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What do Illinois regulators have to do with the provision of electricity and the utilization of renewable energy resources?

Richard Zuraski
Illinois Commerce Commission

January 27, 2014

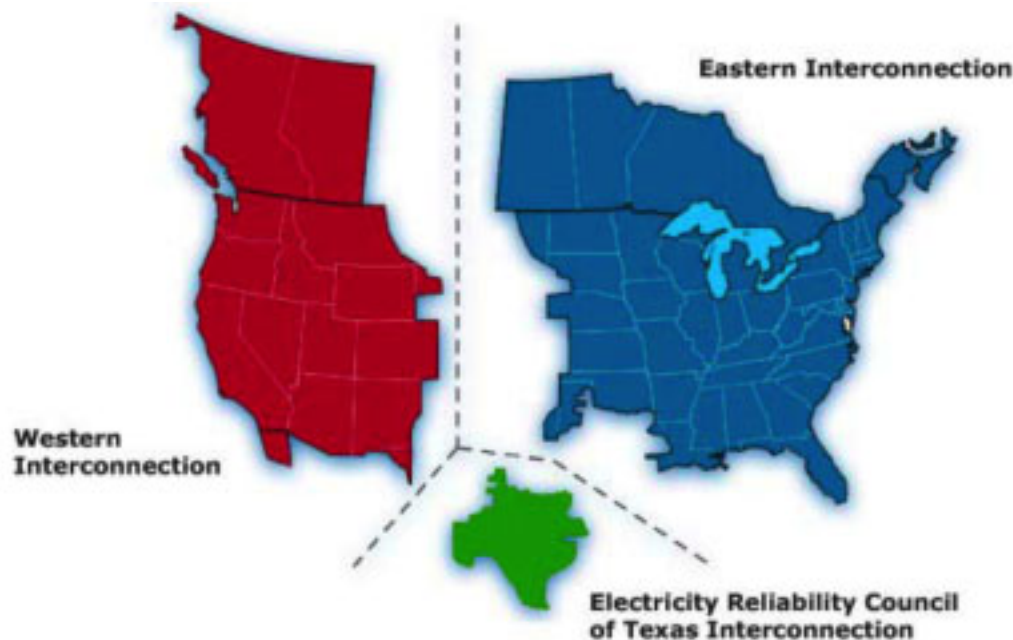


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Within three regional synchronized power grids, ...



... the assets of the U.S. electric industry are owned by literally **thousands** of private investor-owned, government-owned, and cooperative utilities, and other firms (1000s, even without counting small-scale generating devices owned by some end users).



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Ownership / operation of electric generation, transmission, and distribution assets



IOUs
IPPs
Municipalities
Coops
Federal agencies
State agencies



IOUs
Municipalities
Coops
Federal agencies
State agencies
MTCs



IOUs
Municipalities
Coops
Federal agencies

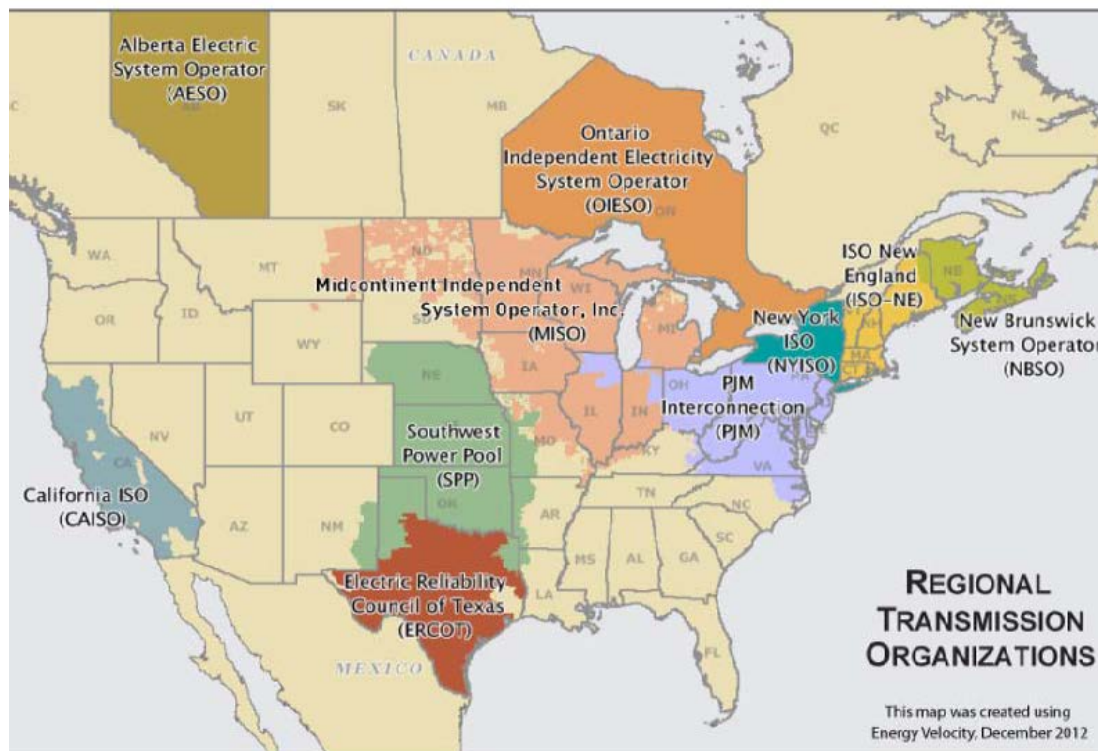


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To varying degrees, these entities share control of their assets with about 150 control-area operators and/or Independent System Operators (ISOs) and regional transmission organizations (RTOs) shown below.





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Wholesale and Retail Sales

The electric power and energy and the transmission and distribution services that are made possible by these assets are sold not only by the asset owners, but in some cases by various wholesale and retail marketing middle men.





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But what all-powerful entity decides things like:

- Who can sell power and energy?
- What they may charge?
- When, where, and what new facilities should be constructed?
- Etc.



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Overseeing all of this is the





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, ... along with hundreds of other
economic, environmental, and land-use regulatory authorities.



**Federal Energy
Regulatory Commission**





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Allocation of regulatory authority over electricity matters

Federal government

Reserves regulatory authority over various aspects of electricity that is in “interstate commerce.”

- Transmission of electricity
- Sales of electricity for resale

State governments

Reserve authority over various aspects of electricity that is NOT in “interstate commerce.”

- Distribution of electricity
- Retail sales of electricity
- Siting of facilities

Government-owned companies largely self-regulated



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But why so complicated? Why do we have 100s of government agencies all over the country in 50 states involved in utility regulation? Why don't we have just a single national regulator?



2014



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- In 1776, thirteen British colonies declared themselves thirteen independent states. All thirteen independent states had a common goal and agreed to join forces, calling themselves: *the thirteen united* **States of America.**
- While retaining their own sovereignty, each of the thirteen independent states agreed to form an additional government of the entire United States (which we now call the federal government).
- The United States Constitution proclaims that “The powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are **reserved to the States**”



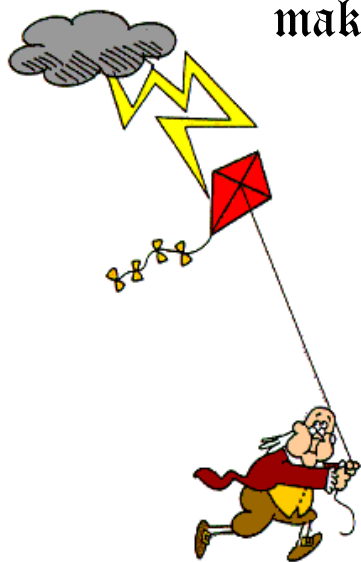
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In some cases it is clear whether the Constitution delegated a specific power to the United States (federal government). Examples:

- To regulate Commerce with foreign Nations, and among the several States, and with the Indian Tribes
- To declare War, grant Letters of Marque and Reprisal, and make Rules concerning Captures on Land and Water;



In other cases, such as the power
to regulate the provision of electricity,
the text of the Constitution is not 100% clear.





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Allocation of regulatory authority over electricity matters, *via interpretation of the Constitution*

Federal government

Regulates various aspects of electricity that is in “interstate commerce” ***because regulation of interstate commerce is a right granted by the Constitution to the Federal Government***

- Transmission of electricity
- Sales of electricity for resale

State governments

Regulate various aspects of electricity that is NOT in “interstate commerce” ***because the rights not granted to the Federal Government are “reserved to the States”***

- Distribution of electricity
- Retail sales of electricity
- Siting of facilities

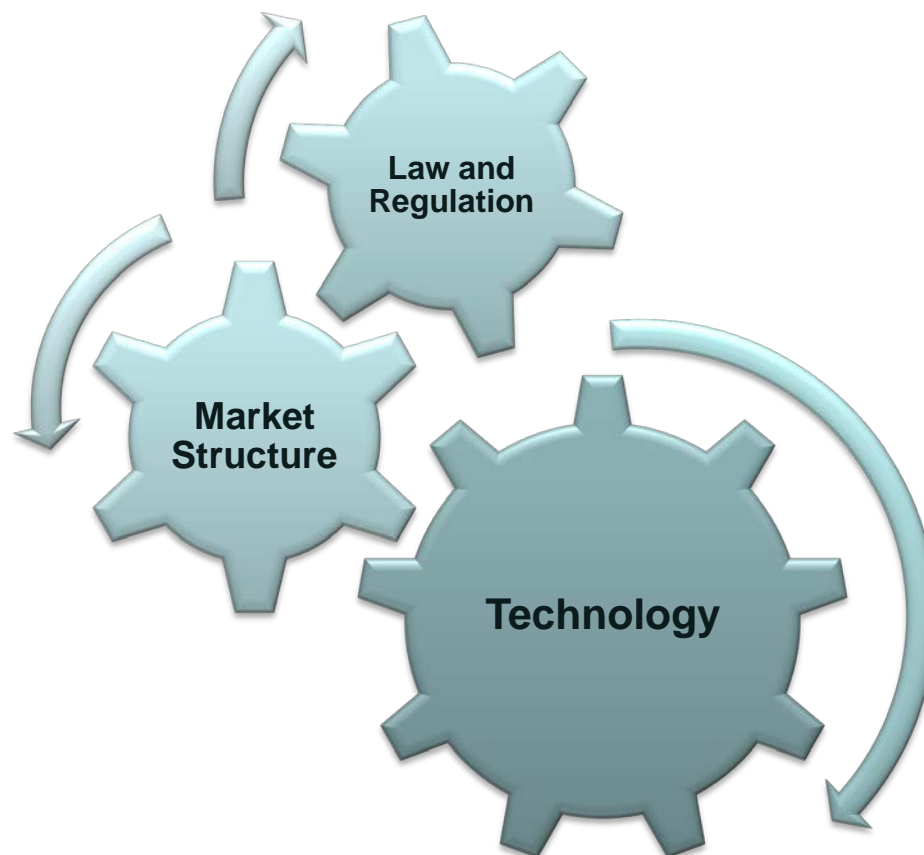


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Evolution



Where did we start?

- Technology:
 - Primitive
 - Conducive to geographically isolated systems (city by city)
- Market Structure:
 - Monopolists serving each city
 - High degree of vertical integration



1882

Changes in first half of 20th Century

- Consumer protection from local monopoly:
 - Franchises
 - Regulation
 - Municipal gov't ownership
 - Rural: Coops
- Large scale public works by Federal government
- Federal regulation of electric transmission



1936

... in the second half of 20th Century to present

- Growth and integration of transmission
- Northeast Blackout of 1965
- Reliability planning and coordination
- Some more recent energy policy trends:
 - Deregulation / Competition
 - Renewable / Environmentally benign





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Where are we now?

- Technology:
 - Highly diverse
 - Geographically integrated and subject to increasing levels of centralized control
- Market Structure:
 - Mix of firm types (private investor-owned; public-owned; coops)
 - Various degrees of vertical integration
 - Mix of natural monopoly and competitive market segments
 - ISOs and RTOs



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Where are we now?

- Federal law and regulation
 - Regulation of transmission (Fed. Energy Regulatory Comm.)
 - Encouragement of wholesale competition in generation (e.g. open access to grid)
 - Subsidization / support of favored technologies
 - Siting of transmission (on the horizon?)
- State law and regulation
 - Regulation of distribution relatively uniform
 - Unbundling & encouragement of retail competition varies by State
 - Energy efficiency and renewable energy standards vary by State; as does subsidization / support of favored technologies
 - Siting of transmission (States in the lead, for now)



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Policies toward Renewable Energy

- Federal law and regulation affecting renewable energy
 - **Subsidization / support** (e.g. \$22 per MWH tax credit; extraordinary accelerated depreciation; basic research)
 - Open access to grid
 - Siting of transmission (on the horizon?) (e.g., to promote access to renewables)
- State law and regulation affecting renewable energy
 - **Renewable portfolio standards (% of load)**
 - Distributed generation / net metering
 - Retail providers can differentiate themselves as more or less “green”
 - Subsidization



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Policies toward Renewable Energy in Illinois Illinois Commerce Commission's Role

- **Assure compliance with renewable portfolio standards**
 - Approve electric procurement plans for utilities that consist of adequate quantities of renewable energy or renewable energy certificates
 - Review compliance reports of alternative retail electric suppliers. Penalize non-compliance.
- Approve tariffs in accordance with laws/rules concerning small-scale distributed generation
 - Distributed generation
 - Net metering

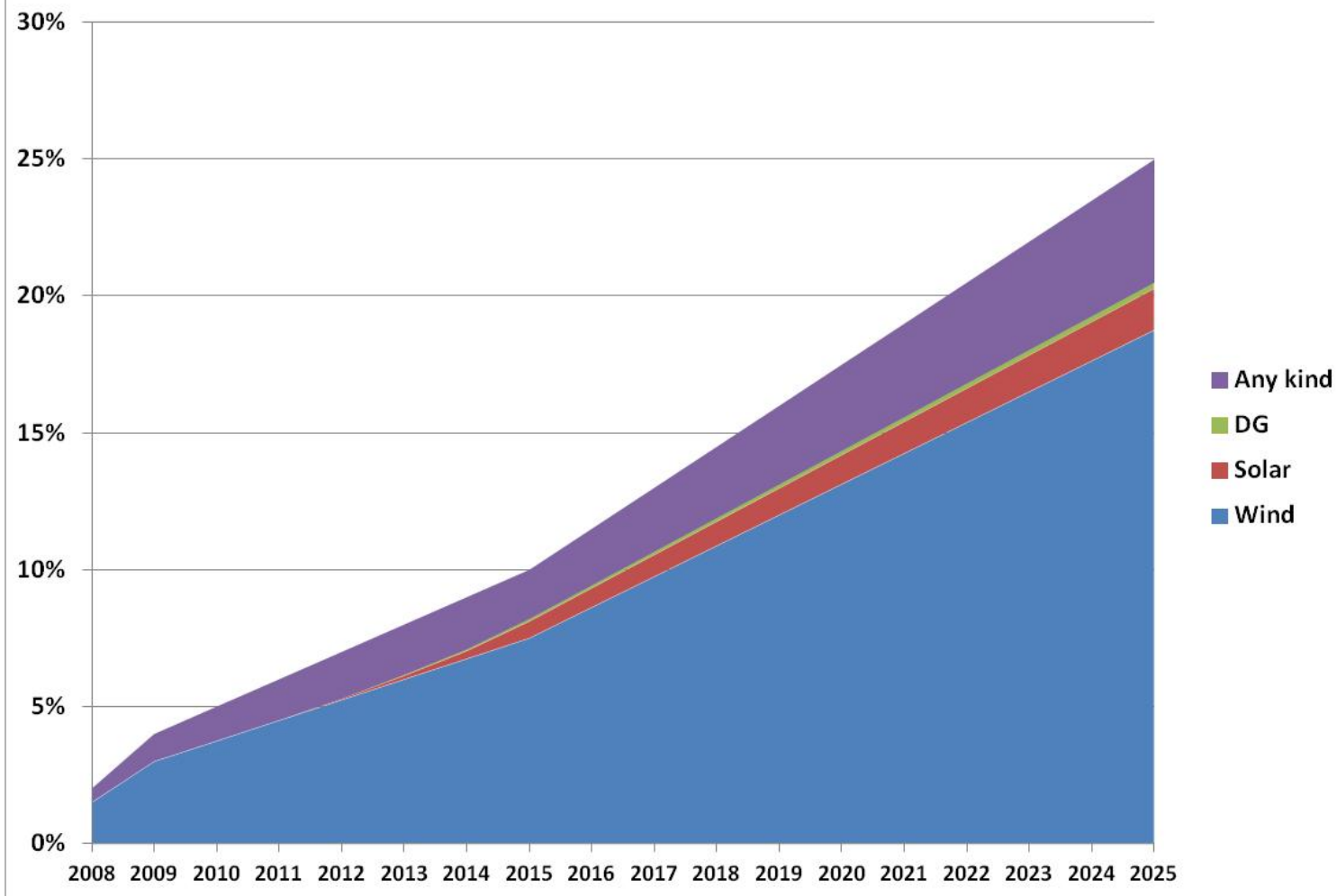


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RPS Requirements for Illinois' Major Electric Utilities



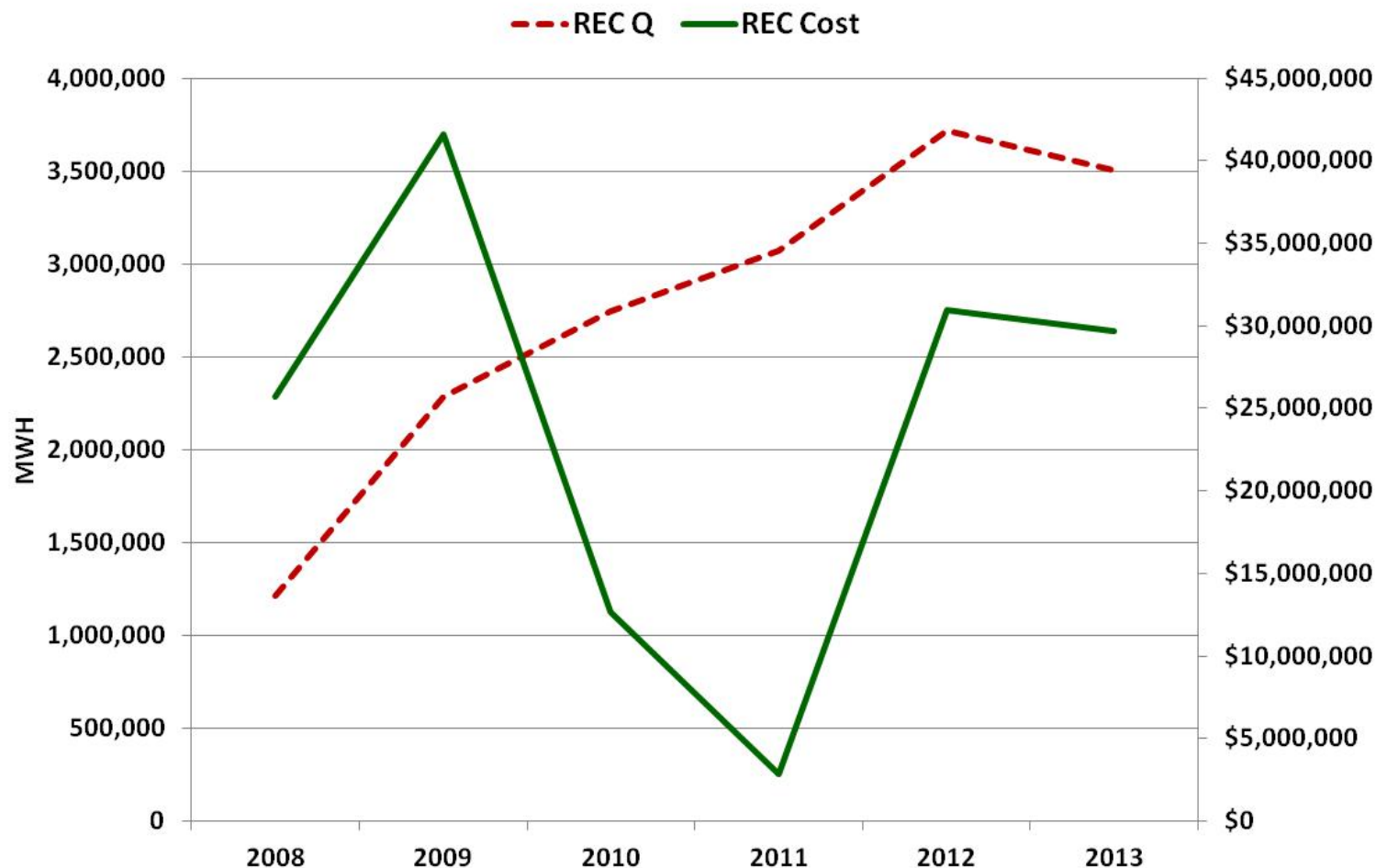


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Renewable Energy Certificate Quantities Acquired and Costs Incurred by Major Illinois Electric Utilities





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