



● **Board of Directors**
Engineering & Operations Committee

4/13/2021 Board Meeting

7-5

Subject

Authorize a four-year, \$483,000 extension to an agreement with ZGlobal Inc., for a new not-to-exceed amount of \$733,000, for power scheduling services associated with the output from up to 14 of Metropolitan's hydroelectric plants; the General Manager has determined that the proposed action is exempt or otherwise not subject to CEQA

Executive Summary

This action authorizes the General Manager to extend an existing agreement with ZGlobal Inc. (ZGlobal) for power scheduling services through September 30, 2026. Early termination provisions are also provided in the agreement. ZGlobal currently provides power scheduling services for 10 of Metropolitan's hydroelectric plants that are interconnected to the California Independent System Operator (CAISO) balancing area. This action would also add four additional hydroelectric plants to ZGlobal's scope of services.

Details

Background

Metropolitan owns and operates 15 hydroelectric plants located on its water distribution system. These plants recover energy from water supplied by the State Water Project and the Colorado River Aqueduct. Fourteen of the plants are interconnected to the CAISO balancing area, and one plant is interconnected to the Los Angeles Department of Water and Power balancing area. Presently, ZGlobal provides power scheduling services for 10 of the 14 plants on Metropolitan's distribution system interconnected with the CAISO, under the MWD-ZGlobal CAISO Scheduling Coordinator Agreement No. 172438. Scheduling services for the remaining four plants are provided by the Southern California Public Power Authority (SCPPA) under a power sales agreement with Metropolitan. The energy, capacity, and renewable attributes of the hydroelectric plants are sold to counterparties under term contracts.

The output from the 10 plants is scheduled into the CAISO electric grid and settled by the CAISO, requiring the services of a scheduling coordinator, qualified and registered by the CAISO. The services provided by the scheduling coordinator include: (1) submitting schedules into the CAISO day ahead and real-time markets; (2) providing 24-hour service to implement schedule changes and respond to CAISO requests; (3) preparing settlement statements of power transactions to support counterparty billing and payment; and (4) implementing any changes to the scheduling process required by the CAISO tariff.

ZGlobal was originally chosen from a competitive solicitation for services based on it providing the highest overall value to Metropolitan. The original agreement provided services for six plants (original plants) with a maximum expenditure of \$130,685 and covering the period of September 1, 2017, through December 31, 2020. The original agreement was amended to add four additional plants (additional plants) with a maximum

expenditure not to exceed \$250,000 and extending the term of the agreement through October 31, 2022. The original and amended agreements were entered into under the authority of the General Manager.

Further, with the expiration of the SCPPA power sales agreement on December 31, 2023, Metropolitan expects four additional plants will require scheduling services, which would be added to the scope of services provided by ZGlobal under this amendment.

ZGlobal has worked with Metropolitan to implement processes to interface with Metropolitan water and power operations and submit timely schedules and schedule changes for the plants. Furthermore, ZGlobal provides Metropolitan access to a third-party provider of analytical tools used to analyze plant settlements that would otherwise be an additional expense to Metropolitan. The experience with ZGlobal has been positive, with it providing accurate and timely responses to Metropolitan's scheduling needs.

As discussed above, the amended ZGlobal agreement terminates on October 31, 2022, but only provides enough funding for the services through September 30, 2021. The proposed action will increase the not-to-exceed amount of the contract by \$483,000 to \$733,000, extend the expiration date to September 30, 2026, and allow for the addition of four plants to the portfolio with the upcoming expiration of the SCPPA agreement.

Alternatives Considered

Staff examined alternatives to this agreement extension with ZGlobal, including performing the schedule coordinator function internally or initiating a new competitive solicitation. Performing the function of a registered schedule coordinator requires a 24-hour operation for scheduling power, which Metropolitan currently does not have. Additionally, Metropolitan is not registered with the CAISO to perform these schedule coordinator functions. Contracting these services from a firm performing this function for multiple clients provides efficiencies that result in a far lower cost than could be achieved internally.

The cost of schedule coordination services under this contract are competitive with other firms providing schedule coordinator services. Further, Metropolitan's investment in scheduling processes and procedures with ZGlobal is in place, and ZGlobal has performed the services accurately and efficiently during the term of the initial contract. Finally, ZGlobal has frequently provided value-added services and has responded promptly to Metropolitan's requests.

Policy

Metropolitan Water District Administrative Code Section 11104: Delegation of Responsibilities

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action is not defined as a project under CEQA (Public Resources Code Section 21065, State CEQA Guidelines Section 15378) because the proposed action will not cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment and involves continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not defined as a project under CEQA because it involves the creation of government funding mechanisms or other government fiscal activities which do not involve any

commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Authorize a four-year, \$483,000 extension to an agreement with ZGlobal Inc., for a new not-to-exceed amount of \$733,000, for power scheduling services.

Fiscal Impact: Costs for calendar year 2022 are estimated at \$82,000; with the total cost of the agreement for the five-year term not to exceed \$483,000. Execution of the extension with ZGlobal will allow Metropolitan to continue to provide energy supplies from the hydroelectric plants to its counterparties as provided in its power sales contracts.

Business Analysis: Metropolitan will receive scheduling services for its hydroelectric plants as required to transact energy on the CAISO grid. ZGlobal has provided timely and accurate scheduling for Metropolitan’s hydroelectric plants during the term of the initial contract beginning on September 1, 2017. ZGlobal was originally chosen through a competitive process based on it providing the highest overall value to Metropolitan and has performed the service in a timely and cost-effective manner.

Option #2

Do not authorize extension of the agreement with ZGlobal for power scheduling services.

Fiscal Impact: The supply of energy under Metropolitan’s hydroelectric plant contracts requires the services of a scheduling coordinator qualified by the CAISO. Metropolitan’s performance under such contracts would be compromised without hydroelectric plant scheduling coordination services.

Business Analysis: Without an extension of the agreement, Metropolitan would be required to hold discussions with new scheduling entities and incur startup costs and business process development costs associated with the new supplier.

Staff Recommendation

Option #1



Brent Yamasaki
Group Manager, Water System Operations

3/25/2021
Date



Jeffrey Kightlinger
General Manager

3/29/2021
Date