

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission)	
On Its Own Motion)	
)	23-NOI-01
Notice of Inquiry Regarding Ameren Illinois)	
RTO Cost-Benefit Study)	
)	

REPLY COMMENTS OF CITY OF SPRINGFIELD, OFFICE OF PUBLIC UTILITIES
d/b/a City Water, Light and Power

The City of Springfield, Office of Public Utilities d/b/a City Water, Light and Power (“City” or “CWLP”) respectfully submits the following reply comments to the Illinois Commerce Commission’s (“ICC” or “Commission”) Notice of Inquiry regarding the Ameren Illinois RTO Cost-Benefit Study (“RTO Study”).

The City of Springfield, the capital city of Illinois, owns and operates a municipal utility referred to as City Water, Light and Power that provides electric power to approximately 68,000 customer meters that serve the residents and commercial businesses of Springfield and surrounding areas. CWLP also operates a fully integrated supply, purification, transmission and distribution water utility that provides drinking water to 160,000 people in a service area that includes Springfield, the villages of Grandview, Jerome, Leland Grove, Loami, Rochester and Southern View along with the Sugar Creek Public Water District, the Williamsville-Sherman Water Commission, the Round Prairie Water Commission and certain unincorporated areas adjacent to the City. CWLP currently operates one 200MW coal-combustion generation unit, Dallman Unit 4, that utilizes Illinois coal and came online in late 2009. Three older units placed into service in

1968, 1972 and 1978 (Units 31, 32 and 33, respectively) were taken out of service in 2020 and 2021. CWLP also operates three peaking generators, two that are oil-burning and one that has dual-fuel operating capabilities, with a combined capacity of 144 MW.

CWLP is registered as a distribution provider, generation operator, generation owner, load serving entity, resource planner, transmission operator, transmission owner, and transmission planner within the North American Electric Reliability Corporation (NERC). CWLP also operates as a local balancing authority within the Midcontinent Independent System Operator (MISO). CWLP is directly interconnected with the Ameren transmission system at six locations. The Ameren Lanesville 345/138 kV substation was completed in December 2004 and interconnects the Commonwealth Edison/PJM 345 kV transmission system to the CWLP 138 kV transmission system. The most recent interconnections with Ameren were completed in June 2009 and include the Interstate – San Jose 138 kV (now Interstate – Shockey) and the Interstate – East Springfield 138 kV (now Interstate – Dirksen). In March 2001, CWLP joined MISO as a transmission owner. CWLP has no interconnections with any other facilities in any other RTOs.

Although the RTO Study made significant conclusions about the impacts to CWLP and its customers from a hypothetical switch from the MISO grid to PJM, CWLP was not consulted about the inputs or assumptions used in the study. The RTO study discussed impacts to Southern Illinois Power Cooperative (SIPC) as the other local balancing authority in addition to CWLP and Ameren, but did not address any other transmission owners in MISO Zone 4.¹

¹ RTO Study, p. 1, fn 5.

Any decision made about Ameren's RTO status will have cascading effects on many other utilities and thousands of retail consumers. CWLP understands the limited scope of the study conducted in this matter but encourages the Commission that any decision that would affect Ameren's status in MISO would require a much more rigorous analysis for these additional impacts. While it is not clear why the study presumed that CWLP would automatically move to PJM if Ameren did, there is no question that CWLP and its customer-owners' access to the MISO energy markets would be impacted by such a decision that could also disrupt the long-term decisions and investments made based upon the MISO market tariff and rules.

COMMENTS RELATED TO ASSUMPTIONS IN THE RTO STUDY

The RTO study concluded that "[t]he analysis did demonstrate \$22.4 million of combined net benefits to SIPC and CWLP..."² The study did not provide enough detail to respond thoroughly to the accuracy of this conclusion and its assumptions but these comments will address some of the more significant items.

For CWLP and SIPC combined, the study concluded the exit and integration fees would be \$1.7 million and the transmission expansion costs would be \$13.9 million. The exit fee calculation is based on a figure provided by MISO for Ameren, adjusted for the load size. It is overly optimistic to assume that an exit fee would only be based on a percentage of the estimated Ameren fee by load. CWLP expects that there would be economies of scale that make this conclusion unlikely. CWLP does not believe this assumption is based on an analysis of the tariff or historical review of exit fee negotiations

² RTO study at p. 2.

the MISO owner-members would be willing to accept without protracted and expensive litigation. All of these transaction costs typically have a disproportionate impact on a smaller municipal utility than a large investor-owned utility. Similarly, the PJM integration fee seems to be an estimate without adequate study or analysis. With the scale and size of customer-base of Ameren and ComEd, these estimates may be adequate, but CWLP would need to evaluate a much more specific and reliable number for these fees to determine the impact on our customer-owners. With regard to the transmission expansion costs, the RTO study assumes CWLP will have to pay for the Tranche 1 and 2 projects in MISO with no ability to benefit from them. Given the amounts still being spent by CWLP's customers to pay off MISO's decade-old transmission build-out, this figure seems unreasonably low. However, the study does not explain how renewable transition will be achieved without similar or even greater investments by PJM in long range transmission, which CWLP would pay for a second time if it was forced to switch to PJM.

The RTO study concluded that the energy trade benefits for CWLP customers would be \$36.8 million. CWLP cannot determine how this was calculated, except that it is based on "additional renewable builds in Zone 4 later in the forecast period." It is unclear how this factor was incorporated into the study given that PJM has a much lower renewables penetration than MISO. On page 8, it seems that part of the basis is "In Illinois, no new gas capacity (aside from already scheduled projects) is allowed during the forecast horizon, leading Zone 4 to meet its PRMR with new solar, wind and storage in CRA modeling framework."³ Since this conclusion, while somewhat speculative, applies

³ RTO study at p. 8. It is not technically accurate for the study to conclude Illinois prohibits new gas capacity. That is likely the practical impact, for sources greater than 25MW, but not an accurate statement of the law.

to either a stay in MISO or switch to PJM scenario, it is not clear how switching MISO renewables to PJM will result in a savings for CWLP customers. Conclusions about energy costs for CWLP are beyond the scope of this study. Factors such as how much energy must be imported to meet CWLP's load and from which locations require CWLP input to be accurately evaluated.

The RTO study states "SIPC and CWLP see net benefits in all scenarios, although marginal in relative magnitude compared to AIC and ComEd. These benefits are a result of lower energy prices in Zone 4 in the Join PJM Case not being fully offset by higher capacity prices as SIPC and CWLP can internally source most of their capacity requirement."⁴ The study concludes that CWLP customers will have a savings of 0.1 cents per kwh or \$9.50 per year based on the March 2023 average Illinois residential customer rates.⁵ Though the 2023 rate gap has fluctuated wildly, in March 2023, CWLP customers were paying \$42.84 less per month than the State average for other residential electric customers. This does not necessarily mean that the conclusion of the savings in the study is incorrect, but it does mean that the assumptions must be very accurate for there to be any savings at all. The transaction costs and compliance risks of an RTO switch would certainly not be something that would be undertaken for a less than 1% estimated rate savings as concluded by the study.

The costs for CWLP to withdraw from MISO and join PJM would have to be divided amongst a very small customer base and therefore the assumptions in the study would have to be much more granular and reliable to be able to reach the conclusion the study makes that it would result in a cost savings. The key assumption CWLP would draw the

⁴ RTO study at p. 29.

⁵ RTO study at p. 25.

Commission's attention to is the assumption that CWLP does not have to procure capacity in the market. CWLP no longer produces more energy than it needs to serve load and must now procure both energy and capacity in the market. It appears the main basis for benefits to CWLP of switching to PJM was an assumption that it would not need to procure capacity in the more expensive PJM capacity market.

REPLY COMMENTS ON RESOURCE ADEQUACY

According to the RTO study: "The utilities in Illinois rely on their respective RTOs to ensure resource adequacy at a reasonable cost based on market constructs."⁶ CWLP disagrees with this statement. CWLP remains a vertically integrated utility and plans for resource adequacy and reliability for its customers. CWLP does not rely on MISO for resource adequacy. Illinois has left resource adequacy to the market to figure out, while simultaneously directly influencing market forces by establishing specific retirement dates for fossil fuel resources and directing rate payer monies to retain the State's aging nuclear fleet. Illinois policy is speculating that its incentives to build renewable resources will result in a rapid resource transition without formally studying whether these assumptions are realistic or will ensure resource adequacy. CWLP is very concerned about whether Illinois will be prepared for the reliability challenges to come but this concern would not be abated by moving to PJM due to its lack of long range transmission planning, inability to bring off-shore wind into the market in the near term, and heavy reliance on natural gas generation.

⁶ RTO study at p. 16.

In comments by the Commission staff on concerns with the MISO capacity market, ICC staff state: "Instead the PRA is intended to serve vertically integrated states that exert more control over generation and explicitly plan to meet their reliability needs"⁷ and "[a]s a retail state with no regulatory authority over generation assets...."⁸ While it may be the conventional wisdom that MISO states exert more control over generation than a deregulated state like Illinois or that Illinois has no authority over generation assets, CWLP questions whether this is still an accurate statement. Illinois can point to no other State in either PJM or MISO that has established a requirement for all fossil fuel generation to retire by a date certain. To ostensibly leave resource adequacy to the market, while ordering generation off-line without a corresponding resource adequacy plan to ensure it must be replaced will lead Illinois to a rendezvous with reality on a number of fronts (reliability, cost, resiliency, etc.) that would not be avoided by an RTO shift.

ICC staff also comments that "[i]ncreased capacity prices would likely incentivize the construction of new generation/capacity resources and/or delay the retirement of existing resources, ultimately pushing capacity prices lower."⁹ This comment makes logical sense, but again does not take into account that no longer will it be primarily these price signals that will effect retirement dates of generation resources in Illinois. It will be whether the return on investments for needed maintenance and repairs can be made on Illinois resources (from large coal or gas plants to very small peaking units) prior to the forced retirement date in Illinois law, not by the market.

⁷ Initial Comments of the ICC staff at p. 3.

⁸ Initial Comments of the ICC staff at p. 9.

⁹ RTO study at p. 8

CWLP strongly agrees with the comment raised by the ICC staff that the “lack of long-term transmission planning” in PJM is a huge downside that should not be minimized in importance and is a significant advantage to Illinois Zone 4 of remaining in MISO.

ICC staff comments generally that “Ameren transferring to PJM comes with several qualitative benefits, such as improvements of emissions, better outcomes for environmental justice communities and resiliency.”¹⁰ This comment cites very generally to pages 31-38 of the RTO study. CWLP could not find a basis in that portion of the study for these important qualitative benefits. With regard to emissions, the study assumes that emissions would go up in ComEd territory and down in MISO territory as a result of a move to PJM.¹¹ If this assumption is correct, it is good for the Ameren territory but bad for the ComEd territory. CWLP does not believe there would be any emissions impact in its territory. However, the fact that emissions would increase in the ComEd territory makes it very difficult to understand why ICC staff concludes there would be better outcomes for environmental justice communities. This conclusion is not supported by the discussion in 6.1 and 6.2 that ComEd territory, where the most populated environmental justice communities are located, would have increased emissions and higher utility rate burdens on low income customers. CWLP believes that, to the extent this qualitative impact can be predicted, environmental justice factors weigh in favor of the status quo.

CWLP found the study’s conclusion that switching to PJM could bring more resiliency somewhat confounding because it seems to be based on the assumption that MISO is moving more rapidly to a higher solar portfolio than PJM.¹² CWLP disagrees that

¹⁰ Initial Comments of the ICC staff at p. 10-11.

¹¹ RTO study at p. 33.

¹² RTO study at p. 35-36.

sufficient information exists to conclude that an Ameren switch to PJM will bring more resiliency. In recent examples of extreme winter weather events, MISO has been prepared to help its neighbors meet their challenges including SPP and ERCOT during Winter Storm URI and PJM during Winter Storm Elliot. There is no doubt Illinois customers need to rely on cooperation among RTOs to ensure resiliency in the face of an uncertain future, but there is not a basis to conclude that an RTO switch for Ameren would improve this situation.

REPLY TO COMMENTS OF ICC STAFF REGARDING NON-AMEREN UTILITIES

On page 7 of its comments, the ICC staff state, “the assumption that all Illinois utilities in MISO will shift over to PJM may not actually occur. Non-Ameren utilities may decide to stay in MISO.”¹³ CWLP does not disagree with this statement and appreciates the staff for recognizing the independence of CWLP as a transmission and generation owner to act on behalf of its customers. However, CWLP does want to point out that its ability to make independent decisions on behalf of its customers would be impacted by any decision to control the RTO status of Ameren Illinois in MISO Zone 4. For example, the MISO Tariff states, “[i]f any withdrawal creates a situation where an Owner’s or Owners’ transmission system is not physically interconnected with the Transmission System [of MISO], MISO shall determine if such withdrawal affects the ability of such Owner(s) to continue as an Owner(s).”¹⁴

CWLP is a Transmission Owner in MISO, bound by the provisions of the MISO Tariff and Transmission Owner Agreement and currently has its only interconnection to

¹³ Initial Comments of ICC Staff, p. 7.

¹⁴ MISO Tariff, Rate Schedule 01, MISO Transmission Owner Agreement, Article V, Section I.

MISO through Ameren. If Ameren leaves MISO, CWLP will no longer be physically interconnected to MISO, and MISO will determine whether CWLP can stay. In order to qualify as an Owner in MISO, the Owner must own, operate, or control facilities that are physically interconnected to facilities of an existing Owner.¹⁵ The Bylaws provide for a waiver of this requirement on an *ad hoc* basis, however the standard is high (significant net benefit to MISO and Members) and approval is uncertain as the request is highly unusual.¹⁶

In the event CWLP would be forced to leave MISO with Ameren, there would be many cost implications for our small number of customers that were not adequately studied in the RTO study. While not an exhaustive list, there are exit fees, integration fees, costs of new software, training on new protocols, payment for transmission projects already approved, long term planning expenses (transmission and generation) based on RTO specific rules, stranded assets, and existing power contracts that will need to be renegotiated (priced at MISO hubs including the Illinois hub that would cease to exist). These risks represent significant costs to CWLP and other non-Ameren transmission owners and their customers.

In the event Ameren leaves MISO, but CWLP was allowed to stay, there would also be many physical and cost implications. An extensive network of brand new transmission facilities may need to be built in order to provide a physical interconnection to another existing MISO Owner, or CWLP may be required to procure transmission service across Ameren facilities within the PJM market at an unknown ongoing cost. There will need to be training on new protocols, existing power contracts will need to be

¹⁵ MISO Tariff, Rate Schedule 01, Appendix F, Bylaws, Section 3.2.

¹⁶ MISO Tariff, Rate Schedule 01, Appendix F, Bylaws, Section 3.2.

renegotiated, and there will be Transmission Service Request costs (even after existing contracts end).

The differences between RTOs are decreasing which minimize any financial advantages of moving to a different RTO. MISO proposed utilizing a sloped demand curve like PJM.¹⁷ PJM filed capacity accreditation rules similar to MISO's.¹⁸ The PJM capacity market is currently seeking changes at FERC and has failed to run on schedule since 2018. PJM is currently awaiting FERC approval for additional revisions to their capacity market rules.¹⁹

With respect to Illinois Energy Policy, MISO currently reports 22% of their generation as renewable,²⁰ while PJM reports on 7% of their portfolio as renewable.²¹ MISO members are better positioned to access the large wind assets located in the western part of MISO or located just to the west of MISO. The MISO interconnection queue is overflowing with new renewable interconnection requests. This causes the queue to take time, but it is functional. PJM's transmission service request and interconnection queues are not fully accepting applications.²²

Illinois being split between two RTOs is not unique. Currently three other states are split between MISO and PJM; Indiana, Kentucky, and Michigan. An additional eight states are split between MISO and SPP: Arkansas, Iowa, Louisiana, Minnesota, Missouri, North Dakota, South Dakota, and Texas.

¹⁷ FERC Docket ER23-2977.

¹⁸ FERC Dockets ER24-98 and ER24-99.

¹⁹ FERC Dockets ER24-98 and ER24-99.

²⁰ MISO Corporate Fact Sheet <https://www.misoenergy.org/about/media-center/corporate-fact-sheet/>.

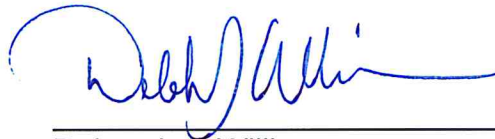
²¹ PJM 2022 Annual Report <https://www.pjm.com/about-pjm/who-we-are/annual-report>.

²² PJM Interconnection Process Reform <https://www.pjm.com/-/media/committees-groups/committees/mc/2022/20220427/20220427-item-01a-1-interconnection-process-reform-presentation.ashx>.

CWLP appreciates the opportunity to submit Reply comments to respond to information placed on the record by the Ameren RTO study and the comments on that study that impact CWLP. A study like this is helpful for regulators and legislators to have more information on which to base future decision-making. Upon review of this limited study, CWLP would not support actions to force Ameren Illinois to move to PJM due to the consequences (intended or unintended) that it may have for our customers-owners, the citizens of Springfield, as well as the impacts on our transmission planning functions.

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Respectfully submitted,



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