

Illinois Electricity Markets Pre- And Post-Deregulation

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Illinois Commerce Commission
June 11, 2009



Illinois



Illinois Facts



- 12.9 mill. people, 5th largest state.
- 56,400 square miles, 24th largest state.
- “Land of Lincoln”
- Borders the Mississippi River and Lake Michigan.
- Springfield is the state capital.
- Chicago is the largest city, 2.9 mill. within city limits, 9 mil. metro area.

Pre 1997 Retail

- Vertical Integration of generation, transmission and distribution.
- All aspects regulated by the ICC.
- Franchised utility monopoly.
- Obligation to serve with cost-based rates.
- No customer choice.

Pre 1997 Wholesale

- Wholesale competition regulated by Federal Energy Regulatory Commission (FERC).
- Open wholesale transmission access regulated by FERC.
- Encouragement of regional integration/operation of the grid.

Electric Consumer Choice and Rate Relief Law of 1997

- 5 -20% rate cut and 10-year rate freeze.
- Generation units sold, transferred or maintained.
- Utilities transformed to delivery function with provider-of-last-resort (POLR) responsibilities.
- Retail markets gradually opened to competition.
- Consumer advocate given funding.

Power Procurement Auction

- 1997 restructuring mandated creation of power supply auction.
- Auction was run in September 2006.
- On January 2, 2007, the rate freeze ended.
- Average rates increased 24% and 40-50%.



Illinois Power Agency Act of 2007

- Auction replaced with bilateral procurement market overseen by new state agency.
- \$1 billion rate mitigation.
- Energy efficiency programs.
- Renewable portfolio standards 25% by 2025, 75 % from wind.
- Distributed generation encouraged.



Changes To Illinois Electricity Policies

- New procurement procedures.
- New Illinois Power Agency.
- Smart Grid Collaborative.
- Encouraging renewables.
 - Renewable portfolio standards.
 - Interconnection standards.
 - Net metering.
- Encouraging greater energy efficiency and demand response.



Retail Markets Today

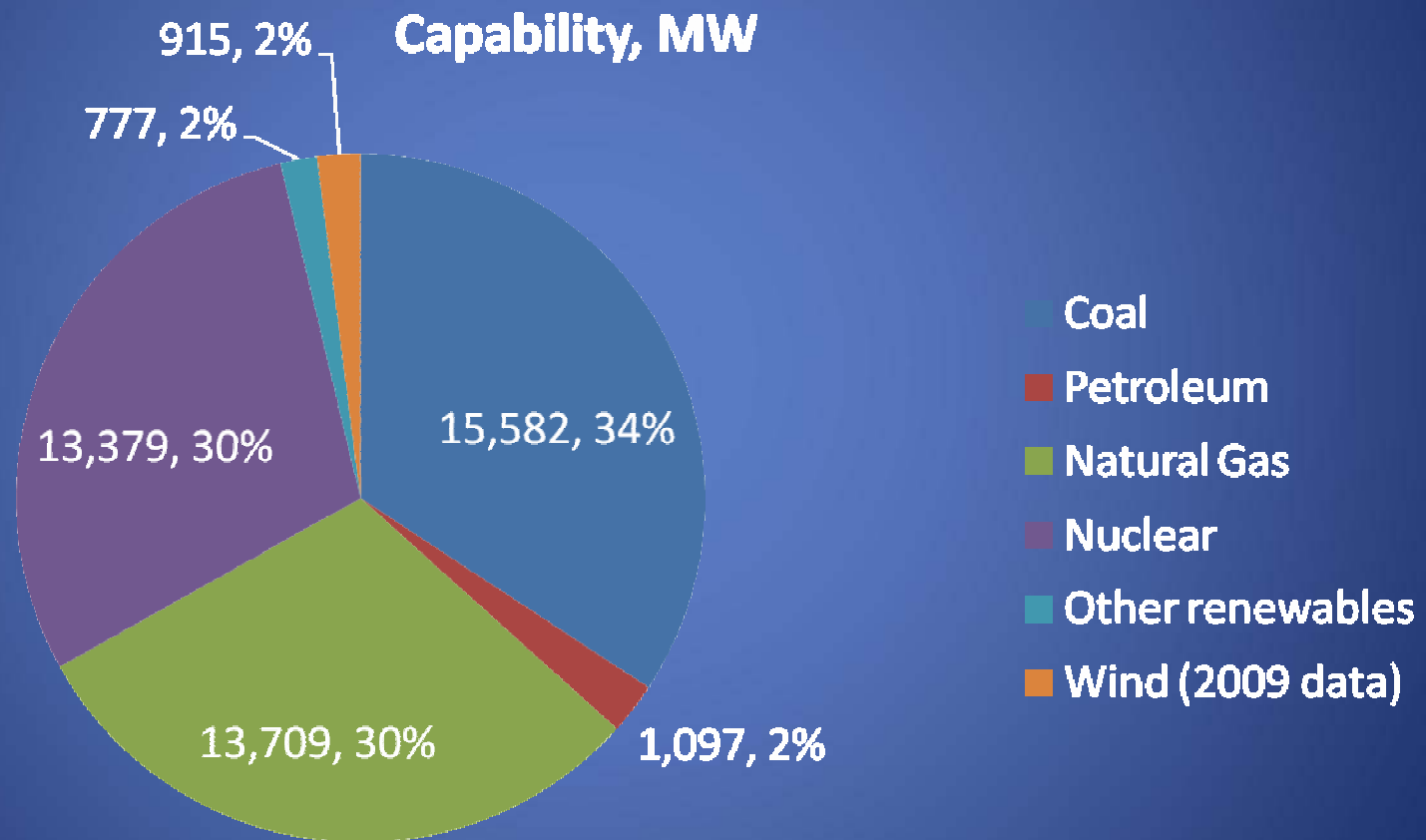
- All large commercial and industrial customers are served through competitive markets.
- Small commercial and residential customers have choice, but there are few real options.
- Second year of new procurement process completed.
- Utilities remain obligated to provide transmission, distribution, and POLR service.

Growth of Wind Generation

- With 915 MW of installed capacity, Illinois is among the top ten states in wind generation.
- More wind generators are coming on-line.
- One of the largest windfarms in the country is a 450 MW project, east of Bloomington.
- Illinois was able to meet its RPS requirement entirely with in-state resources.



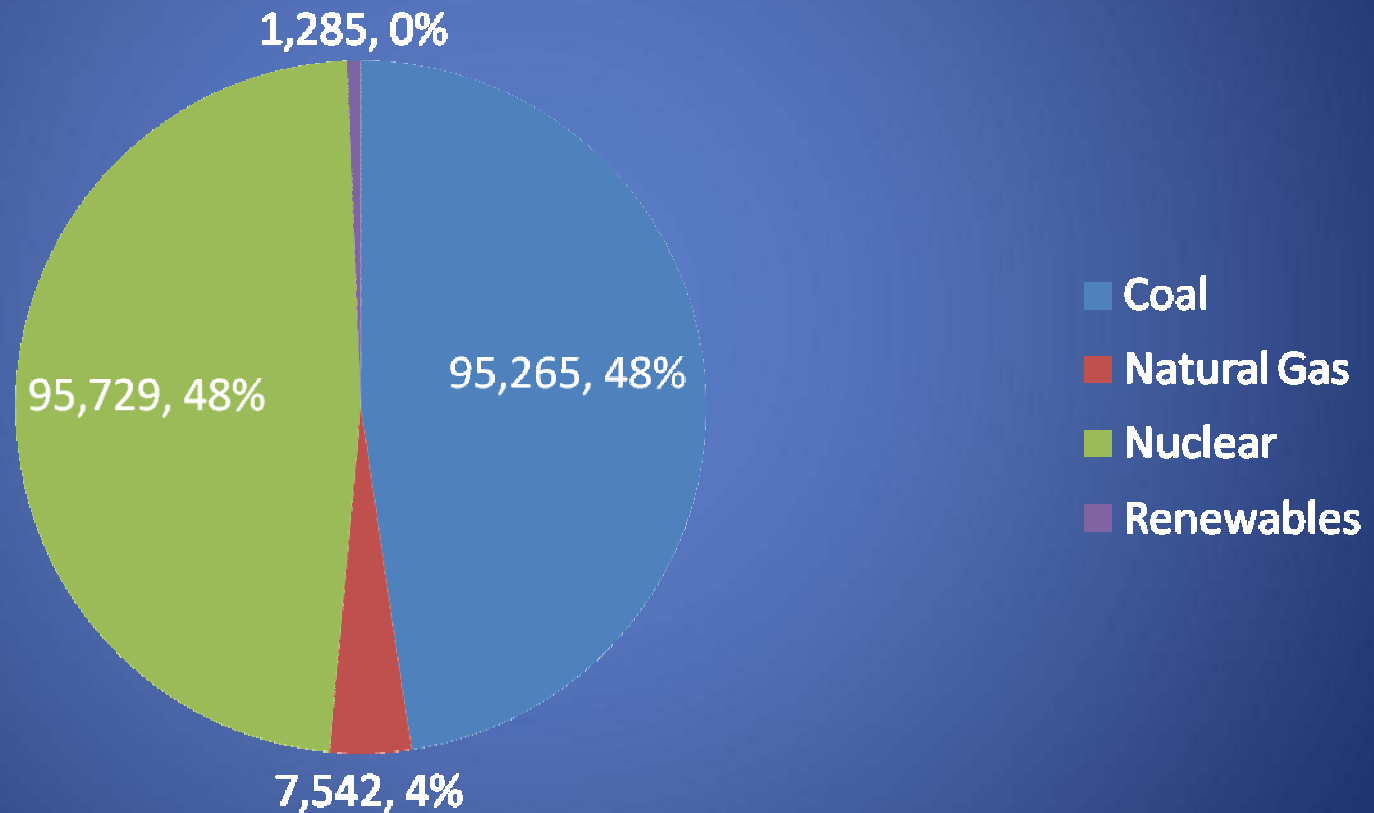
42,731 MW (2007)



Source: Energy Information Agency. Hydro: 33 MW, Other gas: 45 MW;
Wind data from American Wind Energy Association

200,260,681 MWH (2007)

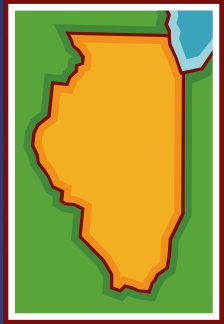
Energy generated, 1000 MWH



Source: Energy Information Agency; petroleum, other gas, hydro less than 400 total.

Electricity Regulation

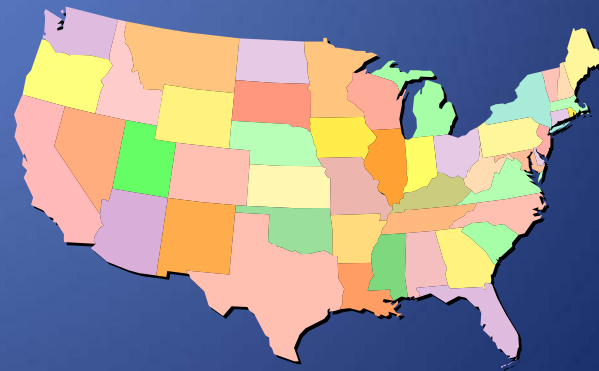
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- Retail services and distribution rates.
- Siting of most facilities and transmission lines.
- Certifying retail competitive suppliers.
- Competitive, unbundled industry structure.

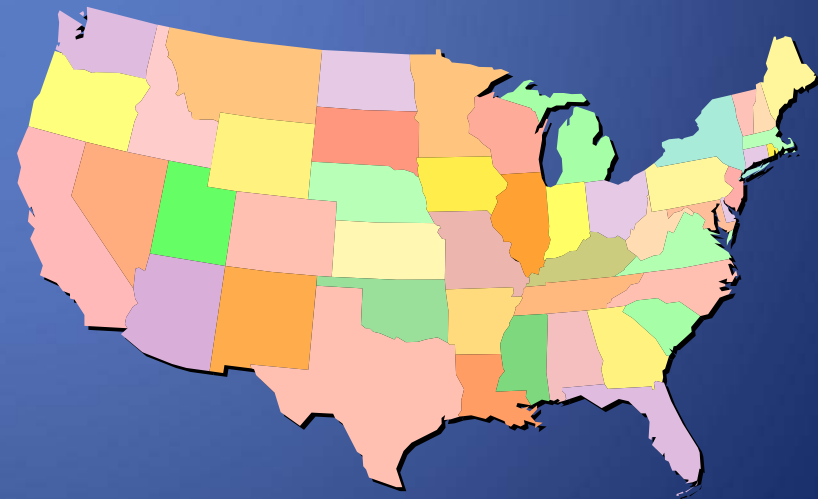
Federal Energy Regulatory Commission (FERC)

- Wholesale sales.
- Unbundled Transmission.
- Some Transmission Siting.
- Regional Markets.
- Comparable, open access.

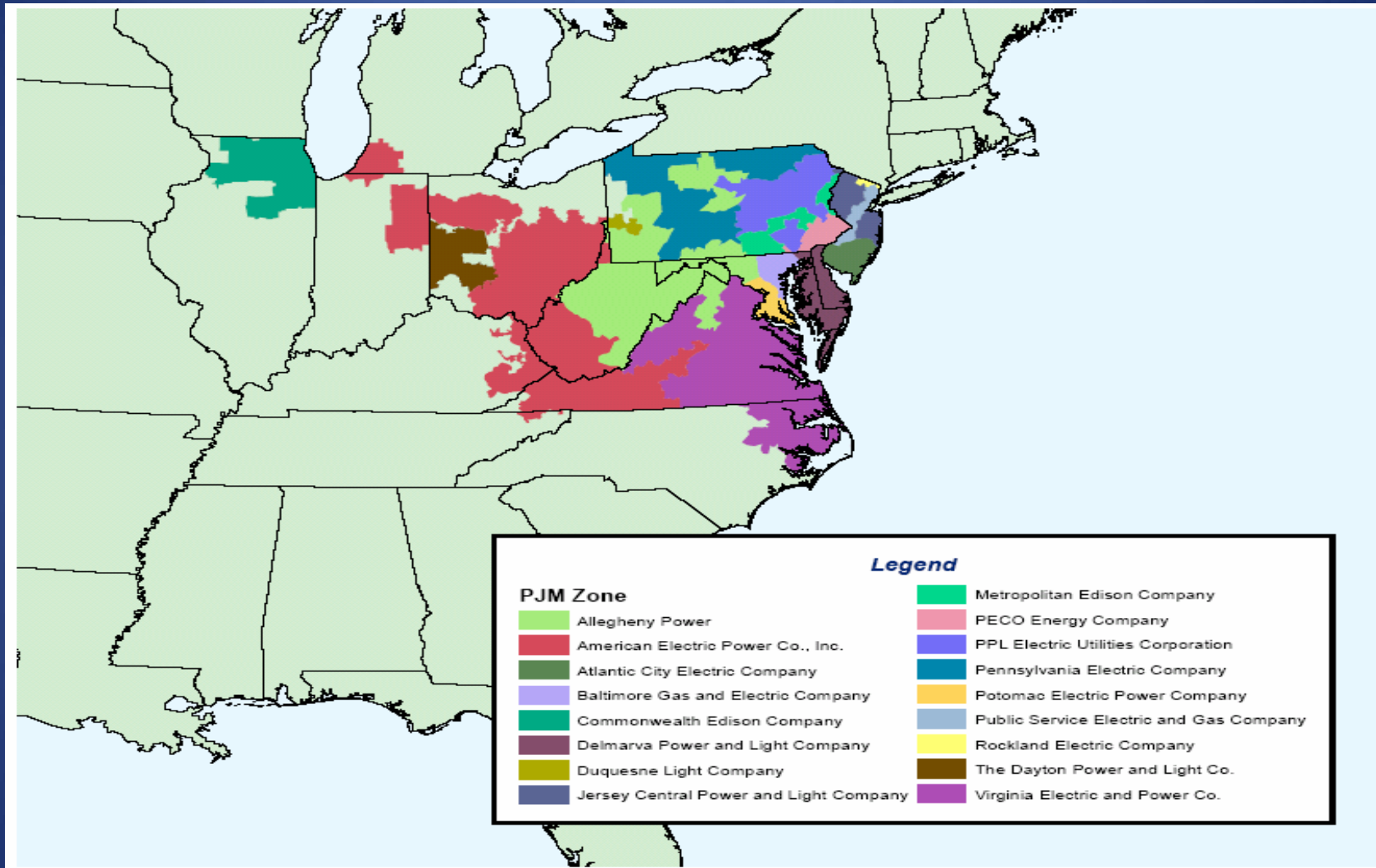


FERC Electricity Policies

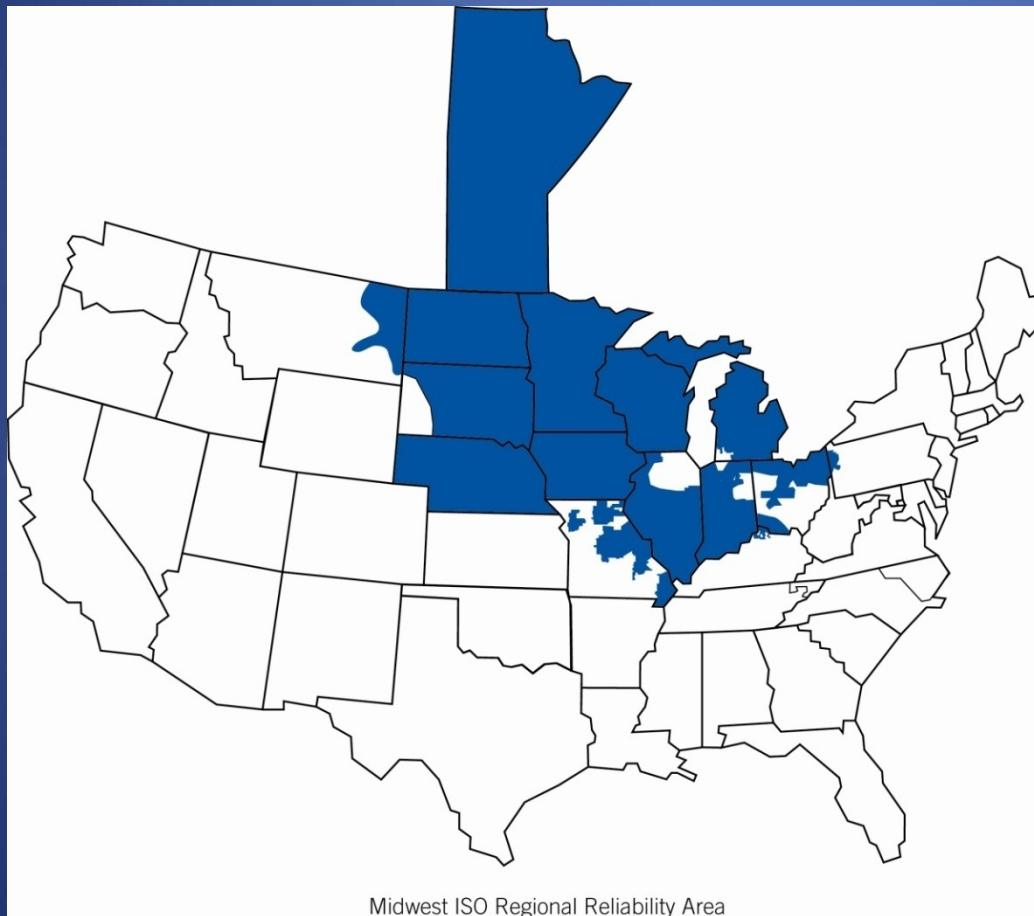
- Encourages regional, wholesale markets through Regional Transmission Organizations (RTO), Independent System Operators (ISO), and regional reliability organizations.
 - Illinois utilities are part of PJM and MISO.
- Comparable, non-discriminatory, transmission access.
- Generation interconnection.
- Transmission pricing.
- Market-based wholesale rates.
- Some transmission siting.



PJM Independent System Operator (ISO)



Midwest Independent System Operator-MISO



Note that MISO
encompasses
an international
boundary