

**REBUTTAL TESTIMONY**

**of**

**Serhan Ogur  
Economic Analyst**

**Federal Energy Program  
Energy Division  
Illinois Commerce Commission**

**Central Illinois Light Company d/b/a AmerenCILCO,  
Central Illinois Public Service Company d/b/a AmerenCIPS,  
And Illinois Power Company d/b/a AmerenIP**

**Docket Nos. 05-0160/05-0161/05-0162 (Consolidated)**

**Proposals to implement a competitive procurement process by  
establishing Rider BGS, Rider BGS-L, Rider RTP, Rider RTP-L, Rider D, and  
Rider MV.**

**August 10, 2005**

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**I. INTRODUCTION AND SCOPE OF TESTIMONY**

8 **Q. Please state your name and business address.**

9 A. My name is Serhan Ogur. My business address is 527 East Capitol  
10 Avenue, Springfield, Illinois 62701.

11 **Q. Are you the same Serhan Ogur who previously filed direct testimony**  
12 **in this proceeding?**

13 A. Yes, I am.

14 **Q. What is the purpose of your rebuttal testimony?**

15 A. The purpose of my rebuttal testimony is to evaluate the reasons and  
16 arguments presented in Central Illinois Light Company d/b/a  
17 AmerenCILCO, Central Illinois Public Service Company d/b/a  
18 AmerenCIPS, and Illinois Power Company d/b/a AmerenIP (jointly,  
19 “Ameren” or the “Companies”) witness Blessing’s rebuttal testimony  
20 (Resp. Ex. 11.0 (Revised)) to oppose the recommendations made in my  
21 direct testimony (ICC Staff Exhibit 4.0) on the issues of procurement of  
22 ancillary services and identification of capacity resources.

23 **Q. Are you making any recommendations with respect to the**  
24 **Companies’ proposal?**

25 A. Yes. I am making recommendations on the following aspects of the  
26 Companies’ proposal: (1) procurement of ancillary services, and (2)  
27 suppliers’ obligation to identify physical capacity resources to the

28 Companies. My recommendations on these issues are the same  
29 recommendations made in my direct testimony (ICC Staff Exhibit 4.0).

30 **Q. How is your testimony organized?**

31 A. Section II evaluates the reasons presented by Mr. Blessing in his rebuttal  
32 testimony to oppose the recommendation made in my direct testimony  
33 that the suppliers be given the option to self-supply ancillary services.  
34 Section III evaluates the reasons presented by Mr. Blessing in his rebuttal  
35 testimony to oppose the recommendation made in my direct testimony  
36 that the suppliers not be required to submit any capacity resource  
37 information directly to the Ameren Companies. Section IV summarizes my  
38 conclusions and recommendations.

39 **II. PROCUREMENT OF ANCILLARY SERVICES**

40 **Q. In your direct testimony, did you make a recommendation with**  
41 **respect to the procurement of ancillary services?**

42 A. Yes. I recommended that the pro-forma contracts be modified to give the  
43 suppliers the additional option of self-supplying or self-procuring their  
44 shares of ancillary services. (ICC Staff Exhibit 4.0, p. 28, lines 595-598)

45 **Q. Have you reviewed Section VIII (Procurement of Ancillary Services)**  
46 **of Ameren Witness Blessing's Rebuttal Testimony (Resp. Ex. 11.0**  
47 **(Revised), pp. 43-48)?**

48 A. Yes.

49 **Q. Do you agree with Mr. Blessing's recommendation that suppliers not**  
50 **be given the option of self-supplying ancillary services?**

51 A. No. Mr. Blessing's reasons for his recommendation are unconvincing, as I  
52 discuss below in detail. As a result, I continue to believe that allowing  
53 suppliers to self-supply ancillary services may result in better participation  
54 and more competition in the auction and thus, lower rates for the  
55 ratepayers. Further, there are no costs to the Companies or the  
56 ratepayers associated with granting my recommendation.

57 **Q. What reasons does Mr. Blessing provide for recommending against**  
58 **suppliers self-supplying ancillary services?**

59 A. Mr. Blessing identifies four main reasons to support his recommendation:  
60 (1) the potential for creating an undue advantage to a supplier in the  
61 process of self-supply of ancillary services (Resp. Ex. 11.0 (Revised), p.  
62 44, lines 984-985), (2) self-supply of ancillary services is "complex and  
63 costly" (Resp. Ex. 11.0 (Revised), p. 44, lines 987-988), (3) the lack of a  
64 self-supply ancillary services option in the Companies' proposal may be  
65 transitional (Resp. Ex. 11.0 (Revised), p. 44, lines 990-993), and (4) the  
66 "... relatively small contribution to the total expected cost of supply..." of  
67 ancillary services (Resp. Ex. 11.0 (Revised), p. 47, lines 1068-1071).

68 **Q. Please describe Mr. Blessing's position that there is a potential for**  
69 **creating an undue advantage to a Supplier.**

70 A. Mr. Blessing states: “It would not be proper to create a situation where one  
71 potential BGS supplier may be able to create an undue advantage in the  
72 process by self-supplying Ancillary Services.” (Resp. Ex. 11.0 (Revised),  
73 p. 44, lines 983-985) Mr. Blessing describes how a Supplier can receive  
74 an undue advantage by self-supplying ancillary services as follows (Resp.  
75 Ex. 11.0 (Revised), p. 47, lines 1058-1066):

76 Q. How could a BGS Supplier receive an undue advantage by  
77 self-supplying Ancillary Services?

78 A. It is my understanding that while the affected control area  
79 would do its best to attempt to identify and collect the direct costs  
80 associated with the equipment and changes associated with self-  
81 supply, there may be certain costs which are not easily identifiable  
82 or assignable to particular parties. To the extent that the complete,  
83 actual costs for arranging the self-supply of Ancillary Services were  
84 not borne by the BGS Supplier electing this option, the BGS  
85 Supplier might gain an unwarranted competitive advantage relative  
86 to other BGS suppliers.

87 **Q. Do you agree with this reasoning?**

88 A. No. First, Mr. Blessing is very vague about the facts and premises of his  
89 argument. Although Mr. Blessing states that “there may be certain costs  
90 which are not easily identifiable or assignable to particular parties,” he  
91 neither mentions what those costs are, nor gives an example of such  
92 costs. A general assertion of the possibility of some costs, which are not  
93 qualified or quantified, from which a Supplier “might gain an unwarranted  
94 competitive advantage” is not a sound basis to deny the suppliers a  
95 legitimate option with respect to self-supply of ancillary services.

96 Second, this potential “problem” of not easily identifiable or  
97 assignable costs that might give a supplier an unwarranted competitive

98 advantage is not specific to the context of the Illinois procurement auction  
99 or the BGS Suppliers' opportunity to self-supply ancillary services. It is an  
100 option that any transmission customer already has under the Midwest  
101 Independent Transmission System Operator, Inc. ("MISO") Tariff, as I  
102 described in my direct testimony. (ICC Staff Exhibit 4.0, pp. 24-26, lines  
103 525-550)

104 Third, if the option to self-supply ancillary services were considered  
105 to give some market participants "an unwarranted competitive advantage,"  
106 the Federal Energy Regulatory Commission ("FERC") would not have  
107 approved it as part of the MISO Tariff. The fact that it was approved by  
108 FERC as a legitimate option supports my position and shows that Mr.  
109 Blessing's objection is unfounded.

110 Finally, it is the duty of the control area operators (in this case, the  
111 Companies) in MISO to identify, quantify and assign these costs to market  
112 participants. To the extent the Companies fulfill this function as the control  
113 area operators, such cost discrepancies will not arise and no supplier will  
114 gain an unwarranted competitive advantage over other suppliers.

115 **Q. Please describe Mr. Blessing's assertion that allowing self-supply of**  
116 **ancillary services is "complex and costly."**

117 A. Mr. Blessing states that "... in order to self-supply, various systems must  
118 be in place to monitor compliance and to initiate the action required of the  
119 BGS Supplier." (Resp. Ex. 11.0 (Revised), p. 45, lines 1004-1006) Mr.  
120 Blessing adds that "... self-supply of regulation service is particularly

121 problematic.” (Resp. Ex. 11.0 (Revised), p. 45, lines 1006-1007) Mr.  
122 Blessing further states that the following two conditions should be met for  
123 self-supply of regulation service: (a) “the subject loads must be metered in  
124 real time so as to allow the individual contribution of each BGS Supplier to  
125 the required regulation action be calculated and transmitted in real time;”  
126 and (b) “the BGS Supplier’s response must be measurable by and visible  
127 to the control area.” (Resp. Ex. 11.0 (Revised), p. 45, lines 1007-1011)

128 With respect to the first condition, Mr. Blessing claims that the  
129 metering capability necessary to see the real-time load of each BGS Load  
130 category is currently not in place and it most certainly cannot be put in  
131 place between a September auction date and start of delivery in January.  
132 (Resp. Ex. 11.0 (Revised), pp. 45-46, lines 1019-1036) Mr. Blessing  
133 states that with respect to the second condition, putting systems in place  
134 to make the BGS Supplier’s response measurable by and visible to the  
135 control area in time for delivery in January 2007 can be reasonably  
136 expected even with a September auction.

137 Finally, Mr. Blessing states that there might be some technical  
138 issues as to “... how a BGS Supplier’s response to a control signal would  
139 be allocated between each of the three control areas.” (Resp. Ex. 11.0  
140 (Revised), p. 46, lines 1042-1044)

141 **Q. Do you find this reason convincing?**

142 A. No. First, Mr. Blessing’s assertions about complexity and costliness only  
143 apply to one of the three ancillary services that can be self-supplied under

144 the MISO Tariff. Mr. Blessing discusses difficulties of self-supplying  
145 regulation service (Schedule 3); however, he does not advance any  
146 arguments to suggest that self-supply of the other two ancillary services,  
147 spinning reserve (Schedule 5) and supplemental reserve (Schedule 6), is  
148 complex, costly or impossible. Therefore, even if one were to accept for  
149 purposes of argument only everything Mr. Blessing states in his rebuttal  
150 testimony concerning regulation service, there would still be no reason to  
151 deny suppliers the option of self-supplying Schedule 5 and Schedule 6  
152 ancillary services.

153 Second, Mr. Blessing does not cite any MISO source for his  
154 statement that “the subject loads must be metered in real time so as to  
155 allow the individual contribution of each BGS Supplier to the required  
156 regulation action be calculated and transmitted in real time.” (Resp. Ex.  
157 11.0 (Revised), p. 45, lines 1007-1010) I discussed in my direct testimony  
158 (ICC Staff Exhibit 4.0, pp. 24-26, lines 525-550) and in response to  
159 Ameren Data Request 1.03 the necessary arrangements of which I am  
160 aware between a self-supplying supplier, the Companies (as control area  
161 operators), and MISO in order for that supplier to self-supply ancillary  
162 services. The real-time metering capability of the subject load is not one  
163 of those requirements. Furthermore, Mr. Blessing acknowledged, in  
164 response to Staff Data Request SO 1.03, that his statement was not  
165 based upon a citation to particular MISO documents. As an alternative,  
166 the supplier can be asked to supply the ancillary services in real-time

167 based on the load forecasts and the difference can be subject to a true-up.  
168 This would work exactly like the settlement of energy charges, since  
169 energy consumption of each load category cannot be measured in real  
170 time, either.

171 Third, if indeed the Ameren load tranches in the auction are not  
172 eligible for self-supply of ancillary services under the MISO Tariff, then this  
173 option would automatically be void since the language of Ameren's  
174 proposed supplier forward contracts make supplier performance subject to  
175 MISO rules and procedures. (Resp. Ex. 3.1, p. 19, Section 2.1.a.(vi)) In  
176 fact, the conditional nature of the self-supply of ancillary services option of  
177 a supplier (conditional on approval by MISO) can be explicitly stated in the  
178 BGS contract to give additional comfort to the Companies. As I stated in  
179 my response to Ameren Data Request 1.03, MISO makes its own  
180 independent determination if the supplier and the control area cannot  
181 reach agreement on whether a supplier is eligible to self-supply one or  
182 more of the ancillary services. Therefore, there is no downside to granting  
183 this option to the suppliers conditioned on the suppliers satisfying MISO  
184 requirements for self-supply of ancillary services.

185 Fourth, Mr. Blessing's characterization of self-supply of ancillary  
186 services as "quite complex and costly" (Resp. Ex. 11.0 (Revised, p. 44,  
187 lines 987-988) is irrelevant. What is relevant is whether it is feasible to do  
188 so. It is established that under some circumstances, it is feasible to allow  
189 a supplier to self-supply ancillary services. Since the supplier will have to

190 bear all the costs to comply with the MISO requirements, it is irrelevant  
191 how high those costs are. If the costs are more than the benefits, no  
192 supplier will choose to self-supply ancillary services. Thus, there can be  
193 no adverse consequence of giving this option to the suppliers, as the  
194 suppliers will conveniently refuse to utilize it. A legitimate and potentially  
195 valuable option without any costs to Ameren or the ratepayers should not  
196 be excluded just because Mr. Blessing believes it is “quite complex and  
197 costly” to implement it.

198 **Q. Please explain Mr. Blessing’s assertion that the nature of the**  
199 **concern about the lack of the self-supply of ancillary services option**  
200 **in the Companies’ proposal may be transitional.**

201 A. Mr. Blessing states that “... the expected development of MISO’s Ancillary  
202 Services market in 2006-2007 (which Mr. Ogur acknowledges in Section II  
203 – Switching of his direct testimony (ICC Staff Exhibit 4.0 lines 323-326))  
204 suggests that his concern is somewhat transitional in nature.” (Resp. Ex.  
205 11.0 (Revised), p. 44, lines 990-993) Mr. Blessing explains his point  
206 further as follows (Resp. Ex. 11.0 (Revised), p. 44, lines 994-1002):

207 Q. Please explain why you believe Mr. Ogur’s concerns may be  
208 transitional in nature.

209 A. Once the MISO Ancillary Services markets are operational, it  
210 is my understanding that a BGS Supplier, that has the capability  
211 and desire to provide Ancillary Services, would be able to do so by  
212 participating in the MISO Ancillary Services market. As such,  
213 though under the Ameren Companies’ proposal the BGS Supplier  
214 would not be directly self-supplying Ancillary Services, they could  
215 still obtain value for their abilities to provide Ancillary Services from  
216 the market and factor this into their bid development.

217 **Q. Do you agree with this reasoning?**

218 A. No. First, Mr. Blessing recognizes the significance of designing the  
219 auction so as to allow suppliers with ancillary services capabilities to  
220 obtain value for such capabilities so that they can reflect the value in their  
221 bids. (Resp. Ex. 11.0 (revised), p. 44, lines 999-1002) This is in  
222 ratepayers' best interest because the suppliers will then reflect that extra  
223 revenue in their bids in the auction, which would result in lower auction  
224 prices. This reasoning is consistent with my understanding as reflected in  
225 my direct testimony: "[P]roviding the suppliers with an additional option for  
226 procurement for ancillary services [self-supply option] might increase  
227 participation in the auction or allow some bidders to submit lower price  
228 bids due to lower expected ancillary services procurement costs or higher  
229 certainty about such costs." (ICC Staff Exhibit 4.0, p. 27, lines 587-591)  
230 Ameren's proposal, as it currently stands, fails to allow the suppliers to  
231 extract the maximum value from their ancillary services capabilities.  
232 Adding the option of self-supply of ancillary services to the current  
233 proposal will fix this defect and satisfy the criterion with which both Mr.  
234 Blessing and I agree.

235 Second, Mr. Blessing's expectation relating to the development of  
236 MISO's ancillary services market in 2006-2007 is no longer realistic. Dr.  
237 McNamara stated in his direct testimony, filed on February 28, 2005  
238 (Resp. Ex. 9.0, p. 10, lines 4-6): "It is anticipated that a Capacity Market  
239 will be implemented during the first half of 2006; and an Ancillary Services

240 market is anticipated to be implemented one to two years later.” Mr.  
241 Blessing concurs with this expectation in his direct testimony, filed on  
242 February 28, 2005 (Resp. Ex. 3.0, p. 25, lines 573-575): “As discussed in  
243 detail in the direct testimony of Mr. McNamara, the MISO currently  
244 projects to have capacity markets up and running in 2006 and ancillary  
245 services markets up and running in 2007.” However, the developments at  
246 MISO since February 28, 2005 make it unlikely that these dates will be  
247 met. In a presentation, titled “Midwest ISO’s Resource Adequacy Plans,”  
248 made on June 13, 2005, during the joint meeting of the MISO Supply  
249 Adequacy Working Group and Organization of MISO States (“OMS”)  
250 Resource Adequacy Working Group, MISO Staff proposed the following  
251 timeline with regard to a resource adequacy plan (Page 10 of the  
252 Presentation; available at  
253 [http://www.midwestmarket.org/publish/Document/2b8a32\\_103ef711180\\_-](http://www.midwestmarket.org/publish/Document/2b8a32_103ef711180_-7d8d0a48324a?rev=2)  
254 [7d8d0a48324a?rev=2](http://www.midwestmarket.org/publish/Document/2b8a32_103ef711180_-7d8d0a48324a?rev=2)): “11/05: Make initial set of filings at FERC to  
255 implement Plan; 06/06: FERC order approving requisite amendments to  
256 Midwest ISO’s Energy Markets Tariff; 05/07: Initial implementation of  
257 Plan.” Since ancillary services markets are expected to be implemented  
258 one to two years after the capacity market is implemented, based on Dr.  
259 McNamara’s assessment in his direct testimony, this might mean that the  
260 ancillary services markets implementation is delayed at least until the  
261 middle of 2008, even perhaps the middle of 2009.

262 Furthermore, since MISO is considering abandoning the idea of  
263 implementing a capacity market (“Discussion Paper on Resource  
264 Adequacy for the Midwest ISO Energy Markets,” issued on August 3,  
265 2005, by MISO Staff), we must consider the possibility that MISO may  
266 eventually decide not to implement centralized markets for some or all of  
267 the ancillary services or decide to implement them much later than the  
268 expected date. MISO market development is a dynamic process that is  
269 currently very much in flux and the stakeholder process or FERC  
270 directives may cause MISO to change its intentions on certain market  
271 constructs and implementation timing, as it happened in the resource  
272 adequacy construct. Thus, under these new circumstances and  
273 developments, which do not seem to have been considered by Mr.  
274 Blessing in his rebuttal testimony, the lack of self-supply of ancillary  
275 services option is not so “transitional” anymore, if transitional at all.

276 Third, and finally, even if the concern were really transitional and  
277 the transition time were as short as the Ameren witnesses McNamara and  
278 Blessing indicate, there is still no rationale for denying the suppliers a  
279 legitimate option for self-supply of ancillary services, considering its  
280 potentially beneficial impacts on the participation in the auction and the  
281 resulting auction prices. If the net benefits of an option outweigh its costs,  
282 that option should be implemented regardless of the time frame.

283 **Q. Please describe Mr. Blessing’s assertion that the cost of supply of**  
284 **ancillary services is relatively small in relation to the expected total**  
285 **cost of the auction products.**

286 A. In support of his claim that ancillary services provide relatively small  
287 contribution to the total expected cost of supply, Mr. Blessing, using a 55%  
288 load factor assumption and the current cost based rates for Schedule 3  
289 (Regulation and Frequency Response Service), Schedule 5 (Operating  
290 Reserve – Spinning Reserve Service) and Schedule 6 (Operating Reserve  
291 – Supplemental Reserve Service) ancillary services applicable to the three  
292 Ameren control areas (AmerenIP, AmerenCIPS and AmerenCILCO),  
293 calculates the contribution of ancillary services costs to the total cost of  
294 supplying the auction products. These costs are \$0.71/MWh, \$0.49/MWh  
295 and \$1.80/MWh for AmerenIP, AmerenCIPS and AmerenCILCO control  
296 areas, respectively, for the three ancillary services identified above. Mr.  
297 Blessing concludes that “these costs are a relatively small portion of the  
298 total wholesale market price” (Resp. Ex. 11.0 (Revised), p. 48, lines 1079-  
299 1080) and that this illustrates the “limited theoretical benefit that may be  
300 obtained by offering BGS Suppliers a self-supply option.” (Resp. Ex. 11.0  
301 (Revised), p. 47, lines 1070-1071)

302 **Q. Do you agree with this reason given by Mr. Blessing?**

303 A. No. First, this might be a “relatively small” benefit according to Ameren,  
304 but it might be a significant benefit according to others. The fact is, if a  
305 supplier that can utilize this option reflects the value from the option of

306 self-supply in the auction bids and is a marginal bidder in the auction, then  
307 the auction will clear at a lower price. As a result, all the Ameren  
308 customers will pay less for the power procured in the auction based on the  
309 lower auction-clearing prices. Furthermore, given the fact that providing  
310 this option to the suppliers costs nothing to Ameren or Ameren's  
311 ratepayers, it would be unwise policy-making to exclude such an option,  
312 regardless of how one qualifies the size of the benefits.

313           Second, if the potential benefits indeed are not large enough to  
314 justify allowing this option to the suppliers and no supplier will be  
315 interested in using this option, as Mr. Blessing seems to suggest, then  
316 there would be no harm in offering this option since it is unlikely a supplier  
317 would utilize it. Furthermore, it is worth noting that Mr. Blessing's claim  
318 about the insignificance of the potential benefits is contradictory to his  
319 statement that a supplier can gain an "unwarranted competitive  
320 advantage" in the process of self-supplying ancillary services. If the  
321 benefits to ratepayers from allowing suppliers to self-supply ancillary  
322 services are so insignificant, then those benefits should not be a  
323 significant source of unwarranted competitive advantage to a supplier,  
324 either.

325           Finally, as discussed above, MISO currently does not operate  
326 centralized ancillary services markets and their implementation may take  
327 longer than originally anticipated. This situation makes it very difficult for  
328 suppliers with ancillary services capabilities to obtain value for such

329 capabilities and thus reflect those in the bids during the auction.  
330 Furthermore, it is very difficult to separate ancillary services from energy  
331 when trying to sell ancillary services capabilities in long-term contracts,  
332 since they are often alternative uses of the same asset, amplifying the  
333 difficulty of obtaining value for suppliers' ancillary services capabilities.

334 **Q. Based on your analysis of Mr. Blessing's rebuttal testimony relating**  
335 **to the procurement of ancillary services, have you changed your**  
336 **recommendation on this issue.**

337 A. No. As I explain in detail above, I do not find any of Mr. Blessing's  
338 reasons for opposing the recommendation in my direct testimony  
339 concerning self-supply of ancillary services to be convincing. Therefore, I  
340 continue to recommend that the suppliers be given the option of self-  
341 supplying eligible (Schedule 3, Schedule 5 and Schedule 6) ancillary  
342 services and that the supplier forward contract language be modified to  
343 include this option.

344 **III. IDENTIFICATION OF CAPACITY RESOURCES**

345 **Q. In direct testimony, did you make a recommendation with respect to**  
346 **the identification of capacity resources?**

347 A. Yes. I recommended that in order to avoid obtaining capacity resource  
348 information from suppliers, during the summer audit, the Companies may  
349 refer Mid-America Interconnected Network, Inc. ("MAIN") to its winning

350 suppliers and MAIN may be able to confirm, without the Companies  
351 receiving any of this resource information, that the suppliers indeed have  
352 owned or contracted firm capacity to meet their obligations to the  
353 Companies. In this way, the Companies can meet their MAIN  
354 requirements, MAIN can still conduct its summer audit and the suppliers  
355 would not have to be concerned about the Companies obtaining their  
356 potentially commercially sensitive information. (ICC Staff Exhibit 4.0, p. 35,  
357 lines 755-762) I also recommended that, to the extent information  
358 revelation is required by the suppliers for the Companies to meet their  
359 obligations to MISO, it be done in such a way that the Companies do not  
360 obtain such commercially sensitive information. (ICC Staff Exhibit 4.0, p.  
361 40, lines 874-877)

362 **Q. Have you reviewed Section IX (Identification of Resources) of**  
363 **Ameren Witness Blessing's Rebuttal Testimony (Resp. Ex. 11.0**  
364 **(Revised))?**

365 A. Yes.

366 **Q. Mr. Blessing concludes that the concerns leading to your proposal**  
367 **are unfounded and unnecessary and your proposal does not**  
368 **adequately address Ameren's legitimate concerns regarding**  
369 **resource adequacy. (Resp. Ex. 11.0 (Revised), p. 53, lines 1179-1180)**  
370 **Do you agree?**

371 A. No. As I discuss below in detail, I do not find any of Mr. Blessing's  
372 reasons leading to his conclusion convincing. After reading Mr. Blessing's  
373 rebuttal testimony, I continue to believe that it would be beneficial for  
374 auction participation to assure suppliers that the capacity resource  
375 information they submit to fulfill Ameren's resource adequacy obligations  
376 will not be revealed to the Companies.

377 **Q. Please summarize Mr. Blessing's reasons for opposing your**  
378 **proposal to let suppliers submit required capacity resources**  
379 **information directly to MISO and MAIN, without Ameren having**  
380 **access to such information.**

381 A. Mr. Blessing states five reasons for opposing my recommendation: (1)  
382 specific capacity resources are not commercially sensitive information  
383 (Resp. Ex. 11.0 (Revised), p. 49, lines 1090-1100), (2) identification of  
384 capacity resources is consistent with industry practice (Resp. Ex. 11.0  
385 (Revised), pp. 49-50, lines 1101-1107), (3) suppliers that do not submit  
386 capacity resource information to Ameren will be precluded from  
387 nominating and receiving FTRs (Resp. Ex. 11.0 (Revised), p. 51, lines  
388 1135-1140), (4) Ameren turning over the obligation to MAIN is  
389 unacceptable (Resp. Ex. 11.0 (Revised), pp. 51-52, lines 1145-1150), and  
390 (5) this data is already available to others in some form (Resp. Ex. 11.0  
391 (Revised), p. 52, lines 1157-1173).

392 **Q. Please evaluate Mr. Blessing's assertion that specific capacity**  
393 **resources information is not commercially sensitive.**

394 A. Mr. Blessing states that “[b]y identifying the specific capacity resources  
395 that they will utilize to fulfill their capacity obligations under the SFCs the  
396 BGS suppliers are in no way indicating that these same resources will be  
397 utilized to fulfill their energy obligations.” (Resp. Ex. 11.0 (Revised), p. 49,  
398 lines 1092-1095) Therefore, he concludes “it is unlikely that any potential  
399 BGS Supplier would consider the identification of specific capacity  
400 resources as revealing commercially sensitive information.” (Resp. Ex.  
401 11.0 (Revised), p. 49, lines 1098-1100)

402 However, Ameren witness LaCasse believes otherwise. In her  
403 rebuttal testimony, Dr. LaCasse discusses a proposed modification to the  
404 competitive safeguards, which would require the bidders in the auction to  
405 disclose their wholesale purchase contracts for capacity and energy.  
406 (Resp. Ex. 12.0, pp. 54-57, lines 1286-1366) She states that “bidders will  
407 at best be reluctant to reveal their sources of supply” (Resp. Ex. 12.0, p.  
408 57, lines 1353-1354) and “any contractual arrangements will be  
409 considered extremely sensitive business information.” (Resp. Ex. 12.0, p.  
410 57, lines 1355-1357) Dr. LaCasse further states (Resp. Ex. 12.0, p. 57,  
411 lines 1361-1366):

412 Such disclosure requirements, if properly structured will have a  
413 chilling effect on participation as bidders will refuse to provide  
414 sensitive business information. Such disclosure requirements, if  
415 improperly structured, may well simply increase supplier costs as  
416 suppliers enter into more complicated contracts to avoid the need  
417 to disclose. The ultimate consequence on the auction of one or

418 both of these effects of adding the disclosure requirements is to  
419 reduce competition or increase costs to suppliers, both of which  
420 can be expected to have a negative effect.

421 I would like to make the following observations on these opinions of  
422 Dr. LaCasse. First, Dr. LaCasse is discussing disclosure requirements for  
423 bidding in both fixed-price and hourly auction products. Therefore, since  
424 the hourly products consist of only a capacity component, Dr. LaCasse's  
425 opinion that "any contractual arrangements will be considered extremely  
426 sensitive business information" is valid for contracts for capacity as well as  
427 contracts for energy.

428 Second, the disclosure requirements Dr. LaCasse is opposing are  
429 more restrictive than the capacity resource disclosures Ameren is  
430 requiring the suppliers to make in the following sense. The above-  
431 mentioned proposed modification to require the bidders to reveal  
432 contractual arrangements, which Dr. LaCasse is opposing, is only to be  
433 made to the Auction Manager, ICC Staff and its Auction Advisor.  
434 However, Ameren is requiring the bidders to submit capacity resource  
435 information to the Companies, with whose generation and marketing  
436 affiliates they are competing in various markets, such as procurement  
437 auctions, bilateral contracts markets for capacity and energy, real-time  
438 and day ahead RTO markets and the retail market in the retail choice  
439 states. If the suppliers would be reluctant to submit contractual  
440 information to the Auction Manager and Auction Advisor, as Dr. LaCasse  
441 suggests, they would certainly be reluctant to submit it to utility affiliates of

442 their potential competitors in wholesale and retail electricity and risk-  
443 management markets.

444 Third, Dr. LaCasse's stated opinion above on this issue coincides  
445 with the opinion stated in my direct testimony (ICC Staff Exhibit 4.0, page  
446 28, lines 615-617) that "obligating suppliers to submit the capacity  
447 resource information to the Companies may have adverse effects on  
448 participation in the auction for Ameren products."

449 Additionally, I would like to note that MAIN does not make public  
450 the specific capacity resources submitted by load serving entities during  
451 MAIN's summer audit to satisfy their resource adequacy obligations.  
452 Instead, MAIN merely releases the adjusted load, adjusted obligation and  
453 adjusted resource numbers for each utility. This suggests that MAIN  
454 considers capacity resource information as commercially sensitive as well.

455 **Q. Please evaluate Mr. Blessing's assertion that identification of**  
456 **capacity resources is consistent with industry practice.**

457 A. In support of his claim that the identification of capacity resources is  
458 consistent with industry practice, Mr. Blessing gives the example of the  
459 purchased power agreements AmerenIP entered into with affiliates of  
460 Dynegy, Exelon, and Aquila. He states that he is unaware of any  
461 objections made by these suppliers to provide such data during  
462 negotiations or by other suppliers that made offers to AmerenIP during

463 their request for proposal last year. (Resp. Ex. 11.0 (Revised), pp. 49-50,  
464 lines 1102-1107)

465 First, these negotiations are conducted between private  
466 corporations in a manner that is not open to the public. Also, there is no  
467 public record of the exact communications between the parties in these  
468 negotiations. Therefore, since the evidence Mr. Blessing is presenting  
469 cannot be verified, its reliability is suspect and these assertions should not  
470 be accepted as valid without further corroboration. Second, a few  
471 purchased power contracts or requests for power do not necessarily  
472 determine or reflect industry practice. Third, one cannot conclude by  
473 looking at the final contract what issues a particular party may have had  
474 with respect to any of the contract's provisions. Contract negotiations  
475 might require a party to deviate from its first preference on some issues in  
476 return for the counterparty doing the same on other issues.

477 Fourth, it might be the case that submission of capacity resource  
478 information is required to evaluate the proposal by the purchasing  
479 company. For example, to evaluate whether there is sufficient  
480 transmission capacity to deliver the purchased power to its customers, a  
481 buyer might legitimately require such information. The same concern may  
482 not apply to the present case and auction supply circumstances. Since  
483 the examples Mr. Blessing mentions cannot be verified or further  
484 analyzed, we cannot conclude that the Ameren Companies' proposal is  
485 acceptable simply by making such a comparison.

486 Finally, we do not have to look any further than the supplier forward  
487 contracts proposed by Commonwealth Edison Company (“ComEd”) in its  
488 procurement auction proceeding (ICC Docket No. 05-0159) to see an  
489 example of the industry practice that does not require the suppliers to  
490 identify capacity resources to the buyer. The Ameren procurement  
491 proceeding has more similarities to the ComEd procurement proceeding  
492 than it has to the AmerenIP purchased power contract negotiations or  
493 requests for power, therefore it is more logical to look to the ComEd  
494 procurement example.

495 **Q. Please evaluate Mr. Blessing’s assertion that not submitting capacity**  
496 **resource information to the Ameren Companies will preclude**  
497 **suppliers from nominating and receiving FTRs.**

498 A. Mr. Blessing states (Resp Ex. 11.0 (Revised), p. 51, lines 1133-1144):

499 Mr. Ogur seems to suggest that the Ameren Companies could  
500 simply point to the SFCs, which under the MISO business practices  
501 will qualify as DNRs, in order to procure the required NITS. While  
502 this is true, what Mr. Ogur seems to overlook is that by identifying  
503 the SFCs as DNRs and not the specific capacity resources that the  
504 BGS Suppliers will utilize to serve the load will preclude the BGS  
505 Suppliers from having the ability to nominate and receive the  
506 specific financial transmission rights (FTRs) that they will likely  
507 desire to hedge their congestion risk. It is my understanding that  
508 the MISO limits its market participants to nominating and receiving  
509 FTRs based on the DNRs identified in the NITS procurement  
510 process. It is unclear to me what FTRs, if any, that the BGS  
511 Suppliers would be entitled to should the Ameren Companies point  
512 to the SFCs as their DNRs.

513 First, Mr. Blessing acknowledges the fact that pointing to the BGS  
514 contracts is sufficient in MISO for Ameren to procure Network Integration

515 Transmission Service (“NITS”), which is a process explained in Module B  
516 of the MISO Tariff. Therefore, Ameren does not need to get capacity  
517 resource information from the suppliers for the purpose of NITS  
518 procurement. This acknowledgement of Mr. Blessing is consistent with  
519 the statement in my direct testimony that “the suppliers do not have to  
520 identify to the Companies any resources for the Companies to be able to  
521 procure NITS, as the pro-forma contracts will suffice for the Companies to  
522 procure NITS.” (ICC Staff Exhibit, pp. 30-31, lines 662-665)

523 Second, Mr. Blessing’s understanding that “MISO limits its market  
524 participants to nominating and receiving financial transmission rights  
525 (“FTRs”) based on the designated network resources (“DNRs”) identified  
526 in the NITS procurement process” is incorrect. Mr. Blessing is assuming  
527 that MISO FTR allocations are based on DNRs designated under Module  
528 B of the MISO Tariff. However, MISO FTR allocations are in fact based  
529 on the DNRs designated under Module E (Resource Adequacy) of the  
530 MISO Tariff, as stated throughout the publicly available document titled  
531 “FTR Registration 2005” on the MISO website  
532 ([http://www.midwestmarket.org/publish/Document/2b8a32\\_103ef711180\\_-7f430a48324a?rev=1](http://www.midwestmarket.org/publish/Document/2b8a32_103ef711180_-7f430a48324a?rev=1)). In fact, Mr. Blessing acknowledges this fact in his  
534 response to Staff Data Request No. SO 1.06 by the following statement:  
535 “...the Ameren Companies would note that the phrase “NITS procurement  
536 process” is intended to encompass compliance with Module E of the MISO  
537 EMT.” There is an important practical distinction between the two for this

538 proceeding: Module B obligations are requirements to be met by the  
539 transmission customer or its designated agent (the Companies in this  
540 context) whereas resource adequacy (Module E) obligations are  
541 requirements to be met by market participants (the suppliers in this  
542 context) as explained by Dr. McNamara in his direct testimony (Resp. Ex.  
543 9.0, p. 16, line 1). Mr. Blessing may have been led to his invalid  
544 conclusion that the suppliers cannot nominate and receive FTRs in MISO  
545 if they do not submit their capacity resources to Ameren by his erroneous  
546 assumption that network resource designations for the purposes of FTR  
547 nomination eligibility are made under Module B of the MISO Tariff.

548 Therefore, the suppliers do not need to submit capacity resource  
549 information to Ameren in order to be eligible to nominate FTRs. They can  
550 submit this information directly to MISO under Module E as market  
551 participants and this is sufficient to make them eligible to nominate and  
552 receive FTRs during the MISO FTR allocation period.

553 Third, these conclusions establish the fact that the suppliers do not  
554 need to submit any capacity resource information to Ameren for any  
555 MISO-related purpose. As I have explained in my direct testimony,  
556 suppliers do not need to submit any information to Ameren for the purpose  
557 of meeting MISO's resource adequacy obligations. (ICC Staff Exhibit 4.0,  
558 pp. 32-33, lines 701-724) As explained above, the suppliers do not need  
559 to submit any capacity resource information to Ameren for the purpose of  
560 procuring NITS, as BGS contracts are sufficient for Ameren to procure

561 NITS. Further, suppliers do not need to submit any capacity resource  
562 information to Ameren in order for the suppliers to be able to nominate  
563 and receive FTRs in MISO. Therefore, all possible MISO-related reasons  
564 for the suppliers to identify capacity resources to Ameren are eliminated  
565 and thus, the provisions to identify capacity resources to Ameren for  
566 MISO-related reasons should be eliminated from the BGS contracts.

567 **Q. Please evaluate Mr. Blessing's assertion that turning over the**  
568 **obligation to MAIN is unacceptable for Ameren.**

569 A. Mr. Blessing states that Ameren takes the resource adequacy obligations  
570 to MAIN seriously and is not willing to turn this obligation over to third  
571 parties.

572 First, turning the obligation over to the suppliers does not imply  
573 irresponsibility or not taking the obligations seriously. For example,  
574 Ameren is turning over their resource adequacy requirements to MISO to  
575 the suppliers and it is perfectly legitimate to do so. In fact, in a sense, the  
576 Companies are already turning their obligation to MAIN over to the  
577 suppliers. This is because the only way Ameren can meet MAIN  
578 requirements is to receive the capacity resource information from the  
579 suppliers and submit that information to MAIN during MAIN's summer  
580 audit. But if a supplier were not to meet its obligation to submit capacity  
581 resource information to the Companies, then the Companies cannot meet  
582 their obligations to MAIN. Instead of this two-step process, the  
583 Companies may just as well employ a one step process and allow the

584 suppliers to submit required information directly and confidentially to MAIN  
585 on behalf of Ameren. In terms of the non-compliance with MAIN  
586 requirements risks Ameren is facing, the two approaches are not different.

587 Second, ComEd is under exactly the same resource adequacy  
588 obligations to MAIN. However, ComEd is not requiring its suppliers to  
589 submit any capacity resource information to ComEd.

590 Third, even if we were to accept for the sake of argument that  
591 capacity resource information is not commercially sensitive information  
592 (which is a position I disagree with as I explained above), other  
593 commercially sensitive information might have to be submitted during the  
594 summer audit of MAIN. For example, if a supplier has a contract for both  
595 energy and capacity from a generating unit, that supplier may have to  
596 submit both pieces of information to the Companies in order to prove that  
597 the supplier is entitled to the capacity. However, the sources of energy  
598 supply is acknowledged by Mr. Blessing to be commercially sensitive  
599 (Resp. Ex. 11.0 (Revised), p. 49, lines 1092-1100) and the suppliers  
600 would not be willing to reveal such information to Ameren. This might  
601 have a detrimental impact on the participation in and competitiveness of  
602 the auction.

603 Fourth, MAIN will likely be dissolved soon and be replaced by the  
604 ReliabilityFirst Corporation ("RFC"), which will function as a regional  
605 reliability coordinator encompassing a much larger region than MAIN  
606 currently does. Both ComEd and Ameren are expected to be members of

607 the RFC. This might be a perfect opportunity for two large and influential  
608 Illinois utilities (and perhaps others that are employing or considering  
609 BGS-type procurement auctions) to make the case to this new  
610 organization that the RFC should accommodate the realities of states or  
611 utilities that procure their power via BGS auctions. For example, the RFC  
612 may be willing to allocate the responsibility of resource adequacy to the  
613 BGS suppliers of a utility or at least the RFC may accept that the suppliers  
614 will submit the capacity resource information directly and confidentially to  
615 the RFC. Given the significance of putting in place safeguards to protect  
616 suppliers' commercially sensitive information and the amount of load on  
617 the RFC footprint whose wholesale power need are met through  
618 procurement auctions, there is no reason not to expect the RFC to be  
619 amenable to such accommodations.

620 Fifth, even if the requirement on the suppliers to submit capacity  
621 resource information to Ameren is retained (which of course I am still  
622 recommending against), the "December 1" deadline in the Supplier  
623 Forward Contract (Resp. Ex. 3.1, p. 21, section 2.1.b.(viii)) to submit such  
624 information should be changed. As explained above, there is no MISO-  
625 related reason for the suppliers to submit capacity resource information to  
626 the Companies. Since MAIN's annual audit is performed in the summer,  
627 there is no reason for the suppliers to identify capacity resources to the  
628 Companies as early as December 1 of each year. It would be sufficient

629 for the suppliers to submit this information just in time for the MAIN  
630 summer audit.

631 For the reasons listed above, I continue to recommend that Ameren  
632 not require the suppliers to submit capacity resource information to the  
633 Companies; instead, I continue to recommend that the Companies allow  
634 the suppliers to submit the required information directly and confidentially  
635 to MISO and MAIN.

636 **Q. Please evaluate Mr. Blessing’s assertion that the data Companies are**  
637 **requiring the suppliers to submit are already available to others in**  
638 **some form.**

639 A. Mr. Blessing states four avenues through which the suppliers’ capacity  
640 resource data are already available in some form to others: (i) “the MISO  
641 Transmission Customer (in this case, the Ameren Companies) is already  
642 able to view all information; including DNRs, associated with their own  
643 service” (Resp. Ex. 11.0 (Revised), p. 52, lines 1160-1162), (ii) “[t]he  
644 applicable MISO Transmission Owners (including AmerenCILCO,  
645 AmerenCIPS, and AmerenIP) might also have access to portions of the  
646 DNR data submitted in the NITS process for planning, forecasting, and  
647 operational purposes” (Resp. Ex. 11.0 (Revised), p. 52, lines 1162-1165),  
648 (iii) “[o]ther data, including that for existing designated resources is  
649 available via the MISO Generator Deliverability Test Results which are  
650 publicly posted on the MISO website” (Resp. Ex. 11.0 (Revised), p. 52,  
651 lines 1165-1167), and (iv) “MISO files the results of FTR allocations with

652 the Federal Energy Regulatory Commission (FERC) and such filing is  
653 publicly available via the MISO and FERC websites. This data includes  
654 the identity of the asset owner, the source, and the sink. As noted above  
655 FTRs related to NITS are defined from DNRs to loads. By identifying the  
656 source the DNR is necessarily identified.” (Resp. Ex. 11.0 (Revised), p.  
657 52, lines 1168-1173)

658 First, I already explained above that no unit-specific DNR needs to  
659 be submitted under Module B for the purposes of NITS procurement.  
660 Therefore, the Companies as the transmission customers need not be  
661 able to see any units designated under their transmission service.

662 Second, Mr. Blessing is vague about the exact nature and extent of  
663 the DNR data the Companies will have access to that is submitted in the  
664 NITS process for planning, forecasting, and operational purposes.  
665 Moreover, as already explained above, the BGS suppliers do not have to  
666 submit any network resource information for the NITS process. The  
667 Companies may simply point to the BGS contracts to procure NITS.  
668 Furthermore, even if the Companies may have access to some DNR  
669 information as the transmission owners, there is no need readily apparent  
670 to me for the transmission owners to see the particular DNR designations  
671 of market participants. Mr. Blessing does not in any way indicate that the  
672 Companies may have access to the particular DNR designations of  
673 market participants. The Companies perhaps have access to the list of

674 network resources in MISO, but this is not the same as knowing the entity  
675 that designated each network resource.

676 Third, I agree with Mr. Blessing that the MISO Generator  
677 Deliverability Test Results make the existing network resources in MISO  
678 publicly available. However, those test results do not make available the  
679 entities that designated the network resources. The information on the  
680 association between a designated resource and the entity that designated  
681 that network resource is the commercially sensitive information and the  
682 MISO Generator Deliverability Test Results do not release that  
683 information.

684 Fourth, I agree in part with Mr. Blessing that for some FTRs, it is  
685 possible to identify the DNR by looking at the source of the FTR.  
686 However, this is not true for all FTRs. For example, if a market participant  
687 received an FTR for an external resource (a resource outside of MISO),  
688 the source of that FTR will be the interface of MISO with another  
689 transmission provider (for example, PJM or SPP). Thus, the DNR of this  
690 market participant cannot be “necessarily identified.” It is also possible for  
691 a market participant to request an FTR from an “aggregate node”, such as  
692 a generation hub. The specific DNRs are also not “necessarily identified”  
693 in this case. Yet another possibility is that a market participant may  
694 decline to request an FTR from some of its DNRs if it is expecting that  
695 FTR to be a liability rather than an asset. Such DNRs of a market  
696 participant are also not identifiable. Thus, results of FTR allocations do

697 not necessarily identify all of the DNRs of specific market participants.  
698 Furthermore, even if the FTR allocation results allowed one to identify all  
699 of the DNRs of specific market participants (which they do not), this is still  
700 not a sufficient reason to require the suppliers to submit capacity resource  
701 information to the Ameren Companies. As explained above, there is no  
702 MISO-related reason for the Companies to require such information that  
703 would put an extra reporting burden on the suppliers; and it is not  
704 appropriate to let the Companies receive such information before it is  
705 made public (to the extent it is made public).

706 Therefore, the Companies do not have access to all of the  
707 information they are obligating suppliers to submit to the Companies  
708 through any of the sources Mr. Blessing suggests; i.e., DNR designations  
709 under Module B, DNR data submitted in the planning or forecasting  
710 processes, MISO Generator Deliverability Test Results or MISO FTR  
711 allocation results. Thus, availability of specific capacity resource  
712 information to the Companies, as Mr. Blessing suggests, is not a valid  
713 reason to obligate suppliers to submit their capacity resources to the  
714 Companies.

#### 715 **IV. SUMMARY OF CONCLUSIONS**

716 **Q. Please summarize your conclusions.**

717 A. (1) Mr. Blessing's reasons to oppose granting the suppliers the option to  
718 self-supply ancillary services are unconvincing, therefore the Supplier

719 Forward Contracts should be modified to give such an option to the  
720 suppliers; and

721 (2) Mr. Blessing's reasons to oppose my recommendation that the  
722 suppliers not submit any capacity resource information directly to Ameren  
723 are unconvincing; therefore, the Supplier Forward Contracts should be  
724 modified to eliminate all such capacity resource identification requirements  
725 of the suppliers to Ameren. More specifically, all MISO-related capacity  
726 resource identification requirements should be eliminated and all MAIN-  
727 related resource identifications should be handled in a way that the  
728 information flows directly from the suppliers to MAIN, without Ameren  
729 having access to such information.

730 **Q. Does this conclude your testimony?**

731 A. Yes.