

# WHERE DO WE GO FROM HERE?

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# I. WHAT DO CUSTOMERS WANT?

## A. Depends on the customer

1. Smaller Customers - (residential and commercial) do not appear to be interested in retail choice

2. Larger customers - interested, but cautious
3. Largest customers - interested, and most aggressive
4. All bundled service customers in service territories where utility rates are relatively low are either disinterested or very cautious

## B. Larger/largest customers would like:

1. Active and vibrant wholesale and retail markets with multiple suppliers
2. Elimination to barriers to market entry
3. Liquid and transparent markets
4. Unfettered access to those markets

5. The ability to hedge
6. Elimination of the CTC
7. Resolution of RTO issues -  
single RTO in the Midwest or  
at least in Illinois
8. Effective market monitoring and  
surveillance

9. Elimination/mitigation of market power
10. Better separation between wires only companies and unregulated generating affiliates

## II. WHAT WILL HAPPEN TO CORE CONSUMER PRICES?

A. That depends -

1. on whether excess generating capacity continues to exist in Illinois and particularly in the Midwest in general

2. on the ability of markets to structure themselves in a manner which prevents the development of market power and market manipulation
3. on Illinois' ability to eliminate barriers to market entry
4. on the development of a reasonable Federal Electric Energy policy



B. Current wholesale prices are low and projected to remain low because of the existence of excess capacity in the market

C. The difficulty is the ability of customers to access those prices

1. Smaller customers will probably have to access through their local utility

2. Larger customers will probably access through third party suppliers to the extent a vibrant and competitive retail and wholesale market exists

# III. DESIGNING DEFAULT SERVICE

## A. Current Laws

1. All retail customers are entitled to bundled service until the service is declared competitive pursuant to Section 16-113 or abandoned pursuant to Section 8-508

2. No obligation to serve larger customers once service is declared competitive
3. Once the service is competitive for the residential and small commercial customers, bundled service is still offered based on the cost of providing the service

4. Components of service that are declared competitive for residential and small commercial customers may be offered on market based prices. The market based price for power and energy is either (a) prices for electric power and energy determined under Section 16-112 - Market Value Procedures,

or (b) the electric utility's cost of obtaining the electric power and energy at wholesale through competitive bidding or other arms-length acquisition process. Section 16-103(a) and (c)

5. Residential and small commercial customers are entitled to return to the utility's bundled service, but must remain for twenty-four (24) months (Section 16-103(d))

- B. Because the Act already gives residential and small commercial customers POLR protection, POLR rates would appear to apply to larger commercial and industrial customers
  
- C. POLR is important to larger customers



D. What the larger customers want in the design of a POLR rate

1. Possible elements:

a) a distribution component based on ICC approved delivery service rate which allows utilities to recover the cost of delivery plus a return on investment

- b) a transmission component based on a FERC-approved OATT that allows the provider to recover the cost of transmission and return on transmission investment
- c) commodity component based on the electric utility's cost of acquiring the commodity

- d) customers' options
  - i) hourly rate
  - ii) monthly seasonal rate
  - iii) annual fixed rate
- e) customer must remain on the service for a fixed period of time

## E. Other considerations

1. There should be standardized approach for Illinois
  - a) contain the same rate elements
  - b) not necessarily the same price
2. The POLR provider should not necessarily be the utility

3. POLR responsibility could be bid out
4. There must be an active spot and hourly market with rules which prevent bidders from withholding capacity and energy
5. There must be transparency in the POLR rate

# IV. RISK MANAGEMENT ISSUES

A. Electric utilities retaining the obligation to provide bundled service to any group of customers should be permitted and encouraged to develop a reasonable electric energy and

capacity supply portfolio  
which minimizes their risk and  
their customers' risk

B. Reasonable opportunity to  
recover the costs of such a  
portfolio

C. Larger commercial and industrial customers should be able to participate in long term bilateral contracts as well as short term hourly, spot markets and future markets without restrictions



# V. Road Map for Structural, Legislative and Regulatory Change

## A. You can't go home again

1. Return to a fully regulated electricity market is probably no longer desirable

2. Adjustments are necessary going forward, at state and federal levels
3. Unregulated monopolies are not the desired end state

B. Legislature needs to be willing to reopen the 1997 law, not just tinker around the edges at the request of the state's largest utility

C. Recommendations which have been made to date by the Commission under Section 16-120(a) of the Act for alteration or modification of the Act - to the extent they are still relevant - need to be actively considered by the General Assembly

- D. A neutral blue ribbon panel/ commission/body needs to be appointed to review the Act to identify problems and solutions
- E. Establishment of an appropriate Federal Electric Energy Policy to include, but not be limited to, empowering the FERC to compel participation in RTOs

1. Identify barriers to the development of a wholesale and retail market present in the Act
2. Recommend possible modifications or changes to the Act to eliminate barriers
3. Identify additional legislative or Commission actions required to enhance and promote the development of those markets