

**Illinois Commerce Commission
Resource Adequacy in MISO Zone 4
Comments
Of
Grain and Feed Association of Illinois**

January 11, 2018

Introduction

The Grain and Feed Association of Illinois (“GFAI”) appreciates this opportunity to provide comments on Resource Adequacy in MISO Illinois Zone 4.

GFAI is the statewide trade association for the grain and feed industry in Illinois. The Association traces its roots back to 1893. GFAI represents more than 90% of the commercial grain storage space in the state of Illinois where members include grain handling facilities, processors, feed mills and companies that provide goods and services to the industry. GFAI sponsors several programs for its members, including a long history of collaborative efforts between various state and federal governmental regulatory agencies including OSHA, EPA, the ICC, the Illinois General Assembly and the United States Congress.

GFAI also sponsors aggregate electric and natural gas purchasing and risk management services through the GFAI Energy Consortium (GFEC), an Illinois not-for-profit corporation. GFEC arranges electric capacity, transmission, energy supply and related services for 426 accounts across the ComEd and AmerenIL systems. GFEC participant members purchase approximately 100,000,000 kWh of electricity annually and rely on both the PJM and MISO energy and capacity markets. Electricity is a major operating cost to GFEC members. Thus, price and supply reliability are of paramount importance.

Capacity Market Perspective

GFEC recognizes that there are clear differences between the PJM upstate Illinois and MISO downstate Illinois capacity markets. The PJM capacity price is over 100 times higher than the near zero MISO capacity price. Relative to the MISO capacity market, the PJM capacity price is more stable and reflects longer term, three year capacity supply commitments whereas the MISO capacity commitment is for one year.

Clearly, the PJM Illinois market is preferred by capacity sellers with generation investments which require assurances of multi-year capacity revenue streams. Selling capacity into the MISO market without a commitment of longer than one year is still attractive to utilities in other states which do not have retail competition. These regulated utilities are able to recover capacity costs from their rate payers through established rates of return to support plant investments while downstate Illinois generators in the retail choice area must receive a revenue stream for MISO Zone 4 capacity sales to remain viable. Regulated utilities from other states and other Illinois REC and municipal utilities are able to offer short-term excess capacity at prices that do not reflect the true marginal cost of that capacity and that is driving the MISO capacity market prices

to near zero, provided there is adequate capacity in the market. This near zero pricing is not sustainable for downstate Illinois merchant generators and causes retirements of baseload plants or drives owners to sell capacity into the PJM market where prices are higher and more stable over multiple years.

Federal and state tax credits have stimulated utilities to build wind and solar electric generation projects which are often in excess of regulated utilities' retail customer short-term capacity requirements. Regulated utilities in adjacent states are investing billions of dollars in tax supported large scale wind generation facilities within MISO and selling short-term excess capacity into downstate Illinois.

In the short term, GFEC member participants, and downstate Illinois consumers in general, benefit from relatively inexpensive MISO capacity, but GFEC does not believe the one-year MISO capacity auction process for procuring generation capacity is sustainable at current near-zero capacity prices. Under the current MISO capacity market construct, downstate Illinois merchant generators do not have sufficient incentive to build new generating plants and are even being forced to redirect sales to PJM or shut down. GFEC is concerned that when MISO system-wide capacity erodes and out of state regulated utilities no longer have excess capacity, there will be a point when the MISO Illinois Zone 4 capacity price will spike.

GFEC Position

GFEC recognizes that the current MISO annual capacity market construct is causing overall MISO Illinois Zone 4 capacity levels to fall and believes there is a need for a future modified longer-term, more stable capacity resource mechanism. GFEC believes it is important that downstate Illinois not rush to switch to PJM or isolate itself from the larger MISO capacity footprint by creating its own capacity procurement construct independent of MISO. GFEC supports the ICC continuing its efforts to collaborate with stakeholders, utilities, power plant owners and employees, MISO, the Organization of MISO States, PJM and FERC to fully research the need, timing and construct which best serves downstate Illinois in the long term.

Thank you.