

**COMMENTS BY THE STAFF OF THE ILLINOIS COMMERCE
COMMISSION ON THE ILLINOIS POWER AGENCY'S 2018 DRAFT
POWER PROCUREMENT PLAN RELEASED AUGUST 15, 2017**

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NAKHIA CROSSLEY
JOHN C. FEELEY
Office of General Counsel
Illinois Commerce Commission
160 North LaSalle Street, Suite C-800
Chicago, IL 60601
Phone: (312) 793-8824
Fax: (312) 793-1556
nakhia.crossley@illinois.gov
john.feeley@illinois.gov

On August 15, 2017, pursuant to Section 16-111.5(d) of the Illinois Public Utilities Act (“PUA”), the Illinois Power Agency (“IPA”) made available to the public a “2018 Electricity Procurement Plan” (“Draft Plan”) and invited affected utilities and other interested parties to submit comments on the Draft Plan by September 14, 2017. In response, the Staff of the Illinois Commerce Commission (“Staff”) hereby submits these comments to the IPA. The outline of these comments follows the outline of the Draft Plan.

Staff has two types of comments on the Draft Plan. The first type are specific non-substantive corrections and/or clarifications to the Draft Plan. Since those non-substantive comments for corrections/clarifications are self-explanatory, the comments are simply identified by yellow highlight~~ed~~ and redline/strike-through changes to the Draft Plan. The second type of comments are substantive comments on the Draft Plan. The substantive comments include proposed changes to the Draft Plan. (Section 6.7 and Section 8.4) Staff’s comments follow.

Section 1.4 Power Procurement Strategy

The Table 1-2 on page 2 of the Draft Plan contains a “***” footnote in the “June 2021-May 2022” column that appears to be missing.

Section 2.4 Standard Product Procurement

Page 9, par. 1:

... Instead, as articulated by the Commission in approving the 2015 Plan, “[w]henver the Commission is confronted with a unique product~~;~~, there must be an examination of the attributes of the product and whether those are consistent with other commonly traded

products in the wholesale market” to determine whether the product meets this definition, and such products “must be routinely traded in a liquid market and have transparent prices that allow participants a degree of assurance that they are receiving fair market prices.

Section 2.5 Demand Response Products

Page 10, last par.:

... Concurrent with **the** ComEd’s filing, Ameren Illinois also filed its Energy Efficiency and Demand-Response Plan; Ameren Illinois proposes **to** achieve demand response reductions and meet its obligations under Section 8-103B(g)(4.5) through the coincident electric energy efficiency savings of the energy efficiency programs proposed in its plan.

Section 2.7 2016-2017 Legislative Proposals and Related Developments

Page 11, 2nd par.:

... As part of this transition, the IPA is now tasked with developing a separate Long-Term Renewable Resources Procurement Plan through which **its** proposes procurements and programs to meet these new targets, conducting “initial forward procurements” of renewable energy credits from new wind projects and new utility-scale solar and brownfield site photovoltaic projects, developing an adjustable block program to support the development of new distributed photovoltaic generation and community solar projects, and developing a low-income solar incentive program to support the development of a low-income solar marketplace.

Page 12, 1st and 2d par.:

... That these proposals **that** were actively considered, but not adopted, indicates ongoing interest in how MISO’s capacity market is structured, and the ongoing interest of some stakeholders in reforming that market. This issue is likely to continue to be one that will see future proposals and robust debate, and the IPA will continue to monitor these developments and provide feedback on specific proposals where appropriate.

On a national level, litigation and federal policy decisions have continued to shape the Clean Power Plan proposed by **the** United States Environmental Protection Agency (“U.S. EPA”). On August 3, 2015, the U.S. EPA released its Clean Power Plan rules promulgated

pursuant to Section 111(d) of the Clean Air Act, requiring states to develop strategies intended to reduce carbon dioxide emissions associated with electricity generation. On February 9, 2016, the U.S. Supreme Court stayed implementation of the Clean Power Plan pending judicial review. Under the Clean Power Plan, initial state compliance plans were scheduled to be due to the U.S. EPA by September 6, 2016, but the stay delayed the timing for the state compliance plan development. In March 2017, President Trump issued an Executive Order seeking to terminate the Clean Power Plan. While additional and continued litigation regarding the Clean Power Plan is likely, the likelihood and potential impact of any federal CO₂ emissions reduction regulations appears reduced, at least for the foreseeable future.

Section 3.2 Summary of Information Provided by Ameren Illinois

Page 15, 1st full par.:

Ameren Illinois applies assumed “switching rates” to the total system load forecast to remove the load to be served by bundled hourly pricing (Power Smart Pricing or Rider HSS), and ~~municipal aggregation, or other~~ Alternative Retail Electric Suppliers (“ARES”), including municipal aggregation. Ameren Illinois establishes the current customer switching trend line utilizing actual switching data by customer class. Qualitative judgment is used to make adjustments. The portion of the forecast load attributed to Rider HSS, municipal aggregation customers, and other ARES customers, is subtracted from the total system load forecast.

Page 16, first par.:

... Similarly, a low load case should represent the combination of weaker-than-expected economic growth, mild weather and an increased d level of switching.

Section 3.2.3 Switching

Page 17, 1st par.:

According to Ameren Illinois, customer switching to alternative retail electric suppliers, in particular through municipal aggregation, is the greatest driver of load uncertainty. As of April 2017, customer switching has resulted in approximately 62-68% of residential and small commercial load taking service from alternative retail electric suppliers rather than from Ameren’s default service.

Also, Table 3-2 is referred to on page 17, but Table 3-2 does not actually appear in the Draft Plan until page 38. It will likely be more reader-friendly if either Table 3-2 gets moved to Section 3.2.3 or the reference to Table 3-2 in Section 3.2.3 includes the page number (38) Table 3-2 can be found.

Page 18, 1st and 2d pars.:

Ameren Illinois has also developed additional switching scenarios that address high and low switching scenarios for this planning period. A low switching scenario envisions a situation where a larger return of residential and, to a lesser extent, commercial customers, is realized. These scenarios reflect various switching rates which are the reflection of the percentage of load that is being served by alternative **retail electric** suppliers.

Conversely, should future Ameren Illinois' tariff **ratesprice** exceed customers' perceived value of ARES contracts, a higher switching scenario is possible. Thus Ameren Illinois' high switching and a corresponding low load scenario assumes that residential and small commercial switching rates will approach 67% and 74%, respectively, in May 2018, 72% and 78%, respectively, in May 2019, and 91% and 98%, respectively, by the end of the planning horizon.

Section 3.5.8 Emerging Technologies

Page 39, 1st and 2d pars.:

... Based on storage data compiled by the U.S. Department of Energy, as of the end of 2016, there were 47 operational battery-based storage systems with a total capacity of 275.3 MW operating in PJM and 14 projects totaling 22.4 MW operating in MISO, the majority of these projects, in terms of capacity, were utility scale storage projects.

... The Agency plans to continue **to** monitor the development of this technology as well as utility scale energy storage market in the coming years.

Section 5 MISO and PJM Resource Adequacy Outlook and Uncertainty

Page 45, 3rd par.:

...MISO, on the other hand, could be short resources starting in the 2018-2019 timeframe if **unconfirmed significant unexpected resource retirements in fact retire occur and thus** are excluded from the supply mix.⁹³ If **unconfirmed retirements those resources** do not retire and **are included those resources remain** in the supply mix, MISO could then be short of resources in the 2022-2023 timeframe **if future capacity plans are not solidified by LSEs and states as explained later in this subsection.**

Section 5.2.1 Update on Competitive Retail Solution

Page 51, footnote 109

This summary includes only those developments which had taken place prior to the date on which the IPA filed its 2018 Plan, as only those developments provided the record against which the IPA's proposed capacity procurement strategy was approved. To the extent any developments subsequent to September ~~2018~~2017 may impact the Agency's future proposals regarding capacity procurement strategy, those will be discussed in future annual power procurement plans.

Section 5.2.3 Realignment of Capacity Procurement Strategy for Ameren Illinois

Page 52, 1st par.:

As outlined in Section 7.2, the IPA recommends a realignment of the capacity procurement strategy for Ameren Illinois eligible retail customer load, which is to procure ~~of~~ all of its capacity requirements through the MISO PRA."

Section 6.7 Demand Response as a Risk Management Tool

Comment

The Draft Plan states that "under the current PJM capacity construct, demand resources participate fully as a source of supply in the capacity procurement process, and the RPM provides capacity compensation for demand resources that clear in RPM auctions in the same manner as cleared generation resources receive compensation." (Draft Plan, 63.) Staff agrees with this description but offers the following changes set forth below to be added to the description of PJM's capacity procurement process for clarification purposes.

Proposed Changes to Draft Plan

(Draft Plan, 63.)

“Under the current PJM capacity construct, demand resources participate fully as a source of supply in the capacity procurement process, and the RPM provides capacity compensation for demand resources that clear in RPM auctions in the same manner as cleared generation resources receive compensation. In order to participate fully as a source of supply, the demand response resource must, either by itself or, if seasonal, by being coupled with another eligible seasonal resource, be able to meet the annual availability requirements imposed on resources by PJM’s adoption of capacity performance requirements.”

Section 8.4 Informal Hearing

Comment

The Draft Plan notes that the Commission’s procurement monitor, Bates White, recommended, for energy and capacity procurements, delaying or “rolling over” procurements for small quantities into the next procurement event to save on procurement administration costs and to improve the robustness of the competition among bidders. (Draft Plan, 81.) Based on the concern that a solicitation for a small quantity would result in limited or no bidder participation, Bates White recommended that a minimum quantity threshold be established such that if the amount of the solicitation for a particular product falls below that threshold, then the IPA, Commission Staff, the Procurement Administrator, and the Procurement Monitor could decide not to hold the procurement for that product.

In response to the recommendation, the Draft Plan states that “while the IPA appreciates Bates White’s recommendation to roll over procurements for small quantities,

the IPA would prefer to keep the current procurement process—which it considers to be effective and successful— unchanged for the 2018 Plan.” The IPA goes on to state that “the costs associated with administering the procurement of incremental small quantities is insignificant and a protocol exists for addressing the event that a solicitation does not procure the target quantities of a product.” (Draft Plan, 81.)

Staff supports the recommendation put forth by Bates White. While the administrative costs of holding procurement events for small energy or capacity quantities may not always be significant, it adds very little costs to the procurement process to have a conference call among the relevant parties (IPA, Staff, Procurement Administrator, and Procurement Monitor) to discuss the benefits of a procurement event for small target quantities. In addition, the recommendation by Bates White is not based solely on the reduced administrative costs. It is also based on the premise that bidders may not participate in a procurement in which the quantities solicited for a particular product are quite small. Bates White mentions the Spring 2017 Energy RFPs for which MidAmerican solicited just two blocks for the 2018-2019 period.

In addition, while the Draft Plan correctly notes that “a protocol exists for addressing the event that a solicitation does not procure the target quantities of a product,” it should be noted that such protocol only addresses the options *after* an initial procurement event fails to procure the target quantities. The proposal by the Procurement Monitor, on the other hand, addresses the option of rolling over very small target quantities *before* the initial procurement event.

Staff sees no downside to have the Procurement Plan include the flexibility to delay and “roll over” procurements of very small quantities of a given product to the next procurement event. Of course, the decision to roll over the procurement for very small quantities should only be made if the IPA, Staff, the Procurement Administrator, and the Procurement Monitor agree that it would be likely to produce more benefits than costs to do so.

Proposed Changes to Draft Plan

(Draft Plan, 81.)

Initial comments for the informal hearing were due to the Commission by July 28, 2017 and Reply Comments were due August 4, 2017. Initial Comments were received from Bates White Economic Consulting (“Bates White”), the ICC’s Procurement Monitor, on July 27, 2017. No Reply Comments were received. With regard to procurement process design for energy and capacity procurements, the primary Bates & White recommendation focused delaying or “rolling over” procurements for small quantities into the next procurement event to save on procurement administration costs and improve the robustness of the competition among bidders. Based on the concern that a solicitation for a small quantity would result in limited or no bidder participation, Bates White recommended that a minimum quantity threshold be established such that if the amount of the solicitation for a particular product falls below that threshold, then the IPA, Commission Staff, the Procurement Administrator, and the Procurement Monitor could decide not to hold the procurement for that product. ~~While the IPA appreciates Bates White’s recommendation to roll over procurements for small quantities, the IPA would prefer to keep the current procurement process—which is considered to be effective and successful—unchanged for the 2018 Plan. Under the current process, the costs associated with administering the procurement of incremental small quantities is insignificant and a protocol exists for addressing the event that a solicitation does not procure the target quantities of a product. The IPA agrees that such added flexibility to the procurement plan would be beneficial. Thus, the procurement plan will include a provision that a roll-over of a procurement for very small quantities of a given product is an option if the IPA, Staff, the Procurement Administrator, and the Procurement Monitor agree that it would be likely to produce more benefits than costs to do so.~~

CONCLUSION

Staff respectfully requests that the Illinois Power Agency revise its Draft Plan consistent with Staff's Comments herein.

Respectfully submitted,

NAKHIA CROSSLEY
JOHN C. FEELEY
Office of General Counsel
Illinois Commerce Commission
160 North LaSalle Street, Suite C-800
Chicago, IL 60601
Phone: (312) 793-8824
Fax: (312) 793-1556
nakhia.crossley@illinois.gov
john.feeley@illinois.gov

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*Counsel for the Staff of the
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