

**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?***

Response: AIC believes that the implementation of a sloped demand curve should not change the IPA's approach to hedging capacity.

***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?***

Response: AIC believes the current hedge percentages for capacity are currently set at an appropriate level. AIC could support the idea of hedging in additional forward years if the IPA feels there is a market for such a product.

**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 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).***

Response: AIC supports the notion of using a tiered benchmark approach as long as the IPA continues to follow all the rules that are applicable to the procurement process and benchmarks are established in a thoughtful manner.

***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?***

Response: None

***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?***

Response: None

**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?***

Response: At this time, AIC does not believe any special considerations should be made for renewable resources or demand response resources.

**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?***

Response: Given the lack of cleared ZRCs in recent capacity procurements, AIC proposes that the IPA explore and consider the use of financial products for capacity hedging. In contrast to the current structure where all capacity procurement sellers are required to transfer ZRCs, financial products could be offered as an alternative where there would be no transfer of actual ZRCs. For example, a financial product could be structured as a fixed for float swap. Sellers of this financial product would contractually commit to a firm capacity price (fixed) settling against the MISO Planning Resource Auction Clearing Prices (float).

The goal of the IPA Capacity procurement is to provide a price hedge to customers taking utility supply. A capacity swap provides the exact same price hedge protection that is provided by the purchase of actual ZRCs. Allowing the use of financial products in addition to physically backed products could attract sellers that otherwise would not be able to participate in the capacity procurement process for MISO Zone 4.

***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?***

Response: AIC recommends a third annual capacity procurement be conducted solely for sellers of financial products. Ideally, this procurement event would occur in late January or early February. The available capacity for this procurement would equal the difference between the amount of capacity that has been procured versus the hedging goals in each year's plan. If the hedging goals have been met after the September procurement is completed, no third procurement would occur.

AIC recommends that this third procurement would occur for all the planning years considered in the most recently approved electric procurement plan. The timing of this proposed third procurement has strategic value for sellers considering that most MISO capacity accreditations are nearly final for the upcoming Planning Resource Auction and their positions are better known.

***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)?***

Response: AIC supports this idea if the price benchmarks are established in a thoughtful manner.

**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?**

Response: None

**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.**

Response: None