



**INITIAL COMMENTS
ON THE SUMMER 2018 THROUGH SPRING 2019
ELECTRIC PROCUREMENT EVENTS**

**PURSUANT TO SECTION 16.111.5(o) OF THE
ILLINOIS PUBLIC UTILITIES ACT**

**Presented to:
THE ILLINOIS COMMERCE COMMISSION**

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TABLE OF CONTENTS

I.	INTRODUCTION AND SUMMARY OF TOPICS	3
II.	SUMMARY OF RECENT RFP RESULTS.....	3
	A. Fall 2018 Energy RFPs.....	4
	B. Fall 2018 Capacity RFP.....	4
	C. Spring 2019 Energy RFPs	4
	D. Spring 2019 Capacity RFP	6
	E. Bates White’s Reports and Recommendations on All Seven Procurements	8

I. INTRODUCTION AND SUMMARY OF TOPICS

As the Illinois Commerce Commission’s (“Commission”) Procurement Monitor, we appreciate the opportunity to submit these comments in response to the Commission’s May 8, 2019 “Public Notice of Informal Hearing (Request for Comments) Concerning Electric Procurement Events Which Were Held From Summer 2018 Through Spring 2019” (“Request for Comments”). We served the Commission as its Procurement Monitor for all energy and capacity procurement events, as we have for several years.

The Illinois procurement process for electricity products continues to work well and to the benefit of Illinois ratepayers. In these comments, we summarize and comment on the results of the five energy and two capacity procurement events held between summer 2018 and spring 2019.

II. SUMMARY OF RECENT RFP RESULTS

We begin with a brief summary of the results of the five energy and two capacity procurement events – or Request for Proposals (“RFPs”) – held between summer 2018 and spring 2019,¹ which are shown below in Table 1.² Each procurement was held in accordance with Commission Orders.

Table 1
Electric Procurement Events Held Between Fall 2018 and Spring 2019

Date	Buyer	Product
Fall 2018	Ameren	Energy
Fall 2018	ComEd	Energy
Fall 2018	Ameren	Capacity
Spring 2019	Ameren	Energy
Spring 2019	ComEd	Energy
Spring 2019	MidAmerican	Energy
Spring 2019	Ameren	Capacity

¹ The information in this report is publically available. For each of these procurements, we provided the Commission with a detailed, confidential report summarizing the results and our analysis of the competitiveness of the procurements.

² The schedule of electric procurements is determined in advance by the Illinois Power Agency (“IPA”) and approved by the Commission. The IPA Plan for 2018 was generally accepted by the Commission in an Order dated December 20, 2017 issued in Docket No. 17-0392 (“December 2017 Order”). The IPA Plan for 2019 was accepted by the Commission in an Order dated November 26, 2018 issued in Docket No. 18-1564 (“November 2018 Order”).

A. Fall 2018 Energy RFPs

In September 2018, Ameren and ComEd held³ concurrent RFPs to procure energy to meet all or part of each utility's remaining forecasted need for the three service years from October 2018 through May 2021. Energy contracts were procured in 25 MW blocks for each month in peak and off-peak segments. Energy procured was to be physically delivered to the utilities' respective load zones.

The RFPs successfully procured 100 percent of Ameren and ComEd's solicited need. The overall load-weighted average winning price for Ameren energy was \$28.55/MWh and \$27.10/MWh for ComEd.⁴ The total value of the contracts signed as a result of the RFPs was about \$63.4 million for Ameren and \$220.1 million for ComEd. As required, all winning bids were priced below calculated benchmark values. The Commission approved the results of the RFPs on September 14, 2018.⁵

B. Fall 2018 Capacity RFP

In September 2018, Ameren also procured "zonal resource credits" ("ZRCs") for the 2019-2020 Planning Year, which extends from June 1, 2019 to May 31, 2020. Ameren, as a member of the Midcontinent Independent System Operator ("MISO"), must satisfy certain resource adequacy requirements. ZRCs represent a commitment of capacity from planning resources that can be relied upon by MISO, where each ZRC equals one MW of unforced capacity. The average winning price for the ZRCs successfully procured was \$27.51/MW-day. As required, all winning bids were priced below the calculated benchmark values. The Commission approved the results of the RFP on September 12, 2018.⁶

C. Spring 2019 Energy RFPs

The Spring 2019 Energy RFPs solicited sufficient energy to make sure that (a) at least 100 percent of each utility's forecasted need for June 2019 to September 2019 would be filled

³ Technically, all procurements are held by the Illinois Power Agency's ("IPA") procurement administrator, NERA Economic Consulting. For simplicity, we refer only to the utilities in the text of this document.

⁴ Because Ameren sought proportionally more blocks in some months than ComEd, and vice versa, it is difficult to draw direct comparisons between these prices. Additionally, these numbers are derived from public information and rounded.

⁵ Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Fall 2018 Procurement of Standard Energy Blocks," September 14, 2018.

⁶ Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency, Fall 2018 Procurement of MISO Zonal Resource Credits," September 12, 2018.

and (b) 75 percent of the October 2019 to May 2020 need would be met. For the 2020-21 and 2021-22 delivery years, the 2019 RFPs – both the Spring and Fall 2019 RFPs combined – will solicit up to 50 percent and 25 percent, respectively, of need with half procured in the Spring RFP and the remainder in the Fall RFP. Energy contracts were procured in 25 MW blocks for each month in peak and off-peak segments. The energy will be physically delivered to the utilities’ respective load zones. The RFPs successfully procured all of Ameren’s, ComEd’s, and MidAmerican’s stated energy need.

The overall load-weighted average winning energy prices were \$29.15/MWh for Ameren, \$27.51/MWh for ComEd, and \$35.90/MWh for MidAmerican.⁷ The total value of the contracts signed as a result of the RFPs were about \$108.0 million for Ameren, \$355.1 million for ComEd, and \$1.3 million for MidAmerican. As required, all winning bids were priced below calculated benchmark values. The Commission approved the results of the RFPs on April 26, 2019.⁸

Figures 1 and 2 show, respectively, the recent load-weighted average winning prices observed in recent Ameren and ComEd energy RFPs, going back to the Spring of 2015.⁹

⁷ Because Ameren sought proportionally more blocks in some months than ComEd, and vice versa, it is difficult to draw direct comparisons between these prices. Additionally, MidAmerican’s low quantity of total bids solicited confounds comparisons with the other utilities. As we have discussed in previous comments, the small size of MidAmerican’s procurements can dissuade bidders from participating. In previous comments, we observed low participation has hindered MidAmerican’s ability to consistently procure 100% of its target solicitation. This particular procurement, however, highlights a disparate effect of low bidder participation – higher average prices. As long as MidAmerican’s solicitations remain small, we expect to observe similar results in future procurements.

See, for example, Bates White’s “Initial Comments on the Summer 2017 through Spring 2018 Electric Procurement Events,” Presented to the Illinois Commerce Commission, July 27, 2018 (“Bates White’s 2018 Comments”), page 8.

⁸ Illinois Commerce Commission, “Public Notice of Successful Bidders and Average Prices, Illinois Power Agency Spring 2019 Procurement of Standard Energy Blocks,” April 26, 2019.

⁹ The prices shown in Figures 1 and 2 are load-weighted average prices that are derived from public information and rounded. They represent the average price observed for all products procured in that procurement. For example, the price shown for the Spring 2015 RFP is the load-weighted average price for all products procured at that procurement, which included three years of future energy delivery of both peak and off-peak products. Also, since the number of products solicited in each RFP varies both seasonally and with changes in load forecasts, direct price comparisons are made more challenging.

Figure 1. Recent Load-Weighted Average Winning Prices, ComEd Energy RFPs (\$/MWh)

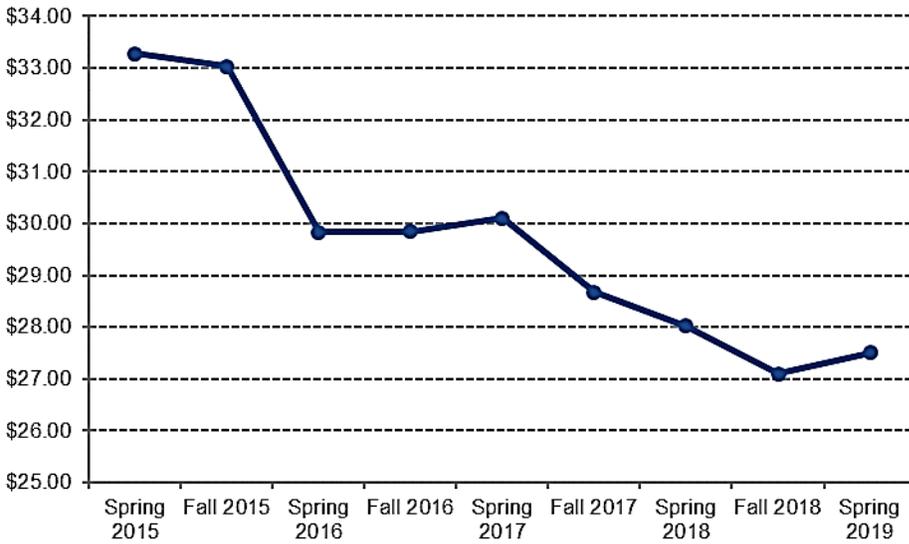
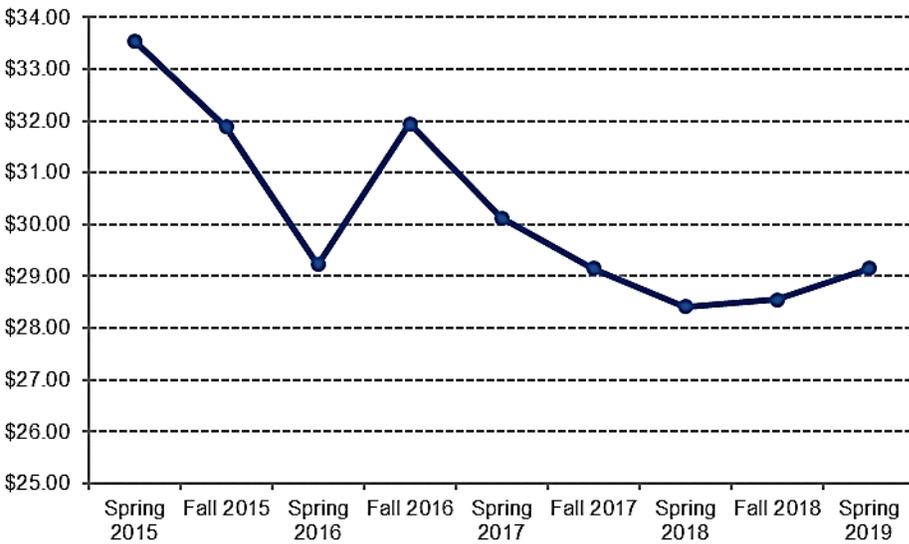


Figure 2. Recent Load-Weighted Average Winning Prices, Ameren Energy RFPs (\$/MWh)



D. Spring 2019 Capacity RFP

For the second consecutive year, the IPA’s Procurement Plan called for Ameren to hold two RFPs to procure ZRCs – one in the spring and one in the fall. Additionally, the 2019 Procurement Plan called for Ameren to procure ZRCs for two planning years. In April 2019, Ameren procured for both the 2020-2021 Planning Year, which extends from June 1, 2020 to May 31, 2021, and the 2021-2022 Planning Year, which extends from June 1, 2021 to May 31,

2022. As explained above, this procurement is used to help satisfy certain resource adequacy requirements Ameren has as a member of MISO. ZRCs represent a commitment of capacity from planning resources that can be relied upon by MISO, where each ZRC equals one MW of unforced capacity.

The RFP successfully procured 23 percent of the total ZRCs solicited from three bidders. For the 2020-2021 Planning Year, the RFP procured 98 ZRCs of the 434 solicited at an average winning price of \$24.65/MW-day. The total value of the contracts signed as a result of the RFP was approximately \$881.7 thousand. For the 2021-2022 Planning Year, the RFP procured 49 ZRCs of the 214 solicited at an average winning price of \$27.99/MW-day and a total contract value of \$500.6 thousand. As required, all winning bids were priced below the calculated benchmark values. The Commission approved the results of the RFPs on May 2, 2019.¹⁰

Figure 3 shows the average winning price for ZRCs for all RFPs held since 2015.¹¹ Figure 3 shows the dramatic reduction in ZRC prices observed in recent RFPs when compared to the Fall 2015 and Fall 2016 RFPs. In past comments, we have explained that the capacity procurement's primary goal is to hedge Ameren's exposure to MISO's capacity auction, the Planning Reserve Auction ("PRA"),¹² and that PRA prices have been volatile due to a series of substantive changes over the past few years that have impacted PRA prices in Ameren's zone, Zone 4.¹³

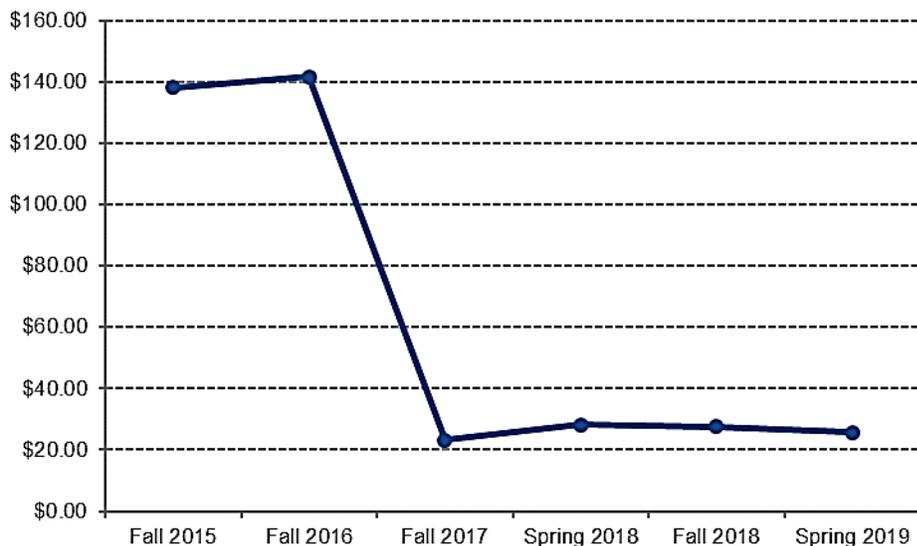
¹⁰ Illinois Commerce Commission, "Public Notice of Successful Bidders and Average Prices, Illinois Power Agency, Spring 2019 Procurement of MISO Zonal Resource Credits," May 2, 2019.

¹¹ The prices shown in Figure 3 are average winning prices that are public information. They represent the average price observed for all products procured in that procurement. For example, the price shown for the Fall 2015 RFP is the average price for all ZRCs procured at that procurement, which were to be delivered in the 2016-2017 Delivery Year.

¹² Illinois Power Agency, 2018 Electricity Procurement Plan, April 6, 2018, Table 1-3, page 3.

¹³ See, for example, Bates White's "Initial Comments on the Summer 2017 through Spring 2018 Electric Procurement Events," Presented to the Illinois Commerce Commission, July 27, pages 13 to 14.

Figure 3. Recent Average Winning Prices, Ameren ZRC RFPs (\$/MW-day)



E. Bates White’s Reports and Recommendations on All Seven Procurements

Following each of the seven procurements held between summer 2018 and spring 2019, we provided a confidential report to the Commission that presented the procurement results and assessed bidder behavior and compliance with the rules. In each case, we recommended the Commission approve the results. We did so for several reasons, including: (a) the RFP processes were open, fair, and transparent; (b) the procurement events were run in accordance with the requirements of the Acts and Commission-approved rules; (c) the benchmarks were properly calculated and applied to the bids; and (d) we did not identify concerns with the actions of any affiliates of Ameren, ComEd, or MidAmerican, as applicable. Overall, the Illinois RFPs continue to succeed in leveraging the power of competition for Ameren, ComEd, and MidAmerican ratepayers. The procurements employ best practices to the benefit of ratepayers, a point we have made in the past.¹⁴

¹⁴ See, for example, Vincent Musco, “The unsung benefits of *wholesale* competition to electric utility customers who forgo *retail* competition,” *The Electricity Journal*, Volume 30, 2017, pages 23 to 29.