



**City Council**

**Item #7: Authorizing the City Manager to Negotiate and Execute Agreements with Westlands Grape, LLC to Purchase Resource Adequacy Capacity up to \$34 Million Annually from the Westlands Grape Battery Storage Project**

**RTC 24-537**

**June 25, 2024**



1



**Resource Adequacy**


- Resource Adequacy or “RA”, is a regulatory construct that ensures there will be sufficient resources available to serve electric demand under the most extreme conditions.
- The RA program is administered through a combination of the state’s Energy Division and the CAISO.
- SVP must provide RA minimum of no less than 115% of its forecasted peak load for each month from:
  - Owned generation resources
  - RA Capacity of other existing generation that is not claimed by another entity
- SVP must submit RA plans for the following year around October and then file updates 45 days prior to each month to ensure it has sufficient capacity.

2






## RA Needs

- SVP’s electric load has increased by more than 20% over the last decade.
- SVP to purchase 150 MW of RA from a battery storage project (Westlands Grape) co-located with solar in Kings County, California with an option to buy an additional 75 MW. (SVP is not buying the energy)
- Grape has a projected commercial operation date of June 2026
  - 10-year contract
  - Immediately meets current need depending on month
  - Helps fill significant RA “gap” starting in 2028




3

## RA Needs

- The annual cost is estimated to be between \$21 million to \$34 million depending on the commercial operation date and amount of options exercised by the City
  - The value of SVP’s RA portfolio for 2024 is estimated at \$337 M based on actual transactions and market broker quotes (cost of contract = 6-10% of portfolio value)
- SVP’s failure to procure sufficient RA compromises the grid’s ability to serve its customers and can result in financial exposure
  - CAISO assessed financial penalties
  - Spot Market Prices that have been extremely volatile the last 5 years
  - Example: current year exposure would have cost \$45 M to \$89 M if SVP were short for the same quantities



4






## Recommendation

- Authorize the City Manager or designee to negotiate and execute an agreement (Agreement) with Westlands Grape, LLC for the purchase of resource adequacy capacity on the terms presented subject to review and approval as to form by the City Attorney;
- Authorize the City Manager or designee to execute all documents, agreements, and certificates as may be required under the terms of the Agreement, subject to the review and approval as to form of the City Attorney, including, but not limited to, collateral assignment agreements, estoppel certificates, and performance security documentation, and take any and all actions as are necessary or advisable to implement and administer the Agreement; and
- Authorize the City Manager or designee to (a) execute any amendments so long as there is no change to price or length of the Agreement; and (b) exercise an option for additional resource adequacy capacity in accordance with the terms of the Agreement and subsequently amend the Agreement to reflect the adjusted contract quantity, subject to appropriation of funds and review and approval as to form of the City Attorney.

5



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6