

**IPA Request for Comments – Energy Efficiency
Ameren Illinois Company Informal Response
July 25, 2014**

Question 1:

The IPA has traditionally looked at procurement blocks using regular definitions of those products as on-peak (16 hours on the 5 weekdays) or off-peak (8 hours on 5 weekdays, weekends and holidays). Should the IPA consider procurement of a new resource of demand reducing resources during the summer months for a narrower peak period? If so, how should that “super-peak” period be defined?

At this time and subject to change, Ameren Illinois has no opinion as to whether the IPA should pursue the procurement of blocks for a “narrower” peak period. However, should the IPA desire to do so, Ameren Illinois is of the opinion that supply side options may be available from the bilateral market. For example, the IPA could solicit super peak blocks of energy at a fixed price or other products such as calls or tolling arrangements. Ameren Illinois believes that if the IPA pursues demand reducing resources across the super peak, then comparable supply side resources should also be considered. The product mix that provides the best combination of least cost and reduced risk should be selected.

Question 2:

What types of products should qualify for delivery as a super-peak product? What measures can the IPA take to ensure that super-peak demand-side resources feature an actual lower delivered cost than supply side alternatives? Please provide evidence (either empirical, or modeled) for demand-side resources with delivered costs that could be lower cost than supply side resources.

Ameren Illinois is not aware of any energy efficiency measures that would qualify as a super-peak product. Further, while demand reducing resources may act to reduce peak and therefore resource adequacy requirements (capacity), the impact on energy may be to shift it from one period to another. Ameren Illinois is not aware of a methodology to prove that energy efficiency and demand reducing resources used as contemplated across the super peak are lower cost than supply side resources.

Question 3:

Should a resource for this procurement also be eligible to participate in other energy efficiency (and/or demand response) programs? If so, how should the value of each be accounted for? For example, could a product have its kWh reductions separated between multiple programs? What timing challenges may result from including resources in both supply resource procurement and existing energy efficiency (and/or demand response) programs, and how can those be resolved?

In addition to the difficulties in ensuring such a proposal is least cost and minimizes customer risk, Ameren Illinois is concerned that the complexity of the model proposed could result in double counting of energy efficiency and demand response impacts which in turn results in a lower hedge relative to expectations.

Question 4:

How could delivery of demand-side resources be metered and/or verified? What provisions should apply for non-delivery?

Ameren Illinois has no specific response at this time other than to note that the process for metering and verification would involve a significant amount of administration, technology and cost.

As is done in supply side contracts, non delivery or under delivery of energy efficiency or demand reducing products pertaining to the super-peak should be subject to liquidated damages charges relative to supply replacement costs and also be subject to early termination rights should the contractual terms of the seller not be met.

Question 5:

What limitations, if any, should be placed on customer classes that could provide these resources? Specifically, should it only be potentially eligible retail customers, or all customer classes? Should the resources have to be located within the service territory of the utility to which they are delivered?

Ameren Illinois has no comment at this time regarding the applicable customer classes. However, since supply side resources are procured in the Ameren Illinois load zone, the same should be true if energy efficiency or demand reducing products are pursued by the IPA.

Question 6:

In 2014 the IPA is procuring energy blocks of 25 MW, down from 50 MW in previous procurements. What size block would be appropriate for this potential procurement?

Ameren Illinois is comfortable with the 25 MW blocks associated with supply side procurements. But Ameren Illinois is not aware of any energy efficiency or demand reducing products this large. Such products tend to be small and therefore may need to be aggregated to reach the minimal level of recognition for MISO of 0.1 MW. This could add further complexity to the proposal.

Question 7:

If the IPA were to propose the procurement of super-peak demand-side resources as part of its 2015 procurement plan, could these resources be procured for the upcoming delivery

year (starting June, 2015), or should there be more time given to ramp up any new programs that would deliver these resources?

Ameren Illinois would not recommend implementation by June 2015 given the complexity of the concept.

Question 8:

Are there other approaches the IPA should consider in its procurement plan for procuring resources other than what it has traditionally procured that could lower the total cost of the portfolio used to serve eligible retail customers?

Many electricity trading organizations use a hedging strategy akin to a “funnel approach” whereby numerous procurements are made over time and where each subsequent procurement increases the hedge ratio as the operating day approaches. Under this strategy, procurements made closest to the operating period reflect relatively minor refinements. For example, a fully staffed trade floor could procure yearly, quarterly, monthly, weekly and daily energy in advance of the operating day and potentially hourly energy within the operating day. Since the hedging plan was implemented gradually over time, the result is often that the hedged quantity leading into an operating day is extremely close to the expected load for that operating day. Since the IPA does not have a fully staffed trade floor, it would be impractical to implement hourly, daily or even weekly procurements. But the point is that the IPA could make more frequent purchases gradually over time (including quarterly and perhaps monthly) if the IPA determines this could lower eligible retail customer cost or risk.

In addition, given that the IPA hedges at the average load and this results in some peak hours that are underhedged, the IPA could pursue the procurement of “super peak” blocks of energy during the summer and/or winter where these periods historically contain the most price volatility. For example, the IPA could pursue the procurement of energy for 4 to 6 hours across peak summer hours at a fixed price or the IPA could pursue other financial means to hedge risk during peak periods such as call options with a fixed strike price or call options with a variable strike price based on the spot price of natural gas multiplied by a predetermined heat rate.