CITIZENS UTILITY BOARD
Fighting for Illinois Consumers

The Citizens Utility Board (CUB) is grateful for the opportunity to respond to the Illinois Power Agency's (IPA) June 27, 2022 Request for Stakeholder Feedback on Electricity and Capacity Procurement for Eligible Retail Customers. We share the IPA's concerns about the recent volatility in the energy market and rising electricity prices, and urge the IPA to conduct a thorough analysis of potential solutions. Market conditions have a way of changing, however, so it is important to be prudent and not respond reactively.

IPA Procurement Processes and Products

CUB recommends that the IPA align its procurement plan as much as possible with the State's overall clean energy goals as established by the Climate and Equitable Jobs Act (CEJA). CEJA mandates a transition to 100% carbon-free electricity by 2045, and it is the Agency's responsibility to help the State achieve this at least cost. This next procurement plan will be the first developed by the IPA following CEJA's passage and thus provides an opportunity to synchronize its procurements to support Illinois' public policy goals. While tradeoffs around costs or implementation are likely, CUB believes it is essential that the IPA at a minimum make the attempt to determine whether a preference for carbon-free resources in the procurement plans could result in expected costs that are the same or even lower than simply buying generation-resource-neutral power on the market.

To that end, we encourage the IPA to analyze and consider at least two additional products:

(1) Demand side management products that are carbon-neutral at worst, and ideally carbon beneficial. An example of this could be an Illinois-based C & I demand response program or a large aggregation of customers organized by a third party demand response provider. This will be particularly important for utilities in the Midwest Independent System Operator's (MISO) territory, as MISO's markets lack robust opportunities for demand response.

(2) Sleeved PPAs that combine location-specific RECs with a physical, load-following energy supply contract. Many corporations have already used this type of approach (for a growing list of companies that have pursued this approach, see https://cebuyers.org/). This could be a way for the IPA's procurements to help support and accelerate the development of new renewable resources in the state. For example, a certain portion of the Ameren Illinois procurement plan could support and expedite the development of utility scale solar in MISO Zone 4. While this may not be practicable in the end because of costs and/or increased switching risk, it is worth investigating, modeling, and analyzing as part of the plan's development.

At a minimum, CUB recommends that the IPA plan include an analysis of the existing fuel mix and require identification of the fuel sources underlying each future bid. This will give the Illinois Commerce Commission the information necessary to make its required determination regarding environmental sustainability, which is now particularly important given CEJA's passage. If the IPA believes that any of the above recommendations require additional legislative action, this could be noted in the electricity procurement plans themselves.

Carbon Mitigation Credits

Meanwhile in the ComEd procurement plan, CUB recommends that the potential hedge value of the Carbon Mitigation Credit (CMC) be factored into the IPA's procurement plan. Because of today's high energy prices, the CMC is currently providing a significant refund to ComEd customers. It is CUB's understanding, however, that in order to optimize the potential CMC benefit, it is necessary to reserve a portion of the overall portfolio for PJM's day-ahead market and not be locked entirely into fixed price contracts. The overall goal of the IPA's plan is to obtain the best possible outcome for consumers and maximizing the CMC's potential value will be key to that.

Conclusion

CUB applauds the IPA on its commitment to consumer protection in an increasingly complex energy environment. The Agency's job as it moves forward will not be easy, and we appreciate the thoughtful questions put forth in the June request for stakeholder feedback and look forward to a robust discussion.