ASSESSMENT OF COMPETITION IN THE ILLINOIS ELECTRIC INDUSTRY THREE MONTHS FOLLOWING THE INITIATION OF RESTRUCTURING

ILLINOIS COMMERCE COMMISSION

January 2000

Executive Summary

Section 16-120 of the Public Utilities Act ("the Act") directs the Illinois Commerce Commission ("Commission") to submit a report to the General Assembly by December 31, 1999, analyzing the development of competition in Illinois electric markets. In compliance with that directive, the Commission conveys the following findings to the General Assembly:

Customer Response to Retail Choice

On October 1, 1999, approximately 64,000 customers, comprising an annual consumption of about 50 million megawatt-hours, became eligible to choose new electric suppliers. About 57,000 commercial customers, 5,000 industrial customers, and 2,000 governmental customers are eligible to choose an alternative provider. An additional 433,000 non-residential customers will become eligible by January 1, 2001.

As of December 31, 1999, only ComEd customers and Illinois Power customers have switched to alternative suppliers. The ComEd service territory is attractive to alternative suppliers, relative to other utilities' service areas, because of the large number of potential customers and the comparatively high rates for power in the ComEd region. It also appears that ComEd's federally regulated energy imbalance tariffs may better facilitate retail competition in Illinois than the tariffs of some other Illinois utilities. Finally, it appears that ComEd did not seek to retain customers through negotiated contracts for power and energy before open access as did some other utilities.

In the first three months of open access in Illinois, 4,682 ComEd customers, representing 25.8% of ComEd's eligible usage, switched from ComEd's bundled service to an alternative type of service. This represents approximately 6.7% of all eligible commercial customers and 15.8% of all eligible industrial customers.

Of the 4,682 ComEd customers who switched service, 2,945 customers switched from ComEd's bundled service to service from a Retail Electric Supplier. The other 1,737 customers remain with ComEd but receive service at lower rates by switching from bundled service to the Power Purchase Option ("PPO"), an alternative service available under the provisions set forth in Section 16-110 of the Public Utilities Act.

The PPO allows customers subject to transition charges to purchase power and energy from the incumbent utility at a price determined by the Neutral Fact Finder ("NFF"). Alternative suppliers must offer service to potential customers at a price less than the PPO price to provide an attractive alternative to the local utility.

Two non-residential customers in Illinois have chosen to take service under a utility's Section 16-107 Real-time Pricing tariff. Exceptionally high prices for power

during the summer months in 1998 and 1999 highlighted for many potential users of the tariff the price risks associated with real-time pricing.

Retail Electric Supplier Activity

As of December 10, 1999, 13 suppliers are authorized to sell power and energy to Illinois retail customers. Currently, there are a few firms which are the most active within the ComEd market. Among the more active suppliers are a Unicom affiliate and an affiliate of Central Illinois Light Company's parent, AES. However, suppliers only began seeking certification from the Commission shortly before the market opened and therefore these results may be inconclusive.

Generally, suppliers have only shown interest in serving customers within the ComEd service area. The exception to this trend is Archer Daniels Midland Company, heretofore a customer of Illinois Power, which recently announced that it would switch its 300 MW load to AmerenCIPS beginning in August 2000.

Through December 31, 1999, suppliers appear to have concentrated their marketing efforts within the territory served by ComEd. The slower pace of marketing in other areas of the state may be due in part to the following:

The rates offered by the utilities in low cost areas to many industrial customers are already at a competitive level vis-à-vis alternative suppliers;

FERC-approved energy imbalance service tariffs for some utilities appear unnecessarily restrictive, and may discourage marketing efforts by new competitors. The ICC has indicated to the FERC that certain energy imbalance tariffs must be revised to facilitate retail competition in Illinois.

The various options for taking bundled service as well as power and energy service from utilities (whether utilities are required or merely permitted to offer these services) may be limiting the inroads that new entrants might otherwise have made if such options were not available.

Information suggests that suppliers are marketing "PPO assignment" to customers as a significant part of their marketing efforts. Under PPO assignment, a customer sells to a supplier the customer's right to purchase power and energy from the host utility. The right to market PPO assignment originated in the Act, and was further described in Senate Bill 24 (Public Act 91-50, effective June 30, 1999).

Potential Impediments to the Development of a Competitive Market

Before the market opened on October 1, 1999, some utilities signed a significant number of existing customers to new power and energy contracts. These customers tend to be the larger volume customers that are most likely to be at risk of leaving utility service in an open access environment. Customers who signed a power contract before the start of open access may be unable to switch suppliers during the early phases of electric restructuring.

Transition charges allow a utility to recover stranded costs, but transition charges also limit the amount of savings a customer can realize by switching electric suppliers. Because they limit savings, transition charges reduce the incentive for customers to switch suppliers and reduce the incentive for suppliers to actively pursue customers in Illinois. This being said, however, for various reasons, a substantial portion of ComEd's eligible commercial and industrial usage (21.6%) is being served by alternative suppliers after only three months of open access. Some customers in ComEd's territory have switched despite high transition charges. Thus, while transition charges may be an impediment to competition, it appears that other factors such as the more favorable terms of ComEd energy imbalance tariffs, aggressive marketing by ComEd's affiliate, and the size and concentration of the customer base are important as well.

The "reciprocity" provisions of the Act applicable to prospective alternative retail electric suppliers may have restricted the number of suppliers that can be authorized to serve Illinois retail customers. On the other hand, fairness dictates that if out-of-state competitors are to compete in Illinois, they should open their markets to Illinois utilities.

Actual market prices for power and energy may be higher than the market prices estimated by the Neutral fact Finder in the 1999 NFF report. If, in fact, the price for power determined by the NFF is too low, alternative suppliers are less able to compete on the basis of price.

Other Illinois Electric Market Developments

A significant development in Illinois during 1999 was the addition of 1,146 megawatts of new unregulated generating capacity. Another 2,547 megawatts of generating capacity is expected to begin operation in 2000. Many of the new generating units are or will be owned by local gas utilities, large global energy companies, and energy cooperatives. The deregulation of generation has yielded significant new generation investment which will benefit the Midwest during times of peak demand and will likely benefit Illinois customers in the future.

While the Act does not explicitly tie transition charge recovery with the utility's actual stranded costs, it is not clear at this point what the exact relationship is between the transition charges collected by the utility and the costs stranded as a result of open access. Utility cost mitigation strategies are generally not subject to review by the Commission. It is assumed much of the restructuring of the utility's

business strategies is aimed at reducing costs. However, such restructuring has obscured the relationship between transition charges and stranded costs.

AmerenCIPS, ComEd and Illinois Power are imposing transition charges on most (or all) of their delivery services customers. Interstate Power Company, MidAmerican Energy Company, Mt. Carmel Public Utility Company and South Beloit Water, Gas and Electric Company are not collecting transition charges from any of their customers who choose delivery services. Some (mainly large) customers of AmerenUE, Central Illinois Light Company ("CILCO"), and Illinois Power are not paying transition charges.

Passage of Public Act 91-50 clarified the rules for determining whether customers who generate power on their premises are subject to transition charges.

The amount of power and energy available for sale in the wholesale market apparently is very limited at present even though new power plants came into operation in 1999. However, more plants are scheduled to commence operation in the next few years.

The Midwest ISO is expected to begin operation in mid-year 2001.

The Commission has determined that Illinois utilities must "unbundle" certain delivery services by September 1, 2000. Unbundling of delivery services may allow customers to choose the entity which will perform metering and billing services that are now performed by the incumbent utility.

The Commission adopted rules, as required by Section 16-121 of the Act, that prohibit utilities from providing discriminatory preferences favoring their own affiliates.

The Commission is not aware of any instances of "slamming" of electric customers.

In line with national trends, eight of the nine Illinois electric utilities have or are in the process of being purchased by or merged with out of state companies. These companies are ComEd, Central Illinois Public Service Company, CILCO, Illinois Power, Interstate Power Company, MidAmerican Energy, South Beloit Water, Gas and Electric and Union Electric.

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I. Introduction

Section 16-120 of the Public Utilities Act ("Act") directs the Illinois Commerce Commission ("ICC" or "Commission") to provide the General Assembly with the Commission's assessment of the competitiveness of the markets for services provided under Article XVI of the Act. Specifically, the Commission is directed by Section 16-120 to,

> monitor and analyze patterns of entry and exit, applications for entry and exit, and any barriers to entry or participation that may exist, for services provided under this Article; shall analyze any impediments to the establishment of a fully competitive energy and power market in Illinois; and shall include its findings together with appropriate recommendations for legislative action in a report to the General Assembly.

This report is submitted to the General Assembly only weeks into the seven-year transition into a competitive market. The conclusions described in this report are thus preliminary in nature. So far, competition is not flourishing throughout the entire state. Although over ten suppliers have been authorized to sell power throughout the state, their marketing efforts have been largely limited to the ComEd service territory.

The remainder of this report is organized as follows. Section II reviews patterns of entry by alternative suppliers. Section III reviews how customers are responding to the new set of choices available to them, both those choices offered by the utility and those offered by alternative suppliers. Section IV discusses the barriers to entry or participation in the restructured marketplace contemplated by Article XVI of the Act and other impediments to the establishment of a fully competitive electric market. Section V discusses several other noteworthy developments. The Appendix contains a list of the terms used in the report.

II. Patterns Of Entry: Power and Energy Suppliers in Illinois

This Section describes the entities that are authorized to sell power and energy to non-residential customers. There are two types of entities: suppliers which have sought and obtained Alternative Retail Electric Supplier ("ARES") certification from the ICC, and Illinois electric utilities, which, under Section 16-116 of the Act, are permitted to sell power and energy to eligible customers outside their service areas. Collectively, these entities are termed "Retail Electric Suppliers" or "RESs."

The regulations adopted by the Commission governing supplier behavior demonstrate an effort to ensure that the regulations apply equally to all RESs (except to the extent that certain statutory provisions may apply to only one or the other supplier category).

A. Applications from Alternative Retail Electric Suppliers

Section 16-115 of the Act establishes the standards that a prospective ARES applicant must meet to obtain certification from the ICC. Among other things, this Section requires a successful applicant to demonstrate to the Commission its "technical, financial and managerial resources and abilities" to provide service to retail customers. The Commission adopted rules at 83 Ill. Adm. Code 451 (Part 451) to implement Section 16-115 and guide the ARES certification process.[1]

Although certification was available to applicants prior to the adoption of the ARES certification rules, applicants waited to file for certification until the first rule became effective on 5/1/99. As of December 31, 1999, the Commission has received eight applications from prospective suppliers seeking certification to sell power and energy to Illinois electric customers. Five of these entities are affiliates of Illinois gas and/or electric utilities. Two entities are affiliates of utilities located a substantial distance from Illinois, and one is an unaffiliated electric cooperative. Thus far, all applicants have generally met the certification requirements to sell power and energy. However, the Commission has declined to approve specific parts of applications.

In addition to those entities which applied for and received certification, Commission Staff has received informal inquiries from several other entities expressing interest in entering the Illinois market.

Prospective ARES' applications must identify each area in which it intends to serve and most applicants have sought certification in all of the state's service areas. Also, each application must specify the customer groups that the ARES hopes to serve. Based on Part 451, applicants may obtain certification to serve any of the following customer groups: (1) all non-residential customers; (2) all non-residential customers with greater than 15,000 kWh annual usage; or, (3) only customers with demand greater than one MW. Most ARES have applied to serve all non-residential customers, although a few applicants have only sought certification to serve one MW customers.

Additionally, Commission authorization for potential ARES intending to offer the single billing option described in Section 16-118(b) of the Act is obtained during the ARES certification process. As of December 31, only two entities have sought (and received) single billing certification.

B. Utilities Serving Outside Their Service Areas

Not all of the state's utilities have expressed an interest in selling power outside their service areas. The following utilities are currently marketing retail power and energy outside their service areas: AmerenCIPS, CILCO, Illinois Power, MidAmerican and, South Beloit. ComEd has stated that it will not sell outside its service area; to the

[1] In dockets 98-0544 and 98-0649.

Commission's knowledge, AmerenUE, Interstate Power Company, and Mt. Carmel are not marketing power and energy outside their service areas, either.

Unlike an ARES, utilities are not required to obtain ICC certification to offer customers the single billing option. However, utilities offering service outside of their traditional service areas must comply with same single billing tariffs applicable to ARES.

C. Retail Electric Suppliers in Illinois

Table 1 identifies the entities currently authorized by the ICC to sell power and energy to retail customers in Illinois.

Table 1 illustrates that a fairly large number of suppliers are permitted to sell power and energy to retail customers throughout the state. However, Table 1 also demonstrates that supplier marketing is concentrated in the ComEd service territory. The column labeled "Registered in which service areas?" identifies service areas in which RESs are registered and therefore interested in marketing power and energy to retail customers.

Table 1 Retail Electric Suppliers in Illinois[2]

Supplier	Utility or utility affiliate?	Can serve which customers?	Can serve in which service areas?	Registered in which service areas?	Can elect Single Billing?
AmerenCIPS	Utility	Non-residential	All	ComEd, IP	Yes
CILCO	Utility	Non-residential	All	ComEd, IP	Yes
Duke Solutions, Inc.	Affiliate (Duke Power)	Greater than one MW	All except Mt. Carmel	ComEd	No
EnerStar Power Corp.	Neither	Non-residential	AmerenCIPS, CILCO, ComEd, IP	ComEd	No
Enron Energy Services, Inc.	Affiliate (Portland General)	Greater than one MW	All	ComEd	No
Illinois Power	Utility	Non-residential	All	ComEd	Yes
Illinova Electric Partners	Affiliate (Illinois Power)	Greater than one MW	All except IP	None	No
MidAmerican Energy	Utility	Non-residential	All	All except Mt. Carmel	Yes
NewEnergy Midwest, L.LC.	Affiliate (CILCO)	Non-residential greater than 15,000 kWh	ComEd, IP	ComEd	Yes (ComEd area only)
Nicor Energy, LLC.	Affiliate (Nicor Gas)	Non-residential	All	ComEd	No
Peoples Energy Service Corporation	Affiliate (People's Gas and Energy Company)	Non-residential	All	ComEd	No
South Beloit	Utility	All	All	ComEd	Yes
Unicom Energy, Inc.	Affiliate (ComEd)	All	All	ComEd	Yes

[2] Data in this table is current as of December 10, 1999.

III. Market Activity

This Section describes the legislatively created options available to non-residential customers for the purchase of power and energy. Also provided in this Section is information demonstrating the extent of customers switching to delivery services between October 1, 1999 and December 31, 1999.[3]

A. Customer Supply Options

The Act recognizes several distinct customer supply options.[4]

1. Power and Energy from RES

Customers eligible for delivery services may purchase power and energy only from authorized suppliers. As discussed above, authorized suppliers are called "RESs," a term that refers to certificated ARES and also to utilities serving retail customers outside their service areas.

Utility affiliates who wish to sell power and energy must first receive certified status as an ARES. Utilities and their affiliates are subject to 83 Ill. Adm. Code 450, the rule governing utility/affiliate relations that the Commission adopted pursuant to Section 16-121 of the Act.

2. Discretionary Power and Energy Contract From Utility

The Act allows utilities to offer power and energy contracts to any of their customers, including customers who are not presently eligible for delivery services, without Commission approval. These discretionary contracts offered by utilities are essentially bundled service contracts that are discounts from the standard bundled rate. Some utilities, however, have signed power and energy contracts in which customers take delivery services under a delivery services tariff.

3. Power Purchase Option

Section 16-110 of the Act requires utilities imposing transition charges to offer PPO service. The PPO offers customers the option of unbundled service from the utility at market-based power and energy prices. Customers do pay transition charges since only utilities charging transition charges are required to provide the PPO option. Customer savings are a function of the mitigation factor and the customer's load factor. Currently, the mitigation factor is the greater of 0.5 cents per kWh or 8% of the customer's base or contract rate.

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[3] A customer who is eligible to switch to a new supplier is said to be eligible for delivery services.
[4] Customers may also generate power on their premises.

There are numerous terms and conditions under which PPO service must be offered: (1) only delivery service customers subject to transition charges may take the service; (2) customers must sign a contract agreeing to take PPO service for at least one year; (3) customers must provide at least 30 days notice (or, in the case of large customers, 90 days notice) to the utility of their intention to take the service; (4) customers receiving PPO service must pay the utility an administrative fee; and, (5) customers may assign their PPO rights to a RES, which can re-market PPO service.

4. Real-time Pricing Service

Section 16-107 of the Act requires electric utilities to offer to non-residential customers real time pricing service. Real-time pricing services are bundled services in which prices vary on an hourly basis throughout the day. The customers that have the greatest potential to benefit from a "real-time" pricing tariff are the customers with the capability to control electric consumption and take advantage of off-peak electric prices. The statutorily required real-time pricing tariffs became effective October 1, 1998.

5. Pricing and Billing Experiments

Section 16-106 permits electric utilities to offer experimental programs for the "provision or billing of services on a consolidated or aggregated basis, as well as other experimental programs." The design of the experimental programs, choice of participants and participation inducements are at the discretion of the utility offering the program. Section 16-106 does not require utilities to offer a standard supply option to all customers, because participation in such programs is left to the discretion of the utility.

AmerenCIPS, AmerenUE, ComEd, and Illinois Power have offered programs under Section 16-106. These utilities have offered programs to narrowly defined sets of customers.[5]

B. Customer Supply Selections

Table 2 below shows the number of customers who have chosen each of the supply options created by the Act, as of December 31, 1999, three months into open access. This initial data shows several things.

First, ComEd customers are utilizing all of the services available to them with the exception of Real-time Pricing service. A total of 2,945 of eligible customers have switched from the incumbent utility to service from a RES, and an additional 1,737 customers have switched to service under the PPO service. Data from ComEd indicates

[5] The Commission is required by Section 16-106 of the Act to describe each experimental program initiated by an electric utility under Section 16-106 in an annual report to the General Assembly. The Commission's first such report was submitted in January 1999.

that a significant number of customers choosing PPO service have assigned their PPO rights to a RES.

Second, in the initial months of electric competition, only ComEd and a few Illinois Power customers have switched suppliers.

Third, Real-time Pricing service, which is available to all non-residential customers, has not yet proven to be a popular service. In the initial phase of competition, Real-time Pricing service has been selected by two customers. It is likely that the exceptionally high energy prices during the summers of 1998 and 1999 have made real-time pricing appear to be a high-risk venture which customers are not willing to undertake at this time.

Since the amendments to the Act were enacted, ComEd has signed a handful of customers to non-tariffed contracts. However, ComEd has recently indicated that it will no longer offer special contracts to customers. Additionally, ComEd has implemented a number of experimental programs. Over 5,000 customers participated in these programs during 1999. Unlike many of the customers who signed other non-tariffed contracts with utilities, many of ComEd's experimental program customers may be eligible to switch to service from a RES in the near term.

Fourth, with the exception of the scheduled switch of Archer Daniels Midland from Illinois Power to AmerenCIPS in the summer 2000, customers served by AmerenCIPS, CILCO and Illinois Power are not yet switching to the services created by the Act. To the extent they are switching from bundled service, customers are switching to service under discretionary power and energy contracts with the utility. In particular, CILCO and Illinois Power have signed a large number of customers to non-tariffed contracts. As of December 31, no customer of any of these three utilities had switched to PPO service.

Fifth, only two customers of the smallest utilities, Interstate Power Company, Mt. Carmel, and South Beloit, have switched to the new services.

Table 2 Customer Supply Selections[6]

	Supply Option Chosen by Utility Customers in 1999					
Utility	**Service From RES**	**Power Purchase Option**	**Real-time Pricing**	**Discretionary Contract With Utility**	**Pricing / Billing Experiment**	**Total**
AmerenCIPS	0	0	0	10	23	33
AmerenUE	0	0	0	0	107	107
CILCO	0	0	0	282	0	282
ComEd[7]	2,945	1,737	0	6	5,127	9,815
Illinois Power	7	0	1	571	0	580
Interstate Power	0	NA	0	0	0	0
MidAmerican[8]	21	NA	1	11	0	33
Mt. Carmel	0	NA	0	2	0	2
South Beloit	0	NA	0	0	0	0
Total	2,973	1,737	2	882	5,257	10,852

Note: NA = Not Applicable (the utility does not offer the service).

C. Customer Switching Statistics

Table 3 and Table 4 provide information about non-residential customers' selection of delivery services. The tables show that about 440,000 commercial and industrial customers were potentially eligible for delivery services.[9] Utilities used a lottery process to identify approximately 62,000 commercial and industrial customers that are eligible for delivery services, while the remaining eligible customers obtained their eligibility by having a an electric demand in excess of four MW (see Section 16-104 of the Act).

As of December 31, 1999, 4,682 ComEd customers have elected to either service from a RES or under the PPO.[10] A total of seven Illinois Power customers switched during the period between October 1 and December 31. (The MidAmerican customers that are listed in Tables 3 and 4 as having switched to delivery services are being served by MidAmerican under MidAmerican's delivery services tariffs.) The numbers in the tables reflect the number of customers who have expressed their intent to switch

[6] The information provided in Table 2 was developed from a Staff data request that was sent to each utility.
[7] Totals include governmental customers.
[8] The 21 customers listed as receiving service from a RES are being served by MidAmerican under MidAmerican's delivery services tariffs.
[9] About 1,400 governmental customers have obtained delivery service eligibility.
[10] In addition to the 4,674 commercial and industrial customers that have elected delivery services, eight ComEd governmental customers have also switched to delivery services.

suppliers through a supplier's submission of a Direct Access Service Request on their behalf as well as the customers who have actually switched suppliers.

Table 3 Selection of Delivery Services: Commercial Customers[11]

Utility	Number of commercial customers[12]	Number of eligible commercial customers	Total commercial usage (million kWh)	Usage eligible for delivery services (million kWh)	Number of Delivery Services Customers	Usage switched to delivery services (million kWh)
AmerenCIPS	40,694	9,258	2,107.6	489.3	0	0
AmerenUE	7,363	1,240	730.4	269.4	0	0
CILCO	21,510	3,468	1,658.1	621.0	0	0
ComEd	281,522	36,026	33,600	15,958	3,849	4,368.3
Illinois Power	58,283	5,326	4,053.1	1,042.2	4	2.6
Interstate Power	2,132	139	61.5	16.2	0	0
MidAmerican	8,675	1,866	539.1	230.5	20	2.0
Mt. Carmel	973	36	14.1	12.4	0	0
South Beloit	798	76	34.9	13.8	0	0
Total	421,950	57,435	42,798.8	18,652.8	3,873	4,372.9

Table 4 Selection of Delivery Services: Industrial Customers

Utility	Number of industrial customers	Number of eligible industrial customers	Total industrial usage (million kWh)	Usage eligible for delivery services (million kWh)	Number of Delivery Services Customers	Usage switched to delivery services (million kWh)
AmerenCIPS	4,162	911	3,356.7	2,859.7	0	0
AmerenUE	289	28	2,338.9	2,289.1	0	0
CILCO	172	73	2,318.4	2,183.0	0	0
ComEd	24,480	4,020	17,448	13,829	825	3,761.9
Illinois Power	279	130	8,700.9	6,671.3	3	366.0
Interstate Power	35	15	209.9	201.0	0	0
MidAmerican	57	29	502.8	461.8	1	3.7
Mt. Carmel	118	36	76.4	12.4	0	0
South Beloit	39	11	118.1	67.5	0	0
Total	29,631	5,253	35,070.1	28,574.8	829	4,131.6

[11] The switching totals in Tables 3 and 4 include the customers who switched to service under the Section 16-110 Power Purchase Option.

[12] The number of commercial and industrial customers listed in Tables 3 and 4 was compiled from the utilities' annual reports on file with the Commission. The most recent annual reports were filed in 1998. In some cases, utilities provided updated numbers that reflect 1999 data.

IV. Barriers To Entry Or Participation In The Restructured Marketplace And Other Impediments To The Establishment Of A Fully Competitive Electric Market

This Section describes possible impediments to fully developing a competitive electric market.

A. Transition Charge

The transition charge was designed to allow utilities to recover the costs that might otherwise have been "stranded" due to electric restructuring. While the transition charge reduces savings for customers who take an alternative service, it generally does not eliminate all savings. The mitigation factor is the principle economic incentive for customers to become a delivery service customer during the transition period. Currently the mitigation factor allows delivery services customers to save on average, the greater of 0.5 cents per kWh or 8% of the customer's base or contract rate. The mitigation factor is scheduled to increase throughout the transition period, which, in turn, increases potential savings to customers. Nevertheless, the transition charge is widely viewed as a factor which will slow the development of a competitive electric market in Illinois.

The transition charge mediates between two objectives within the overall framework of the Act. On the one hand, the Act reflects a clear preference for moving quickly and inexorably toward a competitive market structure and away from one in which utilities are protected from market pressures. This preference is apparent by the Act's time limit on transition charges and its mandate of gradually increasing mitigation factors.[13] More generally, though, the legislature expresses its intent in Section 16-101A of the Act, paragraphs d and e, which state:

> (d) A competitive wholesale and retail market must benefit all Illinois citizens. The Illinois Commerce Commission should act to promote the development of an effectively competitive electricity market that operates efficiently and is equitable to all consumers. Consumer protections must be in place to ensure that all customers continue to receive safe, reliable, affordable, and environmentally safe electric service.
>
> (e) All consumers must benefit in an equitable and timely fashion from the lower costs for electricity that result from retail and wholesale competition and receive sufficient information to make informed choices among suppliers and services. The use of renewable resources and energy efficiency resources should be encouraged in competitive markets.

[13] The S.B. 24 amendments to Section 16-108 of the Act permit ComEd to recover transition charges through 2006. Section 16-102, in defining "transition charge," requires gradual increases in mitigation factors.

On the other hand, the legislation also provides that utilities have a right to transition cost recovery. For example, the Act states:

> The State has an interest in providing the existing utilities a reasonable opportunity to obtain a return on certain investments on which they depended in undertaking those commitments in the first instance while, at the same time, not permitting new entrants into the industry to take unreasonable advantage of the investments made by the formerly regulated industry. (Section 16-101A(c), in part).

The language of the statute strikes a balance between competing considerations and disparate interests. The balance is reflected in the fact that utilities are authorized to impose transition charges on retail customers until at least December 31, 2006.

Table 5 lists examples of transition charges that utilities may collect from three categories of non-residential customers. The Commission emphasizes that the numbers shown in the table are generally representative of the size of transition charges, but are not meant to identify the fees that would be applicable to any particular customer or set of customers.

In this table, the definition of the three customer categories differs somewhat between utilities. The "Small commercial" customer generally refers to a customer whose electric consumption is measured with a watt-hour meter only; a "Mid-Size Commercial" customer generally has less than a 0.5 MW demand; and, the "Large Industrial" customer typically has a demand greater than 1 MW.

Table 5 Illustrative Transition Charges[14]

Utility	Customer Type		
	Small Commercial[15] **(cents per kWh)**	**Mid-Size Commercial (cents per kWh)**	**Large Industrial (cents per kWh)**
AmerenCIPS	**2.2**	**0.5**	0.0
AmerenUE	0.0	0.0	0.0
CILCO	**0.6**	**0.7**	0.0
ComEd	**4.0**	**2.4**	**1.8**
Illinois Power	**5.0**	**1.0**	**0.6**
Interstate Power	0.0	0.0	0.0
MidAmerican	0.0	0.0	0.0
Mount Carmel	0.0	0.0	0.0
South Beloit	0.0	0.0	0.0

While three months of open access is not sufficient to judge how the transition will unfold, it is interesting to note that ComEd, generally the utility with the highest transition charges (Table 5) also the utility with the greatest proportion of customers choosing an alternative electric service (Tables 3 and 4). However, this apparent anomaly may have little or no empirical meaning. First, rates for ComEd's larger volume customers tend to be higher than all of the other utilities with transition charges. Second, the Chicago region has natural drawing powers from national competitors due to its size and the make-up of its customer base. Some competitors are competing based on services other than electricity, making the energy price only partially relevant. Additionally, ComEd's affiliate has been an active competitor in the Chicago market. Last, energy imbalance tariffs, differences in utility rates, differences in customer service, and the utility's aggressiveness in pursuing negotiated contracts may also have an influence on the customer's decision to take an alternative service.

B. Reciprocity Requirements

Utilities and their affiliates that are located in states that have not implemented retail access are essentially prohibited from directly participating in the Illinois market. The "reciprocity requirements," found in Section 16-115(d)(5) of the Act, may be denying Illinois customers access to power and energy from utilities (and the affiliates of these utilities) in states closest to Illinois. This has left Illinois companies as the primary participants in the Illinois electric retail market. The only other entrants to the Illinois market are affiliates of utilities located a substantial distance (hundreds of miles) from Illinois, and the rare entrant that is unaffiliated with any utility. Of course,

[14] The transition charge amounts listed in the table are based on information provided filed with Commission at the conclusion of the delivery services proceedings, as well as information provided to Commission Staff.

[15] Small commercial customer without a demand meter.

electric generation on any significant scale has been a state-protected monopoly enterprise for most of the twentieth century. Since Illinois is one of the pioneers in experimenting with electric restructuring, it is not surprising that the reciprocity provisions are significantly limiting supply choices available to retail consumers.

C. Incumbent Utility Advantages

As the incumbent suppliers, electric utilities initially have certain advantages over potential competitors. For example, utilities may benefit from customer resistance to change, superior name recognition, and economies of scale with respect to services like billing. Additionally, some utilities capitalized on opportunities to sign existing customers to service contracts. While this was within their right, many of these contracts do not terminate for several years, thereby preventing these customers from switching to a RES. Some utilities, including Ameren, ComEd, Interstate, and South Beloit have not entered into significant numbers of such contracts.

Given the uncertainty associated with being one of the first customers to explore a nascent market, many customers appear to have decided to wait-out some portion of the transition period by remaining with the utilities under contracts for reduced charges. Data provided by the utilities indicates that 882 customers, comprising a combined demand of over 800 MW, signed contracts for power and energy with the incumbent utilities between December 17, 1997, the date the Act was enacted, and October 1, 1999, the date the market opened (see Table 2). As a result, the customers signing these contracts have limited the potential inroads by new entrants, at least until the customers' contracts expire. Indeed, these customers were the most likely to choose new suppliers.

All advantages may not belong to incumbent utilities. Competitors may have lower costs, be subject to less regulation, have less unfavorable name recognition, and may have more experience doing business in a competitive environment.

D. Ongoing Rights and Responsibilities of Utilities to Provide Power and Energy Services and Customer Preferences for Such Services

The Act does not require utilities to provide power and energy solely as an unbundled service. The Act requires utilities to offer all services that were offered as of December 16, 1997 (Section 16-103 of the Act). This requirement ensures that customers may continue to receive bundled service. However, it may also make it more difficult for new entrants to compete with utilities. Further, consumers may have difficulty comparing the bundled service with which they are already familiar against a wide array of sometimes confusing delivery service tariff provisions.

To retain customers on bundled service, incumbent utilities have the option to offer discounts to select customers, as well as the right to employ pricing and billing experiments to entice certain customer groups to continue contracting with the incumbent utility for

power and energy. To encourage participation, these programs typically offer select customers rate cuts. Additionally, the programs can be used to create goodwill with customers and increase the likelihood that the customers will remain with the utility when the customers become eligible for delivery services.

Finally, the Act requires utilities imposing transition costs to offer a PPO service to customers. The PPO offers customers power at a rate determined by the NFF to be representative of market rates. The PPO is a convenient means by which the customer may save money without actually choosing a new supplier. The customer can also assign the PPO to a marketer who may then offer the customer power at the PPO price. In the ComEd service area, PPO service has become the preferred choice for a number of customers (see Table 2).

The flexibility afforded incumbent utilities under the various options for taking power--chiefly a bundled service option, the PPO, and billing and pricing experiments--forces competitors to be creative and efficient in their service offerings.

E. Some Existing Utility Rates are Already Competitive

Prior to restructuring, the common wisdom indicated that large customers would be the most likely to switch to an RES. However, the common wisdom may not hold true in this case. Data is beginning to indicate that some of the state's largest customers may not save money by switching providers because the bundled rates already offered to large customers are currently lower than the total cost large customers would pay if they switched suppliers.

Table 6 illustrates the difficulty facing suppliers trying to provide a competitive service to industrial customers. The table shows a comparison between the market value of power and energy as set by the NFF in its 1999 report and each utility's average industrial customer's bundled rate as reported to the Commission in 1998. Assuming that the NFF market value amount accurately represents the market price of power and energy, the difference between the two column of numbers shows the potential savings available to a customer who switches suppliers. However, in addition to the supplier's charge for power and energy, a customer that switches suppliers would also incur delivery services charges and, possibly transition charges, further limiting any savings a customer may realize from switching suppliers.

Table 6 Comparison of Average Industrial Rates and NFF Market Value

Utility	1998 Average Industrial Bundled Rate (cents/kWh)[16] (1)	Unadjusted NFF Market Value of Power and Energy (cents/kWh)[17] (2)	Difference (1) - (2) (cents/kWh) (3)
AmerenCIPS	4.6	2.9	1.7
AmerenUE	2.9	2.9	0.0
CILCO	3.8	2.9	0.9
ComEd	5.9	2.9	3.0
Illinois Power	4.3	2.9	1.4
Interstate Pwr.	3.8	2.9	0.9
MidAmerican	4.0	2.9	1.1
Mt. Carmel	5.6	2.9	2.7
South Beloit	3.5	2.9	0.6

F. FERC-approved Energy Imbalance Service Tariffs

While the Commission retains jurisdiction over many facets of energy regulation, some segments of the industry fall within the jurisdiction of the Federal Energy Regulatory Commission ("FERC"). During deliberations over the delivery service tariffs, the Commission became aware that some of the existing federal transmission tariffs may contain energy imbalance provisions which might significantly impact the cost of third-party power and energy suppliers ability to serve retail load. Transmission tariffs generally require third-party suppliers to schedule power and energy on an hourly basis, at least 20 minutes in advance of the hour. Furthermore, they measure energy imbalances as the difference, in each hour, between the amount scheduled and the actual (or estimated) aggregate load of the retail customers served by the third party supplier. Failing to keep those imbalances within a bandwidth of about ± 2 MW or ± 2% of the amount scheduled[18] subjects parties to penalty charges. Penalty charges can range from about 10% to about 50% of the utility's out-of-pocket costs for supplying or absorbing the energy imbalance for a given customer, and sometimes are set at $100 per MWH regardless of the utility's out-of-pocket costs.

Although energy imbalance provisions are generally driven by FERC-approved transmission rates, energy imbalance provisions may be unnecessarily punitive and may limit or even eliminate the potential savings a consumer might realize by switching to lower-cost suppliers of power and energy. On the other hand, the

[16] As reported in "Illinois Commerce Commission Research Bulletin Number 141," 1998 data.
[17] Data is from the report "Neutral Fact-Finder's Calculation of Market Values for Electric Power and Energy for the State of Illinois," June 7, 1999. The figure of 2.9 cents/kWh was calculated as a simple average of the summer and non-summer off-peak and on-peak prices in Method 2 of Table 1 of the report.
[18] While these figures are representative, the FERC has approved some Illinois utilities' transmission tariffs with even smaller bandwidths.

Commission recognizes the need for a set of energy imbalance provisions that embody adequate incentives for third-party suppliers to schedule power reasonably accurately and adequate compensation for utilities to be able to recover the costs of providing the imbalance service. Clearly, a balance is needed between the added cost for third-party suppliers to reduce imbalances and the added cost for utilities to deal with any remaining imbalances on net across all their customers.

Among other things, appropriate tariffs should consider whether individual transmission customer imbalances are operating reinforcing or offsetting system imbalances. Customers who are offsetting system imbalances should receive different treatment from customers making system imbalances greater.

The Commission has actively encouraged utilities to reconsider their existing transmission tariffs and to file changes to the existing energy imbalance provisions at the FERC. It is too early to determine whether this process will successfully ameliorate any of the negative impact of federally regulated energy imbalance provisions.

G. Lack Of Available Supply In Wholesale Market

Supplier information indicates that the amount of generation capacity available for resale to delivery services customers is limited, at least at prices which these suppliers are willing to sell. Lack of available generation capacity presents a risk for non-utility suppliers, particularly suppliers that do not control capacity, because low capacity may lead to severe price spikes in the cost of electricity during peak periods.

One reason for the capacity tightness may be the reluctance of some utilities and other suppliers to sell power for delivery during the summer of 2000. This reluctance may stem from the utilities' on-going obligation to retain sufficient capacity for their bundled service and PPO service customers. Secondly, utilities have no obligation to make the capacity that is freed-up by customers who opt for new suppliers available on the wholesale market. Given the exceptionally high prices for power in the summer months in 1998 and 1999, other suppliers may not be willing to commit to sell power for delivery during summer periods in 2000 at this time.

The impact of the proposed power plants identified in Table 7 on the overall availability of power and energy for delivery in 2000 is not yet clear.

The apparent lack of wholesale power for delivery during the summer of 2000 at prices at or below the NFF's market value seems to have induced some alternative suppliers to take assignment of customers' PPO rights as a substitute for securing supply on the open market.[19] While customers receipt of PPO power in this indirect manner reflects acceptance of unbundling and of non-utility suppliers, it provides no assurance of the long-term sustainability of these non-utility suppliers in the market.

[19] This option is available pursuant to Section 16-110 of the Act.

The PPO service and PPO assignment are only temporary features of Illinois restructuring.

H. Potential Transmission Constraints

Like the lack of generation resources, suppliers may also be worried about the long-run availability of transmission resources. Under existing FERC-approved transmission tariffs, utilities are not obligated to sell to competitive retail suppliers capacity that historically served native-load customers, even as the capacity is freed up when those customers switch from the incumbent utility to alternative electric suppliers. FERC policy does require that available transmission capacity be offered on a non-discriminatory, first-come, first-served basis to all potential customers, regardless of whether or not they are Illinois retail service providers. Further, even if alternative suppliers acquire sufficient transmission capacity to serve the current small numbers of customers, suppliers may be unable to expand their business due to the lack of explicit transmission capacity rights. In essence, retail customers are sent to the end of the transmission capacity queue as soon as they switch to delivery services. The ICC has filed comments to the FERC on this issue, but has received little response.

I. Customer Education

Throughout the lottery registration process, and prior to the October 1, 1999 market opening, the ICC directed education efforts to all non-residential customers. Nonetheless, observations based on discussions with customers, large and small, suggest that many may still remain confused about electric choice and each customer's individual options under the Act. The Commission Staff is expanding its educational efforts for customers currently eligible for choice as well as those customers scheduled to become eligible in 2000.

V. Other Developments

This Section describes some of the notable events that have occurred since the enactment of the Act that will have a positive impact on the future development of the Illinois electric market.

A. Uniform retail choice procedures

An intensive, cooperative effort by market participants resulted in several agreements regarding business practices and procedures that ultimately were incorporated into the utilities' delivery services tariffs. Common procedures will contribute to the development of a competitive market because they will reduce the cost of doing business in Illinois for new suppliers. To the extent common procedures can be adopted, new suppliers and, in turn, customers, will benefit from potential savings in time, transaction costs, and employee training because they need only become familiar with one uniform set of rules for the entire state. The alternative is

requiring each new supplier to become familiar with an individualized set of rules for each service area in which the new supplier wished to operate.

About one year before utilities filed their delivery services tariffs, Commission Staff, utilities, and other interested parties met in 15 ICC-sanctioned "Working Groups" to discuss the development of the tariffs. The groups focused on developing common tariff provisions and business practices that could be adopted by each utility. The results achieved by these Groups (that were ultimately approved the Commission) form the basis of the procedures used to implement retail choice in Illinois.

Among the first working group agreements was a proposal outlining procedures for conducting various customer lotteries mandated by Section 16-104. The utilities presented a joint proposal to the Lottery Working Group and ultimately filed a joint petition with the Commission seeking approval of the proposal. Consequently, the rules and procedures the Commission adopted for delivery service eligibility under Section 16-104 of the Act were consistent across all utilities.

The results achieved by the other work groups eventually led to uniform practices and procedures. The Commission views uniformity as important because, in many cases, each additional uniform practice or procedure reduces a new suppliers' cost of entering the Illinois electric market, thereby enhancing competition. A sample list of the uniform practices and procedures implemented by the Commission over the past year includes: (1) uniform forms for Direct Access Service Requests ("DASRs"); (2) uniform DASR submission and receipt protocols; (3) uniform registration processes for RESs; (4) uniform electronic data interchange protocols; (5) uniform standards and procedures for communications between RESs and delivery services providers; (6) uniform documents by which customers authorize RESs to act on their behalf; (7) standard definition of delivery services; (8) an agreement that utilities will provide orientation sessions for prospective suppliers; and, (9) an agreement to provide "Default Service," which enables customers who involuntarily lose their supplier to purchase power from the delivery services provider.

The Commission continues to consider whether increased uniformity between utility tariffs and procedures could foster greater participation by competitors in Illinois' restructured marketplace.

B. Development of Midwest System Operator

Section 16-126 of the Act requires most of the Illinois electric utilities to establish or join an independent transmission system operator ("ISO"). Transmission systems are essential facilities used by electric suppliers to reach customers. Consequently, the Commission is concerned that competition may be thwarted if incumbent electric utilities are permitted to control transmission facilities in such a way as to provide preference to their own power marketing efforts. Section 16-126 is intended to address this concern.

Since the enactment of Section 16-126, most of the Illinois electric utilities have decided to join the Midwest ISO. The Midwest ISO is a not-for-profit corporation headquartered in Indianapolis, Indiana. The expected start-up date for Midwest ISO operations is mid-2001.

An appropriately designed, large regional ISO will potentially expand the geographic market for electricity supplies. The Midwest ISO may ameliorate some of the wholesale market supply tightness described Section III(G) above by making transmission use more efficient. An appropriately designed large regional ISO may also increase reliability.

The ICC has been actively engaged in the development of the Midwest ISO and is encouraged by its progress to date.

C. New Power Plants in Illinois and Wisconsin

The combination of high prices of power during the summer of 1998 and deregulation in Illinois has spurred the proposed construction of new generating plants in Illinois and Wisconsin. These new plants, if constructed, may enhance the competitiveness of the wholesale market, and may also increase the amount of capacity available for resale to retail customers.

All of the proposed new plants will use natural gas as the primary fuel. Some of the plants will also have the ability to burn oil in the event that natural gas is unavailable. Table 7 provides information about the generating plants that have recently commenced operation and the plants that have been proposed for construction during the near future. It should be noted that the addition of generating capacity fueled by natural gas may have an adverse impact on gas prices in the future.

Table 7 Proposed New Power Plants in Illinois

When Available	Plant Size (MW)	Developer	Location of Site
1999 (in operation)	600	Elwood Energy	Near Joliet
1999 (in operation)	250	Dynegy / Nicor	East Dundee
1999 (in operation)	176	Illinois Power	Danville
1999	120	Soyland	Winchester
Total Additions (1999): 1,146 MW			
2000	206	AmerenCIPS	Gibson City
2000	100	Dynegy / Nicor	East Dundee
2000	668	Enron	Manhattan
2000	668	Enron	Plano
2000	300	Indeck	McHenry County
2000	500	KN Energy	Island Lake
2000	45	Southwestern Electric Coop	Greenville
2000	60	Unicom	North Chicago
Total Additions (2000): 2,547 MW			
2001	412	AmerenUE	St. Louis Metro East
2001	500	Cal Energy / MidAmerican	Quad Cities
2001	225	Pennsylvania Power and Light	Marengo
2001	1100	LS Power	Kendall Co.
Total Additions (2001): 2,237 MW			
2002	206	AmerenCIPS	Pinckneyville
2002	250-500	Constellation Power Development	Shelby Co.
2002	200-300	Wisvest and City of Chicago	Chicago
by 2004	500	Mission Energy	Chicago
(No Date)	Up to 1000	LS Power	Dixon
(No date)	634	Reliant Energy and Wood River Refining	St. Louis Metro East
(No date)	500	Reliant Energy Wholesale Group	Intersection of Routes 146 and 47
(No date)	800	Standard Power and Light	DuPage Airport
Total Additions (2002 or later): Over 4,000 MW			

D. Most Cogeneration Customers Not Subject to Transition Charges

On June 30, 1999, S.B. 24 (Public Act 91-50) was enacted encouraging, in part, the further expansion of alternative electric generation. By clarifying transition charge exemptions, S.B. 24 fosters new and continued investment in cogeneration and self-generation facilities.

Prior to S.B. 24, the Act permitted existing utilities to assess transition charges on delivery-service customers purchasing electricity generated by ARES. While the Act was apparently intended to exempt cogeneration and self-generation facilities from these charges, as the facilities generally do not rely on existing transmission and distribution systems, its language created considerable uncertainty. Many cogeneration and self-generation customers were unclear whether transition charges applied to them. Some customers pursued declaratory-ruling proceedings, leaving the ICC to clarify exemptions on a case-by-case basis, while others delayed planned cogeneration and self-generation investments.

S.B. 24's precise standards clarify the cogeneration and self-generation exemptions, primarily by amending Section 16-108(f) of the Act governing transition charges. (See also Section 16-102 of the Act, defining ARES, and Section 16-115(e), addressing ARES certification for a retail customer seeking to furnish customer-generated electricity to its own or its affiliate's remote sites.) In this improved and predictable climate, major electric consumers can prudently invest in new and upgraded cogeneration and self-generation facilities with the confidence statutory clarification provides.

Given cogeneration and self-generation's financial advantages, Illinois should expect these facilities to gain in importance in coming years. They increase the overall supply of available electricity while decreasing reliance on existing generation, transmission, and distribution systems.

E. No Known Incidents of "Slamming"

Slamming, the unauthorized switching of a customer to a new supplier, has not yet proved to be a problem in the Illinois market. To date, the Consumer Services Division of the Commission has not received any complaints indicating that a supplier was switched without the customer's knowledge or authorization.

The lack of slamming most likely results from the following two points. The Act specifically states that a customer give written authorization to switch electric suppliers. Second, significant penalties face suppliers caught slamming, including decertification. Therefore, it appears unlikely that suppliers will endanger their certificates by switching customers without the customers' authorization.

Since the electric market has just begun, only a small fraction of the customers that will ultimately be permitted to choose their electric suppliers are currently eligible for delivery services. However, at this early date, it is difficult to state at this time whether unauthorized switching might become a problem over the course of restructuring. It is also unknown whether other forms of switching, such as Internet-based methods, would increase the potential for unauthorized switching.

F. Default Service

During the proceedings to approve delivery service tariffs, all utilities agreed to provide a default service. Default Service would allow a temporary source of supply until a new alternative supplier could be lined up for a customer that suddenly and unexpectedly lost its supplier. Thus, this service ensures that customers will continue to have service if the supply is disrupted. Generally, the price for power and energy that a Default Services customer pays is linked to the price of power at which the utility could procure power in the market on behalf of the customer.

G. Non-discrimination Rules

Section 16-121 of the Act provides:

> **Non-discrimination; adoption of rules and regulations**. The Commission shall adopt rules and regulations no later than 180 days after the effective date of this amendatory Act of 1997 governing the relationship between the electric utility and its affiliates, and ensuring non-discrimination in services provided to the utility's affiliate and any alternative retail electric supplier, including without limitation, cost allocation, cross-subsidization and information sharing.

To implement this section of the statute, the Commission created emergency rules, adopted at 22 Ill. Reg. 11204, effective June 14, 1998, for a maximum of 150 days, which were later adopted at 22 Ill. Reg. 20071, effective November 7, 1998. Thus, a ban against utilities providing discriminatory preferences favoring their own affiliates was in effect well before October 1, 1999, when retail customers first become eligible to utilize unbundled services.

H. Standards of Conduct / Functional Separation Rulemaking

Section 16-119A of the Act requires that the Commission adopt a standards of conduct rule for electric utilities and permits the Commission to adopt a functional separation rule. The directive of Section 16-119A is to "prevent undue discrimination" and to "promote competition." The Commission complied with this statutory directive by initiating consolidated Dockets 98-0147/98-0148. As of the date of this report, the rulemaking process is on-going and is expected to be completed in the early part of next year.

I. Consumer Education

The Consumer Education Working Group developed a neutrally competitive brochure and bill insert. The Commission approved the materials in March 1999. The Working Group also assisted in the development of an informative videotape and the web site's content.

The Staff presented the materials and video at statewide gatherings of business groups in mid-April 1999. Utilities completed the required mailing of the bill insert by May 15, 1999. The Commission made the brochures available through the ICC's toll-free phone number, Plug In Illinois electric restructuring web site, and mailed the brochures to lottery/eligible customers. Media and outreach efforts helped educate the business community at large prior to the lottery process. For example, the Commission Staff sent 460 media kits to Illinois newspapers, radio and television stations. Follow-up calls from Commission Staff members to reporters at news wire services, daily and weekly newspapers, and business trades resulted in about 50 placed stories and interviews with ICC spokespersons. The Commission Staff distributed an audio news release resulting in more than 80 news broadcasts and 50 confirmed story placements. Additionally, Commission Staff made a video news release available via satellite and confirmed broadcast of the video on 14 Illinois television stations. A Public Service Announcement was distributed by the Commission Staff in mid-September earning broadcast commitments from more than 20 stations and cable systems through October and mid-November. The Staff also placed trade advertisements in business publications to make business customers aware of the availability of information from the ICC and the ICC's web site.

An important part of the Commission's consumer education program is the ICC Plug In Illinois web site. This web site contains an overview of choice and electric service industry, the brochure content in text form as well as the brochure and bill insert in downloadable formats, a timeline, eligibility and lottery information, a list of suppliers (both certified and pending), Frequently Asked Questions, and other information. The site also includes e-mail links for comments, questions, and complaints and a survey box for users to indicate if they found the web site helpful. The Commission Staff continually updates the web site with new and additional information, including ARES/supplier changes, as needed to enhance its effectiveness.

J. Unbundling of Metering and Billing Services

In an interim order, the Commission concluded that the unbundling of metering and billing services will promote the development of competitive electric markets by promoting innovation, encouraging greater efficiency, and allowing for customer

choice for services other than generation.[20] Unbundling of these services is scheduled to begin in September 2000.

VI. Conclusion

Open access has just commenced in Illinois, and after only three months of experience with the competitive market, we believe it is premature to make recommendations for legislative actions or changes to the Act. However, the Commission is actively monitoring the development of retail competition and is in the process of implementing initiatives that will encourage retail competition within the structure of the Act.

[20] Interim Order, Docket 99-0013, page 11.

Appendix

The Appendix provides a list of some of the terms and names used in the report:

Act	Public Utilities Act
ARES	Alternative Retail Electric Supplier
AmerenCIPS	Central Illinois Public Service Company
AmerenUE	Union Electric Company
ARES	Alternative Retail Electric Supplier
ComEd	Commonwealth Edison Company
CILCO	Central Illinois Light Company
DASR	Direct Access Service Request
kW	Kilowatt
kWh	Kilowatt-hours
FERC	Federal Energy Regulatory Commission
ICC	Illinois Commerce Commission
Illinois Power	Illinois Power Company
Interstate Power	Interstate Power Company
ISO	Independent System Operator
MidAmerican	MidAmerican Energy Company
Mt. Carmel	Mt. Carmel Public Utility Company
MW	Megawatt
MWH	Megawatt-hours
NFF	Neutral Fact Finder
PPO	Power Purchase Option
RES	Retail Electric Supplier
S.B. 24	Senate Bill 24 (Public Act 91-50, effective June 30, 1999)
South Beloit	South Beloit Water, Gas & Electric Company