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.
POLR/Default Service

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))
POLR/Default Service

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:
POLR/Default Service

- (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))
POLR/Default Service

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))
POLR/Default Service

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.
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.
POLR/Default Service

**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.
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.
POLR/Default Service

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.
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.
POLR/Default Service

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.
POLR/Default Service

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.
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.
POLR/Default Service

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.
POLR/Default Service

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.
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.
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.
POLR/Default Service

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.
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.
POLR/Default Service

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.
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.