

WIND ON THE WIRES' COMMENTS
ON THE ILLINOIS POWER AGENCY'S
DRAFT 2014 ELECTRICITY PROCUREMENT PLAN – August 15, 2013

Wind on the Wires appreciates the time and effort the Illinois Power Agency has put into collecting and analyzing the necessary information to develop the 2014 electricity procurement plan. After reviewing the Draft 2014 Electricity Procurement Plan (“Draft Plan”), Wind on the Wires’ provides comments listed in the table of contents regarding the Renewable Resource Procurement for Ameren Illinois and Commonwealth Edison (“ComEd”) (jointly referred to as the “Utilities”) and Alternative Retail Electric Suppliers. (“ARES”).

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BACKGROUND

On August 15, 2013, the Illinois Power Agency (“IPA”) made its Draft Plan publicly available for comment, as required by 220 ILCS 5/16-111.5 (d)(2). The Draft Plan lays out a procurement strategy for both Commonwealth Edison (“ComEd”) and The Ameren Illinois Utilities (“Ameren”) (jointly referred to as “Utilities”). The IPA has requested comment by September 16, 2013.

COMMENTS

[1] Wind On The Wires Supports the IPAs Proposal to Use the Renewable Energy Resources Fund to Purchase The Renewable Energy Resources That Are Curtailed By The Utilities

A key feature of building cost effective renewable energy is stability in financing. The IPAs proposal to spend some of the Renewable Energy Resources Fund (“RERF”) money to procure RECs that have been curtailed by ComEd and Ameren Illinois (See Draft Plan at 102) will provide stability for the renewable energy resources market – for the utilities, the suppliers, the lenders, and the consumers in Illinois. Ideally, the IPA should procure new renewable energy resources with money in the RERF, however, using that money to procure portions of the long term renewable contracts that may be curtailed is sound policy that sends a signal that the IPA is committed to fostering a viable renewable energy resources market. As such, this proposal is a valid short-term use of the RERF given the unforeseen and rapid drop in utility load caused by retail competition and municipal aggregation.

[2] The IPA Should Purchase Any Renewable Energy Resources that Ameren Illinois May Have to Curtail Due to Loss of Electricity Load

Tables 8-3 and 8-4 indicate that Ameren Illinois' and ComEd's spending will exceed the RPS Budget in each procurement year from 2014 to 2019. The Draft Plan should add language noting that these forecasts predict a need for curtailment of the LTPPAs and that the 2014 spring load forecasts be used to determine the actual amount of curtailments that are warranted.

PROPOSED REPLACEMENT LANGUAGE at page 100:

As noted above, the Illinois Power Act includes a limit on each utility's spending on renewable procurement. For the 2013-2014 delivery year, the ICC has approved curtailment of ComEd's existing long-term renewable contracts to keep the cost of renewable energy resource under the statutory cap.¹⁰⁹ The data presented in Tables 8-3 and 8-4 is based on the utilities July load forecasts. This data forecasts the need for both Ameren and ComEd to curtail their existing long-term renewable contracts over the next five years. A final determination on the volume of curtailment will be based on the Spring load forecasts provided by the utilities. Ameren may be obliged to do the same in the coming years. This section addresses the utilities' committed RPS contracts relative to the spending cap and possible curtailment for the 2014-2015 and subsequent delivery years.

[3] The Draft Plan Should Include a Table Clearly Communicating the Utilities' Historical and Current Alternative Compliance Payments

Section 8.3.1 describes the status of hourly alternative compliance payments held by the utilities. This description is insufficient to understand the running balances from year to year. Wind on the Wires has created tables representing the ACP each

has collected in a year, the amount available to be spent in a delivery year and the actual amount spent.

Ameren Illinois Alternative Compliance Payments					
ACP Collection Year	ACP From Previous Years	ACP Collected	Delivery Year that ACP is to be Spent	Total ACP to be Spent in Delivery Year	ACP Spent in Delivery Year
2010-2011		\$ 424,440	2012-2013	\$ 424,440	0
2011-2012	\$ 424,440	\$ 139,252	2013-2014	\$ 563,692	0
2012-2013	\$ 563,692	\$ 1,800,484	2014-2015	\$ 2,364,176	0
2013-2014	\$ 2,364,176	\$ 1,800,484	2015-2016	\$ 4,164,660	

From the information presented in the Draft Plan it is difficult to complete a table for ComEd.

ComEd Alternative Compliance Payments					
ACP Collection Year	ACP From Previous Years	ACP Collected	Delivery Year that ACP is to be Spent	Total ACP to be Spent in Delivery Year	ACP Spent in Delivery Year
2010-2011		\$ 1,499,113	2012-2013	\$ 1,499,113	0
2011-2012	\$ 1,499,113	\$ 284,847	2013-2014	\$ 1,783,960	?
2012-2013	#VALUE!	\$ 4,099,937	2014-2015	#VALUE!	?
2013-2013	?	?			

Including tables similar to those above would clearly convey the status of the utility ACP funds to all interested stakeholders.

[4] In the Event There is No Change in Law and There is a Renewable Resource Procurement for the Utilities the Draft Plan Needs to Define its Criteria for Both Utility Procurements and RERF Procurements

The bulletpoint at the top of page 103 of the Draft Plan states the following:

If there are no changes in law and the ICC does authorize renewable energy resource procurements on behalf of eligible retail customers, then the IPA will use some or all of the RERF to expand the budget of the procurements according to the IPA's **highest product priorities**. Draft Plan at 103 (emphasis added).

The Commission addressed the priority of renewable energy resources products for the utilities in Orders 07-0527 and 07-0528, but that was prior to the addition of the sub-requirements for solar and distributed generation. The IPA's primary focus in procuring renewable energy resources for the utilities should be to procure a portfolio of renewable energy resources that enable the utilities to meet the 25% target by 2025. The IPA cannot continue to buy one-year RECs. Energy markets are starting to see REC prices increase. Recent REC procurements in PJM states yielded prices in the \$14-\$16 per megawatt-hour for a one-year wind REC. This is much higher than recent REC procurements for Illinois, which range from \$1 to \$5. It also indicates that the increasing state renewable energy requirements are approaching the existing renewable energy supply in PJM and MISO, and that more renewable energy will be needed.

The IPA should attempt to reach the RPS target level of each resource (i.e., wind, solar and distributed generation) with a portfolio of products that will yield the lowest cost for that renewable energy resource from 2014 to 2025. This requires a

longer term look to develop a portfolio of renewable energy resource products that will balance long term price stability with short term products.

Therefore, while it probably is not needed for 2014-2015, the IPA should start preparing a proposed portfolio of renewable energy products for wind, solar and distributed generation that meets the target percentages for those resources with the lowest average renewable energy resource cost from 2014 to 2025. An additional benefit of having a portfolio of products, instead of one year RECs, is that it allows the IPA to have prices for similar products' as a comparison for its RERF procurements.

In this bulletpoint, the IPA also states that it will use the "RERF to expand the budget for the procurements according to the IPA's highest product priorities." (Draft Plan at 103) Wind on the Wires' recommends that the IPA use the RERF in the most cost effective manner; buying RECs that are lowest cost. The IPA should first, buy the curtailed RECs from existing utility contracts; second, attempt to reach the target levels of each resource (i.e., wind, solar and distributed generation) with the lowest cost RECs for that resource; third, if there is money remaining in the RERF after the foregoing procurements, the IPA should buy the lowest cost RECs of any resource.

The IPA should revise the first bulletpoint on page 103 as recommended below.

PROPOSED REPLACEMENT LANGUAGE on page 103:

If there are no changes in law and the ICC does authorize renewable energy resource procurements on behalf of eligible retail customers, then the IPA will satisfy the RPS target percentages for each resource with a portfolio of products that will yield the lowest cost for that renewable energy resource from 2014 to 2025. In procuring RECs with use some or all of the RERF to the IPA will [1] buy the curtailed RECs from existing utility contracts; [2] analyze the quantities of wind procured via the purchase of curtailed RECs described above and will fill the balance of the requirement with

RECs from existing wind energy facilities: [3] attempt to reach the target levels of each resource (i.e., wind, solar and distributed generation) with the lowest cost RECs for that resource; and [4] if there is money remaining in the RERF after the foregoing procurements, the IPA may buy additional RECs that are the lowest cost RECs of any resource. expand the budget of the procurements according to the following IPA's highest product priorities:

[5] The Draft Plan Needs to Clarify its' Renewable 'Product Priorities' in the Event the IPA is Allowed to Spend Funds from the RERF 'Not In Conjunction With' a Utility Procurement of Renewable Resources

In the second bullet point at the top of page 103, the Draft Plan states the following:

If there are changes in law sufficient to allow the IPA to procure renewable energy resources at the IPA's discretion and not necessarily in conjunction with a utility procurement, then the IPA plans to spend funds from the RERF in accordance with the provisions of Section 1-56(b). **In particular the IPA will seek to achieve the goals for procuring solar and distributed renewable energy resources.** Section 1-56(b) also specifies that 75% of resources procured come from wind. The IPA will analyze the quantities of wind procured via the purchase of curtailed RECs described above and will fill the balance of the requirement with RECs from existing wind energy facilities. Draft Plan at 103 (emphasis added).

This bulletpoint discusses the IPAs intent to use the RERF in the event there is a change of law allowing them to use the RERF "not necessarily in conjunction with a utility procurement." The quote above seems to indicate that the IPA intends to achieve the goals for solar and distributed renewable energy resources ahead of that of wind.

For the same reasons discussed in Comment (4), *supra*, Wind on the Wires' recommends that the IPA use the RERF in the most cost effective manner; buying

RECs that are lowest cost. The IPA should first, buy the curtailed RECs from existing utility contracts; second, attempt to reach the target levels of each resource (i.e., wind, solar and distributed generation) with the lowest cost RECs for that resource; third, if there is money remaining in the RERF after the foregoing procurements, the IPA should buy the lowest cost RECs of any resource.

The IPA should revise the second bulletpoint on page 103 as recommended below.

PROPOSED REPLACEMENT LANGUAGE on page 103:

If there are changes in law sufficient to allow the IPA to procure renewable energy resources at the IPA's discretion and not necessarily in conjunction with a utility procurement, then the IPA plans to spend funds from the RERF in accordance with the provisions of Section 1-56(b). In procuring RECs with some or all of the RERF the IPA will [1] buy the curtailed RECs from existing utility contracts; [2] In particular the IPA will seek to achieve the goals for procuring solar and distributed renewable energy resources. Section 1-56(b) also specifies that 75% of resources procured come from wind. The IPA will analyze the quantities of wind procured via the purchase of curtailed RECs described above and will fill the balance of the requirement with RECs from existing wind energy facilities; [3] attempt to reach the target levels of each resource (i.e., wind, solar and distributed generation) with the lowest cost RECs for that resource; and [4] if there is money remaining in the RERF after the foregoing procurements, the IPA may buy additional RECs that are the lowest cost RECs of any resource.

[6] In the Event that the RPS is Changed, the Criteria the IPA Uses Should Prioritize Resources Based on Cost Instead of Pre-Determining the Resources it Will Buy

The Plan provides criteria for a strawman proposal to begin conversation in the event a bill passes in the legislative veto session that changes the renewable energy procurement statute. (Draft Plan at 103)

The criteria stated in section 8.4 (Draft Plan at 103) prioritizes DG carve out ahead of solar and wind. It is highly likely that a bill revising the renewable energy procurement statute will still have a RPS budget or cost cap or cost effectiveness test. The Draft Plan should recognize that fact by establishing criteria that is based on costs and on reaching the 25% target in the lowest cost.

Therefore, the IPA should revise the criteria provided in section 8.4 (page 104) as recommended below.

PROPOSED REPLACEMENT LANGUAGE on page 103:

1. Satisfy statutory overall RPS percentages;
2. Reach the target levels of each source with the lowest cost RECs for that source, valuing the lowest cost resources ahead of the higher cost resources;
3. Once those target levels are met, use the remaining money to procure a portfolio of products that would yield the lowest average resource cost over the period 2014 to 2025.

~~Satisfy the DG carve out using solar DG in conjunction with any procurement done utilizing the RERF~~

- ~~3. Utility-scale new solar~~
- ~~4. Utility-scale new wind~~

CONCLUSION

WHEREFORE, Wind on the Wires recommends that the 2014 Electricity Procurement Plan to be submitted to the Illinois Commerce Commission incorporate the recommendations made herein.

Respectfully submitted,

_____/s_____
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