

LADWP Takes Steps to Participate in the Western Grid's Wholesale Energy Imbalance Market (EIM)

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LOS ANGELES — To improve the integration of renewable energy and assist the City and State in meeting their increased renewable energy goals in a reliable and cost-effective manner, the Los Angeles Department of Water and Power (LADWP) is taking active steps to participate in the Energy Imbalance Market (EIM), subject to approval by its Board, City Council and the Mayor of Los Angeles. The EIM is a voluntary, market-driven automated system for balancing electricity supply and demand.

LADWP General Manager Marcie Edwards said LADWP's participation in the EIM could be "a win-win proposition for the City of Los Angeles and the Western Grid in terms of fostering the integration of renewable energy while maintaining power reliability, as electric utilities strive to meet the State's renewable energy goals, including the most recent target of 50 percent renewables by 2030."

Among other benefits, participating in the EIM can help both LADWP and the State address the challenge of maintaining power reliability and reducing GHG emissions while increasing renewable energy, such as solar and wind power, which cannot produce energy if the sun is not shining or wind is not blowing. "An automated dispatch system allows for balancing energy needs in Los Angeles and throughout the Western Grid on a moment's notice," Edwards said.

Operated by the California Independent System Operator (CAISO), the EIM is an automated voluntary energy market system that balances supply and demand for electricity every five minutes, using the least-cost energy resources to meet the needs of the statewide electric grid. In November 2014, the EIM became available to all electric grid operators in the West as a way to share reserves and integrate renewable resources across a larger geographic region—reliably and efficiently. The results to date have demonstrated economic and reliability benefits for the current participants, which includes CAISO, PacifiCorp and NV Energy.

As an EIM participant, LADWP would voluntarily provide excess energy capacity for dispatching to other participating utilities as needed for reliability in their service areas as well as provide an opportunity for LADWP to purchase low-cost excess energy when available. With LADWP's significant transmission system and investment in fast-starting generation resources, it would greatly expand the existing EIM footprint and the benefits for California and the Western Grid. Participation in the EIM maintains local control of LADWP's generation assets and ratemaking authority. The EIM is being established with an Independent Governing Board and LADWP is already participating in the stakeholder selection and formation of the governance structure.

Edwards said no final decision would be made until all of the risks and benefits have been thoroughly analyzed and vetted with policymakers and other stakeholders. LADWP is in the process of completing a study on the risks and benefits of EIM. It also plans to complete a non-binding application to start the process with the CAISO to fully understand the requirements. This information will inform the policy discussion that will occur before any commitments are made.