

**ILLINOIS COMMERCE COMMISSION POST-2006 INITIATIVE
COMPETITIVE ISSUES WORKING GROUP
FINAL REPORT
SEPTEMBER 2004**

Executive Summary

The Competitive Issues Working Group (CIWG) is providing the Commission three substantive products: (1) Working Propositions that present broad principles for addressing competitive issues; (2) Answers to ICC Final Questions 67-79; and (3) Reports by five Subgroups on specific technical, operational and implementation matters.

Substantial consensus was achieved in most areas. As a general matter, the CIWG's recommendations to the Commission encourage continued movement in Illinois toward a reliance on market forces to determine electricity prices and to send the price signals required for eliciting investment in generation and other elements of the electric infrastructure. The CIWG does not recommend dramatic departures from current practice or direction. In the main, suggestions for change, whether unanimously agreed upon or provided as alternative views, can be characterized as directed toward achieving greater simplicity, transparency and equitable treatment for all participants in the market.

The CIWG Working Propositions address the following areas. Consensus was achieved on all propositions except with Competitive Declaration.

- Integrated Distribution Company (IDC) & Functional Separation
- Management of Customer Migration Risk;
- Renewable Portfolio Standards;
- Aggregation & Voluntary Grouping of Customers;
- Demand Response/Curtailment
- Competitive Declaration; and
- Reporting Requirements.

Only with respect to Question 67 has the CIWG felt it necessary to provide the Commission with differing views. Also, Question 71 was only partially addressed. The answers provided for all questions are consistent with the overall thrust of the CIWG favoring continued progress on competition.

The five Subgroups have identified approaches to addressing highly specific operational and implementation issues in the five following areas:

ARES Certification, Licensure and Tariffs;
Billing, EDC Charges, SBO, Timing, Consolidated Billing;
Customer Information and Data Flow;
Switching Process; and
Wholesale and Transmission.

I. Group: Competitive Issues Working Group (CIWG)

II. Group Administration

A. Participants

Convener: Philip R. O'Connor, Constellation NewEnergy, Inc.

Participants: Stakeholders represented all areas of interest, including customers of all sizes, utilities, competitive providers (current and potential), trade unions, government and municipal utilities. Please see the attendance list attached to this report.

B. Meetings: May 12 & 21, June 2 & 24, July 14, August 11 & 19

The five Subgroups (see Section IV.C) conducted their work in some case through in-person meetings and on other cases through e-mail exchanges and telephone conference calls.

III. Workshop Process

A. Description of The Group's Approach

The CIWG adhered to the Commission's directive to allow for open discussion and to rely on non-attribution protocols similar to those used in settlement discussions such that positions taken or comments made would not be attributed to any particular participant(s) or used in any subsequent litigation. An agenda was distributed prior to each meeting setting forth the issues to be discussed. Maximum efforts were made to achieve full consensus. This report will identify differences of view for those items failing to achieve full consensus,. The CIWG provided call-in options so that participants unable to travel to Chicago could stay abreast of the CIWG's work.

The CIWG addressed the ICC Final Questions 67-79 directed to the Group and to develop a set of deductive "Working Propositions" against which ongoing work of the Commission and others in the Post-2006 Initiative can be measured and to serve as a guide in answering other questions as they might arise.

B. Subgroups and Conveners

The CIWG also established five Subgroups to address practical and operational issues relevant to the competitive environment. The Subgroups and their conveners were:

Subgroup	Convener
ARES Certification, Licensure and Tariffs	David Fein, Constellation NewEnergy
Billing, EDC Charges, SBO, Timing, Consolidated Billing	Stan Ogden, Ameren CILCO
Customer Information and Data Flow	Misty Allen, MidAmerican Energy
Switching Process	Janice Dale, Illinois Attorney General
Wholesale and Transmission	Patrick Giordano of Giordano & Nielan, Ltd. for Trizec Properties & Shorestein Realty Services.

IV. Report of Results

A. Working Propositions

The CIWG developed a number of Working Propositions that can serve as deductive principles against which other more specific proposals or Commission action might be measured. The Working Propositions below address areas considered significant for the overall development of Illinois' transition to a competitive electric market.

Integrated Distribution Company (IDC) & Functional Separation Rules

With reference only to the offering of permitted, non-mandatory energy products in their own service territories as set forth by the PUA (16-121, 16-119) and in ICC administrative rules, the current structural options and requirements under IDC and functional separation rules for utilities are sufficiently fair and reasonable as not to require significant change. The CIWG recognizes that there may be a concern that permitted image advertising may cross the line into impermissible marketing, and the ICC should be vigilant in its enforcement of such rules.

Because IDC rules have been interpreted by some in ways that result in difficulty for customers to learn about rates and programs that may be available from utilities, the Commission should clarify that IDC rules allow for utilities to conduct public information programs to promote green power and energy efficiency programs offered by all LSEs (e.g. CT's "Wait 'til 8" program, CA's "Flex Your Power Now" program, etc.) and for the provision of other rate and service information to all customers upon request. In the alternative, Section 16-117 of the PUA could be amended to provide for such information programs.

Management of Customer Migration Risk

The CIWG concurs with the responses of the Rates Working Group (RWG) in its answers to ICC Final Questions 50 & 51. The questions and answers are as follows, as quoted from the report of the RWG:

50) Should rates for customers who return to bundled service be different from the rates offered to basic bundled service customers? Do customers who move back and forth between bundled services and delivery services cause additional costs that should be charged only to those customers?

51) Should customers returning to bundled service be put on time-based rates as their default option, under opt-out conditions?*

A. “These questions each address rate treatment for customers switching to bundled service. The Utility Service Obligations WG has discussed the nature of the utility services available to migrating customers upon their return to utility commodity service in greater detail. The RWG will consider how the various Scenarios may affect the rate design of the various services that may be offered by utilities to such customers.

“The RWG reached consensus that, under Scenarios 1 and 2, if the switching and volume risk is priced into the RFP or auction bid and borne by the wholesale suppliers in an undifferentiated manner, then there is no need for commodity charges to customers returning to "bundled" service to differ from those applicable to customers who have never left "bundled" service. Moreover, under procurement Scenarios where the risks and costs of migration are built into the bid price in an undifferentiated manner, retail customers should be able to come to and go from the standard offer service (i.e., the "bundled" rate applicable to their class). The RWG notes that the switching rules must be known by and consistent with the terms of the auction and/or RFP bids.

“The RWG further reached consensus that other procurement Scenarios where the risks and costs of the migration of customers able to return to the standard offer service (i.e., the "bundled" rate applicable to their class) are not built into undifferentiated supply bid prices (e.g., vertical integration, an RFP with explicitly higher costs for intra-period returning customers, traditional cost-of-service models) may include rates under which returning customers pay commodity charges reflecting the incremental cost, if any, of their return to utility commodity service. Those costs may be recovered by utilities from such customers through mechanisms which recover these incremental costs from such returning customers. A minimum stay period may also be utilized to mitigate the level of such incremental costs, which period may be coupled with a cost-

based charge for early termination. Recovery of incremental commodity costs incurred by reason of the option to return, prior to the exercise of that right, is addressed in an earlier consensus item; as noted, the RWG did not reach consensus on whether such costs can properly be assigned to other customers.

* “The RWG is uncertain as to the meaning of the phrase "under opt-out conditions" included in Issue 51, and the author of the Issue was not available to the RWG for clarification. The RWG, however, believes that a reasonable response to the core issue can be provided jointly with Issue 50.”

Renewable Portfolio Standards

If any Illinois Renewable Portfolio Standards (RPS) measure is adopted it should be competitively neutral and applied equitably to electric utilities (as defined in Section 16-102 of the Act), any Basic Generation Service auction winners or other full requirements electric suppliers serving some or all of a utility’s load serving obligation, as appropriate, and ARES (as defined in Section 16-102). An appropriate mechanism for efficient compliance is a system of tradable “green tags” associated with renewable energy facilities that satisfy the RPS requirements. Development and use of an exchange through which such facilities may sell such tags and through which electric utilities, their full requirements electric suppliers, and RES may buy such tags may facilitate use of this mechanism. Subpart E ARES established pursuant to 83 Illinois Administrative Code Part 451, self generators, and cogenerators should not be subject to RPS requirements.

Aggregation & Voluntary Grouping of Customers

- 1) An aggregator of customers on a voluntary basis for the purpose of purchasing electric power and energy that does not itself offer electric power and energy for sale should not be considered an ARES pursuant to Section 16-102 of the Act.
- 2) To the extent that the energy components of rates for utility bundled services are primarily a function of competitive supply acquisition, it is likely that “opt-out” aggregation through local government will not be of additional value. (“Opt-in” municipal aggregation already exists as a service opportunity.)
- 3) The voluntary grouping of customers for purposes of energy purchases should not be unnecessarily inhibited by utility delivery services tariffs, rules and practices in areas such as synchronization of meter reading cycles and requirements for common ownership. The costs of reasonable

accommodations for such aggregation programs should be borne by the cost causers.

4) At this time there is not sufficient indication of a need for regulation or licensure of parties organizing customers for the purpose of purchasing energy supply beyond existing commercial law in Illinois.

Demand Response/Curtailment

The integration of ComEd into PJM and the expected integration of Downstate utilities into MISO present new opportunities for customer participation in demand response programs operated by RTOs, Load Serving Entities (including RESs and utilities), and Curtailment Service Providers (CSP). Utility tariffs, rules and business practices should facilitate, promote or provide, as appropriate, for participation in such programs by both bundled and unbundled service customers irrespective of the supply acquisition methods approved by the ICC.

Competitive Declaration

The CIWG did not achieve consensus on the matter of the Competitive Declaration process. Therefore, the CIWG presents below a distillation of the various viewpoints and related commentary offered by some parties in support of those viewpoints that emerged during the Group's discussions

Viewpoint 1: The competitive declaration process should continue in a manner consistent with the standards for review articulated by the Commission in its order in the single competitive declaration thus far reviewed.

Commentary: Initially, it is important to recognize that this issue concerns only large commercial and industrial customers; under the PUA, utilities retain an obligation to provide power and energy to all residential customers and to small businesses. The Customer Choice Act of 1997 is premised on a transition to competitive markets and removal of regulated mandated services when markets can appropriately provide the services customers seek. Furthermore, competitive markets are advanced for all customer segments when competitive conditions in individual customer segments are recognized, after careful consideration, rather than waiting for other segments to “catch up”. In fact, the entire transition to customer choice, which was phased in over a multi-year period by customer class, starting with the largest customers first, recognized a natural progression from large, lower transaction cost customers, to smaller, higher transaction

customers as markets develop. The customer switching numbers in parts of Illinois have borne out this natural progression expectation.

Thus far, one request by a utility for a competitive declaration for service to its largest customers has been allowed to become effective “under operation of law.” The Commission’s process in considering that declaration request demonstrates that the competitive declaration process can be carefully administered and should continue. In addition, the process urged by various parties expressing concerns and being utilized by the Commission permits the Commission to continue to monitor market conditions after a declaration is allowed to take effect so it can take appropriate actions if the market falters. Finally, all signs are that the market is working well for the customers whose service has been declared competitive and the Commission has not received requests at this point to take any corrective action on the basis of any demonstration of problems with the market. Thus, the existing standards for a competitive declaration are adequate, provide the Commission with sufficient flexibility, and contribute through their implementation to the continued improvement in competitive conditions. They should be maintained. Removal of this provision from the carefully thought out and comprehensive electric restructuring act of 1997 will substantively un-do what the General Assembly set out to do.

Viewpoint 2: The competitive declaration process should be continued only if the standards for declarations are modified to assure the existence of an effectively competitive market for affected services and customers – one with prices constrained by competitive forces, etc. – before the option of a cost-based service is eliminated.

Commentary: The current statutory criteria and the Commission’s application of them do not assure that reasonably equivalent services, at comparable prices that are effectively constrained by market forces, actually are provided by the markets in which customers of services declared competitive are compelled to seek substitute services. Moreover, the statutory criteria do not require a finding that the market conditions on which the Commission relies in approving a declaration are sustainable and likely to persist.

New, more stringent criteria are needed. The competitive declaration criteria, and the Commission’s process for assessing competitive declaration requests, should assure that customers will not be forced to take different, less satisfactory services or to pay prices that are inflated by exercises of market power. The current criteria are not adequate to that task.

Viewpoint 3: The competitive declaration process should only be continued if markets provide consumers with electricity supply at prices that are effectively constrained by market forces and if competitive electricity suppliers that are willing, otherwise qualified and able to serve customers are not unfairly barred from doing so.

Commentary: It was established in these workshops that many otherwise qualified competitive suppliers are not currently eligible for certification in Illinois as a result of the reciprocity clause in the current PUA. Therefore, current competitive declarations must be voided and utilities must be required to provide stably priced bundled services to all consumers unless the reciprocity clause is eliminated or substantially modified to lessen this major barrier to entry of qualified competitive suppliers into the Illinois market.

Reporting Requirements

Current reporting requirements for all Illinois LSEs should be reviewed for their usefulness and modified or supplemented as needed.

B. ICC Final Questions (67-79)

The CIWG was assigned ICC Final Questions 67-79 that were aggregated under the Competitive Issues section of the Final Questions Paper. The CIWG's answers to the assigned Questions are presented in numerical order.

67) What measures should the Commission undertake to encourage competition for smaller-use customers? To what extent, if at all, must the rates for non-competitive tariffed energy services to such customers be increased to permit such competition?

Full consensus was not achieved with respect to #67, for which a dissenting or alternative points of view are presented. Presented immediately below as Option A is the formulation to which most participants agreed upon as a general principle. Option B is a formulation and commentary submitted as a variation on Option A. Option C is a formulation submitted as an alternative view but that need not be inconsistent with the formulation in Option A.

Option A: The ICC should never increase prices to customers solely to promote customer switching. The Commission should accommodate competitive choice by residential and small commercial customers by assuring:

- maximum practicable freedom of migration away from and back to utility service, while avoiding shifting costs to non-migrating customers;
- avoidance of punitive exit or return conditions;
- maximum practicable opportunity for aggregation of such customers and load, including reasonable opportunities for aggregation within multi-tenant buildings;
- reliance on market based pricing for utility provided energy services that will obviate any need for headroom adders; and
- disaggregation of rate elements to facilitate comparison shopping;

Option B: The Commission should never permit rates for non-competitive tariffed energy services for smaller-use customers to be increased just to enable competitive entry. In other words, no form of “Let’s get prices up so that we can have ‘competition’” is acceptable.

Commentary: Only a clear understanding and implementation of that policy can prevent a push to “market based” pricing to enable competitive entry, even when prices from any prospective suppliers exceed existing service rates. Artificial competition based on artificially increased rates can deliver none of the equitable and timely price benefits for consumers the Act contemplates. *See § 6-101A(e) of the Act.*

“Competition” that requires such subsidies is not sustainable, effective competition that can deliver “in an equitable and timely fashion . . . lower costs for electricity.” The mere possibility of future benefits does not nullify or justify the current economic harm to consumers. And “choice” alone does not satisfy the statutory standard for consumer benefits. The ability to choose among inferior or higher priced services is neither a meaningful choice nor a real benefit for consumers. The effect is a price increase -- for the benefit of potential market entrants.

Potential market entrants seeking subsidies for their entry should not seek to impose a hidden tax on consumers of an essential service. As in other competitive markets, commercial enterprises wishing to participate in a market – not consumers -- should shoulder the risks and costs of their market entry and market development.

As recognized in one of the principles adopted by the working group, the Act’s goal is not competition for competition’s sake, but just and reasonable prices, which may be achieved through competition.

Option C: In order for competitive markets to be robust and sustainable, the initial default price must be set at a level that does not impose barriers to new market entry. In addition, subsequent adjustments to the default

price must be allowed to reflect changing market conditions over time. Should the initial default price, established through a transparent mechanism, fall short of being conducive to new market entry, the Commission should consider adjusting the initial default price. Such an adjustment will prevent competitive market failure. Nothing should prohibit the Commission from adopting and advocating a market design that brings the benefits of a long-term, robust sustainable competitive market to customers.

68) What measures should the Commission undertake to encourage competition in the service areas of the State's smallest utilities?

A. In order to better provide customers of small utilities in Illinois with opportunity for competitive choice, small utilities should adopt relevant practices, rules and tariffs that are comparable to those of the large utilities close by, surrounding them or in the same control area or RTO.

69) What role could municipal aggregation programs play in encouraging retail competition for smaller-use customers?

A. If competitive supply acquisition methods are adopted and/or the Commission and utilities remove barriers to competitive choice identified in the Post-2006 process, there would appear to be little need or role for municipal aggregation. For further comment please see the Working Proposition on Aggregation & Voluntary Grouping of Customers

70) What barriers to participation in the market can and should be removed?

A. Various Subgroups addressed the barriers issue. Please see the attached Subgroup reports.

71) Should regulations regarding codes of conduct and utility-affiliate activities be modified?

A. CIWG did not fully address issues presented in #71 beyond matters substantively subsumed under the Working Proposition on IDC/Functional Separation Rules

72) How will the Commission address the special cost allocation and affiliated interest problems that accompany a utility with joint costs for regulated and unregulated activities?

A. To the extent that bundled rates for utilities without generation are set on the basis of cost-based delivery services rates applicable to both choice and bundled customers to which energy prices are added, then the problem of joint costs should be minimal. In the case of utilities that retain rate-based generation for inclusion in bundled rates, the Commission should require that rate setting information be supplied such that the Commission will have the ability to set delivery service rates that are applicable for both bundled rates and delivery services.

73) What further progress can be made towards uniform tariffs?

A. Various working groups are addressing the issue of uniform tariffs, rules and practices.

74) Are there specific actions the Commission can take, either through the FERC or other national or regional forums, to improve the competitiveness of the Illinois wholesale market, either through improvements in transmission availability or through better market design?

A. The Commission can be especially influential at FERC and with RTOs (PJM and MISO) in assuring that wholesale rules and practices are consistent with Illinois' policy of accommodating customer choice while simultaneously ensuring the protection of Illinois customers. The report of the CIWG Wholesale & Transmission Subgroup is a primary basis for the answer below. The Commission should give special consideration to the following important issues:

- (a) monitoring of areas in Illinois where ownership of generating capacity is highly concentrated to ensure that the increased competitiveness of those markets that is anticipated by AEP's entry into PJM actually occurs;
- (b) supporting PJM's efforts to revise its capacity construct to assure better overall system reliability and encouraging MISO to adopt a similar capacity construct;
- (c) monitoring the application and hedging of congestion costs in Illinois control areas subject to Locational Marginal Pricing (LMP) and Financial Transmission Rights (FTR) to determine if policy changes are needed to protect consumers from unhedged congestion costs;
- (d) eliminating seams issues affecting the Illinois competitive market between control areas and between RTOs;
- (e) creation of a functioning joint and common PJM/MISO market;
- (f) appropriate transmission rate designs which do not result in inequitable or inappropriate cost shifts to Illinois consumers;

- (g) development of a standardized, low cost set of interconnection rules and procedures for the interconnection and operation of small (less than 20 MW) Distributed Generation;
- (h) resource adequacy rules;
- (i) the conditions of obtaining Network Integration Service; and
- (j) pricing of Imbalance and other Ancillary Services.

75) Is providing competitively priced wholesale power for small-use customers enough to meet the "benefits" and "equity" directive in the '97 Law? (Rather than focusing on retail competition)

A. Basing utility supplied power and energy to residential and small commercial customers on market pricing should be considered as one way of providing the benefits from a competitive market to those customers. The method of supply acquisition by the utility will be a key factor to consider. It should also be understood that utility energy supply will tend to focus mainly on a basic service price while innovation in pricing and related utility provided services will likely be found mainly through competitive choice for such customers.

76) Should retail competition be encouraged if bundled use customers reap benefits through wholesale competition?

A. Competition in both the wholesale and retail market segments should be encouraged as complementary and effective competition in both arenas will deliver value to customers.

77) Should the regulatory regime create rules for LDC's to provide competitively priced power to individual customers?

A. See #75. Procurement methods by utilities will be a key factor determining whether LDCs provide competitively priced power and energy. The scope of this function and the customers to whom LDCs should provide such services will be addressed by other Working Groups.

78) How should residential choice be addressed (including to a certain degree whether true "choice" itself at the residential level is an appropriate goal)?

A. Within the context of the overriding goal of the PUA to achieve just and reasonable rates, the opportunity for residential and small commercial competitive choice can be advanced by identifying and removing barriers to choice, minimizing transaction costs, providing for accurate, transparent utility pricing and reducing regulatory uncertainty.

79) What are the barriers to competitive providers providing demand response programs and/or dynamic pricing offers and what can FERC and/or the Commission do to address such?

A. The Commission should focus on encouraging the development of effective Demand Response programs in RTOs and assuring that utility tariffs, rules and practices do not erect barriers to customer participation in DR programs offered by Load Serving Entities and/or RTOs. See further the Working Proposition on Demand Response/Curtailment.

C. Subgroups

The CIWG established five Subgroups to address highly specific, practical operational issues having implications for the competitive environment. The Subgroups, to varying degrees, were able to identify specific issues and to arrive at agreed-upon solutions to perceived problems or for needed changes upon the end of the Transition. For detailed information beyond that presented below please consult the Subgroup reports and presentations in the attachments.

ARES Certification, Licensure and Tariffs Subgroup

The ARES Subgroup had extensive discussions regarding the specifics of ICC Rule Part 451, ARES reporting requirements, EDC registration requirements for ARES, reciprocity requirements and certain other issues.

The subgroup achieved consensus on a number of changes to Part 451 or its application that are outlined in the subgroup's final report along with certain other elements of Part 451 for which consensus was not achieved.

The subgroup agreed that at this time changes were not needed for current ARES reporting requirements and that the ICC website should be more frequently updated with ARES contact information.

The subgroup reached consensus that, whenever possible and from which benefits may be derived, an aspiration for greater uniformity of terms in RES agreements across utility service territories was desirable.

While consensus was not achieved with respect to the reciprocity requirements, the subgroup has provided a detailed review of the differing points of view and possible approaches to resolving current ambiguities.

Billing, EDC Charges, SBO, Timing, Consolidated Billing Subgroup

The Billing Subgroup, while not developing specific solutions, was able to identify a set of issues associated with the information flow and financial arrangements between EDCs and RES/ARES with respect to billing. These included:

- bill formatting;
- spilt billing for gas and electric service in dual utility areas;
- billing agency;
- SBO requirements;
- EDC payment terms for SBO;
- SBO report coordination with 820 data & ACH receipts;
- Timing of 867 & 810 reports;
- Coordination of Interim Supply with customers going on SBO;
- refund processes for RES overpayments to EDCs;
- eligibility of customers with prior balances;
- prior balance collections responsibilities.

The Subgroup recognized that certain issues related to their considerations, including uniformity, were being addressed in the Customer Information Subgroup and other elements of the post-2006 process.

Customer Information & Data Flow Subgroup

The objective for this Subgroup was to identify business transactions and specific data fields required to facilitate retail competition with specific emphasis on better enabling consumers to choose between alternative supply options without undue hardship.

Subgroup participants generally agreed that all market participants (presuming appropriate legal authorization) must have equal access to all relevant pricing determinants utilized by the incumbent public utility for its tariffed services. Access to this information permits the consumer to have access to relevant and necessary information which enables the consumer to make an informed choice regarding their power and energy needs.

Two categories of data detail were identified as necessary for the efficient transfer of data among and between market participants post 2006: (1) Data Transactions for Retail Pricing and (2) Data Transaction for Retail Switching and Consumer Billing. While to date most participants agreed that much of the detail is being provided; there is no consistency or uniformity in the type of data or form of data being transacted today.

The Subgroup concluded after just a few very productive meetings that the best way to improve data business transaction for the Post 2006 era would be through

the development of a centralized forum to effectuate change in how data flows among and between market participants in the future. As more finely detailed in the CIWG Subgroup Report on “Customer Information and Data Flow”; the Subgroup recommends the ICC facilitate such a centralized forum for an on-going working group to deal with data transaction issues as they arise and that public utilities be permitted to recover expenses for continued implementation and maintenance of systems that continue to permit customers access to all available supply options offered Post-2006.

Representatives participating in this Subgroup included representatives from both utility business policy departments and IT departments; energy consultants, customer representatives, and competitive retail electric suppliers.

Switching Process Subgroup

The main focus of the Switching Process Subgroup was on the identification of issues associated with the exercise of choice by residential and small commercial customers in the post-2006 period. The subgroup recommended a two-pronged customer education effort that would rely on an internet website providing information on a full range of electric choice issues relating to residential and small commercial customers and a request based system by which utilities would provide printed materials to assist and educate such customers. The subgroup identified several areas in which helpful cross-references between the ARES Certification Rule and such Illinois Statutes as the Consumer Fraud and Deceptive Practices Act should be made. The subgroup further urged that as the residential and small commercial markets develop, attention be given to the specific issues of “mass switching” should problems arise for utilities and RESs in connection with processing switches for large volumes of customers, many of whom may not be sophisticated “shoppers”. . The subgroup discussed but did not resolve issues associated with suggested rule changes directed at return of deposit and billing dispute procedures for RES/ARES.

With respect to larger commercial customers, the subgroup discussed but did not resolve a discussion of problems associated with the manual processing of agency agreements. The subgroup also suggested that at some future time the Commission may wish to consider reviewing “agency” issues in connection with PPO service offerings once threshold procurement issues had been resolved.

Wholesale & Transmission Subgroup

The Wholesale & Transmission Subgroup addressed specific topics in three broad categories as related to the development of retail customer choice: the impact of RTO/OATT development, wholesale competition, and the “wheeling” of power in and out of Illinois. The subgroup reached consensus that the reliance on

approaches new to Illinois, such as integration of utilities into PJM and MISO, locational marginal pricing (LMP) and Financial Transmission Rights (FTRs) require careful ongoing monitoring to assure the delivery of intended competitive market benefits.

The subgroup supported the scheduled integration of AEP into PJM because it should make the capacity market more competitive, the development of demand-side management to reduce capacity costs and appropriate compensation mechanisms for generating plant operational characteristics that contribute to reliability. The subgroup also noted that the movement to LMP should encourage the construction of generation and transmission capacity where needed but urged the careful monitoring of its use, results and implications, and endorsed the allocation of Financial Transmission Rights (FTR) so as to maximize the consumer benefit of hedging against congestion risk.

Finally, the subgroup agreed that transmission rate design in PJM and MISO should avoid allocating unfair cost burdens to Illinois consumers, that seams issues be fully addressed, that there should be uniform interconnection rules that accommodate distributed generation, and that there should be utility rates available that recognize, to the extent practicable, the value of distributed generation to the system.

V. New or Unanswered Questions

The CIWG is reporting on all questions and issues that it addressed including the several items on which consensus was not achieved but for which competing views have been articulated.

VI. Other Documents/Attachments

- A. Agendas for each meeting
- B. Progress reports/minutes for each meeting
DOCUMENTS: Agenda and Report attachments for May 12 & 21, June 2 & 24, July 14, August 11 & 19.
- C. Composite Attendance List
- D. Subgroup reports and materials
DOCUMENTS:
Final reports and attachment from:
ARES Certification, Licensure and Tariffs,
Billing, EDC Charges, SBO, Timing, Consolidated Billing,
Customer Information and Data Flow,
Switching Process, and
Wholesale and Transmission Subgroups;

E. Summaries of joint sessions

DOCUMENTS: Summaries of June 22nd, June 23rd, and July 20th joint meetings of Competitive Issues, Procurement, and Rates.

F. Presentations

DOCUMENTS: “PJM Demand Side Response and POLR.” Delivered by John J. McCawley, P.E., of Exelon Energy Delivery at July 14th meeting.