

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the Matter of an Investigation of Missouri)	
Jurisdictional Generator Self-Commitments into)	File No. EW-2019-0370
SPP and MISO Day-Ahead Energy Markets)	

Sierra Club's Initial Comments

On June 5, 2019, the Missouri Public Service Commission (“Commission”) issued its Order Opening an Investigation of Missouri Jurisdictional Generator Self-Commitments and Self-Scheduling in this docket (“Initial Order”). In its Initial Order, the Commission set forth several comment, information, and report deadlines for Public Service Commission Staff (“Staff”), Missouri’s investor owned electric utilities (“IOUs”), and interested stakeholders. Sierra Club appreciates the Commission’s initiation of this investigation. A number of recent reports have examined the declining cost competitiveness of coal-burning power plants around the country.¹ Researchers and market monitors have also raised concerns about some generators’ decisions to self-commit, rather than to commit economically based on market operator instructions.² However, the reasons that generators self-commit, the extent of that practice, and

¹ See, e.g., *Coal-Fired Electricity Generation in the United States and Future Outlook*, M.J. Bradley & Associates, LLC, available at <https://www.mjbradley.com/sites/default/files/MJBACoalretirementissuebrief.pdf> (2017); Jeremy Richardson, Sam Gomberg, Julie McNamara, and J.C. Kibbey, *A Dwindling Role for Coal*, Union of Concerned Scientists, available at <https://www.ucsusa.org/clean-energy/coal-and-other-fossil-fuels/coal-transition> (2017); Trevor Houser, Jason Bordoff, and Peter Marsters, *Can Coal Make a Comeback?*, Columbia University Center on Global Energy Policy, School of International and Public Affairs, and Rhodium Group, available at <https://rhg.com/research/can-coal-make-a-comeback/> (2017); *Public Power Utilities And Electric Generation & Transmission Cooperatives - US: Efficient Coal Plants Are Still Competitive, But Nationwide Fleet Remains Under Pressure*, Moody’s Investor Services, available at https://www.moody.com/research/Moodys-Some-coal-plants-still-perform-economically-but-competitiveness-could--PR_381891 (2018); and Annie Benn, Paul Bodnar, James Mitchell, and Jeff Waller, *Managing the Coal Capital Transition: Collaborative Opportunities for Asset Owners, Policymakers, and Environmental Advocates*, Rocky Mountain Institute, available at <http://www.rmi.org/insight/managing-coal-capital-transition/> (2018).

² See *State of the Market Summer 2018*, Southwest Power Pool Market Monitoring Unit, pp. 52-56, available at https://www.spp.org/documents/58811/spp_mmu_qsom_summer_2018_final.pdf (published Oct. 15, 2018); *State of the Market 2018*, Southwest Power Pool Market Monitoring Unit, pp. 5, 13, 125-26, 229, 243-245, 253-56,

most critically, the impact of such out-of-merit generation on ratepayers, have received far less study. Thus, an investigation into Missouri’s regulated entities is a valuable use of the Commission’s and Staff’s time and resources. As described in more detail below, Sierra Club respectfully requests that the Commission: (1) extend certain deadlines so that all interested stakeholders have ample time to review the data provided in order to participate meaningfully; (2) officially extend a formal invitation to Midcontinent Independent System Operator (“MISO”) and Southwest Power Pool (“SPP”) staff—as well as market monitoring staff—to participate and lend their expertise to this investigation; and (3) direct the IOUs to provide additional data in order to assist the Commission and all participants with this investigation. Moreover, Sierra Club briefly addresses Staff’s request for comments, as outlined in the Commission’s Order on June 24, 2019.

Extension of Deadlines

The Commission’s Initial Order set a July 8 deadline by which stakeholders could respond to—or provide additional materials pertinent to—then-pending June 28 submissions. At Staff’s behest on June 27, the Commission extended these and other deadlines. Sierra Club appreciates the Commission’s willingness to extend these deadlines, and asks that the Commission consider two more extensions for the sake of thorough stakeholder engagement. First, the IOUs will provide generation and self-commitment data by July 8, and interested stakeholders may respond to those submissions by July 17. Sierra Club submits that seven (7) business days is not a sufficient amount of time for stakeholders to assess, digest, and comment on the IOUs’ submissions. The IOUs may mark various materials confidential, requiring

available at <https://spp.org/documents/59861/2018%20annual%20state%20of%20the%20market%20report.pdf> (published May 15, 2019); Joseph Daniel, *The Billion-Dollar Coal Bailout Nobody Is Talking About: Self-Committing In Power Markets*, Union of Concerned Scientists, June 3, 2019 available at <https://blog.ucsusa.org/joseph-daniel/billion-dollar-coal-bailout-nobody-is-talking-about>.

interested participants to sign non-disclosure or confidentiality agreements prior to accessing certain materials—a process which may take some time. Moreover, the information most pertinent to the questions at hand may be voluminous and require more resources than can be accommodated in one week. Accordingly, Sierra Club respectfully requests that the Commission extend the July 17 stakeholder comment deadline to Friday, July 26, 2019. Additionally, Sierra Club requests that the Commission extend the stakeholder deadline to comment on Staff's August 23 report from September 6 to September 13. Finally, if the IOUs intend to mark information confidential, they should indicate as much ahead of time and provide relevant non-disclosure agreements in advance so that stakeholders can review information efficiently once produced.

MISO and SPP Participation

All participants in this docket will review and comment on Missouri IOU self-commitments into the MISO and SPP day-ahead energy markets. Staff from MISO and SPP, as well as the MISO and SPP independent market monitors, are likely to have additional data regarding self-commitment, its influence on market dynamics, and how the practice is regulated (if at all) by existing market rules. Consequently, participants in this docket would benefit from the MISO and SPP staff and market monitors' opinions related to their respective markets. Specifically of value would be MISO and SPP staff and market monitors' experience with market participants' self-commitment behavior, as well as the market monitors' assessment of how self-commitment may be affecting not only their own markets directly (within their markets) but also indirectly (the effects, if any, of MISO self-commitments on SPP and vice versa). Sierra Club respectfully requests that the Commission formally invite the MISO and SPP staff and market monitors to participate in this docket.

Staff's Questions and a Need for More Information

On June 21, Staff filed a request for comments in which it asked the Commission to order the IOUs and any interested stakeholder to answer certain questions as part of their June 28 or July 8 submissions and responses. Specifically, Staff seeks answers to the following prompts: (1) describe in detail reasons or scenarios that a utility may self-commit instead of bidding into a given market; and (2) provide the economic impact of the aforementioned scenarios, or indicate that the information is not available.

Sierra Club appreciates Staff's questions and notes that the prompts elicit a need for additional IOU data. In 2017 and 2018, between 30-40 percent of all generation in SPP was self-committed,³ and in 2017, self-committed coal generators accounted for 82% of all coal-fired generation in SPP, the single largest market entry in SPP.⁴ Federal Energy Regulatory Commission regulations require that market participants provide justifications to regional transmission organizations and independent system operators, such as SPP and MISO.⁵ Sierra Club respectfully requests that the Commission order the IOUs to submit in this docket the same self-commitment justifications that these utilities provided to MISO and SPP.

It is no secret that coal generators nationwide have struggled to remain economically competitive, which has a detrimental effect on ratepayers.⁶ Excessive and unwarranted self-generation by these same generators could compound the negative economic effects on ratepayers. Coal-generating utilities may self-commit due to contractual obligations, unit startup

³ See *State of the Market Summer 2018*, Southwest Power Pool Market Monitoring Unit, p. 13, available at https://www.spp.org/documents/58811/spp_mmu_qsom_summer_2018_final.pdf.

⁴ See *Like natural gas, coal in the Southwest Power Pool is cycled to accommodate wind power*, U.S. Energy Information Administration, Sept. 26, 2018, available at <https://www.eia.gov/todayinenergy/detail.php?id=37132>.

⁵ *Uplift Cost Allocation and Transparency in Markets Operated by Regional Transmission Organizations and Independent System Operators*, Order No. 844, 83 Fed. Reg. 18,134 (Apr. 25, 2018).

⁶ See note 1.

and shutdown considerations, or a number of other reasons, all of which should be provided in this docket. The Commission's data requests to the IOUs in its Initial Order are a helpful start. Ultimately, this investigation should get to the core of the IOUs' self-commitment decision-making processes. Thus, in the interest of transparency, Sierra Club respectfully requests that the Commission order all the IOUs subject to its regulation to provide in this docket the following additional information:

1. Responses to the Commission's prompts from its Initial Order for the past five (5) years so that Staff and stakeholders can better analyze if, how, and why the data may have changed over a longer time period;
2. Each IOU's market bid formulation for existing coal units from 2014 to the present day, provided on an hourly basis or the most granular relevant timescale, including but not limited to:
 - a. The variable cost of production (in \$/MWh);
 - b. The bid or supply curve bid (in \$/MWh);
 - c. If the unit was manually committed, self-scheduled, or economically dispatched by the central market operator during that hour; and
 - d. A reason for a manual commitment decision including "economic," "self-dispatched," "reliability," or other recorded purposes, and an explanation for terms provided;
3. Each IOU's net market revenues for existing coal units from 2014 to the present day, provided on a monthly basis, including but not limited to:
 - a. Net generation (MWh);
 - b. Gross revenues from market energy sales;

- c. Gross revenues from the sale of ancillary services;
 - d. Gross revenues from congestion, if tracked;
 - e. Total fuel costs incurred (\$/MWh);
 - f. Total variable operations and maintenance (“VOM”) costs (\$/MWh); and
 - g. Any other variable costs incurred (\$/MWh).
4. Each IOU’s assessment and formulation of the variable cost of production for existing coal units from 2014 to the present day, provided on a monthly basis, including but not limited to:
- a. The total fuel cost (\$/MWh);
 - b. Fuel cost as used in the variable cost of production (\$/MWh) if different than total fuel cost;
 - c. VOM costs (\$/MWh);
 - d. VOM costs as used in the variable cost of production (\$/MWh) if different than total VOM costs;
 - e. Emission costs; and
 - f. Any other adders or shadow prices, and an explanation of such prices.
5. Each IOU’s process used to determine if a unit will self-commit, and at what price it will bid into the regional energy market, including but not limited to:
- a. any discrepancies between the total cost of production and the assessed variable cost of production;
 - b. any discrepancies between the assessed variable cost of production and bid prices;

- c. if the IOU examines hourly market forward prices for the purposes of making commitment decisions, and if so, the time period examined;
 - d. if and how the IOU uses the information in (c) to guide commitment decisions; and
 - e. the process used by the IOU to determine if and when a plant should be self-committed.
6. Each IOU's process for assessing the balance between:
- a. The process used by the IOU to determine its avoided cost of fuel when a self-committed unit operates under a must-take fuel contract; and
 - b. The process used by the IOU to determine if new fuel supply agreements with must-take provisions are cost effective.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that a true and correct PDF version of the foregoing was filed on EFIS on this 28th day of June, 2019, as well as sent to the certified service list for this docket.

/s/ Sunil Bector
Sunil Bector