

# Wholesale Energy Risk Management Policy Update

SCLAC Committee Meeting

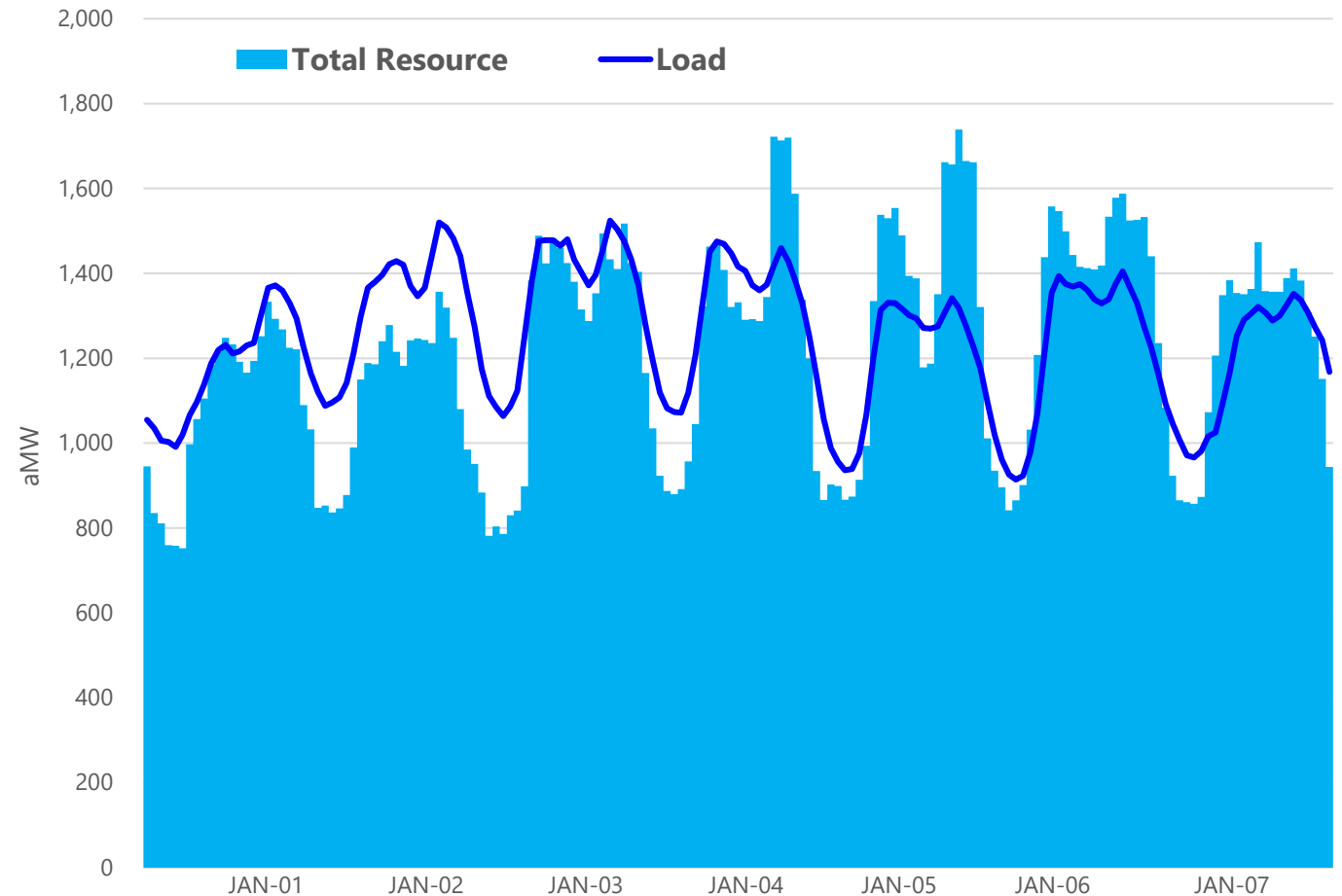
March 15, 2023

# Wholesale Energy Markets & Policy

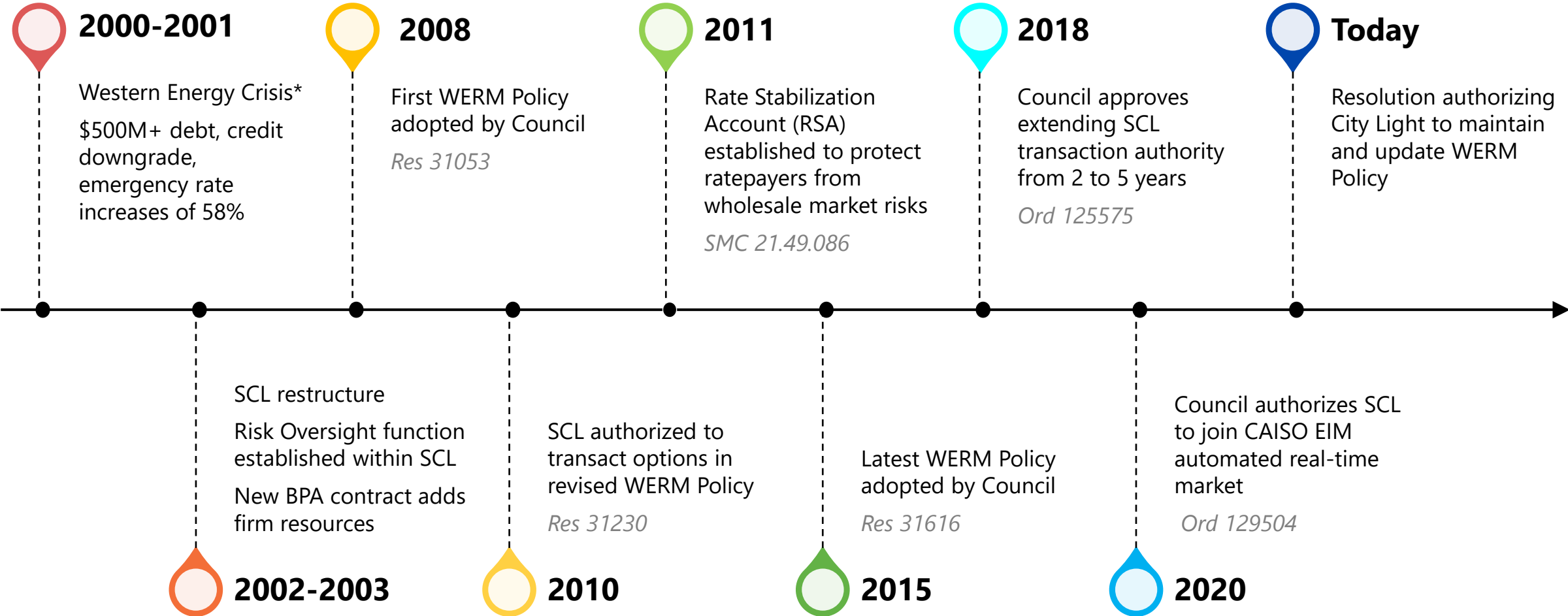
- Electric utilities need wholesale markets to buy/sell power to balance supply and demand
- Wholesale market transactions can add significant financial risk
- In 2023, City Light bought \$131M and sold \$66M worth of power on the wholesale market
- Wholesale energy risk management helps support prudent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



\* [Reference: Seattle Times 2002 Article](#)

# Wholesale Energy Risk Management (WERM) Policy

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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



Key:

- Power Management Division
- Finance Division
- Risk Oversight Division
- Utility Technology Division



# What Has Changed

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- 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

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- 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

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[seattle.gov/city-light](http://seattle.gov/city-light)

