

**Sierra Club, Illinois Chapter Comments on the Illinois Power Agency's
2014 Draft Electricity Procurement Plan**

9/16/2013

Summary

Sierra Club offers the following comments on the Illinois Power Agency (“IPA”) efforts to procure renewable energy and energy efficiency in its 2014 procurement plan. To address the specifics of the 2014 plan and the IPA’s requests for feedback, our comments are organized into the following sections: 1) curtailments, 2) Renewable Energy Resources Fund, 3) energy efficiency, and 4) demand response.

1) Curtailments

The lack of renewables 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 renewables procurement in this draft procurement plan should be a wakeup call to legislators that changes in statute are needed to address these problems.

The shifting of load to competitive suppliers threatens to curtail existing renewable energy contracts. Although the IPA has already received pre-approval to curtail its 20-year renewable energy Power Purchasing Agreement (“PPA”), we urge the IPA to consider alternative means to balance oversupply risk in its portfolio. The IPA’s suggestion of procuring a “put option” to sell excess supply shows promise, particularly if procuring this option would prevent further curtailments of the IPA’s renewable energy PPA. We encourage the IPA to develop this alternative further.

2) RERF

The Renewable Energy Resources Fund (“RERF”) is a large and growing opportunity to bring more renewable energy and its benefits to Illinois. We appreciate the information IPA provides on proposed means to spend the RERF. Purchasing curtailed wind Renewable Energy Credits (“RECs”), along with procuring long-term REC contracts from solar and distributed generation, are both good uses of the RERF. In particular, the use of RERF funds could be an important opportunity to make progress towards RPS targets for distributed generation and solar generation. We note that new REC aggregation services may be needed to develop these long-term REC contracts (particularly for distributed generation), and look forward to discussing this issue further with the IPA in upcoming RERF workshops.

We agree with the Illinois Commerce Commission (“ICC”) that “...requiring potentially hundreds of millions of dollars intended to support renewable energy resources to sit dormant in a fund for years on end is highly unlikely to be what the legislature intended in enacting Section 1-56(c) of the IPA Act” which created the RERF.¹ We also note the General Assembly’s appropriation of \$51 million in RERF funds for Fiscal Year 2014 is both an opportunity and an indication of intent to use these dollars for their statutory purpose - to support Illinois renewable energy projects. However, the IPA finds that a RERF procurement event can only be held in conjunction with a utility procurement event, as Illinois law states “The [Illinois Power] Agency shall procure renewable energy resources [via the RERF] at least once each year in conjunction with a procurement event for utilities...”² The IPA argues that this joint procurement is particularly important in establishing

¹ See ICC Docket No. 12-0544, Final Order dated December 19, 2012 at 114.

² See 20 ILCS 3855/1-56(c).

price benchmarking, as the statute states that “The price paid to procure renewable energy credits using monies from the Illinois Power Agency Renewable Energy Resources Fund shall not exceed the winning bid prices paid for like resources procured for electric utilities...”³ However, the IPA also notes in the 2014 plan that alternative, market-based price benchmarking methods could be developed; we concur that price benchmarking could be achieved absent an IPA utility procurement event.

We strongly urge the IPA to work with stakeholders and, as necessary, the General Assembly on plans and permissions needed to spend RERF dollars to support Illinois renewable energy projects. Sierra Club stands ready to participate and assist in those efforts. Another suggestion to consider is that the IPA request pre-approval from the ICC for a RERF procurement, should a utility procurement become necessary due to load shifting back to IPA. This would enable the IPA to use RERF dollars in that circumstance.

3) Energy efficiency

Sierra Club applauds the IPA for increased energy efficiency spending in its 2014 procurement plan, and notes reduced procurement needs as a result. Increased energy efficiency spending reduces the cost of electricity and our reliance on conventional sources of power, delivering environmental benefits to Illinois.

We generally concur with the comments that Natural Resources Defense Council (“NRDC”) has submitted on the energy efficiency portions of the IPA procurement plan, and seek to highlight three issues we view as particularly important:

- DCEO participation. We agree with NRDC that the Department of Commerce and Economic Opportunity (“DCEO”) energy efficiency (“EE”) programs should be included in the IPA’s 2014 procurement plan. We recognize the difficulty in integrating DCEO’s EE programs, as the DCEO is not a utility, nor can it participate easily in the third-party EE bidding process as a state agency. We suggest that the IPA request authority from the ICC to include state-sponsored EE programs in its procurement plan, on a level comparable to utility-sponsored EE programs. This will help to both improve the 2014 plan’s forecast accuracy, and to ensure that the largest amount of cost-effective EE is procured.
- Competing and duplicative programs. Sierra Club agrees with NRDC that some worthy third-party EE programs may have been unfairly excluded from the 2014 procurement plan because ComEd or Ameren deemed them to be “competing” or “duplicative” to their utility-sponsored EE programs. We encourage the IPA to develop a more formal process for determining if EE programs are competing or duplicative; these formal metrics could be applied by ComEd/Ameren, or preferably by the IPA to ensure an impartial evaluation.
- Filing timelines. Sierra Club agrees that the misaligned approval timelines for the IPA procurement plan and the utilities’ Section 8-103 energy efficiency plans adds greater uncertainty to the EE procurement process, and could result in less cost-effective EE resources being procured. The IPA’s suggestion that the ICC conditionally approve the EE resources bid into the 2014 IPA procurement plan is a good first step. However, we support a more permanent effort to align the approval timelines, to help ensure greater certainty and transparency in the EE procurement process.

³ See 20 ILCS 3855/1-56(d).

4) Demand response

Sierra Club offers two suggestions to better integrate demand response resources into the 2014 procurement plan, or future plans. First, the IPA suggested that “Negawatts” of energy efficiency could be procured to substitute for peak electric supply. We believe this idea shows promise in terms of economic and environmental benefits, and we further suggest that “Negawatts” of demand response could also be procured. Second, the IPA should consider more actively reviewing and guiding the utilities’ capacity procurements. Demand response is increasingly becoming a more prominent and reliable capacity resource, particularly in PJM’s capacity market. However, the current IPA procurement process provides little information on the “supply mix” of the utilities’ capacity resources. We are very interested in the amount of demand response/EE resources that are providing capacity in Illinois, and suggest that the IPA consider more actively engaging in capacity procurements to ensure the maximum amount of cost-effective demand response/EE is procured.

Conclusion

Sierra Club appreciates the opportunity to review and comment on the IPA’s 2014 Draft Electricity Procurement Plan, and recommends that it be submitted to the ICC incorporating the recommendations made herein.

Respectfully submitted,

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