



# ***Advancing Energy Policy Through IRP***

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# Overview

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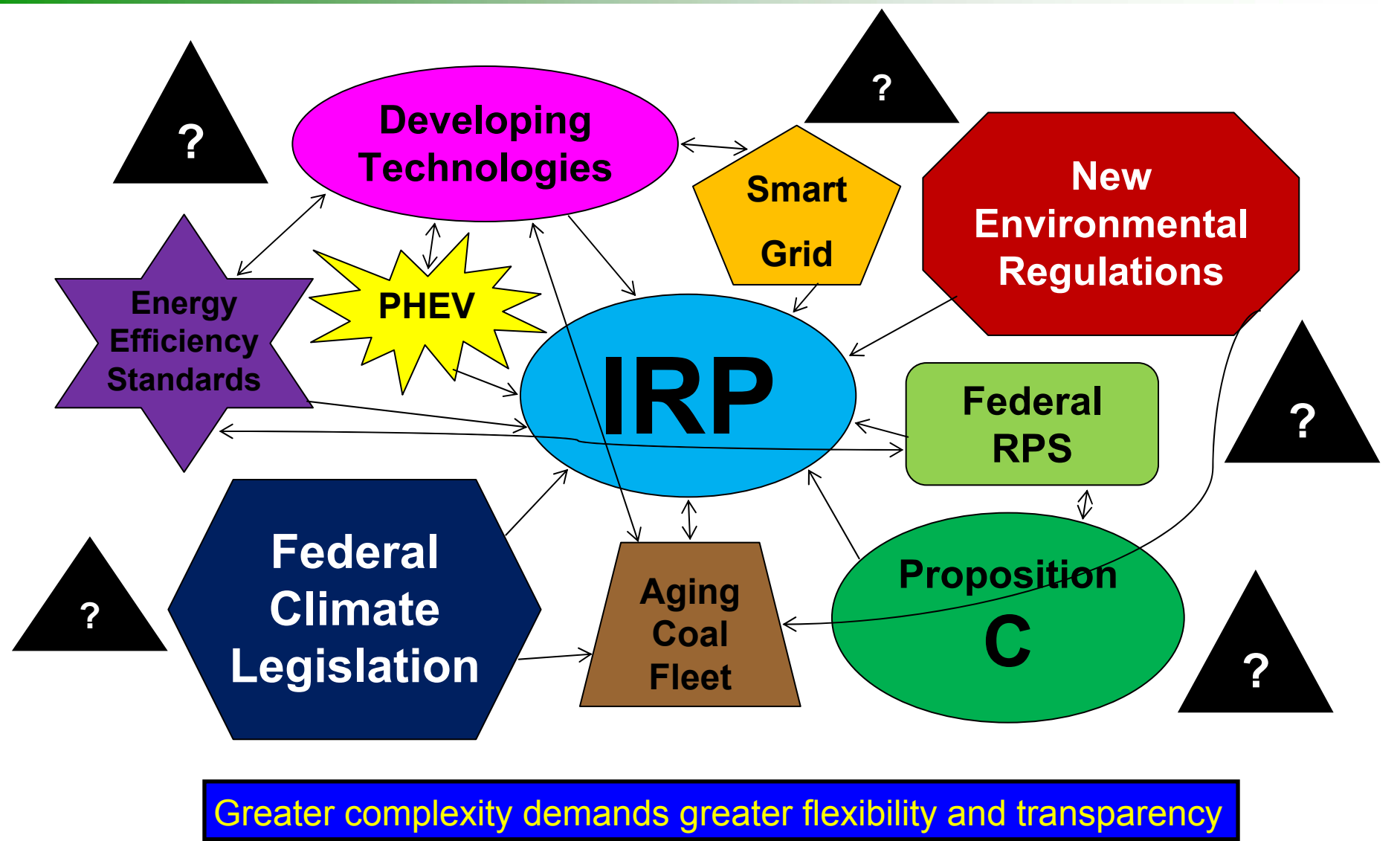
- The Current Missouri IRP Rules
- A Complex and Volatile Planning Environment
- Collaboration Rather Than Confrontation
- Comparing the Options
- What's wrong with the MEDA rule?
- The Choice Before Us

# ***The Current Missouri IRP Rules***

- Established in 1992-93
- Gave All Parties a Starting Framework for Planning
- Focus on Process Checklist Rather Than Results
- Encourage Confrontations Over Alleged Deficiencies
- *We ALL know a lot more about Resource Planning now (or should)*

Do we need more of the same, or a different approach?

# A Complex and Volatile Planning Environment



# ***Collaboration Rather Than Confrontation***

*We should move toward an approach that encourages us to:*

- Work together on potential solutions
- Maintain a flexible path to the future with options and off ramps
- Focus on a “reasonable path” rather than “the right answer”
- Create greater transparency through flexibility and collaboration
- Avoid confrontations over minute details that simply do not add value

**Collaboration is critical to our collective success**

# Rule Comparison – Focus

- The Staff proposed rule is more of the same
  - Focus on the process
  - Follow the checklist
  - Identify deficiencies, defined as a failure to follow any part of the rule
- MEDA rule changes the focus to Results
  - Streamlined language to avoid checklist approach
  - Plan Acknowledgement
  - Option to seek pre-approval for large resource commitments
  - Deficiencies defined as issues that could change the result

## ***Rule Comparison – Flexibility***

- Staff rule defines flexibility in terms of “minimum standards” that the utility can choose to exceed
  - “Minimum standards” generally represent the most rigorous standards possible, so exceeding them is unlikely
  - A multitude of rigorous standards can be a distraction from critical issues and the innovations needed to address them
- MEDA rule provides true flexibility without compromising transparency or utility accountability
  - Doesn't prescribe methods, but requires that they be supported and explained

# ***Rule Comparison – Accountability***

- **Staff rule makes the utility the analyst for all stakeholders**
  - Specified analyses that have little or no discernable value
  - Specified work products the utility may or may not need
  - No incentive to limit the work based on value
  - Puts the utility in the position of “proving negatives”
  
- **MEDA rule provides for equitable accountability**
  - Stakeholder collaboration to identify the high value issues
  - Responsibility for all parties to support assumptions/opinions and offer solutions
  - Recognizes the accumulated expertise of stakeholders over nearly 20 years of resource plan evaluation



# ***Rule Comparison – Business Planning***

- Staff rule sets boundaries on the utility's decision processes
  - Strict, sequential process for resource planning
  - Strict requirement for continual synchronization with business planning
  
- MEDA rule provides transparency into the utility's process while letting the utility define that process
  - Resource planning decisions reflect the utility's decision-making process
  - Reduces potential for “phantom” decision making processes

## ***Rule Comparison – Relevance***

- Staff rule requires utility to “certify” that other requests are consistent with the utility’s plan without a determination of whether the plan itself is reasonable
  - Requests may not warrant a change in long-range plans until (and unless) they are approved (e.g. mergers and acquisitions)
  - No resolution in the case of an IRP filing found to be “deficient”
- MEDA rule provides for “Acknowledgement” of a utility’s resource acquisition strategy and the option to seek pre-approval for large resource commitments

# ***What's Wrong with the MEDA Rule?***

- Assertion – *“If it isn’t in the rule, the utility won’t do it (or do it right).”*
- The MEDA rule addresses this:
  - Stakeholder process to define important issues
  - Up front discussion on approach and methods
  - Requires utility to explain and support methods and decision processes
  - Mid-process review of work to date before integration
  - Commission direction to update the IRP to further address important issues

# What's Wrong with the MEDA Rule?

- Assertion – *“The rule must specify in detail all the information parties may need to assess the utility’s plan (and the format in which it is provided).”*
- The MEDA rule addresses this:
  - Stakeholder process for reviewing and discussing inputs, results and issues important to resource decisions while the plan is being developed
  - Up front discussion on key issues and what information will be relevant and important in the review process
  - Requires that the utility provide all workpapers in a timely fashion

# What's Wrong with the MEDA Rule?

- Assertion – *“The utility will conduct ‘shadow processes’ for decision making if the business plan link is not strictly enforced.”*
- The MEDA rule addresses this:
  - More focus on the implementation plan, which covers a similar period of time as that covered by business planning
  - Avoiding a checklist approach minimizes the complications of integrating resource planning and business planning and allows for innovation in the planning processes the utilities use
- Business plans are continuously updated
- Continuous updates to a 20-year plan are impractical

# ***We Have a Tactical Choice***

## ■ **The Context:**

- Utilities and stakeholders have an enormous amount of cumulative experience with utility resource planning
- An ever-changing planning environment and planning innovation
- New baseload decisions likely far in the future

## ■ **The Question:** **Which rule represents the best starting point for reasonable discussion and debate?**

## ■ **The Choice:**

- A highly detailed rule with a burden to prove what is not needed  
**OR...**
- **A flexible framework onto which we can add elements that can truly improve the value of the result**

# ***We Have a Strategic Choice***

## ■ **The Context:**

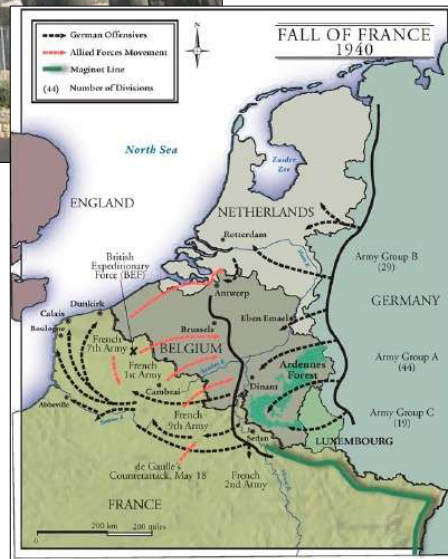
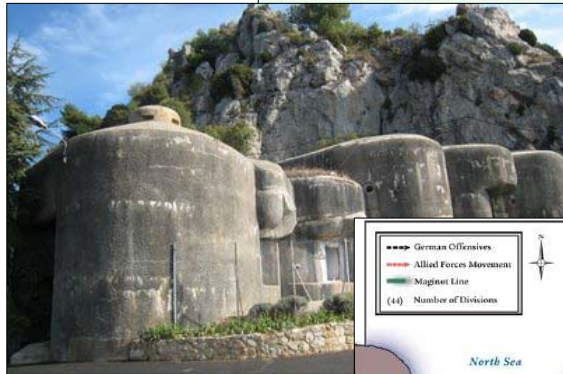
- More complex and volatile planning environment
- Strong need and desire to advance energy policy, innovation and leadership

## ■ **The Question:** Which approach gives us the best chance to advance energy policy and achieve a leadership position?

## ■ **The Choice:**

- Even more of a process-focused checklist approach  
**OR...**
- **A flexible and collaborative approach focused on results**

# The Maginot Line



## The Plans:

- Build fixed defensive positions along the German border with France
- Inspired by success of static defensive combat in World War I
- Highly detailed specifications

## The Results:

- German army just went around

## The Critical Shortcoming:

- Failed to account for the complex and volatile environment of war



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