

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 THE
STAFF OF THE ILLINOIS COMMERCE COMMISSION

Pursuant to the Illinois Commerce Commission’s (“Commission”) Notice of Inquiry issued August 3, 2023, the Staff of the Commission (“Staff”) does hereby submit these Reply Comments on the Ameren Illinois RTO Cost-Benefit Study (“Ameren Study”) to inform the Commission of two relevant developments that have come to Staff’s attention since the filing of Initial Comments

I. Background

On July 21, 2022, the Commission issued an order in Docket No. 22-0485 directing Ameren Illinois (“Ameren”) to conduct an analysis and study of its continued membership in Midcontinent Independent system Operator, Inc. (“MISO”). On July 21, 2023, Ameren filed the Ameren Study conducted by Charles Rivers Associates, with the Commission. See Charles Rivers Associates et al., Ameren Illinois RTO Cost-Benefit Study, July 21, 2023; <https://www.icc.illinois.gov/docket/P2022-0485/documents/340219>. On August 3, 2023, the Commission issued a Notice of Inquiry establishing October 2, 2023, as the date for submission of initial comments,

and November 1, 2023, as the date for submission of reply comments on the Ameren Study. On October 2, 2023, Staff submitted Initial Comments. Staff now hereby submits these Reply Comments for consideration in the above-captioned inquiry to alert the Commission of recent proposed changes in both MISO and PJM Interconnection, LLC (“PJM”).

II. MISO Filed Proposed Revisions to its Tariff at FERC to Implement a Reliability-Based Demand Curve (RBDC) and Improve Resource Adequacy

In its Initial Comments, MISO stated, “MISO is also in the process of developing a Reliability Based Demand Curve for the Planning Resource Auction. This new Reliability Based Demand Curve will provide more appropriate and consistent pricing signals to the market than the current vertical demand curve construct.” (MISO IC, at 2.) Staff supports the RBDC. Staff’s Initial Comments expressed concerns about the ability of MISO’s existing capacity market to meet Illinois’ resource adequacy needs. In particular, MISO’s capacity construct, which currently uses a vertical demand curve in the Planning Resource Auction (“PRA”) that can result in increased capacity price volatility, fails to properly value generation beyond the zonal reliability requirement and could fail to incentivize investment in new generation and/or contribute to premature retirement of existing capacity resources. (Staff IC, at 3.) Given this, Staff noted that the vertical demand curve “may not be the best fit with Illinois’ retail access policy and could lead to continued price separation in future PRAs.” (Staff IC, at 4.)

Staff also commented that a sloped demand curve treats generation procured beyond the capacity requirement like an insurance policy - that every megawatt above the reliability requirement still has some reliability value. (Staff IC, at 3.) By failing to

properly value these extra megawatts, generators are not properly compensated for the reliability they provide to the grid, which is factored into decisions about retirements or expansions. Therefore, the MISO PRA structure does not send a complete signal that would better incent new generation or slow generator retirements. Staff contended that Ameren may be better suited for membership in PJM, which has a true capacity market that allows LSEs to procure necessary capacity through the market.” (Staff IC, at 4.)

Staff notes that on September 29, 2023, MISO submitted proposed tariff revisions to its Open Access Transmission, Energy, and Operating Reserve Markets Tariff to the Federal Energy Regulatory Commission (“FERC”) that are intended to enhance MISO’s resource adequacy construct through the implementation of a sloped demand curve in MISO’s PRA. See MISO, RBDC, FERC Docket No. ER23-2977-000, Sept. 29, 2023, (“MISO Filing”). MISO’s Filing requested an effective date of June 3, 2024, which MISO states is necessary to ensure that the proposed tariff revisions are implemented for the 2025-2026 Planning Year. (MISO Filing, at 1.) MISO contends that the sloped demand curve will: (1) properly reflect the reliability value of capacity above the established planning reserve margin; (2) provide capacity prices that better inform resource investment, retirement and replacement decisions with respect to capacity resources; and (3) produce more economically efficient market outcomes reflecting the appropriate price of capacity and reducing price volatility created by the current vertical demand curve. Id.

III. PJM Filed Proposed Capacity Market Reforms But Has Deferred the Development of a Seasonal Capacity Construct

In Initial Comments, MISO said, “[t]he MISO resource adequacy construct has transitioned from an annual process to a seasonal process that better captures risk throughout the year. (MISO IC, at 2.) Staff agrees. In its Initial Comments, Staff noted that there may be benefits to participating in PJM, which has policies and operates markets that are more in line with Illinois’ policies. (Staff IC, at 9-10.) One advantage that the MISO markets have over the PJM construct, however, is the implementation of a seasonal construct that more appropriately recognizes differences in resource performance and demand across the year. (MISO IC, at 2.) In the recent Critical Issue Fast Path (“CIFP”) stakeholder process intended to address some deficiencies in its capacity market that were highlighted by Winter Storm Elliott, PJM considered the implementation of a seasonal or otherwise more granular capacity market construct and deterred action on it. See, Overview of PJM Proposals CIFP – PJM Resource Adequacy Senior Task Force, August 14, 2023; <https://www.pjm.com/-/media/committees-groups/cifp-ra/2023/20230814/20230814-item-03a---cifp---pjm-proposals.ashx>.

While PJM had developed a robust proposal and stakeholders seemed open to the idea, many stakeholders asked for more time to consider the proposed changes. In response, upon directing a filing of capacity market reforms, the PJM Board deferred action on the seasonal capacity construct pending further discussion. In a letter to stakeholders, the Board stated, “[t]he Board has directed PJM to maintain an annual market design in this filing as proposed in the PJM annual proposal. While the case for more granular designs is compelling, the Board heard overwhelming feedback from stakeholders about the desire for additional time to refine such proposals.” (PJM Board

Letter Substantive Direction to Stakeholders, dated September 27, 2023, at 2; 20230927-pjm-board-letter-re-its-decision-within-the-cifp-ra.ashx.) On October 13, 2023, PJM filed proposed capacity market reforms with the FERC in Docket Nos. ER24-98-000 and ER24-99-000. The proposed reforms therein did not include a seasonal construct.

IV. Conclusion

WHEREFORE, for the reasons set forth above, the Staff of the Illinois Commerce Commission respectfully requests that the Commission consider these Reply Comments.

Respectfully submitted,

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