



July 16, 2021

IPA Workshop #1 – Ameren Illinois Response to Request for Comments

B. Utility Scale Procurements

IPA Question

For procurements for RECs from new utility-scale wind, utility-scale solar, or brownfield site photovoltaic projects intended to meet future REC targets, what timing considerations should be made regarding whether and when to hold procurements over the course of calendar years 2022 and 2023? For example, do issues related to the PJM/MISO interconnection processes, identifying energy off-takers, or potential changes to Federal energy policy suggest that earlier procurement event dates (to take advantage of an expiring opportunity), or later procurement event dates (to allow for additional early-phase project development activities to reach appropriate project maturity levels) would be appropriate? In managing these considerations, how should the IPA parse issues related to when to conduct a procurement event versus determining by when first REC deliveries would be accepted or required?

Ameren Illinois Response:

As a result of the retirement of a significant quantity of generation in MISO Illinois and the projections that a significant quantity of additional generation is expected to be retired during the 2022 through 2026 period, Ameren Illinois encourages the IPA to prioritize the procurement of utility scale RECs in MISO Illinois, with such procurements occurring as soon as possible. This expedited prioritization is also justified by the considerable time it has taken for existing utility scale contracts to energize driven by the MISO interconnection queue process, solicitation of long term energy off-take agreements, and pandemic delays.

IPA Question

While utility-scale procurements are for RECs only and not energy or capacity, are there considerations that could be added into the procurement process to value how new utility-scale projects could contribute to resource adequacy? For example, should procurements have quantity targets separated by RTO? Should the assessment of project eligibility in procurements include requirements related how the project will contribute to resource adequacy/maintaining reliability?

Ameren Illinois Response:

MISO Illinois witnessed a sizeable quantity of retired generation over the last 10 years and retirements are expected to continue over the next five years and beyond. In order for downstate Illinois to succeed with its renewable goals and also achieve sustained customer affordability and reliability, utility scale projects should take priority in MISO Illinois. To the extent allowable under law, Ameren Illinois would support proportionally higher utility scale REC quantity targets for MISO Illinois relative to PJM Illinois.

Anecdotal evidence suggests that long term energy off-take agreement opportunities appear to be limited. This is driven in part because both ARES and Ameren Illinois default supply can incur highly variable customer switching and this creates load uncertainty and thus risk. Specifically, should off-take agreement quantities deviate from future actual load, the risk for ARES and Ameren Illinois default supply is: a) potential rate shock to customers or b) potential stranded costs or c) both. Therefore, it would not be prudent for Ameren Illinois default supply (and presumably ARES) to enter into long-term energy off-take agreements.

Given these challenges, to the extent allowable by law, Ameren Illinois encourages the IPA to review the possibility of providing incentives that consider the value of other non-REC components associated with incremental utility scale generation in MISO Illinois.

One option is to develop a methodology to provide an externality adder to the REC price. For example, an adder could be justified based on the local reliability benefits of such generation.

A second option would be for the REC contract to include a capacity procurement equal to the facilities registered capacity quantity (as calculated by MISO for each year of the contract) times the price of capacity as stipulated in the contract. Under this scenario, the payment for both the REC and capacity would be sourced from the Ameren Illinois Renewable Resources Budget (and not the default supply tariff). For each year of the contract term, Ameren Illinois would receive and pay for the capacity credits from the utility scale supplier, then offer the IPA procured capacity into the MISO auction as a "price taker" and then the dollar credit received by Ameren Illinois from MISO would be credited back to the Renewable Resources Budget. Alternatively, the agreement could be structured as a contract for differences, where the agreement settles based on the difference between the price awarded to the supplier through the IPA procurement process and the annual MISO Illinois auction clearing price.

A third option would be for the IPA to incorporate variable priced utility scale RECs in the Long Term Renewable Resources Procurement Plan and implement this form of procurement after receiving approval by the Illinois Commerce Commission.

Ameren Illinois appreciates the opportunity to provide these comments as the IPA prepares for its next Long Term Renewable Resources Procurement Plan.