

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
	:	23-NOI-1
Notice of Inquiry Regarding	:	
Ameren Illinois RTO Cost-Benefit Study	:	

REPLY COMMENTS OF AMEREN ILLINOIS COMPANY

Ameren Illinois Company d/b/a Ameren Illinois (Ameren Illinois or AIC) has reviewed the initial comments submitted under this Notice of Inquiry and respectfully submits these Reply Comments on the Ameren Illinois RTO Cost-Benefit Study.

I. Introduction and General Response to all Parties

Ameren Illinois was directed by the Commission to present an analysis of the implications of changing RTOs from MISO to PJM. Ameren Illinois contracted with Charles River Associates (CRA) to do just that. CRA provided an informed and empirically supported study that is both independent and comprehensive in its modeling of the potential outcomes of such a change. No party has identified any errors, flaws, or methodological shortcomings of the CRA analysis to suggest it should be set aside. And no party has offered facts or data that would lead AIC to believe that the CRA modeling does not provide an important and valuable prospective on the potential impacts to Illinois energy consumers of what would prove to be a major realignment of RTO membership in Illinois.

Today, RTOs are well established throughout Illinois and much of the United States. Markets, interconnection practices, and transmission planning processes are largely in place. Market participants, renewable generation developers, and load serving entities like Ameren Illinois depend on these RTO processes and practices as they manage and plan for their energy

delivery and generation operations. These operational, management and planning activities have significant implications for everyday consumers now and in the future. For an electric utility to withdraw from, or change, RTO membership is an event that is not without significant consequences. It would inevitably prove to be a highly disruptive and complex initiative during a period of major transition as North America continues its shift away from fossil fuels. As modeled and quantified by CRA, the cost implications of such a move for Illinois consumers are significant. Accordingly, RTO membership and related policies should not be taken lightly, and major decisions should not be based upon supposition and conjecture, but rather premised on thorough analysis and deliberation based upon empirical evidence.

As discussed below, two parties (AARP and Staff) offer specific criticism and commentary concerning the CRA study (and Ameren Illinois' intentions in the commissioning thereof) that go beyond the particulars and methodologies that CRA has employed. These comments are largely policy arguments or characterized as “qualitative” assessments. Below is AIC's response to those comments. For the sake of brevity, we did not attempt to address every comment of every party, and our silence should not be interpreted as acquiescence or agreement with any argument or commentary offered.

Finally, it also must be acknowledged that projections and modeling, even when based on rigorous methods and sound data inputs, are not deterministic of future outcomes. Technology, energy consumption, markets, and societal dynamics are always subject to change. Moreover, Illinois policymakers will have a significant role in shaping the future for consumers irrespective anything related to RTOs or RTO membership status. That role includes the establishment of policies (through law and regulation) related to renewable integration, demand response, distributed grid technologies, and power procurement. As the CRA study demonstrates, we need

to look beyond superficial assumptions when addressing power supply price dynamics facing Illinois customers; and for all stakeholders, we should be cautious concerning what may appear on the surface to be a silver bullet solution to a complex problem.

II. Response to Comments from AARP Illinois

(a) The CRA study is factually driven and unbiased – it was ordered by the Commission and conducted by a third-party consulting firm.

AARP Illinois alleges that the CRA study is not independent and therefore may be biased. The ICC ordered the analysis, and AIC engaged Charles River Associates, a third-party consulting firm with the requisite expertise, to conduct the requested study. The CRA study did not evaluate, nor was it influenced by the specific interests of Ameren Missouri, Ameren Transmission Company of Illinois, Ameren Corporation, or MISO, nor did its conclusion cater to those interests. Rather, the study adhered to the scope of the ICC order, considering only Ameren Illinois and Illinois ratepayers. The study thus reflects objective criteria relevant to the ordered analysis and is independently valid.

(b) Any administrative challenges faced by the ICC in overseeing two RTOs would be insignificant as compared to the ICC's potential obligation to monitor both AIC's transfer to a different RTO and the impact of such transfer on a broad group of stakeholders.

AARP Illinois claims that Illinois regulators “dealing with two different RTOs adds untold costs and challenges for Illinois.” Comments of AARP Illinois at 2. AARP Illinois’ comments do not consider that if AIC were to move from MISO to PJM, Illinois regulators would face a much greater burden in monitoring the highly disruptive process of a major utility transferring to a different RTO. The operation of both AIC and RTOs serving Illinois affects a large, diverse group of stakeholders, and the contemplated RTO transfer could yield a number of major or unforeseen consequences. The obligation of Illinois regulators to monitor, respond to, and otherwise mitigate

such consequences is far more burdensome than their current obligation to oversee utilities in MISO and PJM.

- (c) **The CRA study concluded that AIC should remain in MISO based on its analysis of both the energy market and the capacity market, among other factors. Reviewers of the study should cumulatively consider all such evaluated factors, rather than examining them in isolation.**

AARP Illinois myopically focuses on the \$563 million in energy trading savings if AIC were to transfer to PJM, but AARP Illinois' comments do not acknowledge other aspects of the study that support AIC remaining in MISO. The study's findings should be considered in the aggregate rather than in isolation. Indeed, the study itself adopted a comprehensive approach by weighing its findings supporting the notion that AIC should transfer to PJM against its findings supporting the notion that AIC should remain in MISO, concluding that AIC should remain in MISO.

II. Response to Comments from ICC Staff

- (a) **AIC respectfully corrects the ICC Staff's statement that Zone 4 has failed to meet its Planning Reserve Margin Requirement (PRMR) twice in the last decade.**

Zone 4 has failed to meet its PRMR only once in the last decade, in 2022.

- (b) **AIC generally agrees with the ICC Staff's proposition that high capacity prices alone may not correct the shortage in the capacity market. For this reason, AIC and Staff have supported the implementation of a sloped demand curve.**

After conveying that "tightness in the capacity market" may not respond to high capacity prices alone, the ICC Staff notes that "reforms to the MISO capacity construct may be necessary." AIC generally agrees with these statements and has supported adopting a sloped demand curve to mitigate this result of the capacity market. Moreover, as PJM supposes in its Initial Comments, PJM capacity market prices and MISO capacity market prices will likely converge once MISO adopts a sloped demand curve and PJM works toward a seasonal market model.

- (c) **Empirical evidence is necessary to support the ICC Staff's conclusion that Illinois's retail access policy renders the state and AIC better suited for PJM than MISO.**

The ICC Staff argues that “there is significant friction between MISO’s PRA [Planning Reserve Auction] and Illinois’ energy policy.” As recognized above, Staff policy concern is noted, but empirical evidence is necessary to adequately support a conclusion that would justify AIC’s transfer to PJM based upon this concern. Ameren Illinois supports reforms to market design that make sense, and that align goals of the state with market design. Ameren Illinois will continue to advocate alongside the ICC Staff in support any such market design changes. Nonetheless, consideration should also be given to underlining market fundamentals, a chief element of which is the adequacy of supply located within the Ameren Illinois MISO Pricing Zone. The most carefully designed market construct cannot alter the foundational dynamics of supply adequacy and customer demand. To date, Ameren Illinois has seen no such evidence that an RTO transfer would achieve lower prices or resolve concerns regarding capacity market price volatility for Ameren Illinois customers.

III. Conclusion

The Charles River Associates study remains independently conducted and empirically rigorous. The ICC should consider and accept its conclusion that AIC should remain with MISO. Further, the transfer by a major utility from one RTO to another is a seismic event that has the potential to result in far-reaching, unexpected consequences to customers. Objective data must support such an enormous transition, and thus far, no such data has been presented. Finally, both MISO and PJM have generally agreed that AIC is well-positioned within MISO. For the wellbeing of the state and the affordability of Ameren Illinois customers, Ameren Illinois respectfully requests that that Commission take the information in the study under advisement, and that the

broader community of stakeholders and Illinois policymakers carefully consider the CRA study as they consider matters of important energy policy.

November 1, 2023

Respectfully submitted,

/s/ Eric Dearmont _____

Eric Dearmont
Director and Assistant General Counsel
AMEREN SERVICES COMPANY
One Ameren Plaza
1901 Chouteau Avenue
St. Louis, MO 63166
(T) 314749-9275
(F) 313-554-4014

edearmont@ameren.com

Attorney for Ameren Illinois Company