

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Power Agency :
: **23-0665**
Verified Petition for Approval of the :
Illinois Power Agency’s 2024 Electricity :
Procurement Plan Pursuant to :
220 ILCS 5/16-111.5(d)(4). :

ORDER

By the Commission:

I. INTRODUCTION

Section 16-111.5(d)(2) of the Public Utilities Act (“Act”) requires the Illinois Power Agency (“IPA” or “Agency”) to prepare an electricity procurement plan (“Draft Plan”). The IPA’s Draft Plan was posted on the IPA and Illinois Commerce Commission (“Commission”) websites, pursuant to Section 16-111.5(d)(2) of the Act. 220 ILCS 5/16-111.5(d)(2). Comments on the Draft Plan were submitted to the IPA for its review. The Act requires the IPA to revise the Draft Plan as necessary based on public comments it receives, and subsequently, formally file a revised plan with the Commission.

On September 25, 2023, the IPA filed with the Commission its 2024 Electricity Procurement Plan (“Plan” or “2024 Plan”), initiating this proceeding. Among other things, the purpose of the 2024 Plan is to secure electricity commodity and associated transmission services to meet the needs of eligible retail customers in the service areas of Commonwealth Edison Company (“ComEd”), Ameren Illinois Company d/b/a Ameren Illinois (“Ameren”), and MidAmerican Energy Company (“MidAmerican”).

Section 16-111.5(d)(3) of the Act provides that, within five days of the filing of a procurement plan, any objections to it must be filed with the Commission. The same subsection also provides that the Commission shall enter an order approving or modifying the procurement plan within 90 days after the filing of the plan. 220 ILCS 5/16-111.5(d)(3). The 2024 Plan was filed on September 25, 2023; thus, the deadline is December 26, 2023. Pursuant to Section 16-111.5(d)(4) of the Act, the Commission shall approve the 2024 Plan, including the load forecasts used in the plan, “if the Commission determines that it will ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time, taking into account any benefits of price stability.” 220 ILCS 5/16-111.5(d)(4).

The Administrative Law Judge (“ALJ”) granted Ameren’s Petition to Intervene. Staff of the Commission (“Staff”) also participated in this proceeding. On October 2, 2023, Ameren filed a verified Objection to the IPA’s 2024 Plan. A hearing in this matter was

determined not to be necessary and the IPA filed its Response on October 16, 2023. Staff filed a Reply on October 26, 2023.

II. THE 2024 PLAN

This is the sixteenth electricity procurement plan prepared by the IPA under the authority granted to it under the Act and the Illinois Power Agency Act (“IPA Act”). Chapter 2 of this 2024 Plan describes the specific legislative authority and regulatory requirements applicable to the Plan, including compliance with previous Commission Orders.

Following MidAmerican’s participation for its eighth time in the 2023 IPA Procurement Plan (“2023 Plan”), MidAmerican has again elected to have the IPA procure power and energy for a portion of its eligible Illinois customers through the 2024 Plan. The 2024 Plan addresses the provision of electricity for the “eligible retail customers” of Ameren, ComEd, and MidAmerican.

As defined in Section 16-111.5(a) of the Act, “eligible retail customers” are, for Ameren and ComEd, generally residential and small commercial fixed-price customers who have not chosen service from an alternate supplier. For MidAmerican, eligible retail customers include residential, commercial, industrial, street lighting, and public authority customers that purchase power and energy from MidAmerican under fixed-price bundled service tariffs. The 2024 Plan considers a 5-year planning horizon that begins with the 2024-2025 Delivery Year and lasts through the 2028-2029 Delivery Year.

The 2023 Plan, as approved by the Commission in Docket No. 22-0590, called for the energy requirements for Ameren, ComEd, and MidAmerican to be procured by the IPA through two block energy procurements (Spring 2023 and Fall 2023). In addition, the 2023 Plan included three capacity procurements for Ameren (Early 2023, Spring 2023, and Fall 2023). The Early 2023 procurement event was the replacement for the cancelled Fall 2022 procurement event. The 2023 Plan also proposed to continue the energy procurement schedule and hedging approach utilized in the 2022 IPA Procurement Plan (“2022 Plan”) for the Agency’s 2023 Plan with three changes, one of which was subsequently adjusted further through the Commission’s Order:

- First, the IPA proposed to increase the hedging percentage target for the summer months in procurements prior to the final Spring procurement event in order to reduce the remaining volumes to be procured for the prompt summer months.
- Second, the IPA initially proposed to change the final procurement hedging targets for ComEd from 100% (106% for July and August) to 75% to recognize the value that Carbon Mitigation Credits (“CMCs”) can provide to eligible retail customers in offsetting energy price changes. In the Commission’s Order approving the 2023 Plan, the Commission accepted ComEd’s proposal to conditionally reduce the hedging target to 50%, pending Commission approval of certain tariff revisions as explained further in Sections 6.9.1 and 7.1.1. See Docket No. 22-0590, Order at 23 (Dec. 15, 2022). As those conditions have been met (as explained below), the Final 2023 Procurement Plan was updated to reflect a 50% hedging target for ComEd.
- Third, the IPA proposed to (a) increase the amount of capacity hedged for Ameren Illinois from 50% to 75%, and (b) change from annual Zonal Resource Credit

(“ZRC”) procurements to seasonal ZRC procurements to comply with the implementation of the Seasonal Resource Adequacy Construct by the Midcontinent Independent System Operator (“MISO”).

The 2024 Plan recommends a continuation of the energy and capacity procurement strategies adopted in the 2023 Plan.

The 2024 Plan proposes to continue using the risk management and procurement strategy that the IPA has historically utilized: hedging load by procuring on and off-peak blocks of forward energy in a three-year laddered approach. The IPA believes the continuation of its tested and proven risk management strategy is the most prudent and reasonable approach, and the approach most likely to meet its statutorily mandated objective to “[d]evelop electricity procurement plans to ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time, taking into account any benefits of price stability.” 20 ILCS 3855/1-20(a)(1).

The IPA’s energy hedging strategy for the 2024 Plan is consistent with the strategy used for the 2023 Plan. That strategy involves the procurement of hedges in 2024 to meet a portion of anticipated eligible procurement events, one in the Spring and the second in the Fall, with a partially open position for ComEd in light of CMC contracts. Details of this procurement strategy can be found in Section 7.1.

As explained in more detail in Section 5.2.2.1, MISO has implemented a seasonal resource adequacy construct starting with the 2023-2024 Delivery Year. Under the seasonal resource adequacy construct, capacity in the MISO Planning Resource Auction (“PRA”) and in the IPA’s bilateral procurements is now procured for each of the four distinct seasons: Summer, Fall, Winter, and Spring.

For the 2025-2026 and 2026-2027 Delivery Years, the IPA recommends continuing the strategy of procuring a portion of Ameren’s forecasted capacity requirements in bilateral transactions and the remaining balance through the MISO PRA. As explained in more detail in Sections 5.2.2.2.4 and 7.2.1.2, the IPA will continue its strategy of procuring up to 75% of its forecasted capacity requirements in its bilateral procurements. For the 2025-2026 Delivery Year, the IPA recommends procuring up to 50% of its forecasted capacity requirements in bilateral transactions in Spring 2024 and up to 75% in Fall 2024, with the balance of the forecast capacity requirement to be procured in the 2025 MISO PRA. For the 2026-2027 Delivery Year, the IPA recommends procuring up to 12.5% of its forecasted capacity requirements in bilateral transactions in Spring 2024 and up to 25% in Fall 2024, with the balance of the forecast capacity requirement to be determined in the 2025 Electricity Procurement Plan.

Consistent with the strategy adopted in prior plans, the IPA proposes that ComEd secure its capacity requirements through the PJM Interconnection, LLC (“PJM”) Reliability Pricing Model (“RPM”) process. Following the approach taken in the 2023 Plan, the IPA recommends that MidAmerican’s forecasted capacity deficit be secured by MidAmerican through the annual MISO PRA.

In addition to the various proposals above, the IPA recommends that Ameren and Mid-American purchase ancillary services, load balancing services, and transmission services from the MISO marketplace, and ComEd from the PJM markets.

III. OBJECTION

A. Ameren's Position

Ameren states it generally supports the 2024 Plan's contents and recommendations and does not object to any specific section of the 2024 Plan, but rather a general objection to the Plan itself, considering Ameren's capacity hedge position leading into Planning year 2024-2025. Ameren asserts this one area of concern warrants further discussion to ensure the Commission and other interested parties are aware of the current status of the energy hedging strategy for procurements for the plan years June 1, 2024 through May 31, 2029.

Ameren is concerned with its customers' exposure to the MISO PRA's clearing price caused by the lack of ZRCs procured in the previous IPA capacity procurement events. Ameren explains that in the 2023 Plan, the hedging percentage was increased from 50% to 75% for the 2023- 2024 Planning Year. The remaining ZRCs are to be filled in the MISO PRA. The latest capacity procurements for Planning Year 2024-2025 have fallen significantly short of the desired hedge percentage which has exposed Ameren to open positions with over 80% to be priced by MISO in the PRA in the spring of 2024.

Ameren notes the cause of the unfulfilled capacity is uncertain, and understands that there could be many contributing factors, including but not limited to: (i) MISO's new seasonal construct and any associated MISO rule changes, (ii) lack of seller interest, (iii) timing of the procurement, (iv) lack of available capacity (especially in the non-summer months), (v) other/more attractive capacity markets, (vi) the possibility of MISO implementing a sloped demand curve, and (vii) higher priced bids in capacity procurement events deemed too expensive.

Ameren states it is concerned with the current amount of unhedged exposure. This unhedged exposure could lead to exorbitant costs to Ameren's customers in the event Ameren must cover the unhedged capacity in the MISO PRA and possible PRA price spikes. Ameren does not believe that the Plan in its current state addresses any of the underlying issues that have led to the high volume of unhedged exposure and suggests that the IPA carefully consider modifications to the Plan or other possible actions that could attempt to mitigate the significant issue of unhedged exposure.

For the reasons set forth above, Ameren respectfully requests that the Commission give consideration to its objection and comments expressed herein and for any such other relief the Commission deems just and equitable.

B. IPA's Position

The IPA does not support any modifications to its 2024 Plan and respectfully requests that the Commission confirm and approve the Plan as filed.

The IPA notes Ameren requests that the Agency "carefully consider modifications to the Plan or other possible actions that could attempt to mitigate" the situation; however, Ameren failed to propose any specific modifications or even general suggestions to the

2024 Plan to adjust for the partially hedged position. While the Agency understands Ameren's concerns with respect to customer prices, the Agency believes that the current partially hedged position for the 2024-2025 planning year is a result of ongoing uncertainty around the MISO seasonal construct that cannot be resolved at this time. The Agency's 2024 Plan provides a sound strategy for the capacity procurement process, which will yield stronger results as the changes to the MISO capacity market evolve in the future. Finally, without any specific proposed modification or alternative from Ameren for the Agency or Commission to consider, the Commission should approve the Plan as written.

The IPA states that in the 2023 Plan, as approved by the Commission in Docket No. 22-0590, the Agency increased the amount of capacity hedged for Ameren Illinois from 50% to 75%, to prudently manage price risk. Additionally, in order to adjust to the change from annual ZRC procurements to seasonal ZRC procurements to comply with the implementation of the Seasonal Resource Adequacy Construct by MISO, which occurred shortly before the scheduled Fall 2022 capacity procurement, the Agency decided to cancel the Fall 2022 capacity event and instead hold three capacity procurement events for Ameren Illinois in 2023 (Early 2023, to procure seasonal ZRCs for the 2023-2024 planning year to make up for the canceled Fall 2022 event, and Spring and Fall 2023, to procure seasonal ZRCs for the 2024-2025 planning year).

As discussed in Section 5.2.2.4 of the IPA's 2024 Plan, the Agency's capacity hedging strategy for Ameren Illinois 2024-2025 and 2025-2026 Delivery Years calls for the procurement of ZRCs needed to meet up to 75% of Ameren Illinois default supply load requirements with the remaining balance procured through the PRA. However, the 2023 capacity procurement events resulted in less than 20% of the expected load being hedged. Target procurement quantities may not be met for a variety of reasons, including low participation levels, application of a confidential price benchmark, non-conforming bids, or other reasons resulting in target procurement quantities going unfilled. A lower hedging level could have positive or negative outcomes for Ameren customers, depending on the price of ZRCs procured through the IPA's capacity procurements relative to the clearing prices from the MISO PRA.

The IPA states that despite the fact that Ameren has not made any proposals for consideration by the IPA, one possible action could be to hold another capacity procurement event for the 2024-2025 planning year. The IPA does not believe that it would be appropriate, however, to conduct another procurement event, as this item has already been considered pursuant to the statutory provisions of the Act. Sections 16-111.5(c)-(e) of the Act outline the process for the Agency's Procurement Administrator to plan and administer the procurement events, which are monitored by a Procurement Monitor retained by the Commission. If a procurement process fails to fully meet a utility's expected load requirement due to insufficient supplier participation or due to a Commission rejection of the procurement results, the Procurement Administrator, the Procurement Monitor, and Staff must meet within ten days to analyze potential causes of low supplier interest or causes for the Commission decision. 220 ILCS 5/16-111.5(e)(5)(ii). If changes are identified that would likely result in increased supplier participation, or that would address concerns causing the Commission to reject the results of the prior procurement event, the Procurement Administrator may implement those

changes and rerun the procurement. *Id.*

The IPA adds that after the Agency's calendar year 2023 procurement events, these three parties, which are statutorily authorized to determine if the Agency should conduct an additional procurement event if prior procurement events led to shortfalls, conferred about the results of the procurement events to meet utilities' expected load requirement. The Procurement Administrator, Procurement Monitor, and Staff did not recommend holding another procurement event after either procurement. Therefore, the Agency does not plan to conduct another procurement event to address partially hedged capacity from previous events in 2023. The IPA urges the Commission to reach the same conclusion.

The IPA notes Ameren provides a list of speculative potential causes for the partially hedged position on capacity in the 2024-2025 planning year, which share a common theme: namely, a high degree of uncertainty related to the MISO capacity market. Whether this uncertainty is due to recently implemented changes, volatility in results of the PRA over the past several years, or expected upcoming changes to the PRA is unknown. Like Ameren, the IPA does not have insight into the reasoning behind any bidder's choice to participate or not participate in a procurement event, or why a bidder chooses to bid specific quantities at specific prices.

In developing the 2023 Plan, the Agency included an early 2023 procurement of capacity for the 2023-2024 planning year as an extraordinary measure in light of the Federal Energy Regulatory Commission's ("FERC's") significant changes to the MISO capacity market design. The IPA notes it was the first opportunity for capacity price discovery under the new seasonal capacity paradigm. In contrast to a year ago, MISO has now conducted one PRA for seasonal capacity and the IPA has conducted three procurement events for seasonal capacity. While many uncertainties remain around the MISO PRA going forward, the Agency does not believe that making a change to the 2024 Plan to schedule an additional procurement event shortly before the MISO PRA for the 2024-2025 planning year would yield different results. The Agency acknowledges that the MISO capacity market is evolving, and the Agency will continue to monitor how those changes impact the Agency's opportunities to hedge capacity for Ameren eligible retail customers. The Agency remains optimistic: the results from the 2023 Organization of MISO States ("OMS") survey released in July 2023 show delayed retirements and capacity additions resulting in 1.5 GW of residual capacity for 2024-2025 planning year. Moreover, the survey indicates that year-over-year results for 2024 show a change from a deficit to adequate supply due to delayed retirements, new resources, and lower load forecast. If the OMS-MISO survey is correct, the risks to eligible retail customers from the results of the 2024-2025 PRA should be low, rendering the need for modifications to the 2024 Plan unnecessary.

The IPA appreciates the Commission's careful consideration of the issues discussed in its Response and urges the Commission to approve its 2024 Plan in accordance with the provisions of the Act and the IPA Act.

C. Staff's Position

Staff agrees with and supports the IPA's comments raised in the IPA's Response; therefore, Staff recommends the Commission approve the IPA's 2024 Plan.

D. Commission Analysis and Conclusion

The Commission understands that Ameren's Objection raises one area of concern rather than a specific proposed modification to the Plan, for the Commission to consider. Specifically, Ameren voiced concern regarding the current status of the energy hedging strategy for procurements that may result in exorbitant costs to Ameren customers.

The Commission finds that the 2024 Plan adequately addresses how it intends to limit the risks to eligible retail customers considering the many uncertainties that remain surrounding the MISO PRA. Moreover, the IPA sufficiently explained that the Act provides a means for which additional procurement events may be considered in the future to address any shortfalls that do not meet the utilities' expected load requirements. The Commission therefore agrees with the IPA and Staff that, the 2024 Plan, as filed, provides a reasonable means for the capacity procurement process, and need not be modified at this time.

IV. CONCLUSION

Having reviewed the 2024 Plan and subsequent Objection, Responses, and Replies, the Commission approves the 2024 Plan as submitted by the IPA. Specifically, the Commission approves the base case load forecasts of ComEd, Ameren, and MidAmerican as submitted in July 2023.

Moreover, as proposed by the IPA, the Commission approves two energy procurement events scheduled for Spring 2024 and Fall 2024. The energy amounts to be procured in the Spring will be based on the updated March 15, 2024 base case load forecasts developed by Ameren, MidAmerican, and ComEd, in accordance with the hedging levels stated in the 2024 Plan. The energy amounts to be procured in the Fall will be based on the July 15, 2024 base case load forecasts developed by Ameren, MidAmerican, and ComEd, in accordance with the hedging levels stated in the 2024 Plan. In the event of default on CMC contracts, the IPA may change the hedging percentages for ComEd to mirror those of Ameren and MidAmerican, with the consensus of the IPA, Staff, and the Procurement Monitor.

The Commission further approves two capacity procurement events for Ameren scheduled for Spring 2024 and Fall 2024. The capacity amount to be procured in the Spring will be based on the updated March 15, 2024 base case load forecast developed by Ameren in accordance with the hedging levels stated in the 2024 Plan. The capacity amount to be procured in the Fall will be based on the July 15, 2024 base case load forecast developed by Ameren, in accordance with the hedging levels stated in the 2024 Plan.

In addition, the Commission pre-approves the utilities' March 15, 2024 and the July 15, 2024 forecast updates to implement the 2024 Plan as part of the approval of the 2024 Plan, subject to the review and consensus of the IPA, Staff, the Procurement Monitor, and the applicable utility. To allow for the filing of forecast updates, a utility which has not intervened in this Plan's approval docket will be allowed to make an informational filing for forecast updates with the Commission. In the event that the parties do not reach consensus on an updated load forecast, then the most recent consensus load forecast will be used for the applicable procurement event. If the parties are unable to reach

consensus on either of the updated load forecasts required in Items 2 and 3 of Section 1.4 of the 2024 Plan, then the July 2023 load forecast will be used for the applicable procurement event.

The Commission further finds that it is appropriate to approve procurement by ComEd, Ameren, and MidAmerican of capacity, network transmission service, and ancillary services from each utility's respective Regional Transmission Organization.

Thus, pursuant to Section 16-111.5(d)(4) of the Act, the Commission approves the 2024 Electricity Procurement Plan, including the load forecasts used in the Plan, and finds that it will ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time, taking into account any benefits of price stability. 220 ILCS 5/16-111.5(d)(4).

V. FINDINGS AND ORDERING PARAGRAPHS

The Commission, having reviewed the entire record, is of the opinion and finds that:

- (1) Commonwealth Edison Company, Ameren Illinois Company d/b/a Ameren Illinois, and MidAmerican Energy Company are corporations engaged in the retail sale and delivery of electricity to the public in Illinois, and each is a "public utility" as defined in Section 3-105 of the Public Utilities Act and an "electric utility" as defined in Section 16-102 of the Public Utilities Act;
- (2) the Commission has jurisdiction over the parties hereto and the subject matter hereof;
- (3) the recital of facts and conclusions of law in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact and conclusions of law;
- (4) the load forecast for Ameren Illinois Company d/b/a Ameren Illinois attached to the Illinois Power Agency's September 25, 2023 Petition should be approved; the load forecast for Commonwealth Edison Company attached to the Illinois Power Agency's September 25, 2023 Petition should be approved; and the load forecast for MidAmerican Energy Company attached to the Illinois Power Agency's September 25, 2023 Petition should be approved;
- (5) the 2024 Plan filed by the Illinois Power Agency pursuant to Section 16-111.5 of the Public Utilities Act should be approved; the 2024 Plan, and load forecasts found appropriate above, will ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time, taking into account any benefits of price stability; in making this finding, the Commission is not expressing its concurrence in every statement or opinion contained in the 2024 Plan and no presumptions are created with respect thereto; and
- (6) all motions, petitions, objections, and other matters in this proceeding which remain unresolved should be disposed of consistent with the conclusions herein.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the 2024 Electricity Procurement Plan and load forecasts filed by the Illinois Power Agency pursuant to Section 16-111.5 of the Public Utilities Act are hereby approved.

IT IS FURTHER ORDERED that all motions, petitions, objections, and other matters in this proceeding which remain unresolved are disposed of consistent with the conclusions herein.

IT IS FURTHER ORDERED that pursuant to Section 10-113(a) of the Public Utilities Act and 83 Ill. Adm. Code 200.880, any application for rehearing shall be filed within 30 days after service of the Order on the party.

IT IS FURTHER ORDERED that, subject to Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order is final; it is not subject to the Administrative Review Law.

By Order of the Commission this 14th day of December 2023.

(SIGNED) DOUGLAS P. SCOTT
Chairman