

**Comments of the People of the State of Illinois Attorney General on the  
Illinois Power Agency’s 2024 Policy Study Draft for Public Comment**  
February 26, 2024

**Introduction**

The People of the State of Illinois by Attorney General Kwame Raoul appreciate the 2024 Policy Study Draft for Public Comment conducted by the Illinois Power Agency (IPA) pursuant to Public Act 103-0580 (20 ILCS 3855/1-129). The Policy Study Draft addresses three potential energy investments: Energy storage funded with energy storage credits that are similar to renewable energy credits (RECs), off-shore wind located in Lake Michigan funded by RECs, and the SOO Green high-voltage direct current (“HVDC”) transmission project, also funded by RECs. REC charges to fund Illinois’ Renewable Portfolio Standard are currently subject to a cost cap and are paid by Illinois electricity delivery customers.

The People conclude that the cost and risk burdens on consumers that would be associated with these three projects if they are funded by ratepayer dollars should be the foremost consideration in determining whether ratepayer funding should be mandated for these projects. The Policy Study Draft demonstrates that the benefits of these projects are insufficient to offset the costs to consumers, and the projects are better left to the private, competitive market.

**1. Energy Storage**

The Study indicates that the proposed expansion in energy storage resources would be paid by “energy storage credits.” However, unlike the current RPS, the total cost is not capped or predicted. The energy storage credit involves bidders offering an energy storage “strike price” with bids selected based on the lowest strike price of bids with equal energy storage duration. The price would be based on the difference between

the bidder's strike price and a daily market volatility index representative of revenues available to the project through wholesale market arbitrage. The cost of storage on a cents per kilowatthour basis is currently high,<sup>1</sup> and there is not currently a market for energy storage credits in Illinois. The cost of energy storage credits is unknown, and only a part of the program.

The program also involves a “virtual power plant” model to be run by the utility and included in rates. The aggregation of energy storage and other resources can be provided by private parties as well as utilities, and any preference or authorization of utility involvement should be designed to promote private participation and competition and not favor the utility model.

## **2. Off-shore Lake Michigan Wind**

The Study concludes that the identified 200 megawatt off-shore Lake Michigan wind generator would have minimal effect on resource adequacy and resilience, given its relatively small size. At the same time, however, the cost to the public would be significant, increasing the RPS rate impact cap from 4.25% to 4.5% which is roughly equivalent to \$32 million a year. However, it appears that the cost of the project will exceed the revenue the project would receive from RECs, capacity, and energy sales, with a projected annualized shortfall of \$46.5 million in 2022 dollars. This calls into question whether the project can be financially viable even with \$32 million in annual REC revenues.

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<sup>1</sup> According to Bloomberg, the average cost of a four-hour duration turnkey energy storage system is above \$300/kWh. Projections foresee capital cost reductions of 16-49% by 2030 and 28-67% by 2050. The NREL 2023 utility-scale battery storage cost projections range from \$245/kWh (low), \$326/kWh (mid), and \$403/kWh (high) in 2030 and \$159/kWh (low), \$226/kWh (mid), and \$348/kWh (high) in 2050.

The net cost of the project to consumers is significant. The IPA found the project could lower the costs for Illinois ratepayers by only \$3.7 million per year, based on savings of \$94.7 million over 20 years (in 2022 dollars). Consumers should not be expected to pay close to \$30 million per year for a project that will require even more funding to be financially viable.

### **3. SOO Green Line**

The Study Draft concluded that “the proposed SOO Green Line would impact electricity prices in two ways: (i) based on the estimate of the revenue the project would receive from capacity and energy sales, and an estimated strike price of \$115.08/MWh, the study estimates a \$431.3 million per year difference—this would be the annualized cost that would be supported by Illinois ratepayers through the purchase of RECs from the project; and (ii) the project would benefit ratepayers by impacting wholesale energy costs, lowering those costs for Illinois ratepayers by \$3.25 billion over 25 years, or \$93.9 million on an annualized cost in 2022 dollars.” Study Draft at iv and 178. These costs should be considered in the context of other surcharges for RECs and other items currently paid by Illinois consumers.

The cost of RECs for the SOO Green Line would increase REC costs paid by Illinois consumers by from 75% to more than 100%. The Study notes that the cost of renewable energy credits, or RECs, associated with the SOO Green Line would be approximately \$431 million per year. The IPA’s 2024 Long Term Renewable Energy Procurement Plan at page 61 shows that Illinois customers currently pay the following annual RPS amounts:

ComEd	\$416.8 million
Ameren	\$155.4 million
MidAmerican	\$ 1.4 million
SOO Green Line	\$431.3 million

While the allocation of the \$431 million annual REC cost among these utilities is not specified, it is clear that the cost of this project to consumers would significantly increase their current RPS charges. If paid by ComEd customers alone, it would more than double the current RPS charge and if paid by the Illinois customers of the above utilities, it would increase the charge by 75%. The cost burden on consumers is a critical consideration in evaluating whether Illinois consumers should be asked to fund this project.

In addition, while the projected offsetting savings are significant, they do not offset the increases in REC charges and are not certain. The Study finds that “the project would benefit ratepayers by impacting wholesale energy costs, lowering those costs for Illinois ratepayers identifies \$93.9 million on an annualized cost in 2022 dollars.” Study Draft at iv and 178. While this reduction in wholesale costs would be welcome and would offset some of the increase in REC charges, it is not as certain as the increase in REC charges. Further, it is unclear whether the amounts of renewable energy and storage modeled in the study will require further REC support from consumers.

**Conclusion**

In evaluating the projects identified in Public Act 103-580, the cost to utility customers should be a key factor. Utility electricity consumers currently pay several surcharges in addition to the cost electricity delivery and supply, such as an RPS charge, two nuclear subsidy charges, an energy efficiency charge, and an energy transition

charge. Many electricity customers already struggle to cover their monthly energy bills, with 15% of ComEd customers and 9.8% of Ameren electric customers paying late fees in December, 2023.<sup>2</sup> See <https://icc.illinois.gov/industry-reports/credit-collections-and-arrearages-reports> Increases to electricity bills for projects that are excessively expensive, have unknown price tags, or are not expected to cover their costs should be rejected. Rather, as a restructured state with an unregulated generation market, projects such as the ones discussed in the Study should be funded by private parties who can carefully assess the economics and financial viability of the projects and make the appropriate investment decision based on costs and risks.

Respectfully Submitted,

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<sup>2</sup> For ComEd this equals more than 580,000 customers and for Ameren electric it equals close to 105,000 customers.