

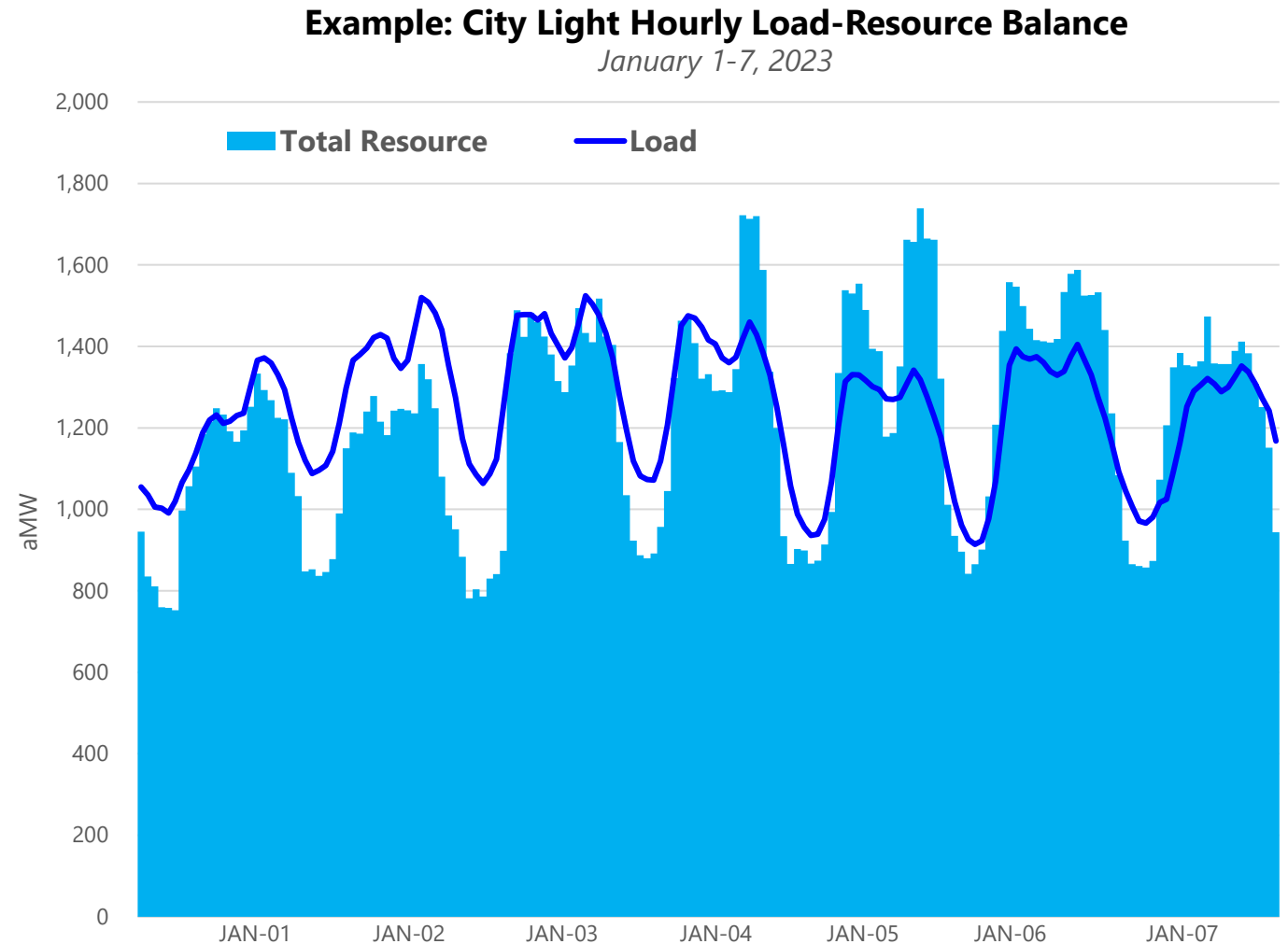
Wholesale Energy Risk Management Policy Update

SCLAC Committee Meeting
March 15, 2023

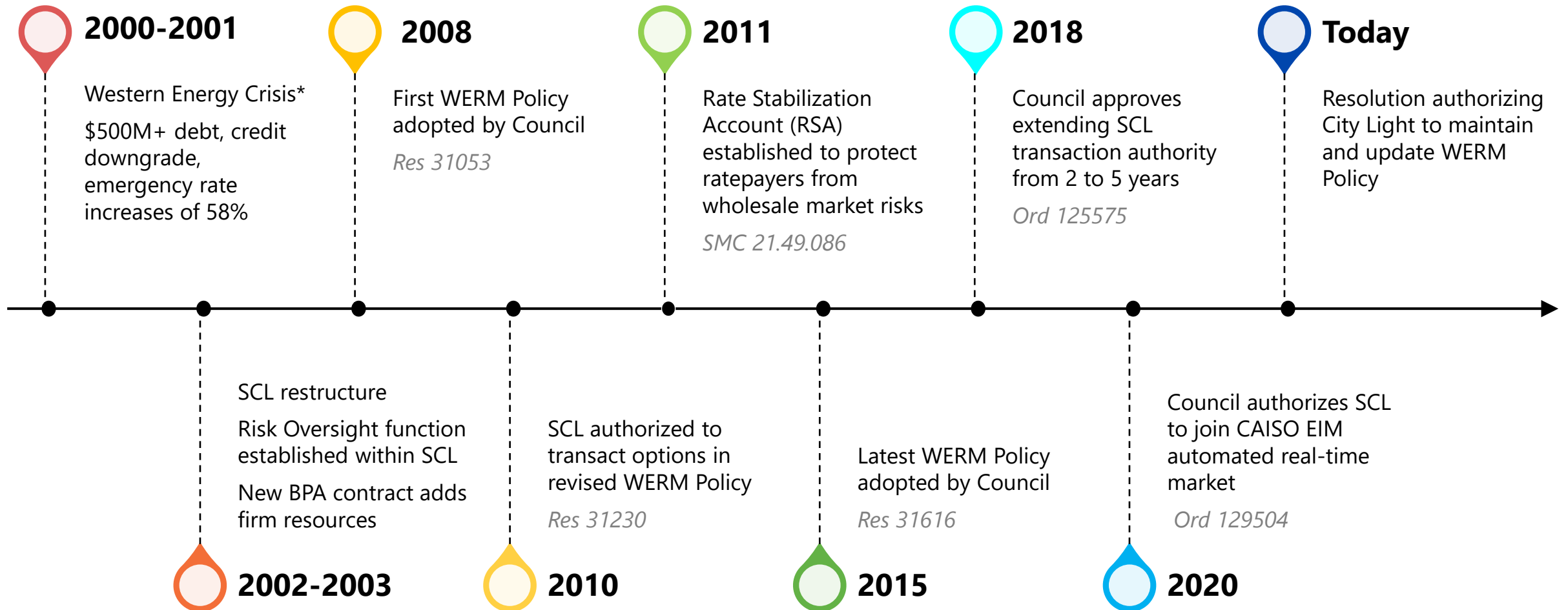


Wholesale Energy Markets & Policy

- 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



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



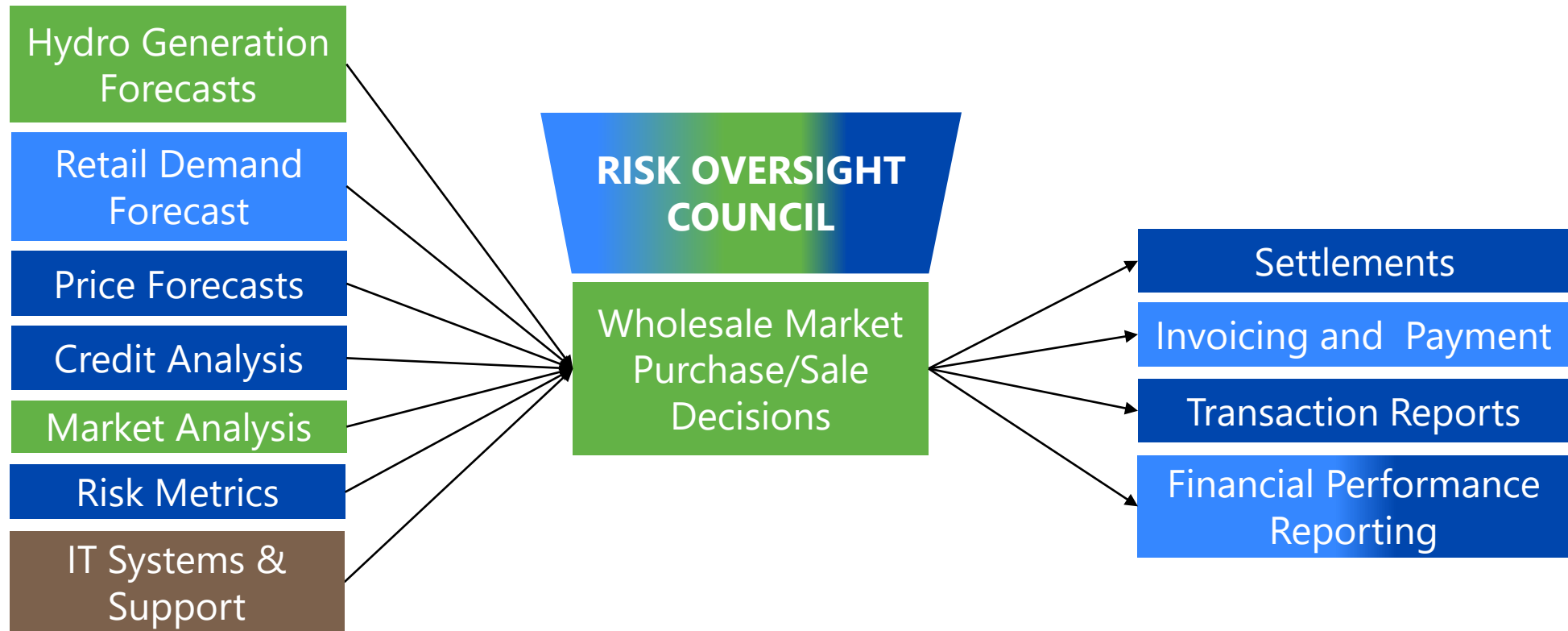
* [Reference: Seattle Times 2002 Article](#)

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



Key:

Power Management Division

Finance Division

Risk Oversight Division

Utility Technology Division

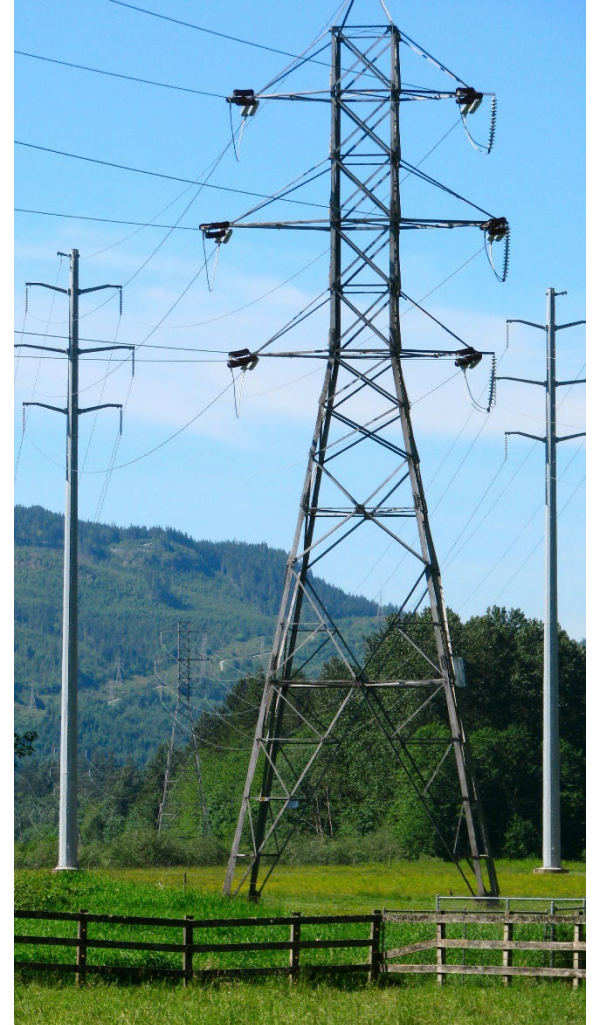
What Has Changed

- 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

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