



## *Illinois Power Agency Act and Related Legislation*

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# Topics

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- Implications of Illinois Power Agency Act and related changes to Public Utility Act
- Expected influence on market

# Summary of New Legislation

- Illinois Auction replaced with “portfolio management” approach
- Existing Auction contracts remain in effect
- Creates Illinois Power Agency -- responsible for procurement starting June 2009
- Requires utilities to file one-year procurement plan for June 2008 thru May 2009 for customers less than 1 MW
- Procurement plan consists of standard market products and renewable energy resources
- Procurement plan, utilities’ selection of an independent procurement administrator and cost recovery tariffs to be filed with Commission
- Commission allowed 60 days to approve or modify procurement plan

# How will the Utilities serve the load? (Below 1 MW Fixed Price Tariff Load)

- Existing Illinois Auction Contracts:
  - Full requirements contracts
  - Contracts remaining as of June 1, 2008 = 67% of load
- MISO Spot Market Purchases (Energy):
  - Physical energy supply purchased from MISO
  - Each Utility will submit a day-ahead demand bid
  - Demand bids priced at MISO day-ahead LMP
  - Differences, whether positive or negative, priced at the MISO real-time LMP and subject to Revenue Sufficiency Guarantee Charges (RSG)
- Regulatory Capacity Purchases

## How will the Utilities hedge the price? (Below 1 MW Fixed Price Tariff Load)

- Load currently 85% hedged for the June 2008 – May 2009 planning period:
  - 67% under the fixed-priced Illinois Auction contracts
  - 18% under the 400 MW financial swap contracts with Ameren Energy Marketing
- Utilities intend to procure additional financial swaps from the market as follows:
  - 200 MW of Annual 7x24 Energy
  - 200 MW of January-February 5x16 Energy
  - 175 MW of June 5x16 Energy
  - 325 MW of July-August 5x16 Energy
  - 175 MW of September 5x16 Energy
  - 75 MW of 4<sup>th</sup> Quarter 5x16 Energy
- Addition of swap contracts will mean ~ 97% hedged

# How will the Utilities procure additional financial swap contracts?

- RFP process to be run by procurement administrator:
  - (1) independent administration
  - (2) clearly defined product
  - (3) transparent, open and fair
  - (4) equal access to information
  - (5) sealed bids
  - (6) price only
  
- Levitan & Associates hired as procurement administrator:
  - (1) ICC approval needed
  - (2) significant experience

# Longer-term Implications

- Illinois Power Agency will:
  - (1) hire Director and staff
  - (2) develop 5-year procurement plan
  - (3) prepare procurement plan by 8-15-08 (for supply period beginning 6-1-09)
  - (4) hire procurement administrator and request ICC approval
  - (5) run procurement event(s)
  
- Content of Agency's plan:
  - (1) choice of products?
  - (2) term for each product?
  - (3) hedging strategy (spot vs. fixed-price) ?

## Expectations of how new Act will influence market

- Provides certainty for suppliers in regard to independent administration
- Provides certainty in regard to continued RTO membership
- Facilitates movement toward using RTO as supply source, with use of price hedging via “financial only” contracts
- Facilitates movement toward standard, benchmarkable products
- Provides assurance of cost recovery for utilities and their investors
- Successful implementation should help improve utility credit ratings