

**Comments of Exelon Generation Company, LLC  
Concerning the 2015 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 and to conduct a review of those plans.

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 issued public notice on May 22, 2015, inviting comments relating to the procurement events which were held on behalf of Ameren and ComEd between Summer 2014 and Spring 2015. On June 29, 2015, only the Commission’s auction monitor, Boston Pacific Company, Inc. (“BP”) submitted comments.

**I. BACKGROUND AND SUMMARY OF RECOMMENDATION**

Exelon Generation Company, LLC (“ExGen”), which owns or controls approximately 32,000 MWs of generating facilities, is a subsidiary of Exelon Corporation. ExGen is a power marketer authorized by the Federal Energy Regulatory Commission to sell energy and capacity and certain ancillary services at market-based

rates. Its business includes serving the needs of distribution utilities, co-ops and municipalities that competitively source their load requirements. ExGen 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, ExGen 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”) and Constellation Energy Services, Inc., (“CES”) (formerly Integrys Energy Services, Inc.) provide electricity and energy-related services to retail customers in Illinois as well as in 15 other states and the District of Columbia. The Constellation family of companies includes competitive suppliers of power, natural gas, renewable energy and energy management products and services that together serve more than 100,000 commercial, industrial, public sector, government and institutional customers, and more than 1 million residential customers. CNE and CES each hold 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, Constellation 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.

ExGen appreciates the opportunity to provide reply comments on the most recent procurement events. ExGen 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.

The IPA should explore, and be open to, modifications to future procurement cycles. Based on its 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 that the IPA incorporate full requirements product into its next procurement plan.

## **II. ARGUMENT**

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 best meet the needs of customers as changes occur. One of the most notable changes in the recent past was the cost of capacity for Ameren. As noted by BP, the most recent procurement plans approved capacity purchases for Ameren through the MISO capacity auction, in whole or in part. (BP comments, p. 16). The most recent MISO capacity auction resulted in prices in Ameren's zone of \$150.00/MW-day, compared to \$16.75/MW-day from the previous auction. (*Id.*). The price change in MISO capacity prices coupled with the pass through to Ameren customers, illustrates the opportunity to improve the procurement process.

One way to improve the procurement process is to incorporate full requirements into the next procurement plan. ExGen has been a vocal advocate for the incorporation

of full requirements in procurements since the inception of the IPA, based on its experiences in Illinois and elsewhere. While previous discussions of full requirements have focused on the risks associated with a block-and-spot energy procurement, the most recent MISO capacity auctions demonstrate the risks associated with reliance on other products, as well. A wholesale supplier's greater expertise in daily, active portfolio management activities represents a valuable asset in evaluating and engaging in transactions not only for complex hedges and other energy products, but for more common products in a portfolio. Increased levels of expertise and the ability to take on and manage a large portfolio's risks and responsibilities enable a wholesale supplier to provide significant competitive benefits. Moreover, a wholesale supplier has the added expertise necessary to enter into more complex transactions which can provide additional appropriate management and hedging tools to further drive down costs.

A full requirements approach will limit risks to customers by shifting them from customers to wholesale suppliers, while promoting opportunities for customers by providing well-defined, competitively-procured default service supply that provides appropriate benchmarks for comparisons to product offerings of retail electric suppliers ("RESs"). As risks and costs to ComEd and Ameren appropriately are passed on to their customers, it follows that the full requirements approach limits the risk to utilities' customers by shifting them largely to full requirements product suppliers.

#### **IV. CONCLUSION**

ExGen recommends that future procurement plans and procurement events conducted by the Illinois Power Agency and evaluated by the Commission include full

requirements procurements. ExGen is confident that its recommendation will promote continued development of Illinois' competitive markets and help mitigate market volatility, 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 long, sweeping tail on the letter "y".

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