

Feds rule downstate power-price spike illegitimate

By [Steve Daniels](#) January 04, 2016

Federal energy regulators have ordered changes in market rules that led to a spike in downstate electricity prices last year.

The Federal Energy Regulatory Commission in a Dec. 31 ruling **agreed with Illinois Attorney General Lisa Madigan** that the results of a power-capacity auction in 2015 were not “just and reasonable.”

FERC ordered the power-grid manager for the region covering all or part of 15 states including downstate Illinois to overhaul its rules for setting prices consumers pay in their electric bills to ensure power plants are available on super-hot or super-cold days when they're most needed.

These “capacity” charges—effectively insurance consumers pay every day to certain power plants to ensure they deliver in periods of high demand—are embedded in the electricity prices paid by ratepayers.

The decision leaves MISO Energy, the regional grid administrator, only a few months to establish new rules for setting those prices in downstate Illinois.

Last year, capacity prices downstate **jumped nearly nine times** to \$150 per megawatt-day. That projected to increase the typical Ameren Illinois household customer's electric bill by about \$140 in the year that began June 1, 2015.

In its ruling, FERC determined MISO inappropriately set the ceiling that power generators could bid into the capacity auction. MISO based the limit on higher capacity prices in the neighboring power-grid region that includes the Chicago area. Beginning this year, MISO won't be able to do that any longer.

Instead, FERC said, the price limit should be set significantly lower.

“It's great news that FERC has acknowledged downstate electric customers deserve relief from an inflated and absurd pricing process,” Madigan said today in a statement. “I am pleased with FERC's decision to fix the auction rules, but FERC still needs to order refunds to consumers for the outrageously high prices.”

FERC hasn't yet ruled on whether to order refunds. But if it does, it said in its Dec. 31 ruling, those refunds will begin from May 28 when Madigan first filed her complaint with FERC.

A spokesman for Houston-based Dynegy, by far the largest power generator downstate, said the company would abide by any FERC-ordered changes.

But he said a significant reduction in revenue would mean more closures of power plants downstate. In November, Dynegy announced plans to shutter its 465-megawatt Wood River coal-fired plant in Alton, Ill.

The company operates 12 other plants in Illinois, making it the second-largest generator in the state, behind only Chicago-based nuclear giant Exelon.

Dynegy “has and will continue to retire plants in Southern Illinois unless the market design reflects the competitive nature of the market, which has delivered lower costs to consumers than many of the neighboring states,” the spokesman said.

Exelon, too, has threatened to close its only downstate plant, the Clinton nuclear station, because of insufficient revenue. But late last year Exelon **agreed to keep Clinton open** for at least one more year as it works to boost revenues at both the state and federal levels.