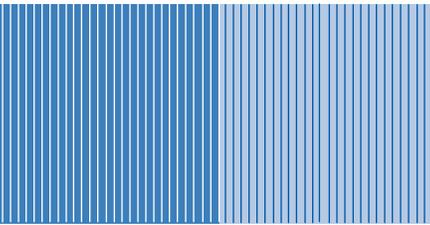


June 28, 2012

REPLY COMMENTS ON THE 2012
PROCUREMENT PROCESS PURSUANT TO
SECTION 16-111.5(o) OF THE PUBLIC
UTILITIES ACT



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I. Introduction

On June 14, 2012, NERA Economic Consulting (“NERA”) submitted initial comments in response to the Public Notice of Informal Hearings published by the Illinois Commerce Commission (“Commission”) with respect to the Spring 2012 procurement events held by the Illinois Power Agency (“IPA”) on behalf of Commonwealth Edison Company (“ComEd”) and Ameren Illinois Company (“Ameren”). NERA appreciates the opportunity to submit these reply comments in response to initial comments filed by other parties.

NERA served as the Procurement Administrator for the IPA’s 2012 Spring and Rate Stability RFPs of Standard Products and Renewable Energy Credits (“RECs”) for the ComEd portfolio and as such offers comments only with respect to the IPA’s RFPs for the ComEd portfolio. Our comments will be limited to a single issue, the request of the Office of the Illinois Attorney General (“OAG”) that the Procurement Administrators consider whether changes in the procurement process are necessary or desirable in response to a drop in the number of successful REC suppliers.

II. Number of Successful REC Suppliers

While we have reviewed only a redacted version of the OAG's comments and we are unable to see the details of the concern, it appears that the OAG would like the Procurement Administrators to consider whether process changes are necessary or appropriate to address the reduction in the number of winning suppliers in the REC procurement. The number of winning suppliers is a measure considered in assessing competition in a procurement event and thus the concern of the OAG is understandable. Generally changes in observed competitiveness measures should be a reason to consider whether process changes are necessary or appropriate.

While the number of winning supplier is one competitiveness metric, it is not typically the only such measure that would be considered. Further, it is also necessary to consider any external circumstances that may explain or that may be contributing to the reduction in the number of winning suppliers. In the instant case, we believe that the overall level of competition remains more than adequate in the REC procurements. We base this assessment on the overall bid to need ratios, which are at levels that provide for robust competition. We also note that external factors are an issue. The volume in this 2012 procurement event was lower than it had been historically, which would tend to reduce interest in the procurement event. While the percentage requirement for renewable energy has increased, eligible customer load has dropped with municipal aggregation, which interacts with the fact that a considerable quantity of RECs were procured in connection with the 2010 long term renewable procurement. A lower volume also typically goes hand in hand with fewer winning suppliers. Further, some of the RECs from wind and solar photovoltaic resources had already been procured through the 2010 long-term procurement, reducing the demand for resources specifically named in the Act, and potentially reducing interest. Finally, the results from the 2011 procurement event, with low prices and all RECs from Illinois or its adjoining states, may have discouraged REC suppliers intending to offer RECs from other states from participating. Given these circumstances, the level of competition remains healthy.

The facts above provide context for a reduction in the number of winning REC suppliers. While in our view the results of the instant procurements do not indicate that process changes are necessary, they do not exclude the possibility that process changes may nevertheless be appropriate. In fact, we believe that process changes that are expected to increase competition should typically be considered as improvements for the future. However, there have been process improvements over the course of the last few procurement events. For example, recent changes in the contract terms make ComEd REC bidders eligible for unsecured credit from the first exposure dollar and allow ComEd REC bidders from not providing financial information if they do not request unsecured credit. Further, our initial comments propose further improvements. At this point we cannot identify additional improvements to the process that would be expected to have a large impact on the number of winning REC suppliers. However, we intend if we continue as the Procurement Administrator to examine whether changes can be identified to increase competition and that would be acceptable to the IPA, Staff and ComEd. Such changes are assessed on the basis of any risks that they pose, which are weighed against the benefits of increased participation or increases in the number of winning suppliers.

As a final note, we also believe that bidder outreach is an important element of the process. In addition to bidder information calls and responses to bidder questions, a regular part of this activity is a campaign through direct phone calls to reach potential suppliers and inform them of upcoming procurement events. This is a regular activity that we perform and may be even more important in the REC context as there are a variety of small bidders that could participate. These activities were enhanced this year with the retention of a firm specialized in phone marketing. We would intend to continue such efforts in the future.

In summary we appreciate the OAG's comments. While we believe that competition metrics remain strong and no major process changes are warranted, we are committed to procurement implementation that will consider maximizing participation.

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