



SR0623

LRB099 12087 GRL 36432 r

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SENATE RESOLUTION

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WHEREAS, Reliable, affordable, and clean electric service is a basic necessity of modern life and is vital to Illinois' economic growth, jobs, and the overall interests of its citizens; and

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WHEREAS, The electric grid consists of interconnected transmission facilities, electric generators, and distribution facilities; and

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WHEREAS, The operation of the transmission system affects and is affected by the operation of electrical generators; and

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WHEREAS, The goal of restructuring the interstate electric industry by the Federal Energy Regulatory Commission was intended to provide lower prices and a better array of services for retail consumers by the creation of a marketplace where electricity prices were the result of vibrant and vigorous competition; and

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WHEREAS, The Federal Power Act grants the Federal Energy Regulatory Commission the primary responsibility of ensuring that regional wholesale electricity markets served by Regional Transmission Organizations operate without market power; and

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1           WHEREAS, The Federal Power Act requires just and reasonable  
2 rates in order to "afford consumers a complete, permanent, and  
3 effective bond of protection from excessive rates and charges"  
4 and to address the complete market breakdown that can result  
5 from the unfettered exercise of market power in the electric  
6 utility industry; and

7           WHEREAS, The Federal Power Act mandates that the Federal  
8 Energy Regulatory Commission deter and mitigate market power  
9 abuses for the benefit of consumers and authorizes the Federal  
10 Energy Regulatory Commission to protect consumers when a market  
11 produces non-competitive rates; and

12           WHEREAS, The design of wholesale markets is crucial to  
13 ensuring that wholesale and retail electricity prices are just  
14 and reasonable; and

15           WHEREAS, The Federal Energy Regulatory Commission oversees  
16 two Regional Transmission Organizations that operate the  
17 wholesale market for electricity in Illinois, PJM  
18 Interconnection LLC (PJM) and Midwest Independent System  
19 Operator, Inc. (MISO); and

20           WHEREAS, PJM and MISO offer a variety of products and  
21 oversee a variety of functions, including auctions for  
22 capacity; rates established by PJM and MISO are passed through

1 by buyers to retail customers and may affect rates for  
2 electricity sold in bilateral transactions; and

3 WHEREAS, Capacity prices in Illinois increased by 100% in  
4 PJM and 825% in MISO over the prior capacity price, which are  
5 significant rate increases; and

6 WHEREAS, MISO's recent capacity auction yielded a high  
7 capacity price for Illinois of \$150 per megawatt day, while the  
8 second highest capacity price in numerous other MISO states was  
9 \$3.48 per megawatt day; and

10 WHEREAS, The average residential bill in MISO territory is  
11 expected to increase between \$12 and \$14 monthly based on the  
12 results of the recent capacity auction, which could result in  
13 rate shock for some of the State's most vulnerable residents on  
14 fixed incomes; and

15 WHEREAS, Illinois businesses, electric cooperatives, and  
16 other institutions and agencies in MISO territory will pay  
17 millions of dollars more for capacity than they anticipated  
18 based on the results of the recent capacity auction; and

19 WHEREAS, Capacity clearing prices are currently designed  
20 so that the highest bid is used as the rate to compensate all  
21 generators who clear the auction, even if their bids were

1 significantly lower; and

2 WHEREAS, PJM has proposed to modify its auction process and  
3 utilize a capacity product called "capacity performance",  
4 which is expected to result in significantly higher capacity  
5 prices; and

6 WHEREAS, Utility rate analysts have stated that by  
7 withholding a relatively small portion of its electric  
8 generation fleet, a generator can increase capacity prices and  
9 obtain maximum benefit; and

10 WHEREAS, Illinois Attorney General Lisa Madigan filed a  
11 complaint with the Federal Energy Regulatory Commission  
12 (Docket EL15-71) against MISO on May 28, 2015, alleging that  
13 the Illinois MISO rate is unjust and unreasonable and that the  
14 rate was driven up by a pivotal supplier; therefore, be it

15 RESOLVED, BY THE SENATE OF THE NINETY-NINTH GENERAL  
16 ASSEMBLY OF THE STATE OF ILLINOIS, that we urge the Federal  
17 Energy Regulatory Commission, the Illinois Commerce  
18 Commission, and the Illinois Power Agency to independently  
19 review the PJM Interconnection LLC and Midwest Independent  
20 System Operator capacity auction rules and market design and  
21 determine why the rules and market design have not protected  
22 Illinois ratepayers from significant increases; and be it

1 further

2 RESOLVED, That we urge the Federal Energy Regulatory  
3 Commission to investigate whether all auction rules were  
4 followed in the most recent PJM and MISO auctions and, if so,  
5 to determine whether additional protections are necessary to  
6 ensure to protect ratepayers from excessive rates and charges;  
7 and be it further

8 RESOLVED, That we urge the Federal Energy Regulatory  
9 Commission, the Illinois Commerce Commission, and the Illinois  
10 Power Agency to independently investigate whether market power  
11 was exercised by any auction participants, including the  
12 withholding of certain generation assets intended to drive up  
13 the clearing price, and whether the market design for capacity  
14 auctions allows for the exercise of market power; and be it  
15 further

16 RESOLVED, That we urge the Illinois Commerce Commission and  
17 the Illinois Power Agency to participate in Federal Energy  
18 Regulatory Commission proceedings that will address the design  
19 and operation of the capacity market planning processes and  
20 auction practices utilized by PJM and MISO and to promote  
21 policies in those proceedings that will ensure greater  
22 transparency, prevent the exercise of market power by bidders,  
23 and to deliver capacity resources to Illinois consumers at the

1 lowest and most stable prices; and be it further

2 RESOLVED, That suitable copies of this resolution be  
3 delivered to the members of the Illinois congressional  
4 delegation, the Federal Energy Regulatory Commission, the  
5 Illinois Commerce Commission, the Illinois Power Agency, PJM  
6 Interconnection LLC, and Midwest Independent System Operator,  
7 Inc.