

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

Illinois Power Agency)
) ICC Docket No. 17-_____
Petition for Approval of the 2018 IPA)
Procurement Plan Pursuant to Section 16-)
111.5(d)(4) of the Public Utilities Act)

**THE ILLINOIS POWER AGENCY’S VERIFIED PETITION FOR APPROVAL OF
ITS 2018 PROCUREMENT PLAN PURSUANT TO 220 ILCS 5/16-111.5(d)(4)**

Pursuant to the authority granted by the Illinois Power Agency Act, 20 ILCS 3855/1-5, *et seq.*, and the Illinois Public Utilities Act, 220 ILCS 5/1-101, *et seq.*, the Illinois Power Agency (“IPA” or “Agency”) hereby submits to the Illinois Commerce Commission (“Commission” or “ICC”) for consideration and approval its proposed plan for the procurement of electricity for certain customers of Ameren Illinois Company (“Ameren Illinois”), Commonwealth Edison Company (“ComEd”), and MidAmerican Energy Company (“MidAmerican”) (collectively referred to as the “Utilities”) through the Electricity Procurement Plan for the period of June 2018 through May 2023 (the “Procurement Plan,” “2018 Plan,” or “Plan”) accompanying this petition. The 2018 Plan sets forth recommendations related to the procurement of electricity, capacity, and associated transmission services to meet the load requirements and supply needs of eligible retail customers served by the Utilities. The Plan is designed to meet the statutory mandate “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.” (220 ILCS 5/16-111.5(d)(4))

In accordance with Section 16-111.5(d)(3) of the Illinois Public Utilities Act (“PUA”), the Commission is required to enter its order confirming or modifying the Procurement Plan on

or before December 26, 2017.¹ The Illinois Power Agency respectfully requests that the Commission confirm and approve the Procurement Plan submitted contemporaneously with this Petition.

PROCEDURAL BACKGROUND

In accordance with Section 16-111.5(d)(2) of the PUA, and after timely receipt of the Utilities' load forecasts on or before July 15, 2017, the IPA posted its draft of the 2018 Procurement Plan to its website on August 15, 2017 (hereinafter the "Draft Plan"). (See 220 ILCS 5/16-111.5(d)(2)) Section 16-111.5(d) sets forth the process for commenting on the Draft Plan. Utilities and other interested parties were given thirty days following the date of the posting to provide comments to the IPA on the Draft Plan. Comments were required to be "specific, supported by data or other detailed analyses, and if objecting to all or a portion of the procurement plan, accompanied by specific alternative wording or proposals." (220 ILCS 5/16-111.5(d)(2)) The IPA had fourteen days following the end of the 30-day review period to revise the Draft Plan as necessary based on the comments and to file the final Plan with the Commission for posting on its website. (See 220 ILCS 5/16-111.5(d)(2)) The accompanying Procurement Plan represents that filing.

Following filing of the 2018 Plan, within five days, any person objecting to the Plan may file its objection with the Commission. (See 220 ILCS 5/16-111.5(d)(3)) As the IPA appreciates that aspects of the Plan may be complex and require technical analysis, that five day deadline presents a very tight turnaround for the development of objections. By making this petition on Monday, September 25, 2017, the Agency is filing its Plan three days earlier than statutorily required to give interested parties additional days for the development of objections (as 5 days

¹ Section 16-111.5(d)(3) of the PUA requires that the Commission act on the Procurement Plan within 90 days after filing. As December 24th is a Sunday and December 25th is a State Holiday, the next business day (December 26th) serves as the approval deadline.

would create an effective objection deadline of Monday, October 2, 2017 whether the Plan were filed on September 25th, 26th, or 27th; alternatively, a Plan filing on the deadline of Thursday, September 28th would create an objection deadline of Tuesday, October 3rd).² Objections to the 2018 Plan are thus required to be filed with the Commission in the resulting docketed proceeding by Monday October 2, 2017, and any party needing to seek leave to intervene (a party other than Commission Staff, the IPA, the Illinois Attorney General, or an affected electric provider) should file a petition seeking leave to intervene prior to submitting objections.

COMMENTS ON THE DRAFT PLAN

As required by the Public Utilities Act, the IPA was required to hold at least one public hearing within each utility's service area for the purpose of receiving public comment on the Draft Plan. (*See* 220 ILCS 5/16-111.5(d)(2)) In accordance with that statutory provision, the IPA hosted three meetings for parties wishing to make public comments. These public hearings were held on September 6, 2017 in Chicago and on September 7, 2017 in Moline and Springfield. As with many past years, no parties provided public comments at the three public hearings held by the IPA.

Written comments were received from Ameren Illinois, ComEd, and the Staff of the Commission.³ This represents a significant decline in the number of commenters from prior years; the IPA believes this is primarily due to Public Act 99-0906's requirement that the Agency develop proposals for renewable energy resource procurements through a separate plan (the Long-Term Renewable Resources Procurement Plan, filed under Section 16-111.5(b)(5) of the PUA) and its removal of authority for the IPA to include incremental energy efficiency

² This is because 5 days from Monday, September 25th would be Saturday, September 30th, and 5 days from Tuesday, September 26th would be Sunday, October 1st, in either case making for an effective deadline of the next business day—Monday, October 2nd.

³ Comments received on the Draft Plan can be found on the IPA's website: <https://www.illinois.gov/sites/ipa/Pages/Plans-Under-Development.aspx>.

programs and measures under Section 16-111.5B of the PUA. Further, the Agency's proposed strategies for standard wholesale product procurement, such as block energy and capacity, have been vetted through many prior plan approval proceedings and have generally produced successful results (low prices and low levels of price volatility for eligible retail customers). Given these successes, the Agency proposes no major changes from recent years' strategies in the 2018 Plan.

With respect to those comments that were received, the IPA genuinely appreciates parties' efforts in providing comments and in offering a thoughtful analysis of the Agency's Draft Plan. While all comments were carefully considered by the IPA, not all proposals submitted for consideration were accepted. There are four primary areas where the IPA modified its Draft Plan in response to comments: (1) corrections to typographical errors, numbers, and tables; (2) the capacity hedging strategy for Ameren Illinois for the 2019-2020 delivery year; (3) clarification related to updating utilities' load forecasting methodologies; and (4) clarification of the Plan's description of PJM's capacity procurement requirements for demand response resources.⁴ The Agency chose not to adopt one substantive proposal offered by one commenter.

I. Corrections to Typographical Errors, Numbers, and Tables

Ameren Illinois and ICC Staff provided comments regarding the accuracy and presentation of numbers and text throughout the Draft Plan. Corrections and edits were incorporated to those aspects of the Plan, including typographical errors, clarifications, and updates. The IPA appreciates the work undertaken by commenters in reviewing the Draft Plan.

⁴ Other portions of the Plan featured clarifications, corrections, or other minor changes, including additional detail or explanation where appropriate and updated figures and numbers where available, and this pleading does not attempt outline all such changes to the Plan. The IPA will post a document comparison of the Plan filed for ICC approval and the Draft Plan to its website (www.illinois.gov/ipa).

II. Ameren Illinois Capacity Hedging Strategy for 2019-2020 Delivery Year

In its Draft Plan, the IPA proposed that the Agency *not* conduct a bilateral capacity procurement for Ameren Illinois for any portion of its 2019-2020 delivery year's capacity requirements. In support of that approach, the Agency cited the recent significant decline in Illinois clearing prices in the MISO Planning Resource Auction ("PRA"), as well as "a positive market outlook based on fundamentals and reduced regulatory risk."⁵ The Agency thus proposed an approach similar to the uncontested approach taken with ComEd, through which the utility's capacity requirements are met exclusively through the applicable regional transmission organization's capacity auction.

Ameren Illinois offered comments proposing that, instead of leaving the capacity requirement for eligible retail customers entirely to the MISO PRA, the IPA could, each fall, hedge 25% of the capacity requirement for two years forward and 25% of the capacity requirement for one year forward, leaving the remaining 50% for any given delivery year to the MISO PRA.⁶ (The Agency notes that this approach would lead to the 2020-2021 delivery year being 50% hedged, and the 2019-2020 delivery year 25% hedged, as under this plan, 25% of the 2019-2020 capacity requirement would be procured in the Fall 2018 procurement event, with no IPA procurement event remaining before the 2019-2020 MISO auction in April 2019.)

In support of this proposal, Ameren Illinois observed that, in the 2015-2016 PRA when the clearing price rose to \$150/MW-day for the MISO Illinois zone from the prior year's \$16.75 price, a relatively small amount of offers in the Illinois zone were offered at prices higher than \$15, of which a small segment ultimately set the clearing price. Ameren Illinois asserted that

⁵ Draft Plan at Section 5.2.3.

⁶ Ameren Illinois' Comments to the Illinois Power Agency's Draft Procurement Plan, September 14, 2017, <https://www.illinois.gov/sites/ipa/Documents/2018ProcurementPlan/Ameren-Illinois-Comments-Draft-IPA-Plan.pdf>, at 11.

“if capacity had been procured in advance of the [2015-2016] MISO PRA similar to prior year procurements, it is likely the Illinois auction price would have been much lower. Of course, we can’t say this [with] 100% certainty, because if procurements had occurred, it is not entirely clear if the supply offer curve would have maintained the same shape.”⁷

Ameren Illinois further stated that for the 2016-2017 delivery year, wherein the MISO PRA for the Illinois zone cleared (with several other MISO zones) at a price of \$72/MW-day, the IPA’s prior procurement of around 50% of Ameren Illinois capacity needs at \$138.12/MW-day could have resulted in the avoidance of a higher price in the MISO PRA, which Ameren Illinois suggested likely could have been over \$200.⁸ (Again, Ameren Illinois offered the caveat to this price estimation that “we cannot say this with 100% certainty.”) Finally, regarding the 2017-2018 MISO PRA, wherein all ten MISO zones cleared at \$1.50/MW-day, while the Agency had previously procured 75% of Ameren Illinois capacity needs for 2017-2018 at a price of \$143.20, Ameren Illinois suggested that the PRA conducted in April 2017 occurred against the backdrop of legal and market developments that drove the PRA’s price lower but occurred too late to affect the IPA’s 2017-2018 bilateral procurements.⁹

Besides considering the comments offered by Ameren Illinois, other recent developments have led the Agency to look anew at the potential volatility of MISO PRA clearing prices for the Ameren Illinois zone. Within the past 40 days since the IPA posted its Draft Plan, MISO announced an intention to seek Federal Energy Regulatory Commission approval in March 2018 to change certain planning parameters of its PRA in a way that could increase Illinois zone clearing prices, for implementation with the 2019-2020 auction.¹⁰

⁷ *Id.* at 5.

⁸ *Id.* at 7.

⁹ *Id.* at 8-9.

¹⁰ This proposal is now discussed in Section 5.2.2 of the 2018 Plan as filed.

In light of this regulatory uncertainty around the MISO PRA structure, as well as the ongoing potential of coal plant retirements within the Ameren Illinois service territory, and the results of the August 2017 capacity procurement event, the IPA has decided to update the Plan to take a balanced approach to risk management by proposing that the Ameren Illinois eligible retail customer capacity requirement for 2019-2020 be hedged in the near-term forward market through two IPA administered Requests for Proposals during calendar year 2018 (25% in the Spring, and 25% in the Fall), and that the remaining balance be procured in the 2019-2020 MISO PRA in April 2019. Also, whereas the Draft Plan called for Ameren Illinois' eligible retail customer capacity needs in the 2020-2021 delivery year to also be met 100% through that year's MISO PRA, the 2018 Plan as filed now calls for an Agency decision on 2020-2021 Ameren Illinois capacity needs to be deferred until the 2019 Procurement Plan.

This proposal is discussed further in Sections 1.4, 5.2.3, and 7.2.1.2 of the 2018 Plan.

III. Utility Forecast Updates

Regarding the obligation of each utility to submit updated load forecasts for Commission approval, pursuant to Section 16-111.5(d)(1) of the PUA, ComEd recommended in comments that the IPA add language to the Draft Plan

“highlighting the importance of submitting the most accurate forecast that can be calculated at the time [...] and provid[ing] clear direction to the utilities that they may enhance their econometric models, including adding or deleting variables, in furtherance of providing the most accurate forecast, provided that such enhancements (apart from any updates to the value of the variables) do not result in changes to the base case load forecast that exceed 5 percent. The Draft Plan should also continue to allow utilities to update the value of variables previously included in the model. The updates, of course, would continue to be subject to the consensus of the IPA, ICC Staff, the Procurement Monitor, and the applicable utility.”¹¹

¹¹ Commonwealth Edison Company's Comments on the Illinois Power Agency's 2018 Draft Procurement Plan, September 14, 2017, <https://www.illinois.gov/sites/ipa/Documents/2018ProcurementPlan/ComEd-Comments-Draft-2018-Procurement-Plan.pdf>, at 2-3.

The Agency has added language to Section 7.1.2 (rather than in the “Action Plan” in Section 1.4 of the Plan, as ComEd requested) of the 2018 Plan recommending that, in the future, each utility submit the most accurate and up-to-date load forecast updates available at the time. The filed Plan further recommends that load forecast updates may incorporate refinements including, *inter alia*, changes to variables’ values and reasonable enhancements to econometric models, provided that these refinements are properly disclosed and subject to the IPA, ICC Staff, the Procurement Monitor, and the applicable utility. The IPA did not, however, incorporate ComEd’s proposal to limit econometric model updates to those that produce no more than a 5% change in base case load forecast, as the IPA sees no reason why the accuracy of forecasts should be potentially limited in this way, if a more precise methodology is quickly developed.

IV. Description of PJM Capacity Procurement Requirement for Demand Response

Commission Staff suggested in comments¹² that the Draft Plan be modified to clarify its description of PJM’s capacity procurement process for demand response resources. Accordingly, in Section 6.7, the filed 2018 Plan now states the existing regulatory requirement that demand response resources bidding in PJM’s annual capacity market must be able to meet the annual availability requirements imposed on resources by PJM’s adoption of Capacity Performance requirements.

V. Other Changes Made to the Draft Plan

In addition to correcting various minor errors, the IPA made certain other changes to the Draft Plan in preparing the filed 2018 Procurement Plan. These include, *inter alia*:

- In Section 2.5, the discussion of Ameren Illinois’ and ComEd’s most recent demand response program proposals was updated based on recent legal developments.

¹² Comments by the Staff of the Illinois Commerce Commission on the Illinois Power Agency’s 2018 Draft Power Procurement Plan Released August 15, 2017, September 14, 2017, <https://www.illinois.gov/sites/ipa/Documents/2018ProcurementPlan/Staff-Comments-Draft-Annual-2018-IPA-Plan-20170914.PDF>, at 5-6.

- In Section 2.7, the discussion of the United States government’s proposals around the Clean Power Plan was updated with more recent information.
- In Section 5.1, the Agency has incorporated additional discussion around recent results of the PJM annual capacity auctions (the Reliability Pricing Model / Base Residual Auctions) for the ComEd zone.

VI. Proposals Not Accepted for Inclusion in the 2018 Procurement Plan

The IPA chose not to adopt one suggestion offered by Commission Staff (“Staff”) in comments. Specifically, the Staff noted that the Agency, in Section 8.4 of the Draft Plan, declined to adopt a recommendation from the ICC’s Procurement Monitor, Bates White Economic Consulting, that a minimum quantity threshold be established such that if the amount of the solicitation for a particular product falls below that threshold, then the IPA, Commission Staff, the Procurement Administrator, and the Procurement Monitor could decide not to hold the procurement for that product, and then “roll over” the small targeted quantity to the next procurement event. The IPA stated in the Draft Plan that the costs associated with administering the procurement of incremental small quantities are insignificant, and a protocol exists for addressing the event that a solicitation does not procure the target quantities of a product.

In comments, Staff asserted that (i) discussing the benefit of a procurement event for small target quantities is not burdensome, and (ii) bidders may not participate in a procurement in which the quantities solicited for a particular product are quite small.¹³ Staff also stated that the “protocol” cited by the IPA in the Draft Plan would be only after a procurement event failed to procure a small targeted quantity, while the Procurement Monitor’s proposal is *ex ante* in

¹³ *Id.* at 7.

nature.¹⁴ Thus, Staff advocated that the Agency adopt this proposal in the 2018 Plan, to be subjected by all the decision-making parties to a cost-benefit test each time.¹⁵

The Agency declines to adopt this proposal, on the grounds that the procurement process to this point has been effective and successful. Moreover, departing *ad hoc* from the Plan's scheduled procurements, which are based on a quantity for procurement derived from the utility load forecasts and a Commission-approved hedging strategy, would be inconsistent with the expectations of utilities and other stakeholders, based on the framework detailed in this Plan.

While not all suggestions were included in its filed Plan, the IPA does not wish to foreclose development of issues for consideration in this proceeding or in developing future procurement plans. As such, the IPA welcomes additional discussion of issues that were not fully developed in the comments to date through the Commission proceeding.

VII. Procedural Steps and Proposed Briefing Schedule

As discussed above, within five days of the filing of the Plan, any person objecting to the Plan may file an objection with the Commission.¹⁶ (*See* 220 ILCS 5/16-111.5(d)(3)) In addition, the Commission has ten days from the filing of objections to determine if a hearing is necessary.¹⁷ (*See* 220 ILCS 5/16-111.5(d)(3)) At this time, the IPA does not believe a hearing is necessary to consider or approve the 2018 Plan. As with past years, parties may file objections based on alternative policy recommendations or legal arguments, and the Commission may take those written objections into consideration in approving or modifying the Plan in accordance

¹⁴ *Id.*

¹⁵ *Id.* at 8.

¹⁶ Objections to the Plan are thus due by Monday, October 2, 2017.

¹⁷ In the past, the Commission has interpreted Section 16-111.5(d)(3) as requiring a Commission determination by 10 days after Objections are due (see, e.g., Docket No. 12-0544, Notice of Administrative Law Judge Ruling dated October 10, 2012, wherein the determination came 12 days after the filing of the annual procurement plan and 7 days after objections were due); if the Commission determines that this is the appropriate deadline, it must rule on a hearing by October 12, 2017.

with its authority under Section 16-111.5 of the PUA. However, based on the comments that were submitted in response to the Draft Plan, the IPA anticipates that no hearing will be required.

In prior years, the presiding Administrative Law Judge has instituted a briefing schedule by issuing a Notice to all parties approximately one week after the commencement of the docket.

For consideration of the 2018 Plan, the IPA proposes the following briefing schedule:

- Responses to objections must be filed and served by October 20, 2017;
- Replies, if any, shall be filed and served by October 30, 2017;
- The expected date for the ALJ's Proposed Order is November 13, 2017;
- Briefs on Exceptions must be filed and served by November 20, 2017; and
- Reply Briefs on Exception, if any, must be filed and served by December 1, 2017.

This proposed schedule mirrors the schedule adopted in Docket No. 16-0453 (approving the 2017 Procurement Plan) spanning the latter months of 2016, but now with each deadline occurring exactly one day earlier.

CONCLUSION

The Illinois Power Agency's 2018 Procurement Plan is consistent with the requirements of the Public Utilities Act and Illinois Power Agency Act, meets the needs of the customers it serves, and should be approved by the Commission. The IPA reserves the right to file responsive comments and any corresponding edits to its Procurement Plan, and respectfully requests the Plan's approval in this proceeding.

Dated: September 25, 2017

Respectfully submitted,

Illinois Power Agency

By: /s/ Sameer H. Doshi

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STATE OF ILLINOIS)
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COUNTY OF COOK)

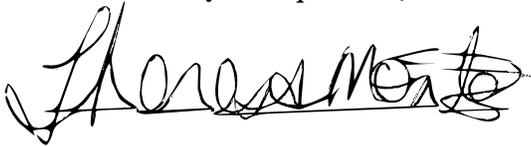
VERIFICATION

Anthony M. Star, being first duly sworn, on oath deposes and says that he is the Director for the Illinois Power Agency, that the above Verified Petition has been prepared under his direction, he knows the contents thereof, and that the same is true to the best of his knowledge, information, and belief.



Anthony M. Star

Subscribed and sworn to me
This 25th day of September, 2017



**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

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NOTICE OF FILING

Please take notice that on September 25, 2017, the undersigned, an attorney, caused the Illinois Power Agency’s Verified Petition for Approval of the 2018 Procurement Plan Pursuant to 220 ILCS 5/16-111.5(d)(4), the 2018 Procurement Plan itself, and the Appendices thereto to be filed via e-Docket with the Chief Clerk of the Illinois Commerce Commission in a new proceeding:

September 25, 2017

/s/ Sameer H. Doshi _____
Sameer H. Doshi