

# **POLR/Default Service**



## **⌘ I. Current Illinois law**

**⌘ A.** All retail customers are entitled to bundled service until the service is declared competitive pursuant to Section 16-113 or abandoned pursuant to Section 8-508.

**⌘ B.** Limited obligation to serve larger customers once service is declared competitive.

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- ⌘ C. Utility has obligation to provide PPO (until electric power and energy declared competitive) and RTP service. (220 ILCS 5/16-103 (b))
- ⌘ D. Residential and small commercial bundled service consistent with service offered Dec 15, 1997. (220 ILCS 5/16-103 (c))

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- ⌘ E. Components of service that are declared competitive for residential and small commercial customers may be offered based on market based prices.
- ⌘ F. The market based price for power and energy is to be determined for residential and small commercial customers in one of two ways, either:

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- ⌘(1) the Market Value price determined under Section 16-112 or
- ⌘(2) utility's cost of obtaining power and energy at wholesale through competitive bidding or other arms-length acquisition process. (220 ILCS 16-103(b))

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- ⌘ G. Residential and small commercial customers are entitled to return to the utility's bundled service, but the utility may require them to remain for twenty-four (24) months. (220 ILCS 16-103(d))
- ⌘ H. After Dec. 31 2006 and before power & energy are competitive ICC may cap power and energy components of tariffed rates at MV plus 10%. (220 ILCS 16-111(i))

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## **⌘ II. POLR protection is important to larger commercial and industrial customers**

- ⌘ A. Level of competition is a concern.**
- ⌘ B. Barriers to competition exist:**
  - ⌘ 1. supplier market entry;**
  - ⌘ 2. end-use customer market entry; and**
  - ⌘ 3. Transmission issues.**
- ⌘ C. Electricity necessary to operation.**

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**⌘ III. Assuming a change in Illinois law, what authority should ICC be given?**

⌘ The necessary authority to implement standard offer/default/POLR rates. The authority should be flexible so that changes in the associated markets and electric energy industry can be accomplished.

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## **⌘ IV. Who should provide?**

⌘ It may be appropriate for POLR service to be furnished by an entity other than the utility or its affiliate and customers may be better off if such service is bid.

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## **⌘ V. Objective of such a service**

**⌘ A.** Stable, reasonable-cost service to eligible customers unable to obtain an acceptable retail offer.

**⌘ B.** Ensure that utility obtains cost recovery and proper compensation, while being protected from significant business risk.

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- ⌘ C. Avoid creating a barrier to the orderly development of the retail market, while not raising rates artificially.
- ⌘ D. Create a reasonably transparent POLR mechanism that avoids undue administrative and regulatory complexity.

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## **⌘ VI. Possible elements of POLR Service**

- ⌘ A. Distribution component based on ICC approved delivery service rate.**
- ⌘ B. Transmission component based on a FERC-approved OATT.**
- ⌘ C. Commodity component based on the electric utility's cost.**

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⌘ D. Customer options:

⌘ 1. hourly rates

⌘ 2. monthly/seasonal rates

⌘ 3. annual fixed rate

⌘ E. Customer must remain on the service for a fixed period of time.

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- ⌘ F. There should be a standardized approach for Illinois.
- ⌘ 1. containing the same rate elements.
- ⌘ 2. not necessarily the same price.
- ⌘ G. Active spot and hourly market with rules which prevent bidders from withholding capacity and energy.

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## **⌘ VII. Some possible options**

- ⌘ A. Alternative A, an index-based service.**
- ⌘ B. Alternative B, which is based on a wholesale market competitive solicitation.**
- ⌘ C. Default if customer does not select an alternative.**

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## **⌘ A. ALTERNATIVE A - Annual MVI Energy Price**

- ⌘ 1.** Utility develops each calendar quarter a forward one-year set of wholesale market energy prices.
- ⌘ 2.** One-year forward energy prices announced quarterly 51 days prior to the beginning of each calendar quarter.

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- ⌘ 3. Energy prices converted to retail prices, consistent with the approved MVI approach. (Without artificial adders)
- ⌘ 4. Each quarter customers would have a three week window to execute a one year contract with utility for this service.

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- ⌘ 5. The customer pays:
  - ⌘ a. The one-year forward MVI-type energy price applicable in quarter in which service is elected.
  - ⌘ b. Delivery service charge (distribution/transmission) applicable to that customer under bundled rates.

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- ⌘ c. Administrative charge
  - ⌘ 1. Compensation for utility-to recover cash working capital imputation and any risk using a mill per kwh charge.
  - ⌘ 2. Service costs-to recover uncollectables administrative expenses, etc.

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## **⌘ B. ALTERNATIVE B - Wholesale RFP**

- ⌘ 1.** A neutral third party (or utility) conducts an annual solicitation for full requirements power supply to serve the POLR load.
- ⌘ 2.** Bidders may submit TOU and seasonal bids for one-year contracts. Contract awarded to the lowest qualified bid.

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- ⌘ 3. POLR customers may select this service upon 30 days notice but must stay through remainder of the one-year wholesale contract.
- ⌘ 4. The utility flows through wholesale contract costs dollar for dollar plus Administration Adder, if necessary.
- ⌘ 5. Customer pays applicable delivery service charges.

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## ⌘ C. DEFAULT SERVICE

- ⌘ A. Real time pricing could be default service subject to customer failing to select Alternative such as A or B at the end of Interim Supply Service eligibility.
- ⌘ B. No notice to go on the rate, 30 days notice to leave.

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## ⌘ VIII. Conclusions

- ⌘ A. The Act makes provisions for POLR service for residential and small commercial customers.
- ⌘ B. The POLR service is needed for other customers.
- ⌘ C. The Commission needs to be given flexibility to address this issue.