



**OFFICE OF THE ATTORNEY GENERAL
STATE OF ILLINOIS**

Lisa Madigan
ATTORNEY GENERAL

November 30, 2017

VIA ELECTRONIC MAIL

Torsten Clausen
Illinois Commerce Commission
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Re: Pre-Workshop Comments, Resource Adequacy in MISO Zone 4

Dear Mr. Clausen:

On behalf of the People of the State of Illinois, represented by Attorney General Lisa Madigan, we are writing to provide our response to the Staff of the Illinois Commerce Commission's ("ICC") invitation to submit pre-workshop comments "regarding the issue of electricity resource adequacy in MISO Zone 4, including suggestions for conducting the first workshop."

Your invitation requested stakeholder views on "(1) the state of resource adequacy in MISO Zone 4; (2) the ability of existing state and federal rules, regulations, and laws to ensure resource adequacy; (3) changes, if any, that should be made to state rules, regulations, or laws to better ensure resource adequacy; and (4) any other topics that are relevant with respect to MISO Zone 4 resource adequacy." In addition, the invitation "welcome[d] comments and suggestions for the format and organization of the first workshop."

ICC Staff issued a whitepaper on resource adequacy in MISO Zone 4 on November 1, 2017 ("ICC Whitepaper"). Please note that failure to comment on any particular matter addressed in the whitepaper should not be taken as agreement or disagreement.

1. The state of resource adequacy in MISO Zone 4 is sound.

"Currently, Zone 4 has 57 utility-scale generating stations, with a combined nameplate capacity of over 16,000 MWs and summer capacity of over 14,000 MWs." ICC Whitepaper at 6. Recent MISO capacity local clearing requirements, however, have been less than 6,000 MWs. *Id.* This

demonstrates that Zone 4 does not currently face a capacity shortage and has more than sufficient capacity to address potential changes in both load and resources.

A key advantage in Zone 4 is “transmission import capability,” which allows Illinois to access low-cost generation resources from other zones in MISO and from areas outside MISO, thereby minimizing the cost of capacity and energy for Illinois consumers. *Id.* at 12. Also, under construction are new MISO transmission lines in Illinois and other zones that, “[w]hen completed, [] will increase the import capability for almost all transmission zones in MISO and, in particular, enable access to lower-cost surplus generation located outside of Zone 4.” *Id.* at 13.

In addition, new renewable resources in Central Illinois are expected to come online soon. The Illinois Power Agency (“IPA”) conducted the initial forward procurement pursuant to Public Act 99-0906, also known as the Future Energy Jobs Act. The winning bidders included:¹

Name	Project Location	Project Size
Alta Farms Wind Project II, LLC	DeWitt County	200 MW
Broadlands Wind Farm LLC	Douglas County	202 MW
Cardinal Point LLC	McDonough/Warren Counties	150 MW
Prairie State Solar, LLC	Unknown	Unknown

See also ICC Whitepaper at 2-3 (“As of October 2017, there are twenty-eight generator interconnection projects totaling almost 4,400 MWs of capacity in MISO’s queue for Zone 4.”).

Central Illinois is also drawing interest from developers of new natural gas plants. For example, EmberClear is seeking to build a 1,100 MW combined-cycle gas plant near Pawnee, IL. The company’s project manager told *Platts* that he “believes an eventual buildout of 4,000 MW to 5,000 MW of gas-fired generation is possible in MISO Zone 4,” which only has 1,124 MW of combined-cycle gas generation currently (compared to 11,360 MW of coal, 1,065 MW of nuclear, and 3,229 MW of gas-fired peaking units).² *See also* ICC Whitepaper at 7 (discussing Illinois’ large amount of peaker gas plants and small portion of combined-cycle technology).

Renewables and gas capacity are moving forward in development despite the slow growth of consumer demand for power due to improved efficiency throughout the economy. We can expect to see continuation of this trend through initiatives such as the Future Energy Jobs Act’s expansion of utility energy efficiency programs. What these trends indicate is that new renewables and gas development can be expected to replace existing generation in MISO Zone 4, a turnover that further contributes to the soundness of electric capacity in the region and to the health of area residents.

¹ Sources:

<https://www.icc.illinois.gov/downloads/public/Public%20Notice%20of%202017%20Wind%20and%20Solar%20REC%20Procurement%20Results%202017-09-07.docx>
<http://tradewindenergy.com/project/altafarmswindproject/>
<http://www.tdworld.com/renewables/interconnect-deal-filed-miso-202-mw-broadlands-wind-project>
<http://www.news-gazette.com/news/local/2017-06-23/texas-company-planning-wind-farm-douglas-county.html>
<http://www.capitalpower.com/generationportfolio/US/Pages/CardinalPointWind.aspx>

² <https://www.platts.com/latest-news/electric-power/louisville-kentucky/gas-coal-interests-collide-over-gas-plant-proposed-21190668>

The 2017 OMS-MISO Survey (“OMS” stands for Organization of MISO States) is another data point supporting the robustness of energy capacity available now and going forward in the MISO-Illinois region. The 2017 OMS survey projects surpluses of generation in Zone 4 of 0.7 to 1.6 GWs in the 2018 delivery year and 0.4 to 1.5 GWs for the 2022 delivery year. ICC Whitepaper at 10-11. Indeed, “[t]he reserve margin across the MISO region is expected to range from 16-22 percent in the 2018-2022 timeframe,” “above the target planning reserve margin requirement of 15.8 percent.” *Id.* at 10.

2. Existing state and federal rules, regulations, and laws have the ability to ensure resource adequacy.

As demonstrated above, and through the ICC Whitepaper, the current system of FERC, NERC, RTO, and state oversight have resulted in a robust and reliable generation mix in the MISO-Illinois area. Major interventions are unnecessary and disruptive; for example, the U.S. Department of Energy’s Grid Reliability Proposal current pending before FERC, which has produced widespread opposition from stakeholders across the energy industry as both unnecessary and disruptive to energy and capacity markets.

3. Any changes made to state rules, regulations, or laws regarding resource adequacy should be for environmental reasons or to reduce costs to consumers, not to funnel more revenue to existing generators.

Again, the existing regime is producing a reliable electric grid with plenty of generating capacity. The People do not believe that changes are needed to state rules, regulations, or laws due to concern for resource adequacy; however, changes could be made for other reasons, outside the scope of these workshops, such as to encourage reduction in greenhouse gas emissions or to reduce costs for low- and fixed-income customers.

Some generators have argued that they lack sufficient revenue to operate certain generating units, and that they need additional revenues to avoid closing generating units where the costs of operation exceed market revenues. Given the more than sufficient capacity available to serve Zone 4 both from within Zone 4 and from other MISO zones, the market properly produces prices sufficient to compensate the lowest cost resources. Illinois rules, regulations and laws should not be changed to increase market prices to assure operation of otherwise uneconomic and inefficient generating units.

4. The first agenda item in the workshops should be ICC Staff presenting the results of its whitepaper, followed by a status review of various proceedings affecting resource adequacy; in addition, ground rules for the workshops should require that any proposals for action include at the outset an analysis of cost to consumers.

The People believe it is important to have a baseline of facts so that workshop participants can proceed from a common starting point. Accordingly, the ICC Whitepaper should be presented by Staff as the initial agenda item. Participants should also be updated on the various FERC, RTO, and other proceedings that are in process and are instructive on MISO workshop topics:

- FERC’s consideration of DOE’s Grid Reliability and Resilience Pricing docket to provide guaranteed revenue and profits to coal and nuclear plants;

- PJM’s Energy Price Formation Proposal to allow inflexible units to set locational marginal prices;
- PJM’s Capacity Construct and Public Policy Senior Task Force, which is working towards a “two-tier” capacity market pricing system that would ratchet up the price of subsidized generators’ bids;
- FERC’s review of generator requests for a rule that would increase prices when state statutes support or subsidize local resources outside the market (the “minimum price offer rule” or MOPR);
- FERC’s review of changes to PJM’s “pseudo-tie” rules that allow MISO plants to sell both energy and capacity into PJM (several Illinois plants are currently pseudo-tied into PJM);
- MISO’s consideration of capacity market rule changes that could increase Illinois prices by requiring more Illinois-based generation (i.e., increasing the local clearing requirement);
- Vistra Energy acquisition of Dynegy³ and the uncertainties about the future of its Illinois coal-fired power plants; and
- Pending litigation in the federal courts over state policies such as zero emission credits (ZECs) and renewable portfolio standards.

The People also urge that the cost to consumers be a core consideration of every proposal put forth in the workshops. Participants need to have a sense of the potential costs to consumers of different options that may be considered—and this should be an analysis included at the outset of considering any proposal. Including upfront costs analyses as a “ground rule” of the workshops will ensure that this important aspect is not left as an afterthought once a concept has advanced along in the process.

* * * *

Thank you for your consideration of these comments. We can be reached at the telephone numbers and email addresses listed below should you have any questions or wish to discuss our comments. Our office is available to participate in the workshops and any panels that may be convened as appropriate.

³ <http://www.chicagobusiness.com/article/20171101/NEWS11/171109982/what-will-illinois-new-power-player-do-with-struggling-downstate-plants>

Sincerely,

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