

Illinois Market Review

AN DISCUSSION CONCERNING THE SOLAR MARKET IN ILLINOIS RELATIVE
TO THE FUTURE ENERGY JOBS ACT

THE POWER BUREAU



Discussion Items

Introductions

Restructuring in Illinois

Key market design elements in Illinois

Lessons learned

Where the market is headed next

Some policy recommendations

Introductions

Current

- Independent consultant to institutional and commercial energy buyers in PJM, MISO, NEISO
- Advisor to ~65 municipal electric aggregation programs in Illinois including the City of Chicago
- Researcher at Argonne National Lab on regional grid planning

Recent Past

- First Director for the Illinois Power Agency
 - *Planned and procured electricity supply for ~3.5 million residential & small commercial accounts in the Commonwealth Edison (PJM) & Ameren Illinois (MISO) service regions*
 - *Managed renewable, clean coal and aspects of energy efficiency portfolio standards*

Way Past

- Utility purchasing manager for 39 state agencies
- Cogeneration team developer for federal facilities located in the upper Midwest

Restructuring in Illinois

Primary drivers

- Rate increases
- Cross subsidization

Primary advocates


- Utilities / Corporate Affiliates
- Manufacturing / Large Retail

Primary opponents

- Consumer advocates

Primary messages

- Let competition temper prices
- Shift risks from consumers to generators

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- 1997** – Electric Service Customer Choice Act & Rate Relief Law of 1997
 - 1998** – Residential rate reduction, 8 year rate freeze, plant divestiture
 - 1999** – Choice extended to large & multi-site consumers, transition cost recovery allowed by tariff
 - 2000** – Choice extended to all non-residential accounts
 - 2002** – Transition period extended 2 years, choice for all accounts
 - 2004** – Commerce Commission convenes post-2006 workshops
 - 2005** - Utilities file tariffs to use Reverse Auction to set post 2006 prices for default rate for residential & small commercial accounts
 - 2006** – Reverse Auction held
 - 2007** – Default rates by 25-125%, charges of manipulation, legislature passes the Illinois Power Agency Act
 - 2011** – Municipal aggregation, purchase of receivables
 - 2013** – ~70% of residential accounts serve via alternative retail supply

Key Market Elements in Illinois

Non-discriminatory delivery tariffs

- Capacity & Transmission costs allocated on an account basis
- Utilities are revenue-neutral relative to supply options

Default rate options

- Residential / Small Commercial accounts
 - *Fixed rates (reset annually per IPA – the broker of last resort)*
 - *Hourly Energy Pricing (per day-ahead markets)*
- Medium Commercial / Industrial
 - *Hourly Energy Pricing (per day-ahead markets)*

Municipal Aggregation

- Typically short term, seek to ‘beat’ the utility Price to Compare
- Municipality is a broker for residents– not a party to the transaction
- Bad debt can be socialized via Purchase of Receivables

Lessons Learned

There are no consumer 'savings'

- Merely cost shifting, market timing
- Proximity & exposure to wholesale market price patterns are the highest value

Generators seek to shift risk back to consumers

- Future Energy Jobs Act (2016) provides \$2.35 billion in incentives to nuclear generation in Illinois
- Dynegy seeking a new capacity market for central / southern Illinois

Legislators (not regulators) are the pivot point

- Teaming between utilities and affiliates to move special legislation
- 'Frequently wrong but seldom uncertain'

Planning horizons shrink

- No resource planning in Illinois for over 20 years
- 'The ISO will do it'

Where is the Market Heading Next?

Market Rates

- General parity between default rate and retail rates
- Shift of costs to wires charges (RPS, ZES, etc.)

Municipal aggregation

- Fewer aggregations over the long term
- More focus on short-listing multiple supplier options instead of a single winner
- More focus on community solar, services

Other

- More data based services (demand response, storage, VTG, etc.)
- Extra-utility transactions (block chain transactions amongst virtual micro-grids)
- Rate structure shifts from kWh to kW
- Quiet re-regulation

Policy Recommendations

Focus on ensuring transparent market price signals for consumers

- Cost of service is not a rate class issue – it's an account issue
- Apply costs in a manner consistent with wholesale market design
- Consumers can only respond, so facilitate the data > information > decision process

Expel (not censure) bad actors

- Retail and wholesale market participants should be allowed to enter the market
- Must be shown the door at the first indications of acting in bad faith

Maintain long-term planning at the PUC level

- Otherwise you surrender the field to market participants

Thank You

Mark Pruitt

Principal

The Power Bureau, LLC

E – markjpruitt@thepowerbureau.com

P – 219/921-3828