

**Comments of Exelon Generation Company, LLC
Concerning the 2012 Electric Procurement Events Held On Behalf of
Commonwealth Edison Company and Ameren Illinois Company**

Section 16-111.5 of the Illinois Public Utilities Act (the “Act”) includes various provisions relating to the procurement of electric power and energy for Commonwealth Edison Company (“ComEd”), as well as Ameren Illinois Company (“Ameren”). Among those provisions are requirements for the Illinois Power Agency (“IPA”) to file a procurement plan for electric power and energy acquisition for those customers that are eligible to take fixed-price electric service from ComEd and the Ameren Illinois Utilities for the supply period of June 1, 2011 – May 31, 2012 (“Procurement Plan”). Consistent with the Act, the IPA filed its Procurement Plan with the Illinois Commerce Commission (the “ICC” or “Commission”). The Procurement Plan was open to comment and debate by interested parties before the Commission. In the Commission proceedings, certain aspects of the Procurement Plan were subject to input from Commission Staff and other interested parties. At the conclusion of those proceedings, the Commission entered an Order approving the Procurement Plan with certain modifications (ICC Docket No. 11-0660).

Pursuant to that Order, ComEd and Ameren engaged third-party procurement administrators to conduct sealed-bid requests for proposals (“RFPs”) for energy, capacity (Ameren only), and Renewable Energy Certificates (“RECs”).

The Order also recognized that the IPA would be issuing additional RFPs for fixed quantity standard electric energy contracts and renewable energy credit contracts, on behalf of the two utilities, to comply with the requirements of Section 16-111.5(k-5)

of the Act (which was added to Illinois statutes by Public Act 97-0616, while Docket 11-0660 was still pending).

The results of the RFPs were approved by the Commission after being supervised by a Commission-hired procurement monitor, Boston Pacific Company, Inc.

In addition to review and approval of the Procurement Plan, Section 16-111.5(o) of the Act states:

On or before June 1 of each year, the Commission shall hold an informal hearing for the purpose of receiving comments on the prior year's procurement process and any recommendations for change.

In fulfillment of this requirement, the Commission provided public notice issued May 17, 2012, of its intent to hear all interested parties' comments relating to the above-described procurement process and its five procurement events.

I. BACKGROUND

Exelon Generation Company, LLC ("ExGen"), which owns or controls approximately 30,000 MWs of generating facilities, is a subsidiary of Exelon Corporation. Constellation Energy Commodities Group, Inc. ("CCG"), an ExGen business unit, is a power marketer authorized by the Federal Energy Regulatory Commission to sell energy and capacity and certain ancillary services at market-based rates. CCG's business includes serving the needs of distribution utilities, co-ops and municipalities that competitively source their load requirements. CCG also sells natural gas and other commodities at wholesale, both in the United States and abroad, and holds interests in exploration and production companies. Further, CCG bids energy, capacity and ancillary services on behalf of generation-owning affiliates into the markets administered by PJM Interconnection, L.L.C. ("PJM") and the Midwest Independent

Transmission System Operator, Inc. (“MISO”).

Constellation NewEnergy, Inc. (“CNE”), an ExGen business unit, provides electricity and energy-related services to retail customers in Illinois as well as in 15 other states and the District of Columbia, and serves over 14,000 megawatts of load and over 10,000 customers. CNE holds a certificate as an alternative retail electric supplier (“ARES”) from the Commission to engage in the competitive sale of electric service to retail customers in Illinois. Since the introduction of customer choice in the Illinois electric industry in 1999, CNE has actively participated in nearly every regulatory proceeding before the Commission involving electric industry restructuring and has served as an advocate for fair and competitive open markets that are designed to provide customers with an array of competitive options.

II. SUMMARY OF RECOMMENDATIONS

ExGen appreciates the opportunity to provide comments on the most recent procurement events. CCG was an active participant in the Commission proceedings that resulted in the adoption of the Procurement Plan as well as all of the related activities leading up to each of the procurement events currently under review. ExGen submitted bids in several of the procurement events, and was one of the winning bidders in certain of those events.

Based on CCG’s experiences in the recent procurement events, as well as its expertise over the years in other procurement events in Illinois and other jurisdictions, ExGen proposes the following recommendations for improvements to the future procurement processes to be overseen by the IPA, focusing on improvements to the procurement calendar:

- Hold Procurements Earlier in the Week;
- Notify Potentially Winning Bidders Same Day; and
- Hold REC Procurement Events Earlier.

Continued refinements and improvements to IPA plans over the years will no doubt become increasingly important due to the evolving retail market. At the time of the first IPA plan, residential customers were being served almost exclusively by utility bundled service products. Those numbers have changed dramatically in the intervening years. There are now over 30 Retail Electric Suppliers serving residential customers in Illinois and, according to the Commission's "Plug In Illinois" website, over 451,000 Illinois households have already switched to RES service. With an ever-growing list of communities throughout the state that are exploring municipal aggregation, the number of customers and corresponding amount of load to be served by a RES is likely to continue. Consequently, the amount of load to be served through procurements under future IPA plans will likely further decline. With that in mind, the IPA should explore, and be open to, modifications to future procurement cycles to best meet the new reality.

III. ARGUMENT

A. Hold Procurements Earlier In the Week

The Commission and the IPA have made great strides over the years to refine the procurement process, and can and should continue to improve the process in order to minimize the effects of market volatility, to the extent possible. Specifically, procurements should be scheduled for the early part of the week – preferably Monday, although Tuesday is acceptable. Gas storage numbers come out every Thursday, which makes the energy market more volatile for a period of time prior to and after those numbers come out. Compounding this volatility would be to conduct procurement events

on Fridays as bidders will have to hold bids open over the weekend. The longer that bids must remain open, and be subject to the possibility that bids will be rejected, the greater the likelihood that consumers will ultimately be economically harmed. These risks are particularly important in procurement events involving Block Energy Products, given the natural volatility that is inherent in the energy market. Potential suppliers have to incorporate such risks in their bids, which necessarily translates into bid prices to the detriment of consumers. That risk can be easily removed from the procurement process by scheduling procurement events for the beginning of the week.

B. Notify Potentially Winning Bidders Same Day

The time period between the submission of bids and the timing that potentially winning suppliers are notified should be shortened, to the greatest extent possible. Both the IPA and the Commission are to be commended for reducing the time period between submission of bids and contract execution over the years. The IPA Plan resulted in submission of potentially winning bids in a shorter time frame than the outside limits established under the law, and the Commission likewise expeditiously evaluated and approved the results of the procurement events during this most recent procurement cycle. However, further improvements can be made in shortening the time period for “informal” notification to potentially winning bidders.

Decreasing the length of time between submission of the bid and notification of likely bid award decreases the risk that suppliers bear, which would likely lead to lower overall bid prices. Such a result is consistent with the legislative mandate that:

The Commission shall approve the procurement plan if the Commission determines that it will ensure adequate, reliable, affordable, efficient, and

environmentally sustainable electric service **at the lowest total cost over time**, taking into account any benefits of price stability.¹

Given that the Block Energy Products are standard wholesale energy products, the review of these bids should be relatively straightforward, and should not require additional review time. ExGen appreciates the efforts by the procurement administrators to convey their recommendations to the Commission expeditiously, and the Commission's prompt action in reviewing those recommendations. However, any time that can be further reduced off of the current process is of benefit to suppliers, and therefore ultimately will inure to the benefit of ratepayers.

Ideally, bids would be submitted in the morning with results as to likely winning bidders provided by 2 PM that day or bids would be submitted at the end of day with results as to the likely winning bidders provided that evening. The review of bids for standard Block Energy Products should be relatively straightforward, and should not require additional time.

C. Hold REC Procurement Events Earlier

The timing of the REC procurements could likewise benefit from further refinement with regard to timing. Previous years' REC procurements were held weeks later than the energy and capacity procurements, which is unnecessary and detrimental to the retail market.

Holding REC procurements closer in time to the energy and capacity procurements will aid retail suppliers and customers. Upon completion of the procurements, utilities must run the numbers through their respective rate translation mechanisms to arrive at a particular price per kWh for bundled service customers. The

¹ 220 ILCS 5/16-111.5(d)(3) (emphasis added).

utilities obviously cannot calculate new rates, and the Commission cannot publish the new “Price to Compare” until after the Commission has approved the REC procurements, which are historically the last piece of the supply puzzle. Holding procurements so close in time to June 1st necessarily backs up the timeline of when those new rates can effectively be published. It is difficult for Retail Electric Suppliers to go to market with offers that were attractive to customers, given that changes to utility bundled rates were imminent, but without knowledge as to those revised rates and tariffs. Delays in release of the tariffs and charges causes substantial confusion and potential competitive harm in the retail market.

While a time lag of several weeks may have been beneficial in the early years of the current construct, the IPA, the utilities, and the procurement administrators are by now very familiar with the process, and can manage the procurements smoothly without the need for a great deal of time in between procurement events. Consequently, any potential need for REC procurements to be so far attenuated from energy and capacity procurements no longer exists. Rather, Exelon proposes that the REC procurements be conducted within days of the energy and capacity procurements.

IV. CONCLUSION

ExGen recommends that future procurement plans and procurement events conducted by the Illinois Power Agency and evaluated by the Commission reflect these improvements to the procurement process. ExGen is confident that its recommendations will promote continued development of Illinois’ competitive markets, for the ultimate benefit of Illinois consumers. ExGen further recommends that the IPA and the

Commission continue to explore other, additional refinements that are designed to meet the needs of the changing retail market.

Respectfully Submitted,

Exelon Generation Company, LLC

A handwritten signature in black ink that reads "Cynthia Fonner Brady". The signature is written in a cursive style with a large initial 'C' and 'B'.

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