Competitive Issues Working Group

May 12, 2004

Minutes

The first meeting was called to order at 10 a.m. by Commissioner Erin O'Connell-Diaz. Commissioner O'Connell-Diaz provided an overview of the entire Post 2006 Initiative workshop process that will culminate with Reports being issued by early September. It was announced that there will be weekly meetings of all of the Convener/Reporters every Friday.

Convener Philip R. O'Connor – Vice President – Constellation NewEnergy reiterated the goal of the process and that all discussions are to be free and open. Additionally, it was noted that conversations, discussions, representations in the workshop process are not to be quoted or utilized in any current or future Commission proceeding or other forum. A form of admonition regarding anti-trust issues was distributed to the parties. The parties proceeded to introduce themselves.

In attendance, there were representatives from ICC Staff, Electric Utilities (Exelon/ComEd, Ameren, Illinois Power, MidAmerican, Alliant) Retail Electric Suppliers ("RESs") (Ameren Energy Marketing, Constellation NewEnergy, MidAmerican, Peoples Energy Services, Exelon Energy Services), Other Potential RESs (Centrica/Direct Energy, Reliant), Independent Power Producers (Midwest Generation, Reliant, Dynegy), Consumer & Governmental Representatives (CUB, AG, City of Chicago, Cook County State's Attorney, Department of Commerce and Economic Opportunity, Lt. Governor Quinn, Center for Neighborhood Technologies), Consultants (GEV Corp., URM), Industrial Customers (IIEC, Trizec Properties), IBEW.

David Fein provided a brief update on the work of an overall attorney subgroup on the preparation of a Confidentiality Agreement. While the parties were unable to agree upon the use of a Confidentiality Agreement. The subgroup, led by ICC General Counsel Casey, has prepared a Confidentiality Agreement in the event that one is deemed necessary at some point in the process.

Meeting Schedule Discussion:

Goal -- Coordination/Double-up meetings with other working groups

- Rates and Procurement Working Groups have a close nexus
- Cities outside of Chicago for some meetings
- Electronic participation – web-based ability to work together
- Conference calling capabilities
- Meetings Locations
- Coordinate with Other Working Groups
- Joint Meetings with Other Groups
- Set Days for meetings

Objectives/Goals

Reach consensus on as many issues as possible.

Where consensus is not possible clearly define the issue and provide potential solutions.

Consider issues in two large groups of (1) policy; and (2) mechanics and implementation

A wide-ranging, free form discussion commenced that covered various topics, including:

What do we mean by competition and how to get it to work?

Residential customer issue will have major influence on discussion

Consider wholesale competitive issues in this working group because it will not be addressed in the Procurement working group.

Focus on Question 75 for overall policy discussion

Pre-reading material to get the discussion started

Core problem from Staff perspective is that customers need to be protected from failure of competition in the wholesale market. Lt. Governor shares concerns.

> ICC may not have jurisdiction in various areas but can affect policies accepted by FERC and RTOs.

Need to deal with mechanics – there are a whole group of customers that are impacted because they are out in the competitive market today

Assume we can affect the outcome but develop protections in case actual outcomes may be inadvertently adverse.

Providers express interest in serving residential customers in Illinois.

> Would like to see structure established to foster competition for this segment

To what extent should be consider Core v. Non-Core construct similar to California?

> Whether there will be a default service is a better context for consideration

What should be the default mechanism other than hourly energy rates for residential and small commercial customers?

<u>Texas</u>

Default service model in Texas needs to be considered as a good model.

Over 40% of customers have chosen competitive suppliers

What about customers who don't choose?

TEXAS MODEL A GOOD TOPIC FOR A WORKSHOP

Texas statute distinguished between standard offer service and provider of last resort service

PUA allows competition for residential customers. In the near tern (2007), don't expect to see competition happen. Want prudent purchasing practices for the utility with 100% of market. Price cannot be beat by marketers because utility should be able to procure it cheaper. Start with great skepticism.

Our issues overlap somewhat with the Utility Service Obligations Working Group.

IIEC - 16-111(i) – Utilities required to offer a bundled service to customers. General Assembly set a structure.

WORKSHOP ON THE WHOLESALE COMPETITIVE MARKET suggested.

WORKSHOP ON DSM OPTIONS suggest and the impact that PJM Tariffs might have on such options was mentioned as a good topic.

Models/Experiences in Other States Discussed
- Status of Markets for Residential and Small Commercial
- Wholesale Market in Illinois (liquidity, supply, role of RTOs)
- Demand Response Programs

Wholesale Competition Approach - Paul Joskow Paper

Look at all of the Models
- See how they all fit under Ill PUA

Possible MISO/PJM Workshop Discussed
- Seams
- Rules impact on wholesale competition
- Rules impact on retail competition

How the Existing Law Impacts the Discussion
- Suggestion that Working Groups address the framework of the existing law

Scheduling Going Forward

Agenda/Issues to be circulated in advance

Implementation & Mechanics of Competition
List of Areas/Issues/processes
Eg. Wet Signature

Policy Issues
Should any be stricken?
Should any be amplified?
Any issues missing? (look to Staff White Paper)

Middle of Week/Double-up for Meetings Preferred

List of Attendees will be distributed (email list, web access)

Goal for next meeting – list of issues that parties want addressed in the process and framework for consolidated