INITIAL COMMENTS IN RESPONSE TO THE
PUBLIC NOTICE OF INFORMAL HEARING
(REQUEST FOR COMMENTS)
CONCERNING THE SPRING 2010 ELECTRIC PROCUREMENT EVENTS

Presented to

THE ILLINOIS COMMERCE COMMISSION

by

THE STAFF OF THE ILLINOIS COMMERCE COMMISSION

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The Staff of the Illinois Commerce Commission ("Staff"), by and through its counsel, submits these Initial Comments in response to the Commission's Public Notice of Informal Hearing (Request for Comments) Concerning the Spring 2010 Electric Procurement Events Which Were Held On Behalf of Commonwealth Edison Company ("ComEd") and the Ameren Illinois Utilities (Ameren-CILCO, Ameren-CIPS, and Ameren-IP) ("Ameren"), issued on May 28, 2010, pursuant to 220 ILCS 5/16-111.5(o). Staff's response focuses exclusively on collateral issues.

1. **The Collateral Thresholds should remain at current levels unless there is consensus among the utilities, Procurement Administrators, Procurement Monitor and Staff that a compelling reason warrants new Collateral Thresholds and provided implementing new Collateral Thresholds would not require retroactive changes to existing contracts.**

Rationale: For the past two procurement cycles, ComEd and Ameren contracts have included identical Collateral Threshold amounts ("Thresholds"), with both utilities granting counterparties with the highest credit ratings an unsecured credit limit of up to $80 million. In Staff's view, changing Thresholds absent a compelling reason could cause suppliers to view the utilities' Thresholds as arbitrary and uncertain. Currently, energy and capacity contracts have terms up to three years; hence, changing Thresholds affects existing contracts as well as participation levels in future RFPs. Therefore, Staff avers that under no circumstances should Thresholds used in future contracts affect Threshold levels under existing contracts. As with all risk factors, suppliers will make bids that include a price for this uncertainty (*i.e.*, risk) and utility customers will pay the price for such risk.

2. **Amend ComEd's REC contract to (1) reduce the collateral requirement to 10% of remaining contract value; and (2) grant unsecured credit limits to creditworthy REC suppliers.**

Rationale: This year, ComEd required REC suppliers to post collateral equal to 15% of remaining contract value and did not offer any unsecured credit to suppliers. Although ComEd's current REC collateral requirements are an improvement over the $5 per REC requirement used last year, the ComEd REC collateral requirements still exceed the Ameren REC collateral requirements. In Staff's view, the ComEd requirements are unnecessarily costly for ComEd customers. Therefore, Staff would support amending ComEd's REC contract as follows: 1) reduce the collateral requirements to 10% of remaining contract value; and 2) grant unsecured credit limits to creditworthy REC suppliers. Those collateral requirements would not only reduce collateral costs for REC suppliers, but would move the ComEd REC contract and the Ameren REC contract closer together, which may be beneficial in the event the IPA decides that a single REC procurement event would be preferable to simultaneous REC procurement events.