

USO CONSENSUS RESPONSE TO QUESTIONS 80 AND 81

80) What should be the nature of utilities' regulated load serving obligations after 2006? Should there continue to be any obligation for the utility to offer a regulated commodity or "POLR" product? If so, to which customer classes? And, if so, should it be offered on a bundled or unbundled basis?

A. The USOWG reached consensus that the current PUA requires electric utilities to provide a regulated (bundled) product to residential and small commercial customers, and that these obligations remain past the expiration of the mandatory transition period. Specifically, the USOWG recognized that the current PUA places certain load-serving obligations on electric utilities to serve all residential and small commercial customers.

At least for residential and small commercial customers, the USOWG reached consensus that the law should continue to impose a load serving obligation for the foreseeable future. Current law places this obligation on the incumbent utility and no utility is seeking to change this obligation. However, in the event that this obligation is placed on an entity other than the incumbent utility, that entity should be regulated as a utility is regulated under the law.

The USOWG reached consensus that a regulated product should continue to be offered to residential customers, small commercial customers and customers that have not been declared competitive. The group could not reach consensus as to which entity (the incumbent utility or a qualified third party) should provide the regulated product to these customer classes.

The USOWG could not reach consensus on what product(s), if any, should be offered to commercial and industrial classes that have been declared competitive or abandoned. Moreover, the group could not reach consensus with which party – the electric utility or a third-party – these obligations, if any, to provide service should be placed. The USOWG could not reach consensus regarding whether electric utilities (or any other entity) were statutorily required to offer any product to competitive and/or abandoned commercial and industrial customers. The USOWG members who believed that a product should be offered to the aforementioned customers could not agree on the type of product (regulated / bundled versus market-based) that should be offered.

The USOWG reached consensus that in restructured markets, the utility is generally the regulated provider of the generation commodity, although competitive auctions have been established in some jurisdictions to determine how this service will be provided. If the utility is designated to provide the aforementioned service, it can do so either through via its own particular blend of assets, via competitive procurement, or some combination of operated and contracted sources (all as constrained by law).

81) What if the incumbent does not wish to retain the default service responsibility? Is an alternative arrangement feasible, given the incumbent's distribution monopoly and obligation to operate the system reliably (even if there are supply imbalances)?

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A. For purposes of this working group, the USOWG defined “default service” to be interim supply service that is meant to compensate the utility and provide the customer with a short timeframe to review and choose alternative supply options. The incumbent utility will retain the bundled service responsibility specified in the Act unless the law is amended. The Illinois incumbent electric utilities, as represented in the USOWG, indicated that they do not wish to change their default service responsibilities (statutorily mandated or optional) at this time. There are a variety of ways (i.e. product offerings) in which a utility can meet its responsibilities.

However, should a change in the PUA and attendant responsibilities be sought, the USOWG achieved consensus an alternative arrangement may be feasible. It is possible for the default service obligations to reside with an entity other than the current incumbent utility, although this working group makes no recommendation as to the feasibility of any particular alternative scenario. While the USOWG reached no consensus on whether the current PUA permits an entity other than the current incumbent electric utility can be statutorily assigned a default service obligation, the USOWG did conclude that such an alternative arrangement is possible if the PUA is amended. The USOWG working group did not reach any consensus on the various options for the default service responsibility that may be available and their feasibility. This is not intended to preclude (or to specifically encourage) consideration of the potential for a third-party, who is willing and able to do so, to be statutorily obligated to take on all or part of the default service responsibility.

It is unclear what the language in Question 81’s parenthetical meant; as a general matter, however, the issue of supply imbalances is better left to other working groups.