

2015 IPA procurement plan comments, Sierra Club

Summary

Sierra Club offers the following comments on the Illinois Power Agency (“IPA”) proposal to procure renewable energy, energy efficiency and coal resources in its 2015 procurement plan. To address the specifics of the 2015 plan and IPA’s requests for feedback, our comments are organized into the following sections: 1) demand-side resources, 2) solar procurements, 3) wind curtailments, and 4) coal resources.

1) Demand-side Resources

Energy Efficiency as a Supply Resource

Sierra Club applauds the IPA for increased energy efficiency in its draft 2015 plan, and notes reduced procurement needs as a result. Increased energy efficiency spending reduces the cost of electricity and our reliance on fossil fuels, delivering environmental benefits to Illinois.

We strongly support the inclusion of energy efficiency (“EE”) as a supply resource in the 2015 plan, and agree that for the first program year, IPA should focus on procuring super-peak demand response resources. Demand response has been successfully utilized for years in wholesale power and capacity markets, particularly in PJM. Reducing our peak demand also has the strongest potential environmental and public health benefits, as dirty oil and natural gas-fired peakers would be called upon less frequently.

Sierra Club offers two changes to IPA’s EE as a supply resource proposal. First, IPA should solicit bids for both summer and winter peak resources. Last winter’s extreme cold weather demonstrated that Illinois needs to reduce its dependence on natural gas, to support reliable, affordable, and sustainable electricity. Second, IPA should consider a wider range of EE resource types in future program years. In the 2015 draft plan, it appears that seasonal demand response programs are only resource type that could deliver the products IPA requests. However, more traditional annual EE resources should also be able to participate, perhaps in future years. Sierra Club looks forward to discussing this issue further with IPA in upcoming workshops.

Finally, there are some concerning elements in IPA’s discussion of EE measurement and verification (“M&V”) and non-performance penalties. Namely, Sierra Club is concerned that introducing new M&V protocols, or overly rigorous/non-standard performance requirements, could create significant barriers to robust participation in the IPA’s EE procurement. Sierra Club urges IPA to utilize existing M&V and performance guidelines wherever possible.

Evaluating third-party EE programs

Sierra Club supports the Illinois EE Stakeholder Advisory Group’s recent efforts to evaluate third-party EE bids. We encourage IPA to continue using this more transparent process in future years, and to consider both qualitative and quantitative evaluation factors.

2) Solar Procurements

We generally concur with the comments that Environmental Law and Policy Center (“ELPC”) has submitted on the renewable energy portions of the IPA procurement plan, and seek to highlight 4 issues we view as particularly important:

- Contract length. IPA proposes to procure Renewable Energy Credits (“RECs”) from distributed generation (“DG”) resources to meet both the solar and DG carve-outs in the Illinois RPS. However, IPA proposes only procuring these renewable energy resources from existing sources, in 1-year REC contracts. Sierra Club agrees with ELPC that this is wholly inadequate to encourage new development, and maximize the economic and environmental benefits that solar brings to Illinois. IPA projects that both ComEd and Ameren will have a surplus budget for solar/DG resources, and solar/DG supply shortfalls in multiple future program years. While Sierra Club is sympathetic to the challenges and uncertainty IPA faces due to load shifting and budget constraints, we recommend that IPA propose a longer contract length for this procurement, ideally 5 years or more. Offering a 5+ year contract length should also help reduce the differences between this utility REC procurement and the supplemental solar REC procurement scheduled for Spring 2015, which could help drive more robust market participation in both procurement events.
- Eligibility for new projects. As previously noted, IPA proposes to procure RECs only from existing renewable energy resources. Sierra Club does not believe that IPA provides adequate justification for excluding new distributed generation projects from this procurement. Developing new renewable energy resources is vital to fulfilling the goals of the IPA Act, namely to encourage resource diversity, reliability, price stability, and decreasing the environmental impacts associated with fossil fuels and nuclear energy.¹
- Pre-payment for Renewable Energy Credits. Sierra Club believes that offering an upfront rebate option for RECs is an important tool to encourage the development of new distributed generation projects. For many DG projects, the primary barrier to development is upfront financing, as most available incentives (e.g. tax credits, rebates) may only be applied after the system is constructed. There are also well-established claw-back protocols if the owner does not deliver RECs due to resizing or not constructing a project. Therefore, Sierra Club urges IPA to include an upfront REC rebate option in any future procurement plan for distributed generation resources.
- Aggregator services. Sierra Club supports IPA’s proposal that one aggregator be competitively selected for each utility, to aggregate DG projects under 25 kW. We request that IPA clarify how sub-aggregators could participate in this structure, either in the 2015 plan or in future proceedings. Sierra Club agrees with ELPC that a traditional competitive procurement would be inappropriate for procuring most DG resources, as requiring 1 MW bid blocks would limit market participation.

3) Wind Curtailments

The lack of wind energy procurement is a problem that threatens Illinois’ ability to meet our Renewable Portfolio Standard (“RPS”) targets in ways that maximize economic and environmental benefits to Illinois. The lack of a wind energy procurement in this draft

¹ 20 ILCS 3855/1-6

procurement plan should be a wakeup call to legislators that changes in statute are needed to address these problems. Sierra Club stands ready to participate and assist in those efforts.

The shifting of load to competitive suppliers threatens to curtail existing renewable energy contracts. In its 2015 draft plan, IPA requests pre-approval to curtail its 20-year long-term power purchase agreement (“LTTPA”), although IPA states that curtailment is “highly unlikely” in 2015 due to load shifting back to ComEd and Ameren. However, Sierra Club believes that wind energy curtailments should not become the norm or default action for IPA to manage oversupply risk.

Therefore, we urge IPA to defer its request for pre-approval for curtailment, and to develop at least two alternative proposals to balance oversupply risk in its portfolio to submit for the ICC’s consideration. Previous proposals include developing a put option to sell excess supply (2014 IPA procurement plan). Sierra Club also requests that IPA clarify its intentions to use funds from the Renewable Energy Resources Fund to purchase RECs from these curtailed bundled contracts.

4) Coal Resources

Sierra Club would like to provide IPA with a status update of our work related to the FutureGen project. FutureGen appears to be proceeding under a “minor source” permit. Sierra Club has filed a citizen suit before the Illinois Pollution Control Board, as we believe the project requires a “prevention of significant deterioration” permit under the Clean Air Act, as incorporated into Illinois law. The required permit would involve a more rigorous analysis of the best available control technology that should apply to the plant, as well as stronger emissions limits. FutureGen’s opposition to obtaining such a permit raises questions about whether the project will achieve the pollution reduction goals that its proponents have previously stated. The current minor source permit is also not designed to achieve the carbon reductions required elsewhere in state law and in FutureGen’s agreement with the U.S. Department of Energy. Sierra Club’s case before the Illinois Pollution Control Board is not designed to derail the project, but rather ensure that the Clean Air Act requirements, and the project’s repeated promises, be memorialized in an enforceable permit for the project.

Conclusion

Sierra Club appreciates the opportunity to review and comment on the IPA’s 2015 Draft Electricity Procurement Plan, and recommends that it be submitted to the ICC incorporating the recommendations made herein.

Respectfully submitted,

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