

# **New Energy Economics**

## **Cover Statement for Comments on the Missouri Public Service Commission's DRAFT Proposed IRP Rules, Version 2**

New Energy Economics (NEE) appreciates this opportunity to provide the Commission with comments and requested changes for each draft rule citation for version 2 of the proposed IRP Rules, focused on two major themes:

- Model RFP and competitive procurement guidelines
- Cost-risk reduction

These recommendations focus on procurement and risk with the intent to strengthen the Missouri IRP process by further improving the draft process to be:

- Cost-effective and risk-responsive for regulators and utilities
- Transparent to stakeholders
- Accessible to competitive resource providers to ensure timely and accurate RFP process and bid submission and award process
- Affordable for and protective of Missouri customers

### **I. Model RFP and Competitive Procurement Guidelines**

New Energy Economics appreciates the improvements in the Commission's proposed IRP rules, especially the creation of a more structured pre-IRP process, expanded stakeholder engagement, and clearer implementation-plan reporting. These are important improvements. However, the Commission's proposed rules should be strengthened to ensure that the IRP process leads to transparent, competitive, market-tested resource decisions.

NEE recommends that the Commission add clear model Request for Proposal (RFP) and competitive procurement guidelines to the Commission's proposed rules. The purpose is simple: when a utility identifies a material resource need in an IRP, the utility should define that need in technology-neutral terms and test available market alternatives through a fair, transparent, all-source procurement process that brings current market prices into the modeling and preferred resource plan, before customers are asked to pay for major new resource commitments.

#### **Competitive Procurement Recommendation**

NEE specifically recommends that the Commission's proposed rule be revised to include model RFP and competitive procurement guidelines. These changes can help ensure major resource decisions are based on technology-neutral needs, competitive market evidence, fair treatment of third-party and utility-owned options, and clear post-procurement reporting. These additions would better align the IRP rules with the statutory factors of resource adequacy, reliability, rate impacts, third-party generation, overall cost-effectiveness, commodity price risk, supply diversity, competitive pricing, RTO participation, and environmental compliance.

## **II. Customer Cost-Risk Reduction**

The Commission's proposed rules appropriately recognize resource adequacy, reliability, rate impacts, third-party generation, cost-effectiveness, commodity price risk, supply diversity, competitive pricing, RTO participation, and environmental compliance in its overall framework. However, the general provisions should more clearly state that one purpose of the IRP process is to reduce customer exposure to avoidable cost risk.

The Commission's proposed IRP rules should expressly and centrally recognize customer cost-risk reduction as a core purpose of the IRP process. The rules should require utilities to identify resource needs, evaluate portfolios capable of meeting those needs at the lowest reasonable cost and lowest reasonable customer risk, and reduce customer exposure to unreasonable fuel-cost risk, market-purchase risk, capital-cost risk, large-load risk, stranded-cost risk, and other implementation-period risks. In determining whether a preferred resource plan appropriately balances the factors in the proposed rules and Section 393.1900, RSMo, the Commission should consider whether the utility has demonstrated that the plan is the lowest reasonable cost *and* lowest reasonable risk portfolio capable of meeting identified resource needs.

### **Risk Recommendation**

NEE recommends that the Commission's proposed rule be revised to make customer cost-risk reduction an enforceable part of the IRP rules. Specifically, the rule should require delivered-fuel-cost analysis, customer exposure reporting, mandatory stress cases, analysis of coal lifecycle economics, clean-capacity replacement portfolios, large-load protections, market-tested assumptions, and implementation-plan updates when risks materially change. These changes would make the IRP process cost-effective for the Commission, Staff, Public Counsel, stakeholders, and customers. They would help ensure that major resource decisions more accurately model and select a preferred resource portfolio based on the risks utilities and ratepayers are exposed to, as determined through a transparent analysis of specific costs and risks.

NEE's comment table follows the requested format, and is organized to allow review by rule section/citation.

## **III. Overarching Concern and Recommendation**

The length of the IRP Process as illustrated in the current rule draft and supporting flow diagram may be too long to enable cost-effective resource planning. Specifically, cost assumptions and real market prices can become inaccurate if too much time elapses between when those assumptions are locked in and the time when the final plan is deemed reasonable and prudent, and then implemented.

If the length of the process does turn out to be too long, NEE encourages state government to consider allowing a shorter planning process.

## **IV. NEE's Support for Aligned and Complimentary Comments**

NEE's comments, CGA's comments, and Sierra Club's comments provide aligned and complementary recommendations that all together would improve the proposed IRP rules by strengthening three core functions of the planning process:

1. Identifying resource needs clearly and in technology-neutral terms
2. Testing those needs through transparent modeling, market evidence, and competitive procurement
3. Protecting customers from avoidable fuel-price risk, market-purchase risk, capital-cost risk, large-load risk, stranded-cost risk, and other implementation-period risks

NEE supports Clean Grid Alliance's recommendations to strengthen competitive procurement, RFP transparency, stakeholder review, market-based cost information, transmission-enabled alternatives, and implementation-plan reporting. These recommendations are consistent with NEE's position that material resource needs should be defined in technology-neutral terms and tested through fair, transparent, all-source procurement. CGA's recommendations regarding proposed RFP templates, contract templates, competitive pricing, PPAs and BTAs, third-party resources, advanced transmission technologies, fuel procurement costs, and implementation-plan procurement schedules would help the Commission, Staff, stakeholders, and potential bidders evaluate whether utility resource decisions are based on competitive evidence rather than unsupported assumptions.

NEE also supports Sierra Club's recommendations to strengthen documentation, modeling transparency, demand-side resource treatment, large-load forecasting, supply-side cost analysis, retirement analysis, fuel and O&M cost reporting, risk analysis, and implementation-plan requirements. These recommendations are consistent with NEE's customer cost-risk reduction comments. Sierra Club's recommendations would help ensure that utilities provide the data, workpapers, assumptions, and scenario analysis needed for meaningful review of preferred resource plans, including whether continued operation of existing resources, new fossil resource additions, or major capital investments are reasonable when compared with lower-cost and lower-risk alternatives.

The alignment among these comments demonstrates broad support for practical improvements that would make the IRP process more cost-effective and risk-responsive for regulators, more transparent to stakeholders, more accessible to competitive resource providers, and more affordable for and protective of Missouri customers.