



electricity market restructuring in illinois

WHAT NEXT?

Terry S. Harvill
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Cause of the 2003 Blackout

- The Canadian Power System
- The United States Power System
- Ohio
- Too Much Deregulation of the Electric Power Industry
- Not Enough Deregulation of the Electric Power Industry
- California
- Terrorism
- The War on Terrorism
- MISO/PJM
- The Under-Funding of Alternative Energy Research
- The War on Drugs
- The Supreme Court's Reversal of Texas' Anti-Sodomy Laws



Illinois Experience Since 1997

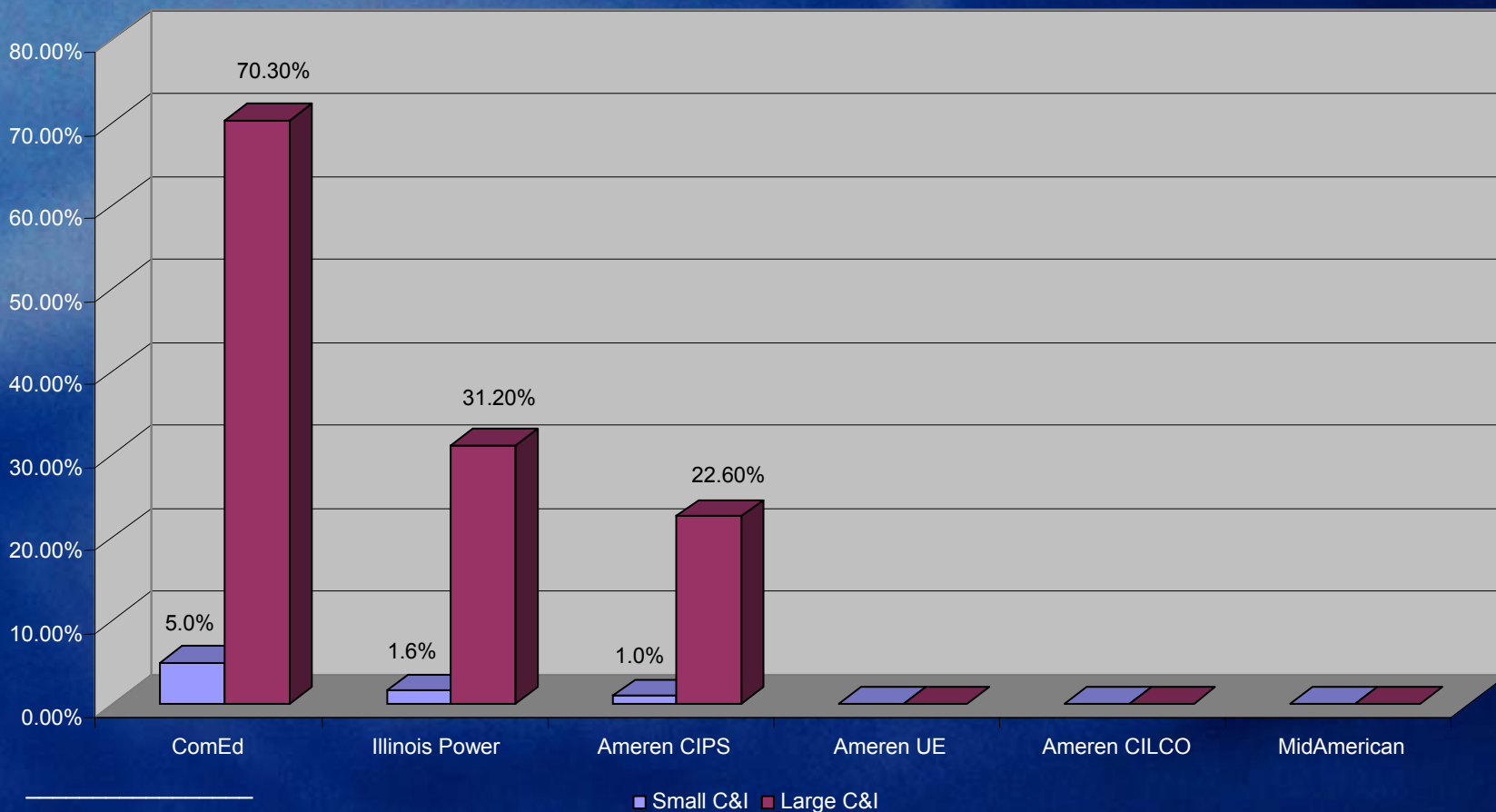
- ■ Status of Restructuring in Illinois
- Review of Experience Since 1997
- Assessing the Benefits for Retail Customers
- Comparison with Other States

- What's Next???

Status of Restructuring in Illinois



Electricity Switching Statistics¹ Percentage of Customers Receiving Delivery Services

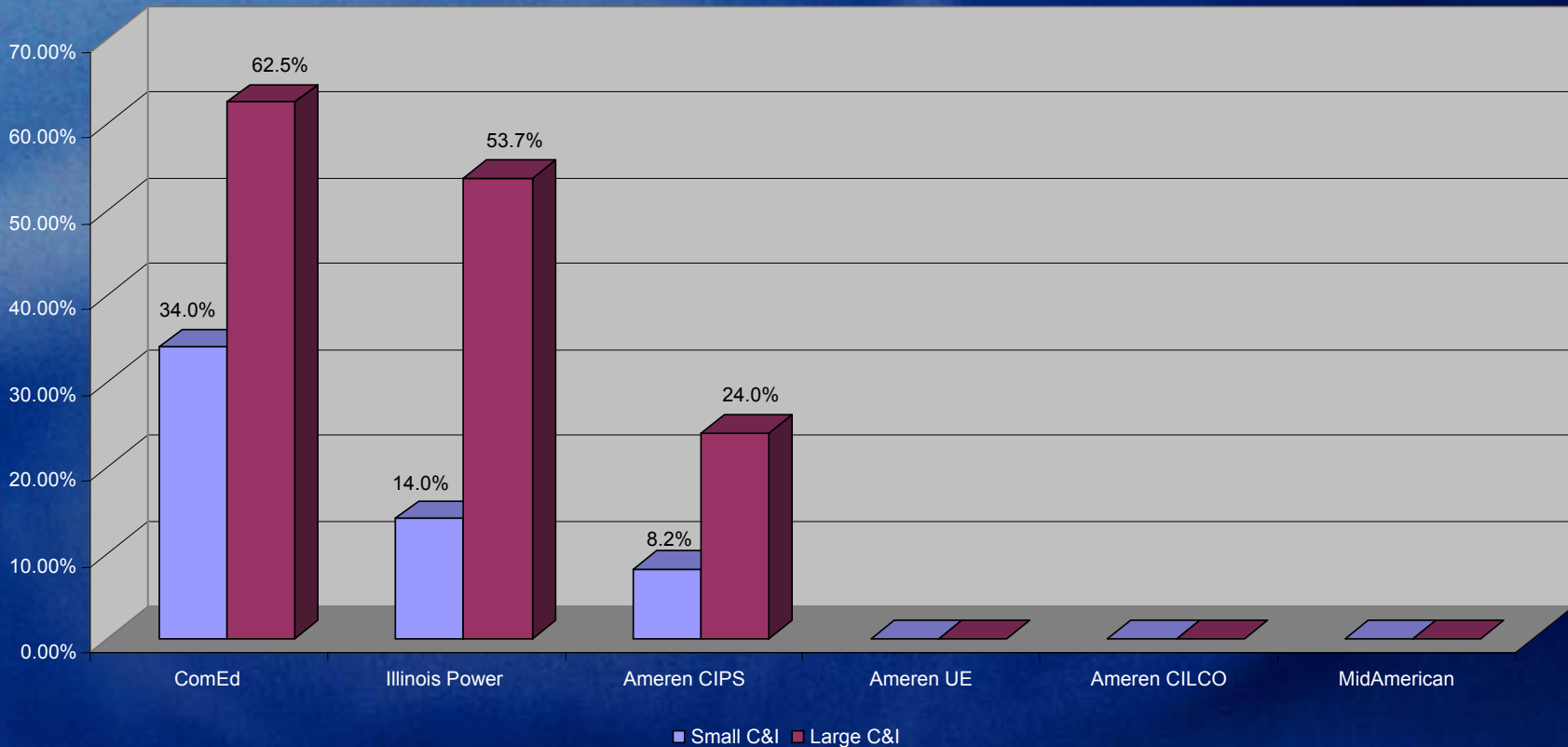


¹Source: Illinois Commerce Commission

Status of Restructuring in Illinois



Electricity Switching Statistics¹
Percentage of Customer Usage Receiving Delivery Services



¹Source: Illinois Commerce Commission

Status of Restructuring in Illinois

DTE Energy



So Who's Competing?

- Ameren Energy Marketing Company
- Blackhawk Energy Services, L.L.C.
- Central Illinois Light Company (CILCO)
- Constellation NewEnergy
- Dynegy Energy Services, Inc.
- EnerStar Power Corp.
- Illinois Power Energy, Inc.
- MidAmerican Energy
- Peoples Energy Services Corporation
- Sempra Energy Solutions
- Sempra Energy Trading Corp.
- South Beloit Water Gas & Electric Co.
- Exelon Energy Company
- WPS Energy Services, Inc.

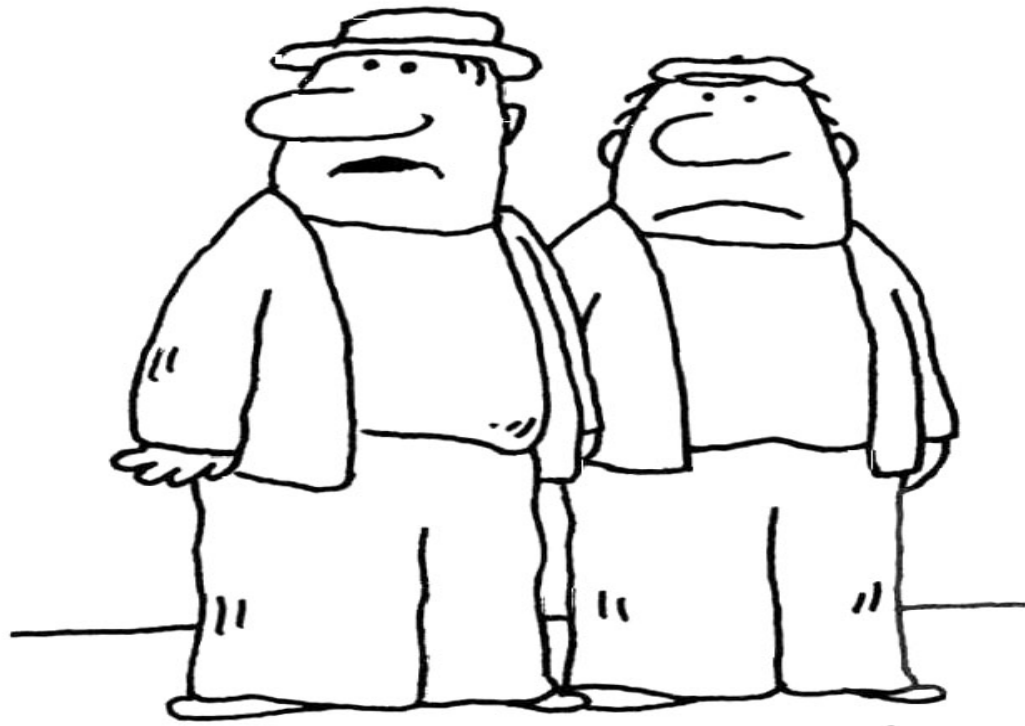


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Review of Experience Since 1997



C. Bernetti

"There, there it is again -- the invisible hand of the marketplace giving us the finger."



Review of Experience Since 1997

Mergers and Acquisitions

- Unicom (ComEd) merged with PECO Energy to form Exelon.
- Illinova (Illinois Power) was acquired by Dynegy.
- Mid-American Energy Holdings merged with CalEnergy.
- Mid-American Energy Holdings was acquired by a group of private investors including Berkshire Hathaway.
- CILCORP was acquired by AES.
- AES CILCO was acquired by Ameren.

Other Transactions

- Illinois Power sold the Clinton Nuclear Power Station.
- ComEd sold all of its fossil generation.



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Assessing the Benefits for Retail Customers

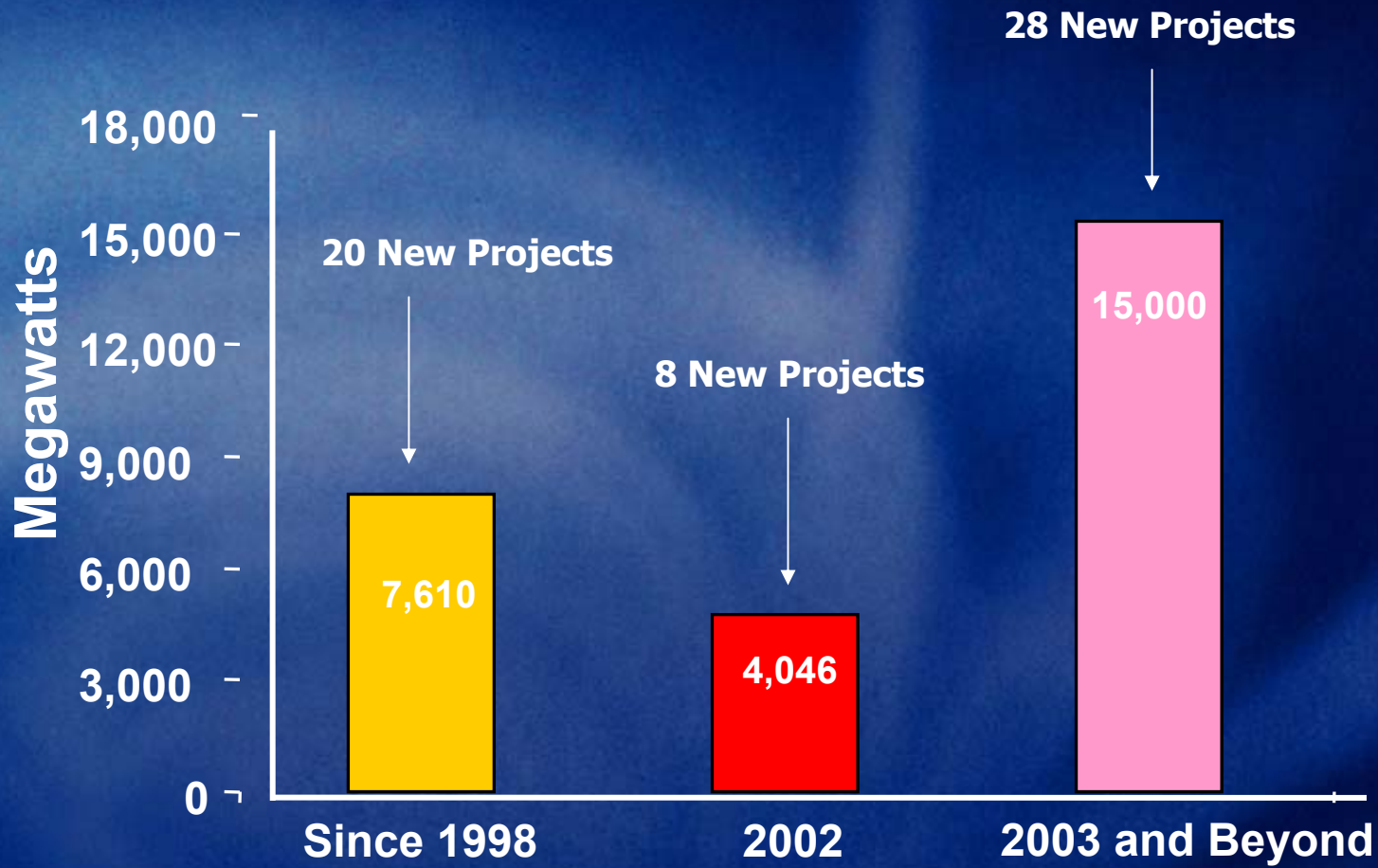
DTE Energy



- Customers have saved over \$3 billion since 1998 due to the legislatively mandated rate decreases.
- As of May 2002, retail access is available to all retail customers in Illinois.
- New generation facilities in Illinois.
- Innovative load management programs have created more than 1,600 megawatts of demand side resources.
- Eight new transmission lines have been built in Illinois since 1998.
- Zion Nuclear Power Station closed.



New Generation In Illinois





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Comparison with Other States

- 2003 Performance Review of Electric Power Markets¹
- For 2003, the number of states that allow retail access remained at 16 states and the District of Columbia.
- New Mexico, Oklahoma, and West Virginia continued to postpone retail access.
- Arkansas repealed its restructuring law earlier this year.
- Nevada and Oregon allow retail access for large customers only.
- California suspended its retail access program in September of 2001 and may also repeal its law.

¹Source: 2003 Performance Review of Electric Power Markets, Ken Rose, IPU, Michigan State University, August 2003.



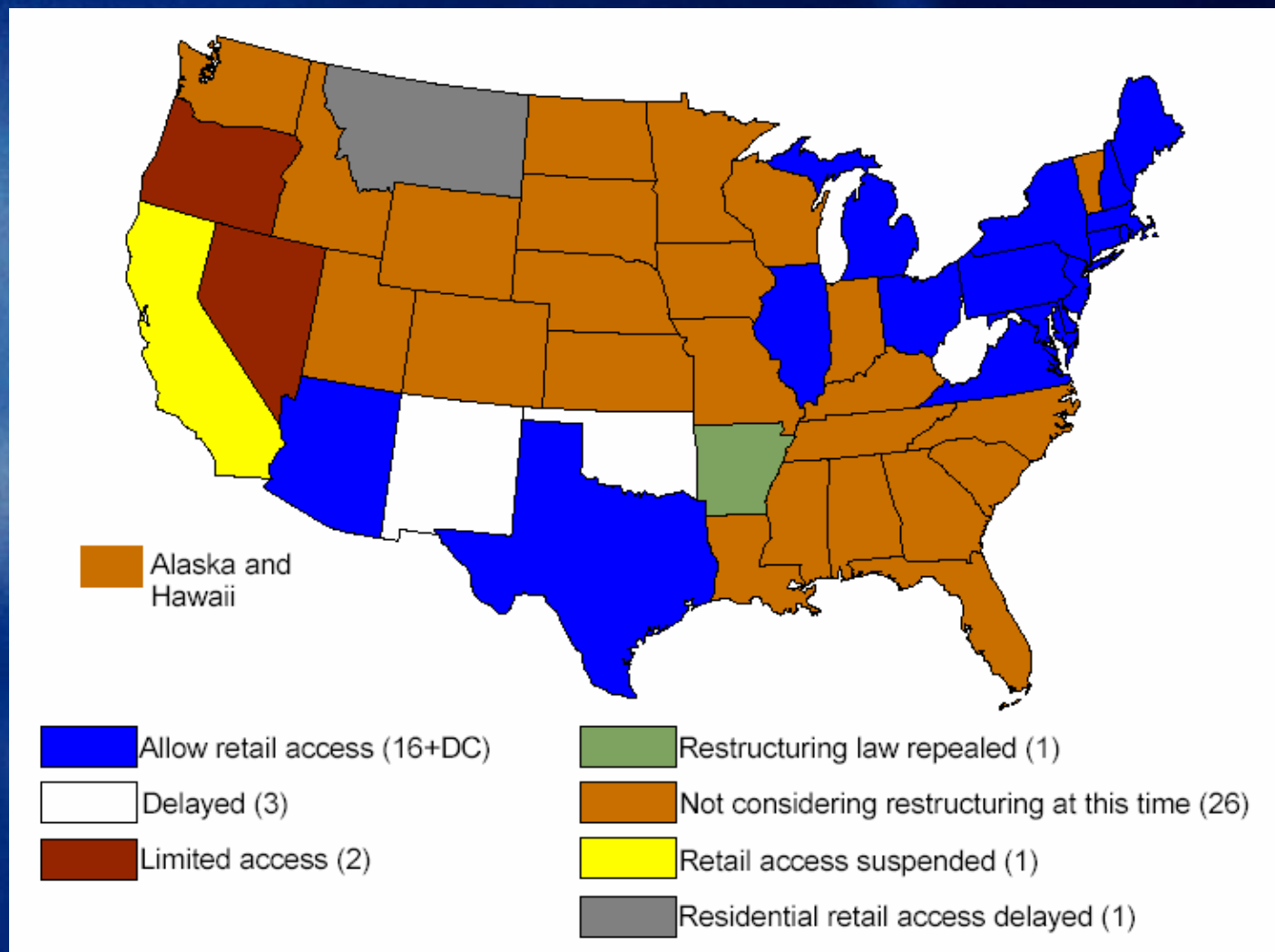
Comparison with Other States

- 2003 Performance Review of Electric Power Markets¹
- Many retail markets remain relatively inactive, particularly for residential customers.
- However, the overall market activity for larger customers in some states remains strong.

¹Source: 2003 Performance Review of Electric Power Markets, Ken Rose, IPU, Michigan State University, August 2003.



Comparison with Other States



¹Source: 2003 Performance Review of Electric Power Markets, Ken Rose, IPU, Michigan State University, August 2003.



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What's Next???

What do customers want?

- Multi-State Public Opinion Survey
 - Sample Error: 3.5% at the 95% Confidence Interval
 - October 15-20, 2003

- Focus Groups
 - November 4, 2003



What's Next???

What do customers want?

- Voters/Consumers are generally quite pleased with their current electricity provider and are generally content with the overall state of electricity generation and distribution.
 - The Midwest's leading electricity power companies have respectable favorability ratings at the present time.
 - Most of the Midwest's leading electricity power companies have satisfied customers.



What's Next???

What do customers want?

- The price and affordability of electricity are not major concerns for a majority of voters/consumers.
- Voters see electricity rates as the most reasonable of all their utility bills.
- Less than half the voters would view a 25 percent rate increase in electricity prices as a major financial hardship.



What's Next???

What do customers want?

- The concern over price and affordability that does exist is found among “heavy” electricity users with an average monthly bill exceeding \$100.
- Voters do not believe that any state in the Midwest is facing an electricity crisis in terms of either affordability or reliability.



What's Next???

What do customers want?

- The 2003 Blackout was not interpreted as evidence of a flawed or deficient electricity power system.
- For the most part, customers were very satisfied with the performance of most of the affected utilities in response to the blackout.



What's Next???

What do customers want?

- Voters do not see any crisis on the horizon.
 - California, Enron, and the blackout have not created any real fear among consumers regarding their energy supply or energy prices.



What's Next???

What do customers want?

- Most voters/consumers have no real concept of what electricity “deregulation” means nor do they understand how it impacts consumers.



What's Next???

What do customers want?

- For the vast majority of voters, the passage of electricity restructuring legislation in 1997 was a non-event.
- They do not see it as offering them more choices.
- They do not see it as having a meaningful impact on energy prices in either direction.
- They do not see it as helping or harming reliability.
- They do not see it as strengthening or threatening the electricity power infrastructure.



What's Next???

In 2004, residential bundled rates will be 20% below 1994 levels on a nominal basis.

- How will these prices compare with market prices?
- What effect will these prices have on competition?

Post-Transition

- Will utilities have a continuing obligation to serve?
- If so, what will be that obligation?
 - Obligation to Source Only?
- Who will manage retail customer price risk?



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