



CHP
TECHNICAL ASSISTANCE
PARTNERSHIPS

Ameren Illinois Qualifying Facilities

Selling Excess Power as a Qualifying Facility (QF)

Ameren Illinois, headquartered in Collinsville, Illinois, delivers electricity to 1.2 million electric and 816,000 natural gas customers in central and southern Illinois. Customers of Ameren Illinois with on-site generating facilities, such as combined heat and power (CHP) systems, may wish to have their facilities certified as Qualifying Facilities (QFs) in order to sell excess power back to the grid. QFs are small-scale generators of commercial energy that meet Federal Energy Regulatory Commission (FERC) requirements for ownership, size, and efficiency, and fall into two categories: qualifying small power production facilities (80 MW or less with a primary energy source of hydro, wind, solar, biomass, waste, or geothermal) or qualifying cogeneration facilities. There are currently 78 sites designated as QFs in Ameren Illinois' Service territory. For qualifying cogeneration facilities, there are minimum efficiency requirements, and the thermal energy output must be used in a "productive and beneficial manner." To operate as a QF in Illinois, a generation facility must comply with the standards set forth in Part 430 of the Illinois Administrative Code.

QFs and Avoided Cost

The Public Utility Regulatory Policies Act (PURPA) provides that QFs have a right to sell their output to a utility at the utility's avoided cost, calculated at the time the obligation is incurred or at the time output is delivered. FERC defines avoided costs as "the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source."

Because Ameren Illinois does not own any generation plants (Illinois adopted retail electricity choice in 1997 and does not allow electric utilities to own generation assets) and procures all of its electric power and supply from the wholesale market, Ameren Illinois' "avoided cost" is based on an annual compilation of Midwest wholesale electric market pricing data as published in *Platts*, an independent publisher of energy and commodity information.

In Illinois, QFs wishing to sell excess power to the grid may sell their output at a standard rate that reflects wholesale market rates, or at a negotiated rate. The rates for customers of Ameren Illinois are reflected in "Rider QF – Qualifying Facilities" fixed prices.



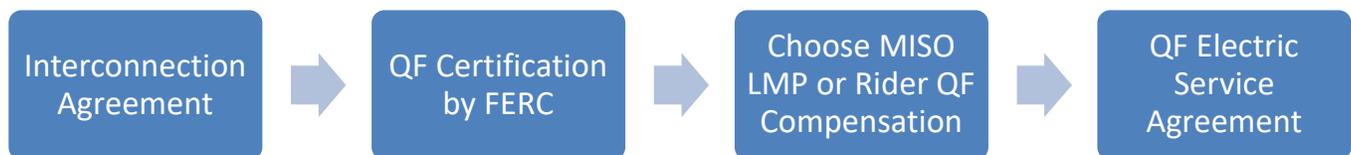
Trigen-Cnergy Solutions of Tuscola, LLC was formed to develop, construct, operate, and maintain a QF located in Tuscola, Illinois, to provide thermal energy products and services. Tuscola Cogen is an 18 MW CHP within the MISO balancing authority area. In 2012, DTE Energy Services acquired the Tuscola cogeneration plant, which has been certified as a QF since 1999.

PHOTO CREDIT: DTE POWER AND INDUSTRIAL

How to Sell Excess Power as a QF

For customers in Ameren Illinois' service territory to become a QF, they must enter into an interconnection agreement with Ameren Illinois and obtain certification from FERC that the electric generating facilities in question are eligible as "Qualifying Facilities" under PURPA. The customer must provide a copy of the QF certification to Ameren Illinois. The next step is for the customer and Ameren Illinois to enter into a Qualifying Facilities Electric Service Agreement, under which the customer must meet the applicable requirements of: 1) 83 Illinois Administrative Code Part 430; 2) Ameren Illinois' Standards & Qualifications for Electric Service; and 3) Ameren Illinois' "Rider QF – Qualifying Facilities" rate on file with the Illinois Commerce Commission. The initial term of the Qualifying Facilities Electric Service Agreement is one year, after which the agreement remains in effect until cancelled by Ameren Illinois or the customer with a 90-day written notice.

As part of the Qualifying Facilities Electric Service Agreement, a customer must choose between the following two QF compensation methods: 1) hourly prices according to MISO day-ahead locational marginal prices¹ at the MISO Delivery Point; or 2) fixed prices under "Rider QF – Qualifying Facilities."²



Key Issues for Customers Considering QF Status

Ameren Illinois encourages customers to explore their supply options, including the installation of on-site generation such as CHP, and has streamlined its internal process to better respond to those who want to produce their own energy. In considering whether to sell excess power as a QF, end users can consider several key issues, including:

- In addition to local codes and state requirements, customers must comply with Ameren Illinois' requirements before they will be allowed to interconnect with the distribution system.
- The economics and financial return from on-site generation may vary significantly depending on the output of the generating facility and MISO wholesale prices.
- By generating their own power and interconnecting with the Ameren Illinois delivery system, customers may be able to reduce their carbon footprint and, in some cases, generate additional revenue through excess power sales.

For More Information

U.S. DOE MIDWEST CHP TECHNICAL ASSISTANCE PARTNERSHIP (CHP TAP)

www.mwchptap.org

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¹ Midcontinent Independent System Operator (MISO): Markets and Operations - <https://www.misoenergy.org/markets-and-operations>

² Ameren Illinois Company, d/b/a Ameren Illinois, Electric Service Schedule III. C. C. No. 1, Rider QF, available at <https://www.ameren.com/-/media/rates/files/illinois/aiel28rdqf.ashx>