle Times 2002 Article

## Wholesale Energy Risk Management (WERM) Policy

### Policy includes:

- 1. Roles & responsibilities for wholesale power trading within City Light
- 2. Which electricity products City Light is permitted to buy or sell
- 3. What forecasts and metrics inform power purchase and sale decisions
- 4. **Procedures** for how power transaction decisions get signed off
- 5. How frequently monitoring reports get sent out, and to whom
- 6. How frequently audits (internal and external) should be conducted

## Example: Segregation of Duties in Power Trading



## What Has Changed

- More established and complex regulatory landscape
  - Federal FERC regulations, State requirements
- Wholesale energy markets are becoming more dynamic
  - New operating rules
  - New product options
  - New requirements from organized markets
- Climate change leading to more frequent severe weather events





## Proposed Resolution Summary

- City Light's General Manager will review and approve changes to policy and will provide periodic updates to the Executive and City Council
- More efficient updates helps policy/procedures stay aligned with evolving needs
- City Council would continue to:
  - Regulate utility wholesale power operations via SMC 21.49.130.B
  - Set RSA operating rules via SMC 21.49.086
  - Adopt power purchase contracts, market decisions, Integrated Resource Plans, etc.
  - Receive bi-weekly portfolio risk reports and annual updates on policy changes implemented



## **Seattle City Light**









