

WIND ON THE WIRES' COMMENTS
ON THE ILLINOIS POWER AGENCY'S
DRAFT 2013 ELECTRICITY PROCUREMENT PLAN – August 15, 2012

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 2013 electricity procurement plan. After reviewing the Draft 2013 Electricity Procurement Plan (“Draft Plan”), Wind on the Wires’ provides the following comments. Wind on the Wires [1] supports the IPAs proposal to use the Renewable Energy Resources Fund to purchase any stranded renewable energy resource costs from existing suppliers that the utilities may experience due to migration of customer demand from the utilities to alternative retail electric suppliers; and [2] recommends that the renewable energy resources budget be finalized after the utilities submit their revised load forecasts in March 2013 and the City of Chicago awards a contract to an alternative retail electric supplier, if it decides to aggregate its load.

BACKGROUND

On August 15, 2012, 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 14, 2012.

COMMENTS

1. **Using Money from Alternative Compliance Payments to Mitigate Risk to Long Term Renewable Contracts Caused by Load Migration will Bring Stability to the Renewable Portfolio Standard**

The Draft Plan’s load forecasts forewarn of the detrimental impact municipal aggregation may have on the Utilities’ loads not only for the 2013-2014 procurement but for the next five years. The volume of electric load the Utilities estimate will be served by alternative retail electric suppliers (“ARES”) period is substantial enough to warrant little need for the Utilities to procure energy, capacity, or renewable energy resources for the next five years. In the near term, ComEd’s load forecast shows that it needs 1,340 megawatt-hours (“MWhs”) of renewable energy resources for the 2013-2014 period, however, the reduction in electricity load due to municipal aggregation will cause ComEd to exceed its renewable energy resources budget for that same delivery period. To stay under budget, the IPA forecasts that ComEd may need to curtail approximately 14% of the volume of the long term renewable contracts within the 2013-2014 delivery year. To prevent those contracts from being curtailed, the IPA proposes to use Alternative Compliance Payment (“ACP”) funds¹ paid into the Renewable Energy

¹ ACPs are paid by ARES and the Utilities. The ARES’ payment is based on the “amount of metered electricity delivered by the ARES to retail customers during the compliance period.” (220 ILCS 5/16-

Resources Fund (“RERF”) to purchase the volume of curtailed renewable energy resources (“IPA Proposal”). (See Draft Plan at 81-82)

Wind on the Wires supports the IPA Proposal because it 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. 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.

The IPA’s proposal is consistent with the purpose of the RERF, which is to fulfill the ARES’ obligation of procuring renewable energy resources. (See 220 ILCS 5/16-115D(a) and (b)) The IPA has discretion in the products it procures and how it structures the procurement, which is to comply with section 1-56 of the IPA Act but is not constrained by the rules of the Illinois Procurement Code (20 ILCS 3855/1-56(f)). The IPA Proposal complies with section 1-56, which is nicely summarized in the Draft Plan as follows:

The renewable energy obligation for ARES is measured as a percentage of the actual amount of metered electricity (megawatt-hours) supplied by the ARES in the compliance year. ARES must meet at least 50% of their renewable energy resource obligations through the Alternate Compliance Payment (ACP) mechanism. The

115D(d)(3)). The Utilities’ payment is based on the metered electricity delivered to its hourly-priced customers. (See 20 ILCS 3855/1-75(c)(5))

remaining 50% of the obligation may be met with additional ACP payments, by procuring renewable energy, or by procuring RECs sufficient to comply with the RPS. ACPs are remitted by ARES directly to the ICC, and the ICC forwards that money to the Renewable Energy Resources Fund administered by the IPA for use in purchasing RECs. **The IPA is directed to purchase renewable resources at a price not to exceed the winning bid prices for like resources** under the IPA's procurements for electric utilities. The ACP rate, which is essentially the average price of RECs purchased for the utilities, fluctuates from year to year based on the results of IPA procurement events. Nevertheless, **because the ACP is tied to the average prices for renewable resources purchased by the utilities, the mechanism allows for competitive neutrality with respect to RPS compliance costs passed through to all retail electric customers.** (Draft Plan at 81; emphasis added)

The intent of having ‘competitive neutrality’ is maintained in the IPA Proposal to purchase renewable energy resources curtailed by the Utilities, because the IPA would be using the RERF to procure the “like resources” owned by the Utilities.

One of the unique features of the IPA Proposal is that the parties to the long term renewable contracts and the IPA would discuss a transfer mechanism that is allowable within the constructs of section 1-56. On its face this seems to be a valid construct. Procurements using the RERF are exempt from the Procurement Code (20 ILCS 3855/1-56(f)), therefore, the IPA does not need to conduct a competitive bidding process. In addition, the statute does not expressly prohibit the procurement of utility renewable energy resources with the RERF.

In the Draft Plan, the IPA expressed concern that “every dollar spent on prior purchases of renewable energy resources . . . is a dollar not spent on procuring renewable resources on behalf of ARES’ customers.” (Draft Plan at 82) Wind on the

Wires does not see this as an accurate statement with respect to the IPA Proposal, and the IPA should consider either removing or modifying it. The ARES comply with the renewable energy portfolio standard by (1) making ACPs (into the RERF), as described in subsection (d) of section 16-115D, for at least one-half of its compliance obligation, and by (2) purchasing renewable energy resources listed in section 16-115D(b)(1) through (3). If the RERF is used to procure renewable energy resources curtailed by the Utilities, then the resources that are purchased from the Utilities count towards the fulfillment of the ARES' obligation and should not count toward the Utilities' compliance with their RPS obligation for that delivery period.

2. The Renewable Resources Budget Should Be Finalized in Late Spring

There are over fifty municipalities who will be placing a referendum on the November ballots regarding the aggregation of their municipal electricity load, and there are almost twenty municipalities who have previously approved the use of electric aggregation but have not yet awarded contracts to an ARES. Therefore, there could be over seventy (70) municipalities aggregating their load during the 2013-2014 delivery period. To account for changes in load due to migration, energy efficiency, changes in usage patterns, and other factors, the Utilities will be providing the IPA updated load forecasts in November and again in the Spring of 2013. To have as accurate an estimate of the renewable resources budget ("RRB") going into the 2013-2014 delivery period, the RRB should be finalized after the Utilities submit their load forecasts in March.

Another factor to account for before finalizing the RRB is whether the City of Chicago actually changes electricity suppliers. The City of Chicago (“City”) is the largest load shift to be considered in the 2013-2014 delivery period, and the Draft Plan’s current estimated RRB is based on the City taking all of its electricity supply from an ARES. Therefore, special consideration should be given to the timing of the City awarding a contract and the date of delivery of that contract, if the City decides to aggregate its load. If the voters do not approve municipal aggregation, or if the City decides to not award a contract in the Spring or to not start delivery from an ARES in the 2013-2014 delivery period, then the RRB would be grossly undervalued. To ensure the RRB accurately reflects the City’s status regarding municipal aggregation, the RRB should not be set until it is known if and when the City of Chicago will use an ARES as its electricity supplier. Wind on the Wires suggests that the IPA finally establish the RRB upon the earlier of the following instances: [a] when the City awards a contract to an ARES or [b] the start date of the 2013-2014 delivery period – June 1, 2013, in the event the City has decided to aggregate its load but has not awarded a contract before the delivery period starts.

Thus, Wind on the Wires recommends that the IPA set the RRB for the 2013-2014 delivery period after the Utilities submit their load forecasts in March 2013 and after it is known whether the City of Chicago will use a supplier in the 2013-2014 delivery period, but, in no event, later than June 1, 2013.

PROPOSED LANGUAGE

To be inserted at the end of the Section 8.1.3

There are over fifty municipalities placing a referendum on the November ballots regarding the aggregation of their municipal electricity load, and there are almost twenty municipalities who have previously approved the use of electric aggregation but have not yet awarded contracts to an ARES. Therefore, there could be over seventy (70) municipalities aggregating their load during the 2013-2014 delivery period. In addition, the City of Chicago is one of the municipalities considering aggregating its' load. Having an accurate estimate of ComEd's and Ameren's load is necessary to accurately forecast the renewable resources budget ("RRB") in the 2013-2014 delivery period. Therefore, the RRB for the 2013-2014 delivery period will be set by the IPA after the Utilities submit their load forecasts in March 2013 and after it is known whether the City of Chicago will use a supplier in the 2013-2014 delivery period, but, in no event, later than June 1, 2013.

CONCLUSION

WHEREFORE, Wind on the Wires recommends that the 2013 Electricity Procurement Plan to be submitted to the Illinois Commerce Commission on September 26th incorporate the recommendations made herein.

Respectfully submitted,

_____/s_____
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DATED: September 14, 2012