

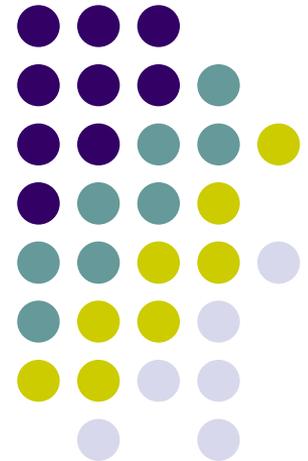


**Illinois
Competitive
Energy
Association**

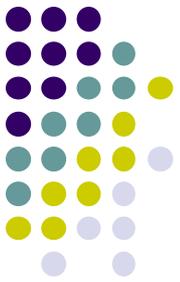
*Preserving and Enhancing
Illinois' Competitive Energy Markets*

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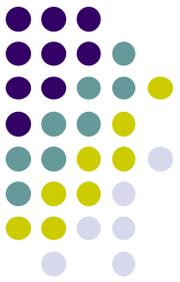
Illinois Competitive Retail Electric Market Briefing
Illinois State University
Management Development International
Office of International Studies and Programs
Ghana Electricity Company Managers
August 5, 2019



Electric Competition History: Illinois Moves from Traditional Rate Regulation Model to Wholesale and Retail Electric Competition



- ❑ The General Assembly restructured the electric industry in 1997 via the Electric Service Customer Choice and Rate Relief Law. Illinois electric rates were 12%+ above the national average making the State's business climate uncompetitive to surrounding states and hindering economic development and job growth. Over time, utilities gave up their costly and inefficiently operated rate based power plants and procured electric generation from the wholesale market and through bilateral agreements, which reduced electricity procurement costs and retail customer prices.
- ❑ The Customer Choice Act of 1997 also created the alternative retail electric suppliers (ARES) to compete against each other to serve retail customers (C&I customers first, then residential and small business) for the **supply** portion of their power and to be a competitive alternative to the utility's "plain vanilla" tariffed bundled service.
- ❑ Today, Ameren Illinois and ComEd are "wires only", delivery service, or distribution companies. They deliver power and energy, but they no longer own power plants. These utilities are indifferent as to where the customer buys **electric generation supply** service since they only profit from the **delivery** of electricity to the customer.



Competition in Illinois: A Strong History

- ❑ **The “Retail Competition Act”** creates the Office of Retail Market Development at the ICC to promote an effectively competitive retail electricity market (Public Act 94-1095). The ICC’s ORMD is an effective forum to address competitive market and customer protection issues.
- ❑ **The “Illinois Power Agency Act”** declares certain large and medium size Ameren customers and medium and small size ComEd customers a competitive service to be served by retail electric suppliers in 2008 and 2010 (Public Act 95-0481). The ICC approves competitive declarations for ComEd customers in the 100-400kW class and Ameren customers >150kW and <400kW class. Today, these customers classes are ARES-served and are no longer utility bundled service customers. They may take utility supply service on an hourly basis arrangement from the utility.
- ❑ **Utility Consolidated Billing / Purchase of Receivables (UCB/POR)** legislation removes certain barriers for ARES to compete on a level playing field with the utilities in the residential and small commercial market (Public Act 95-0700). The ICC approves UCB/POR for ComEd & Ameren <400kW customers allowing ARES to serve mass market customers—regardless of credit history—with pricing and renewable energy options and product offerings enjoyed by C&I customers in a single utility bill displaying the competitive supply charge and the utility delivery service charge.

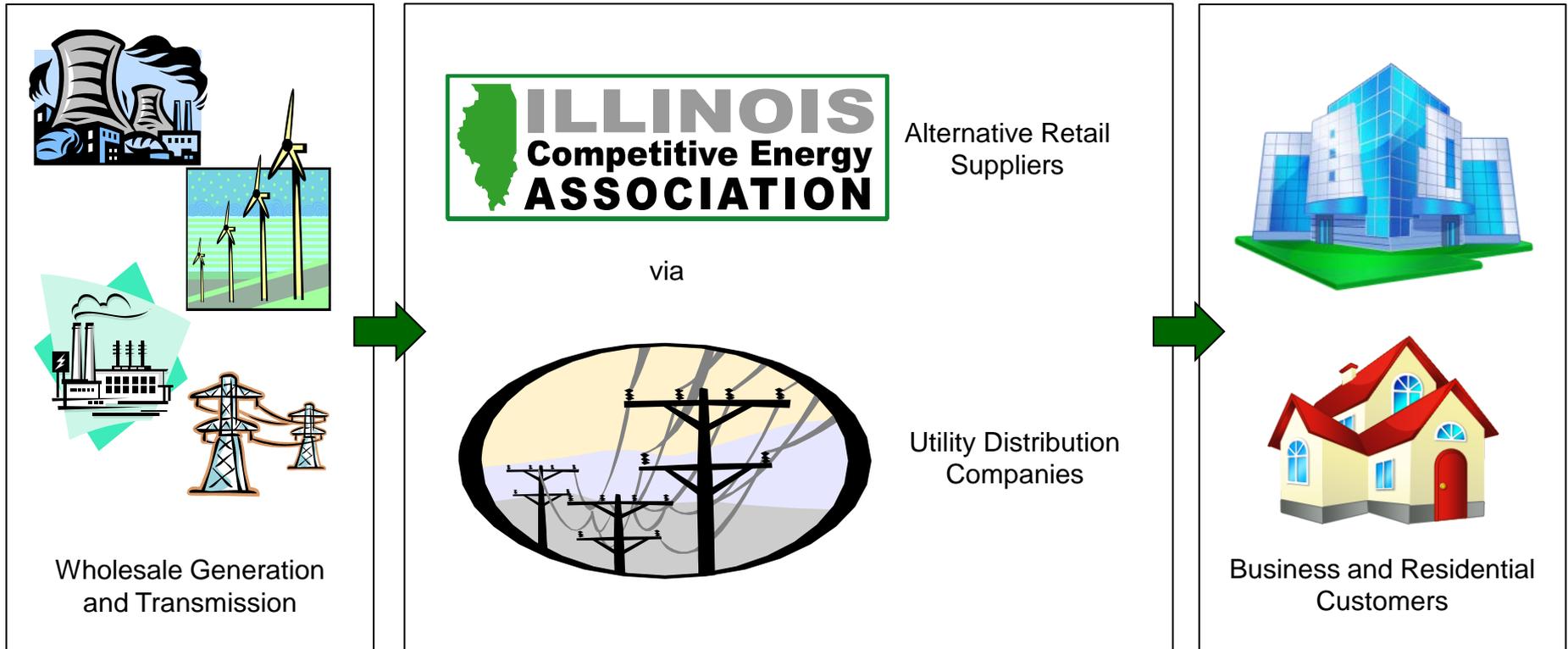


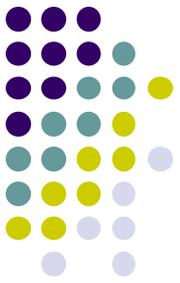
Illinois' Restructured Electric Market

- ❑ **Generation** – Generation supply is competitively procured from the wholesale market for utility-served residential and smaller commercial consumers, is overseen by the IPA, and approved by the ICC. The FERC regulates the generators, wholesale power markets, and the PJM & MISO regional grid operators serving Illinois.
- ❑ **ARES** – Privately-owned energy service companies that sell electric supply and value-added products to customers who have left utility supply service. The ICC does not regulate ARES prices. However, ARES are subject to ICC marketing and consumer protection rules, compliance reporting requirements, and enforcement actions – including suspension or revocation of its certificate to operate in Illinois' retail electric market.
- ❑ **Transmission** – The movement of electricity at high voltage from the generation plants to the local distribution power grid. ComEd and Ameren Illinois own their transmission assets. FERC regulates transmission and its pricing.
- ❑ **Distribution** – The process of local delivery of electricity by ComEd and Ameren Illinois to homes and businesses, including all service and maintenance of the local utility distribution network. The ICC regulates these utilities' operations and their **delivery service rates** charged to consumers.



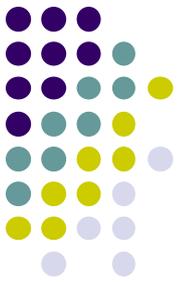
A Picture Says a Thousand Words -- How ARES Operate in the Illinois Retail Electric Market





Illinois Competitive Energy Association (ICEA)

- ❑ **WHO WE ARE:** ICEA is an Illinois-based 501(c)(6) NFP business trade association of alternative retail electric suppliers (ARES) and alternative gas suppliers (AGS) whose mission is to preserve retail electric and natural gas competition and customer choice in Illinois' retail energy markets. The Retail Energy Suppliers Association (RESA), who also appears before the ICC, is a national ARES/AGS organization operating in multiple, competitive market states.
- ❑ **WHAT WE DO:** ICEA member companies provide electric supply service, energy managing products, green power options, natural gas offers, and other related and customized services to municipal aggregation communities and to residential, business, governmental, and non-profit energy consumers.
- ❑ **HOW WE HELP ENERGY CONSUMERS and the ILLINOIS ECONOMY:** ICEA member companies compete with all ARES and the incumbent utility to provide electric supply service and products, which provide residential customers the edge needed to manage home energy costs and help business customers – where energy costs are 20-40% of their operating expense – maintain a competitive edge in today's challenging economy.



ICEA Member Companies: The Most Active ARES Operating in IL Retail Electric Market

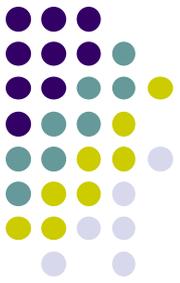
- ❑ ICEA members are the most active ARES operating in both residential and commercial and industrial (C&I) markets. Members include Constellation NewEnergy (an Exelon company), Direct Energy Services, IGS Energy, Illinois Energy, MC Squared Energy Services, NRG Energy, Vistra Energy, who are market share leaders.
- ❑ ICEA members must abide by a 9-Point Code of Conduct in conducting business with and serving current or prospective customers as a condition of membership.
- ❑ ICEA members provide electric supply service to virtually all municipal aggregation programs and are the market leaders among the ARES community who serve about 1.8 million residential and small business customers. ICEA members serve a significant percentage of the State's 325,000 commercial and industrial customers.
- ❑ ICEA maintains a productive working relationship with CUB, ELPC, the Attorney General's Office, and other consumer and environmental groups. ICEA works closely with the IMA, IRMA, State Chamber, other business trade associations and ComEd and Ameren utilities to promote electric choice and competition.



Current State of the Residential Market: Robust, Challenging, Evolving

- The residential market is robust and competitive based on generally accepted metrics: the number of suppliers serving the retail market; the percentage of customers served and total electric load served; the number of available supply options; and a generally unconcentrated market (i.e. no one supplier or few suppliers dominate market share).
 - ❖ 55 ARES actively serving residential customers in the ComEd service territory with 106 different residential supply offers. About 35% of ComEd’s residential customers are ARES-served down from 61% previously due to muni-agg program reductions, especially Chicago ,which switched back to ComEd bundled service.
 - ❖ 27 ARES actively serving residential customers in the Ameren service territory. From 53%-61% of Ameren’s residential customers are ARES-served in its 3 Rate Zones where muni-agg programs thrive and increased slightly.
 - ❖ ComEd vs. Ameren Residential ARES Market: The majority of ARES-served ComEd residential customers are by individual supply contracts than by municipal aggregation programs whereas the majority of ARES-served Ameren residential customers are by municipal aggregation programs.
- The residential market is evolving from a supply price only proposition to a supply price plus value-added and “premium services” paradigm, like other network service industries.

Current State of the Residential Market: Robust, Challenging, Evolving

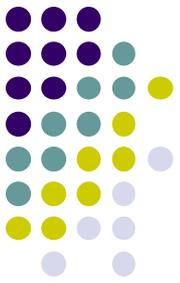


- ❑ Beating the Utility Price-To-Compare (PTC), switching of RES-served residential customers back to utility supply service (esp. in ComEd), and overcoming market barriers are challenges for competitive suppliers. But, there are opportunities for appealing to residential customers by providing value-added products and services in addition to potential energy cost savings.

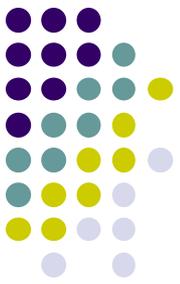
- ❑ When ComEd's and Ameren's AMI roll-out and smart meter deployment concludes, ARES will be able to provide dynamic pricing and TOU products based on interval usage data allowing customers to manage their electric usage and cost.
 - ❖ But, RES access to data, utility operational procedures, and company policies continue to be hurdles

- ❑ Misleading and deceptive marketing practices and “bad actor” behavior by a small number of ARES compared to the industry's overall size gives the impression that the competitive market is not working for consumers and has run amok.
 - ❖ The Commission needs to aggressively enforce the informal and formal procedures that it has. ICEA supports additional enforcement tools that the Commission feels it lacks, but ICEA will oppose proposals that are not market-based solutions or that are market smothering.

ARES-Served Commercial and Industrial (C&I) Customers: Business, Government, Non-Profits

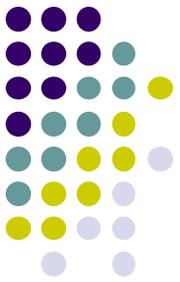


- ❑ ARES serve small, medium and large-sized businesses from Rockford to Cairo including manufacturers, retail merchants, and other commercial and industrial customers ranging from Main Street shops to Fortune 500 companies, totaling over 325,000 such customers.
- ❑ ARES-served governmental customers include municipal and county governmental units and their operating departments. For example: O'Hare and Midway Airports, Metra/CTA, MWRD in Chicago and certain State of Illinois operated facilities are ARES-served customers.
- ❑ ARES-served customers include school districts (including Chicago Public Schools and many other school districts statewide), colleges and universities, cultural and religious institutions, sporting facilities, office buildings and condo associations, hospitals, hotels, restaurants, grocery stores, and laundromats.



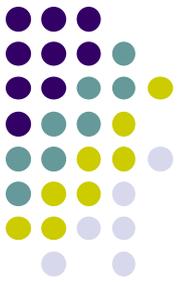
Current State of the Commercial and Industrial Market: Among the Most Successful in the Nation

- Today, C&I customers with peak demands of at least 100kW in ComEd and 150kW in Ameren (i.e. medium sized to the very large customer) are ARES-served or are utility hourly supply customers. The small commercial customer class may be ARES-served or remain on utility tariffed bundled service (i.e. this class has not been declared a competitive service at this time and is an ICEA priority going-forward).
- In ComEd's service territory, electric choice and competition has long been and continues to be successful with C&I customers of all sizes. Today, 73% of the total electric usage of ComEd's C&I customers is ARES-provided ranging from 59% of the electric usage of small commercial customers, 78% of medium size C&I customers, and over 90% of large C&I and very large C&I customers.
- In Ameren's service territory, electric choice and competition has remained stable and has increased slightly. Today, ARES provide 89% of the total electric usage and ranges from 65%-89% in Ameren's 3 Rate Zones with a 14% increase in small customer usage from the previous year.



Where We Go From Here

- ❑ Actively promote retail electric competition and customer choice through market-based regulatory solutions, competitively neutral outcomes, and enhanced consumer education and protection efforts.
- ❑ Ensure a regulatory environment that allows the market to work effectively and reduces market and investment uncertainty.
- ❑ Avoid policies that pick “winners and losers” favoring specific generation/power plants paid for by rate hikes on electric consumers. Investors and shareholders should bear the risk (and reward), not utility ratepayers and competitive supply customers.
- ❑ Understand that ARES, unlike utilities, are NOT entitled to cost recovery. Additional regulatory and business costs are passed-on to ARES retail customers or are absorbed by the ARES bottom line, both of which affect an ARESs ability to compete with other ARES and the incumbent utility in the retail electric market.



Contact Information

-- Count on ICEA as Your Go-To Resource --

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