



EDISON
MISSION MARKETING & TRADINGSM

An *EDISON MISSION ENERGY*® Company

Illinois Wholesale Market Update

December 10, 2003

Overview

- *Midwest Generation (MWG) holds over 9,000 MW of generation in Illinois*
- *Edison Mission Marketing & Trading (EMMT) is responsible for commercial operations of the Midwest Generation plants, including the following:*
 - *Hedging*
 - *Optimization*
 - *Dispatch*
 - *Settlements*
 - *Scheduling*

State of the Wholesale Market

Wholesale Operations Overview

<i>Transaction Type</i>	<i>Bilateral Market</i>	<i>ISO Market</i>
Real-time	Hourly transactions between buyers and sellers at non-published prices	Generators and load receiving current published clearing prices from ISO
Day-ahead	Day-ahead transactions between buyers and sellers at non-published prices	Generators and load receiving published day-ahead prices based on their price indications and Direct Transactions at published or non-published prices
Transmission	Access through OATI, specific transmission reservation	Open access; parties pay or receive value/cost of transmission congestion
Hedging	Direct Transactions between counterparts	Direct Transactions between counterparts
Long Term	Direct Transactions between counterparts	Direct Transactions between counterparts
Capacity	Direct Transactions between counterparts	Capacity available on forward or spot basis at published prices based on bids and Direct Transactions between counterparts
Ancillaries	Direct Transactions	Available at set tariff prices from ISO and through Direct Transactions between counterparts

Wholesale Market

- ***To assure a reliable supply of electricity in the most economically efficient manner, pricing needs to reflect the following:***
 - *Marginal Cost: Fuel, emissions, O&M*
 - *Fixed Costs: Debt service, fixed O&M*
 - *Equity Returns*
 - *Incentive to Provide New Build*
- ***Prices will go up and down, but the competitive market will favor low cost operators and encourage efficient dispatch of units***
 - *Hedging and Risk Management provide for price stability*
 - *Contracts of varying duration and type allow for price risk management*
 - *Open and transparent markets allow more hedging and greater price stability*

Wholesale Market Future

- *Proper balancing of consumer, public policy, and corporate objectives can be best attained through the maintenance of a vital, competitive wholesale market*
 - *Key Elements:*
 - *Transparent market process*
 - *Diversity of buyers and sellers*
 - *Strong regulatory oversight*
 - *Access to transmission*
 - *Level playing field*
 - *Pricing of all the energy components*
 - *Consistent regulatory environment*



What The Wholesale Markets Need

- ***Open and competitive market***

- *Key Steps:*

- *Transparent procurement process for the utilities*
 - *Non-discrimination standards applied to affiliate transactions*
 - *Subject to market testing*
- *Capacity and ancillary service requirements for all LSEs*
- *Functioning ISO over a broad market region*
 - *Ensures transmission access*
 - *LMP pricing*
 - *Market of last resort*
- *Regulatory involvement to encourage or allow fixed cost recovery required to support new build*
 - *Subject to consistent Regulatory oversight*
 - *Transparent process*