

**Illinois Power Agency
Request for Stakeholder Feedback**

**Capacity Hedging for Ameren Illinois Eligible Retail Customers:
Considerations for the 2025 Electricity Procurement Plan**

June 10, 2024

The Illinois Power Agency (“IPA” or “Agency”) develops and implements annual electricity procurement plans to serve the energy needs of eligible retail customers of Ameren Illinois, ComEd, and MidAmerican. Eligible retail customers are the residential and small commercial customers who have not switched to an alternative supplier or to real-time pricing. Eligible retail customers represent about 20% of the total load of retail customers.

The Agency releases a draft electricity procurement plan every August 15 for public comment prior to filing it in late September with the Illinois Commerce Commission (“ICC”) for approval. The Agency’s Procurement Plans, and the results of subsequent procurement events all require approval by the ICC.

This Request for Stakeholder Comments is intended to provide stakeholders with an additional opportunity to provide feedback to the Agency prior to the release of that draft plan. **In this request for feedback the Agency is specifically interested in responses related to the capacity procurements the Agency conducts on behalf of the eligible retail customers of Ameren Illinois.**

The purpose of the Agency’s capacity procurements is to provide a financial hedge against the volatility in prices that has occurred in recent MISO Planning Reserve Auctions (“PRA”); for example, the price spikes seen in Zone 4 (Illinois) in 2022, and Zone 5 (Missouri) in 2024. Starting in 2022, MISO changed the PRA from procuring capacity on an annual basis to procuring capacity on a seasonal basis, and over the past several years the Agency’s capacity procurements have not achieved their targets.¹ In light of the ongoing evolution of the MISO capacity market design (as discussed further below), the market continuing to adapt to the seasonal construct, changing approaches to accrediting capacity resources, and tightening reserve margins in MISO, the Agency believes that the 2025 Electricity Procurement Plan should include a review of, and potentially a reconsideration of, the Agency’s approach to hedging capacity for Ameren Illinois eligible retail customers.²

¹ The Agency notes that for the 2023-2024 and the 2024-2025 delivery years the results of the MISO PRA were lower than the price of the capacity procured by the IPA, and the result of that under procurement has been a financial benefit to Ameren Illinois eligible retail customers. However, for the 2022-2023 delivery year, the Agency’s capacity hedging resulted in prices lower than the MISO PRA and thus provided a financial benefit to those customers.

² The 2024 Electricity Procurement Plan has the goal to hedge 75% of Ameren Illinois Eligible Retail Customers’ capacity obligations, with the balance procured through the MISO PRA. The procurement is conducted over a series of four procurement events during a two-year span. See:

<https://ipa.illinois.gov/content/dam/soi/en/web/ipa/documents/2024-final-electricity-procurement-plan-16-feb-2024.pdf>

Comments are due on Monday, July 8, 2024 and should be sent to: IPA.Contactus@illinois.gov.

Please note that in general, responses received through this stakeholder feedback process will be made public and will be published on the Agency's website. However, should a commenter seek to designate any portion of its response as confidential, that commenter should provide both public and redacted versions. Independent of that designation, if the IPA determines that a response contains confidential information that should not be disclosed, it reserves the right to provide its own redactions.

Specific questions on which feedback is sought are found below, but commenters need not respond to every question (some may not be applicable) and should not feel limited by these questions in providing feedback.

Questions

1. A pending Federal Energy Regulatory Commission order in Docket No. ER23-2977-000 may institute a sloped demand curve for the MISO PRA starting with the 2025-2026 delivery year. A sloped demand curve is expected to make PRA results less volatile than they have been under the vertical demand curve model currently in place (the volatility of 2022 in Zones 1-7, and in Zone 5 in 2024, as examples).

Assuming FERC approves the change to a sloped demand curve for the MISO PRA starting in the 2025-2026 delivery year, and considering any other insights into the availability of Zonal Resource Credits ("ZRCs") more generally, how should the change to a sloped demand curve impact the IPA's consideration of how to hedge capacity for Ameren Illinois eligible retail customers? How will the implementation of a sloped demand curve affect suppliers in their approach to the MISO capacity market, and specifically to participation in the IPA's capacity procurement events?

In particular the Agency is interested in recommendations on what portion (in % terms) of Ameren Illinois eligible retail customer capacity obligation should be hedged (and how far in advance), and what portion (in % terms) should be procured through the PRA?

2. Section 16-111.5(e) of the Public Utilities Act requires the IPA to utilize confidential benchmarks for competitive procurements.³ The benchmark for capacity procurements is currently a single

³ "The benchmarks shall be based on price data for similar products for the same delivery period and same delivery hub, or other delivery hubs after adjusting for that difference. The price benchmarks may also be adjusted to take into account differences between the information reflected in the underlying data sources and the specific products and procurement process being used to procure power for the Illinois utilities. The benchmarks shall be confidential but shall be provided to, and will be subject to Commission review and approval, prior to a procurement event."

price for each season, and for a bid to be accepted it must be at or below the applicable benchmark.

Should the IPA consider utilizing a tiered benchmark approach rather than setting one benchmark for each season in order to potentially allow some higher priced resources to be accepted in the procurement, but limit the price exposure to eligible retail customers? (For example, rather than set a benchmark at \$1 for 100 ZRCs; set a benchmark of \$2 for up to 50 ZRCs, and \$1 for the balance up to 100 ZRCs).⁴

More generally, what considerations should the Agency utilize when developing benchmarks for capacity given the ongoing evolution of the MISO capacity market and the lack of transparent price data as can be found for block energy products?

Are there statutory changes to the language quoted in footnote 3 that would better align the benchmark process to the dynamics of hedging capacity, including considerations related to the State's clean energy goals and ongoing changes to the resource mix in Illinois?

3. The goal of hedging capacity for Ameren Illinois eligible retail customers is to provide some price stability and protection from spikes in the MISO PRA price. The IPA could have other considerations in regard to prioritization of different types of resources participating in IPA procurements that recognize additional policy goals such as reducing energy consumption or promoting the transition to clean energy.

Should the procurement of ZRCs from renewable resources or demand response be evaluated differently than ZRCs supported by conventional generation?

4. In addition to setting target hedging levels, procurement schedules, and prioritization of resources, there are other factors that can impact participation in a procurement event such as strict contract provisions, the level of credit requirements, or timelines.

Does the current design of the procurement process for capacity conducted by the Agency contain unintended barriers to participation such as those listed above, and if so, what changes (within the procurement structure mandated by the Illinois Power Agency Act and the Public Utilities Act) could be implemented?

Should the Agency consider a change in the timing and frequency of capacity procurements from the current model which ties them to the Spring and Fall procurements for block energy?

⁴ Example values are illustrative only and are not meant to be indicative of expected prices or quantities.

Should the Agency consider including the ability to bid on an annual combination product (e.g., a bid for a quantity of ZRCs for all four seasons that would be accepted in totality, rather than separate bids for each season)?

- 5. What other considerations should the Agency have as it considers the capacity hedging for Ameren Illinois eligible retail customers to include in the 2025 Electricity Procurement Plan?*

- 6. In addition to the issues raised above regarding capacity hedging for Ameren Illinois eligible retail customers, are there issues or concerns related to the Agency's electricity procurement approach that the Agency should consider as it prepares the draft 2025 Electricity Procurement Plan.*