

Annual Report to the General Assembly, the Governor, and the Illinois Commerce Commission



Submitted pursuant to Section 20-110
of the Illinois Public Utilities Act

Office of Retail Market Development
Illinois Commerce Commission
June 2018

STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

June 29, 2018

The Honorable Bruce Rauner
Governor

The Honorable Members of the Illinois General Assembly

The Honorable Members of the Illinois Commerce Commission

Please find enclosed the ICC's Office of Retail Market Development's annual report. This report is submitted in compliance with Section 20-110 of the "Retail Electric Competition Act of 2006" [220 ILCS 5/20-110]. Section 20-110 requires the Director of the Office of Retail Market Development to annually report specific accomplishments in promoting retail electric competition.

Sincerely,

A handwritten signature in black ink that reads "Jean Gibson". The signature is written in a cursive style.

Jean Gibson
Director, Office of Retail Market Development

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I. Statement of Purpose

Section 20-102 of the Retail Electric Competition Act of 2006 (“Retail Competition Act”) states that

“a competitive wholesale electricity market alone will not deliver the full benefits of competition to Illinois consumers. For Illinois consumers to receive products, prices and terms tailored to meet their needs, a competitive wholesale electricity market must be closely linked to a competitive retail electric market. To date, as a result of the Electric Service Customer Choice and Rate Relief Law of 1997, thousands of large Illinois commercial and industrial consumers have experienced the benefits of a competitive retail electricity market. Alternative electric retail suppliers actively compete to supply electricity to large Illinois commercial and industrial consumers with attractive prices, terms, and conditions.

A competitive retail electric market does not yet exist for residential and small commercial consumers. As a result, millions of residential and small commercial consumers in Illinois are faced with escalating heating and power bills and are unable to shop for alternatives to the rates demanded by the State's incumbent electric utilities. The General Assembly reiterates its findings from the Electric Service Customer Choice and Rate Relief Law of 1997 that the Illinois Commerce Commission should promote the development of an effectively competitive retail electricity market that operates efficiently and benefits all Illinois consumers.”

To further the goal of developing an effectively competitive retail electricity market, the Retail Competition Act created the Office of Retail Market Development (ORMD) within the Illinois Commerce Commission (ICC). Section 20-110 of the Retail Competition Act provides that on or before June 30 of each year, the Director of the ORMD submit a report to the Commission, the General Assembly, and the Governor, that details specific accomplishments in promoting retail electric competition achieved by the Office in the prior 12 months and that suggests administrative and legislative action necessary to promote further improvements in retail electric competition.

II. Introduction

Electric consumers in the Ameren Illinois, ComEd, and MidAmerican service territories have the ability to choose who provides the supply portion of their electric service. For retail electric customers, electric supply may be sold by either the utility or an Alternative Retail Electric Supplier (ARES). Regardless of a customer's choice of electric supply, the electric utilities continue to service outages, provide emergency services and answer questions about electric service.

By unbundling the supply from its delivery, retail customers can get direct access to the wholesale market and potentially:

- Lower prices
- A wider array of services
- Customized pricing, terms, and conditions of service

This report aims to provide an overview of the current state of the market including ARES activity and customer switching trends. The data has been analyzed to identify trends and inform recommendations for 2018 aimed at supporting the development of competitive retail electric markets.

This study is divided into two main customer markets:

1. **Non-Residential:** This market includes all commercial and industrial customers with peak electric demand ranging from less than 100 kW to more than 1 MW. The terms “non-residential” and “commercial” are used throughout this report to refer to this market.
 - a. **Small:** In this report the small non-residential market is comprised of 0 – 100 kW customers in the ComEd and Ameren Illinois territories.
 - b. **Medium:** The medium non-residential market is comprised of 100 – 400 kW customers in this report. The following provides a history of the competitive declarations for this general customer class:
 - i. **100 – 400 kW in the ComEd Territory:** Section 16-113(g) gives both ComEd and Ameren Illinois the ability to declare the provision of power and energy to customers with peak demands of at least 100 kilowatts but less than 400 kilowatts to be competitive if certain conditions are met. In 2007, ComEd filed a petition for competitive declaration and the ICC found that ComEd had satisfied the statutory requirements and therefore the provision of power and energy to those customers has been declared competitive as of November 2007.¹ As a result of the competitive declaration, since the end of the May 2010 billing period, all customers in the 100 - 400kW class, with the exception of some statutorily exempted condominium associations, are taking supply service from the utility on an hourly-pricing basis or they are receiving service from an ARES.
 - ii. **150 – 400 kW in the Ameren Illinois Territory:** In 2011, Ameren Illinois filed a petition for competitive declaration of its customers with peak demands above 150 kilowatts but less than 400 kW.² The Ameren petition stated that 67% of Ameren customers with peak demands between 150 and 400 kilowatts were currently being served by an ARES. The ICC approved the petition, and thus, as

¹ ICC Docket No. 07-0478

² ICC Docket No. 11-0192

of May 2014, Ameren Illinois no longer provides fixed-price bundled electric service to customers with peak demands above 150kW.

- c. **Large:** In this report, large non-residential customers are considered those with peak electric demand between 400 kW – 1 MW
 - i. **400 kW or More:** As of August 2007, Section 16-113(f) of the Act declared the provision of electric power and energy to retail customers of ComEd and Ameren Illinois with peak demands of at least 400 kilowatts to be a competitive service. In subsequent years, Ameren Illinois and ComEd discontinued fixed-price bundled service to those customers.
 - d. **Very Large:** Very large customers are considered those between 1 – 10 MW in the ComEd territory and those between 1 – 6 MW in the Ameren Illinois territory. Per the note above, the provision of electric power and energy to this customer class has been competitive since August 2007.
2. **Residential:** This market includes all residential customers in the ComEd and three Ameren Illinois territories.

As a result of the competitive declarations described above, the only non-residential customers still able to receive fixed-price supply service from the utility today are ComEd customers with demand below 100kW and Ameren Illinois customers with demand below 150kW. All other non-residential customers receive their power from a competitive supplier or they are on the utility's hourly-pricing option.

Note that due to the relatively small size of the MidAmerican territory in Illinois and the presence of only one ARES in that market, data from MidAmerican territory is not included in this report.

III. Executive Summary

A. Market Participation

Statewide, the number of alternative retail electric suppliers (ARES) and agents, brokers and consultants (ABCs) certified by the ICC to serve retail customers has been increasing. However, in general the number of customers choosing to receive their electric supply from an ARES is decreasing, most significantly in the residential market. Despite this fact, ARES are supplying more electricity to the market than last year. Table 1 summarizes the quantity of ARES customers and their usage by year, utility territory, and customer class:

Table 1: SUMMARY OF MARKET INDICATORS (QUANTITY)

	Quantity		Trend	Percent Change
	2017	2018		
Quantity of Customers	2,107,771	2,002,623	↓	-5.0%
ComEd	1,377,531	1,282,859	↓	-6.9%
Non-Residential	132,632	132,491	↓	-0.1%
Residential	1,244,899	1,150,368	↓	-7.6%
Ameren (All RZ)	730,240	719,764	↓	-1.4%
Non-Residential	94,005	95,750	↑	1.9%
Residential	636,235	624,014	↓	-1.9%
Ameren RZ I	214,381	207,270	↓	-3.3%
Non-Residential	32,308	32,730	↑	1.3%
Residential	182,073	174,540	↓	-4.1%
Ameren RZ II	143,351	142,065	↓	-0.9%
Non-Residential	15,912	16,478	↑	3.6%
Residential	127,439	125,587	↓	-1.5%
Ameren RZ III	372,508	370,429	↓	-0.6%
Non-Residential	45,785	46,542	↑	1.7%
Residential	326,723	323,887	↓	-0.9%
Usage Provided by ARES	5,905,928,677	6,087,340,227	↑	3.1%
ComEd	3,912,201,813	3,935,234,969	↑	0.6%
Non-Residential	3,297,665,077	3,346,052,895	↑	1.5%
Residential	614,536,736	589,182,074	↓	-4.1%
Ameren (All RZ)	1,993,726,864	2,152,105,258	↑	7.9%
Non-Residential	1,604,501,622	1,731,385,173	↑	7.9%
Residential	389,225,242	420,720,085	↑	8.1%
Ameren RZ I	700,143,442	738,586,841	↑	5.5%
Non-Residential	583,704,752	612,497,724	↑	4.9%
Residential	116,438,690	126,089,117	↑	8.3%
Ameren RZ II	322,426,171	370,450,235	↑	14.9%
Non-Residential	243,536,658	286,042,514	↑	17.5%
Residential	78,889,513	84,407,721	↑	7.0%
Ameren RZ III	971,157,251	1,043,068,182	↑	7.4%
Non-Residential	777,260,212	832,844,935	↑	7.2%
Residential	193,897,039	210,223,247	↑	8.4%

2018 Snapshot

228,241

non-residential customers on ARES supply, compared to 226,637 last year.

1.77 Million
residential

customers on ARES supply, compared to 1.88 Million last year.

103 ARES

certified in the state, compared to 98 last year.

399 ABCs

certified in the state, compared to 367 last year.

The percentages in Table 2 compare:

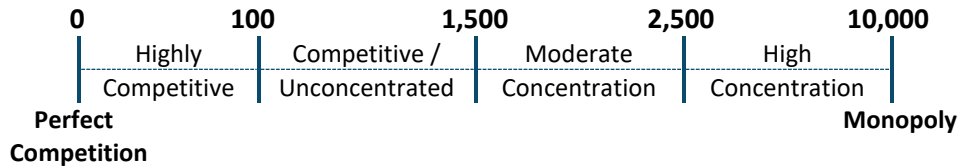
1. The total number of customers on ARES supply to the total number of customers in the market.
2. The total usage provided by ARES as a percent of the total usage provided to the market.

Table 2: SUMMARY OF MARKET INDICATORS (PERCENT)

	Percent of Total Market		Trend	Percent Change
	2017	2018		
Quantity of Customers	42%	40%	↓	-2.2%
ComEd	36%	33%	↓	-3.0%
Non-Residential	46%	46%	↓	0.0%
Residential	35%	32%	↓	-3.0%
Ameren (All RZ)	60%	59%	↓	-0.9%
Non-Residential	58%	59%	↑	1.0%
Residential	60%	59%	↓	-1.2%
Ameren RZ I	56%	54%	↓	-2.1%
Non-Residential	55%	56%	↑	0.6%
Residential	56%	54%	↓	-2.3%
Ameren RZ II	66%	66%	↓	-0.3%
Non-Residential	59%	61%	↑	1.9%
Residential	67%	66%	↓	-1.4%
Ameren RZ III	60%	60%	↓	-0.1%
Non-Residential	60%	60%	↑	0.3%
Residential	60%	60%	↓	-0.1%
Usage Provided by ARES	74%	73%	↓	-0.7%
ComEd	71%	69%	↓	-2.0%
Non-Residential	83%	82%	↓	-1.0%
Residential	39%	36%	↓	-3.0%
Ameren (All RZ)	80%	81%	↑	1.3%
Non-Residential	86%	89%	↑	3.0%
Residential	61%	60%	↓	-1.2%
Ameren RZ I	81%	80%	↓	-1.0%
Non-Residential	89%	89%	↓	0.0%
Residential	57%	55%	↓	-2.0%
Ameren RZ II	80%	84%	↑	3.5%
Non-Residential	85%	91%	↑	5.6%
Residential	68%	67%	↓	-1.4%
Ameren RZ III	78%	81%	↑	2.6%
Non-Residential	84%	88%	↑	3.7%
Residential	61%	60%	↓	-1.3%

B. Market Competitiveness

The competitiveness of the market is also an important indicator. The Herfindahl-Hirschmann Index (HHI) is a common indicator to measure competition among firms in a defined market. For an in-depth explanation of HHI values, please see page 144. HHI values consider the market share of each firm to rank a market on the following scale, with an HHI of zero being a perfectly competitive market (lots of firms competing) and an HHI of 10,000 being a monopoly (one firm dominates the market):



Overall, the electric supply markets are becoming less competitive—or more concentrated—for non-residential customers statewide and residential customers in the ComEd territory. Alternatively, the residential market in Ameren Illinois territory is becoming more competitive but is still considered highly concentrated. Table 3 summarizes the market competitiveness in each utility territory and is broken out by non-residential and residential HHI values. Note: An increasing trend in HHI values indicates that the market is becoming less competitive.

Table 3: SUMMARY OF MARKET COMPETITIVENESS

	HHI Value		Current Designation	Trend	Percent Change
	2017	2018			
Competitiveness of ARES Market					
ComEd					
Non-Residential	1,382	1,958	Moderate Concentration	↑	41.7%
Residential	696	1,250	Competitive	↑	79.6%
Ameren RZ I					
Non-Residential	1,979	2,139	Moderate Concentration	↑	8.1%
Residential	3,878	3,863	High Concentration	↓	-0.4%
Ameren RZ II					
Non-Residential	1,435	1,934	Moderate Concentration	↑	34.8%
Residential	5,465	5,287	High Concentration	↓	-3.2%
Ameren RZ III					
Non-Residential	1,353	1,490	Competitive	↑	10.2%
Residential	4,482	3,882	High Concentration	↓	-13.4%

C. Consumer Offers and Spending

Consumer resources are still available on PlugInIllinois.org and, as of June 2018, the ComEd territory had 103 different residential offers posted and the Ameren Illinois territory had 42 different residential offers posted. A majority of these offers have fixed rates (typically for a year) with early termination fees.

As of June 2018, 229 of the 728 communities who implemented an aggregation program let their aggregation end (about 31%). However, twenty percent of the state's residential consumers are still receiving their electric supply through a municipal aggregation program. In addition, the number of residential customers receiving ARES service *outside* of an aggregation program has slightly increased but remains at 18% of the total residential customers in the state.

On average, residential ARES customers in the ComEd territory paid around \$10.2 million more per month during the last twelve months when compared to the ComEd Price-to-Compare (PTC)³ and \$11.5 million more per month during the last twelve months when compared to the ComEd PTC including the Purchased Electricity Adjustment (PEA).⁴ In terms of cents per kWh, residential ARES customers in the ComEd territory paid about 1.289 cents/kWh more when compared to the ComEd PTC only, and about 1.445 cents/kWh more when including the PEA.

In the Ameren Illinois territory, residential ARES customers paid around \$6 million more per month during the last twelve months when compared to the Ameren Illinois PTC and \$7.4 million more per month during the last twelve months when compared to the Ameren Illinois PTC including the PEA. In terms of cents per kWh, residential ARES customers in the Ameren Illinois territory paid about 1.073 cents/kWh more when compared to the Ameren Illinois PTC only, and about 1.330 cents/kWh more when including the PEA.

³ The PTC is the monthly Electric Supply Charge plus the Transmission Services Charge (cents/kWh) that a customer would be charged by the utility.

⁴ The PEA is a monthly fluctuating true-up mechanism for the utility, matching incurred supply costs to actual received supply revenues. The PEA is therefore a credit in some months and a charge in others.

IV. General Market Activity

A. ARES Requirements

Alternative retail electric suppliers (ARES) that wish to provide services to the retail electric market in Illinois have several requirements they must fulfill prior to participation, which include:

- **Certification:** ARES must obtain a certificate of service authority from the ICC
- **Registration:** ARES must also register with the electric utilities
- **Meet standards:** ARES must adhere to requirements as described in the Illinois Public Utilities Act

B. Certified, Registered, and Active ARES

Table 4 lists the number of ARES as of May 2016, 2017, and 2018 that have obtained ICC certification pursuant to Section 16-115. Overall, data this year shows an increase in the number of certified ARES but fewer of them serving the residential and small non-residential markets.

Table 4: CERTIFIED ARES STATEWIDE

	2016	2017	2018	Trend	Percent Change from 2017 to 2018
Total Quantity of Certified ARES	89	98	103	Increasing	+5%
Subpart B (Nonresidential > 1 MW)	2	2	2	Steady	—
Subpart C (Nonresidential > 15,000 kWh)	2	2	2	Steady	—
Subpart D (All customers)	67	89	85	Decreasing	-4%
Subpart E (Themselves or Affiliates)	10	10	14	Increasing	+40%

Aside from receiving a certificate from the ICC, ARES must also register with the electric utility and complete certain technical testing before they can start offering retail electric service in Illinois. The registration quantities below are for all certificates. Table 5 also shows the number of active ARES each year by utility territory.⁵ An ARES is considered active when a utility reports the ARES has at least one customer receiving supply, even if it is only to themselves or an affiliate.

Table 5: REGISTERED AND ACTIVE ARES BY UTILITY TERRITORY

	2016 ⁶	2017 ⁷	2018	Trend	Percent Change from 2017 to 2018
ComEd Territory					
Completed ARES Registrations	62	84	83	Decreasing	-1%
Active ARES	59	66	73	Increasing	+11%
Ameren Illinois Territory					
Completed ARES Registrations	39	39	44	Increasing	+13%
Active ARES	36	32	37	Increasing	+16%

⁵ In order to maintain consistency with the reporting of previous years, the table includes ARES providing power to themselves or their subsidiaries. Also, several suppliers operate in more than one utility territory.

⁶ The values for the June 2015 – May 2016 year were collected in December 2015

⁷ The values for the June 2016 – May 2017 year were collected in December 2016

Two of the active suppliers are either electric utilities or affiliates of electric or natural gas utilities. In early 2015, the MidAmerican territory saw market entry by an ARES and, given the relatively small size of the MidAmerican territory, it is not surprising that no other suppliers have followed suit so far.

Overall, 2018 has shown an increase of active ARES in both Ameren and ComEd territories serving all Illinois customer sizes.

C. Agents, Brokers and Consultants

One additional indicator of competitive activity is the steadily rising number of Agents, Brokers, and Consultants (ABCs) seeking a license pursuant to Section 16-115C of the Public Utilities Act (PUA). Over the last twelve months, 33 ABCs received a license from the ICC and one entity filed to withdraw their license, bringing the total quantity of licensed ABCs to 399.

Table 6: OVERVIEW OF AGENTS, BROKERS AND CONSULTANTS CERTIFICATIONS

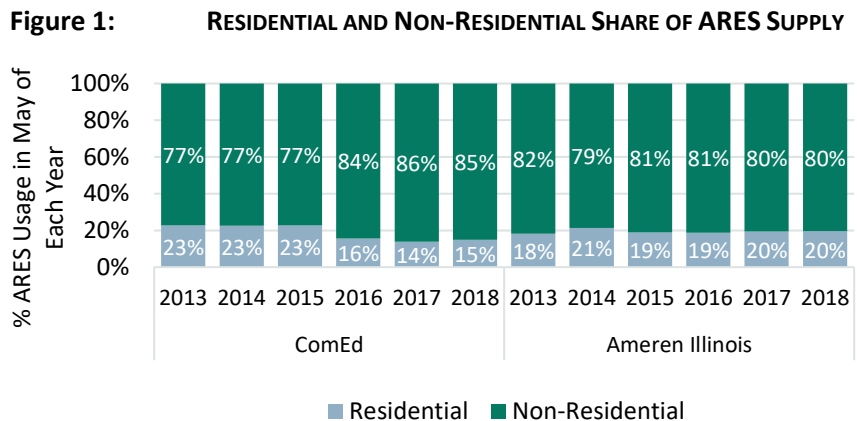
	June 2016 - May 2017	June 2017 - May 2018	Trend	Percent Change
New Licenses	18	33	Increasing	+83%
Withdrawn Licenses	8	1	Decreasing	-88%
Total Licenses	367	399	Increasing	+9%

D. Comparing ARES-Provided Load

While the number of statewide non-residential customers on competitive supply has generally increased from year to year, albeit slowly, the number of residential ARES customers has gone from virtually zero in 2011 to more than 3 million in 2013 and then back down to slightly more than 1.77 million in 2018. As a whole, ARES now have about seven times as many residential customers as they have non-residential customers. Of course, looking at the number of customers gives us only a portion of the overall picture. The following chart shows that even the large rise in the quantity of residential customers over the years has not changed the fact that, as a whole, suppliers provide substantially more electricity to non-residential than to residential customers.

In terms of monthly kilowatt hours, the active suppliers in the ComEd territory provided 3.3 billion kWh to their non-residential customers in May 2018. The non-residential usage provided by the suppliers continues to be a majority of

ARES-provided usage and the electricity provided to residential customers has remained steady at about 15% of the total ARES usage in the ComEd territory over the last three years. Additionally, the active suppliers in the Ameren Illinois territory have steadily provided about 80% of their supply to non-residential customers for the past five years. It is important to note that while the percent has remained consistent in the Ameren Illinois territory, the total ARES-provided usage is at a six-year high.



V. Non-Residential Market

Non-residential market activity will be captured by looking at three different indicators:

1. ARES-provided usage of non-residential customers over the previous twelve months and for each of the four utility areas.
2. ARES use of Utility Consolidated Billing (UCB)/Purchase of Receivables (POR) for non-residential customers.
3. The competitiveness of each non-residential market.

A. Non-Residential Customer Switching

In 2009, 75% of the electric consumption of non-residential Illinois customers was provided by ARES and the percent has been growing since. In 2011, 80% of the total electric usage of non-residential Illinois customers was provided by ARES. The share of ARES-provided usage alternated between 84% and 85% for the past five years. This year, the percent of the non-residential market served by ARES has increased statewide and in the Ameren territory, but decreased in the ComEd territory:

Table 7: PERCENT OF NON-RESIDENTIAL USAGE PROVIDED BY ARES

	May 2014	May 2015	May 2016	May 2017	May 2018	Trend
Statewide	84%	84%	85%	84%	85%	Increasing
ComEd	84%	85%	84%	83%	82%	Decreasing
Ameren	83%	82%	87%	86%	89%	Increasing

The following provides detailed non-residential usage information for the four utility territories.

1. ComEd Territory

As of May, 2018, 82% of the total electric usage of ComEd non-residential customers was provided by ARES (down from 83% last year). Table 8 breaks out the percent of usage provided by ARES for each non-residential class by year. Within the ComEd territory there has been a slight reduction in usage provided to non-residential customers when comparing 2018 to 2017. However, as can be seen in Figure 2, usage provided to non-residential customers has been fairly stable in the ComEd territory since 2013. The electric usage provided by ARES to the various non-residential customer classes for the past eight years⁸ is also shown.

Figure 2: PERCENT OF COMED NON-RESIDENTIAL USAGE PROVIDED BY ARES

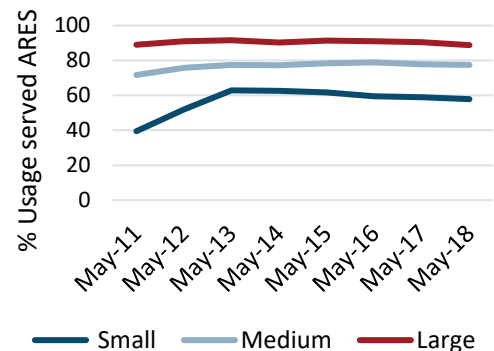


Table 8: PERCENT OF COMED NON-RESIDENTIAL USAGE PROVIDED BY ARES

	May 2014	May 2015	May 2016	May 2017	May 2018	Trend
Small (0 – 100 kW)	63%	62%	60%	59%	58%	Decreasing
Medium (100 – 400 kW)	77%	78%	79%	78%	77%	Decreasing
Large (400 kW – 1 MW)	90%	91%	91%	90%	89%	Decreasing
Greater than 1 MW	96%	96%	96%	97%	95%	Decreasing

⁸ Data as of May 31 of each year.

2. Ameren Illinois Territories

The Ameren territory is comprised of three rate zones (RZ) for which usage data can be seen broken out below. Overall, there has been a +/-1% change in most non-residential customer classes except the 100 – 400 kW class in Ameren RZ II which grew by 2%.

a) Ameren Illinois Rate Zone I

As of May 2018, 89% of the total non-residential electric usage of RZ I customers was provided by ARES (unchanged from last year). Table 9 breaks out the percent of usage provided by ARES for each non-residential class by year. Figure 3 shows the electric usage provided by ARES to the various non-residential customer classes for the past eight years.⁹

Figure 3: PERCENT OF AMEREN RZ I NON-RESIDENTIAL USAGE PROVIDED BY ARES

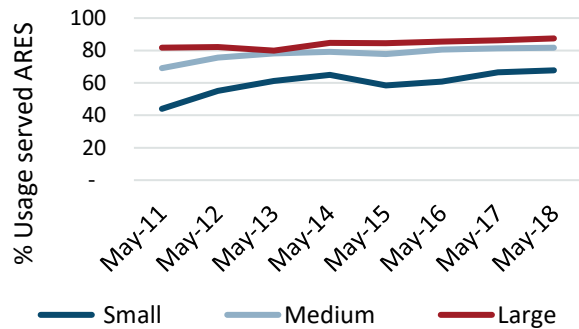


Table 9: PERCENT OF AMEREN RZ I NON-RESIDENTIAL USAGE PROVIDED BY ARES

	May 2014	May 2015	May 2016	May 2017	May 2018	Trend
Small (0 – 100 kW)	65%	59%	61%	67%	68%	Increasing
Medium (100 – 400 kW)	79%	78%	81%	81%	82%	Increasing
Large (400 kW – 1 MW)	85%	84%	86%	86%	87%	Increasing

b) Ameren Illinois Rate Zone II

Ameren Illinois RZ II saw a significant increase of non-residential customer usage provided by ARES in 2018. As of May 2018, 91% of the total non-residential electric usage of RZ II customers was provided by ARES (compared to 85% last year). While electric usage provided by ARES to large customers remains unchanged for the last 4 years, increases of usage provided to small and medium non-residential customers can be seen in Table 10. Figure 4 shows the electric usage provided by ARES to the various non-residential customer classes for the past eight years.¹⁰

Figure 4: PERCENT OF AMEREN RZ II NON-RESIDENTIAL USAGE PROVIDED BY ARES

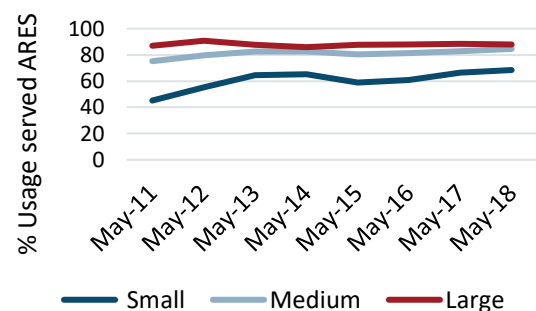


Table 10: PERCENT OF AMEREN RZ II NON-RESIDENTIAL USAGE PROVIDED BY ARES

	May 2014	May 2015	May 2016	May 2017	May 2018	Trend
Small (0 – 100 kW)	65%	59%	61%	67%	68%	Increasing
Medium (100 – 400 kW)	83%	80%	81%	83%	85%	Increasing
Large (400 kW – 1 MW)	86%	88%	88%	88%	88%	Steady

⁹ Data as of May 31 of each year.

¹⁰ Data as of May 31 of each year.

c) *Ameren Illinois Rate Zone III*

As of May 2018, 88% of the total non-residential electric usage of RZ III customers was provided by ARES (up from 84% last year). The increases in usage provided to small and medium non-residential customers overshadowed the decrease in usage provided to the large customer class. As such, overall usage provided by ARES was more in 2018 compared to 2017. Figure 5 shows the electric usage provided by ARES to the various non-residential customer classes for the past eight years.¹¹

Figure 5: PERCENT OF AMEREN RZ III NON-RESIDENTIAL USAGE PROVIDED BY ARES

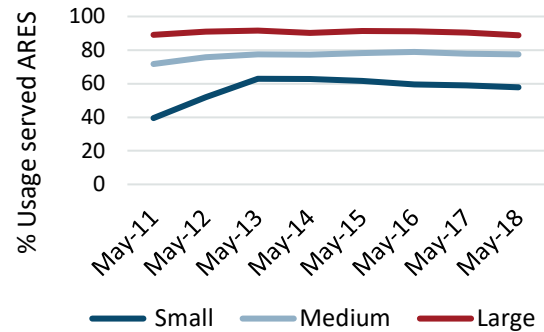


Table 11: PERCENT OF AMEREN RZ III NON-RESIDENTIAL USAGE PROVIDED BY ARES

	May 2014	May 2015	May 2016	May 2017	May 2018	Trend
Small (0 – 100 kW)	67%	61%	63%	66%	67%	Increasing
Medium (100 – 400 kW)	81%	81%	82%	83%	84%	Increasing
Large (400 kW – 1 MW)	90%	88%	88%	89%	88%	Decreasing

B. Supplier Use of UCB/POR for Non-Residential Customers

ComEd and Ameren Illinois are required to offer utility consolidated billing (UCB) and the purchase of receivables (POR) per Sections 16-118 (c) and (d).

ARES customers have the convenience of receiving one single bill containing both electric supply and delivery through UCB. The process occurs when an ARES electronically submits its monthly customer charges for power and energy to the utility which then places those charges, along with its delivery charges, on the customer bill.

The POR process allows an ARES to sell its receivables—the amount that customers owe to that ARES—to the utility at a discount. The POR requirement encourages alternative suppliers to offer their services to every utility customer rather than serve only those above certain credit thresholds, thereby furthering the statutory goal of an “effectively competitive retail electricity market that operates efficiently and benefits all Illinois consumers.”

While Sections 16-118(c) (POR) and 16-118(d) (UCB) appear to be separate and distinct requirements, the utilities have so far focused on an offering that combines the purchase of receivables with the provision of utility consolidated billing. That is, if a supplier enrolls a customer with utility consolidated billing, the supplier then also has to sell the corresponding receivables to the utility at a discount. Because the POR provision in Section 16-118(c) is limited to customers with a demand of less than 400 kW, this combination of utility consolidated billing with the purchase of receivables is therefore also limited to customers with a demand of less than 400 kW.

¹¹ Data as of May 31 of each year.

Table 12: ARES USING UCB/POR SERVICE FOR CUSTOMERS

	May 2016	May 2017	May 2018	Trend	Percent Change
ComEd					
Non-Residential	55	58	60	Increasing	+3%
Residential	56	56	59	Increasing	+5%
Ameren Illinois					
Non-Residential	21	24	28	Increasing	+17%
Residential	22	24	26	Increasing	+8%

While all suppliers are currently using UCB/POR for their residential customers, it is worth noting the widespread use of UCB/POR for non-residential classes as well. In May 2018, ARES used UCB/POR for all non-residential customers for which it was available:

- 41% of their Watt-Hour¹² customers
- 64% of their 0-100kW customers
- 25% of their 100-400kW customers

By reviewing monthly ComEd data, the number of new UCB/POR customers in a particular customer class can be compared to the number of total new ARES customers for that customer class to determine whether UCB/POR was:

- Utilized for some new customers
- Utilized for new customers plus some existing customers
- Removed for more customers than added

Table 13 summarizes how many months in the past year fell into one of these three categories.

Table 13: USE OF UCB/POR IN NON-RESIDENTIAL CLASSES IN COMED TERRITORY

Quantity of Months in the Past Year that...	Watt-Hour	0 - 100 kW	100 - 400 kW
UCB/POR was Utilized for Some New Customers	7	7	5
UCB/POR was Utilized for All New Customers and Existing Customers were Switched to UCB/POR	3	5	3
UCB/POR was Removed for More Customers than Added	2	0	4

¹² The Watt-Hour class consists of small non-residential customers for which no metering equipment or only watt-hour metering equipment is installed at the customer's premises. Generally, a customer in this supply group uses less than 2,000 kWh during a monthly billing period.

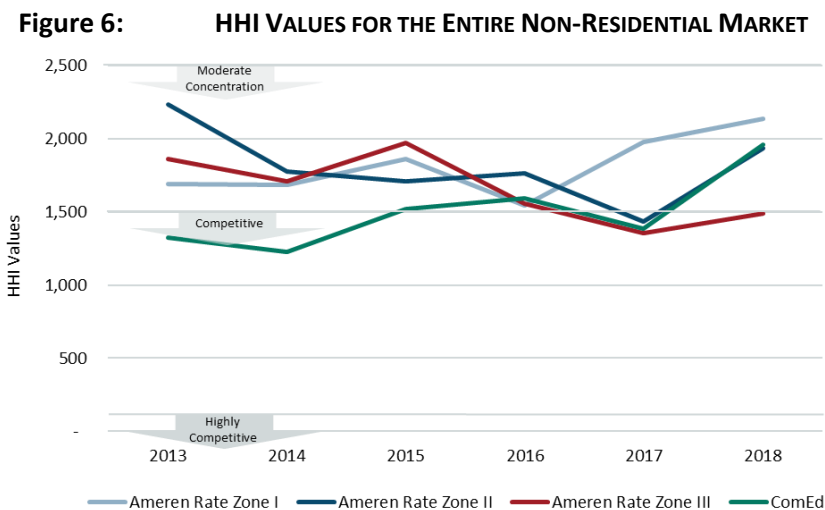
C. Non-Residential Market Competitiveness

Similar to prior annual reports, this report includes an analysis of non-residential market competitiveness using the Herfindahl-Hirschmann Index (HHI), which is a common indicator to measure competition among firms in a defined market. This analysis ranks each market on a scale of perfectly competitive (HHI of zero) to monopoly (HHI of 10,000). In order to estimate market share, the share of electric usage provided by an ARES was used instead of the share of customers served by individual ARES. Either approach would be informative but the amount of kWh served might be more closely related to the financial success of an ARES than the number of customers served.

Retail electric suppliers that provide electric supply only to themselves or their subsidiaries or affiliates were excluded. We also need to emphasize that the numbers below reflect only the segments of the non-residential market that have already switched to a competitive supplier. In other words, the market concentration analysis shown here does not include the customers on utility fixed-price service (where available) or utility-provided hourly service.

Figure 6 shows the HHI values for the total non-residential market among the four utility territories. The overall HHI values shown here display the trend in non-residential market concentration from 2013 to 2018 and allow a relative comparison among the utility service territories.

In 2017, we saw for the first time that the non-residential market was competitive in a majority of the utility territories (three of four). However, this year the HHI of all the markets increased, which moved the ComEd and Ameren RZ II markets from competitive to moderately concentrated. Now three of four markets are moderately concentrated.



Herfindahl-Hirschmann Index

In order to put the market concentration values into perspective, we looked at the revised 2010 Horizontal Merger Guidelines by the Department of Justice (DOJ) and the Federal Trade Commission (FTC), which divide the spectrum of market concentration into three regions.

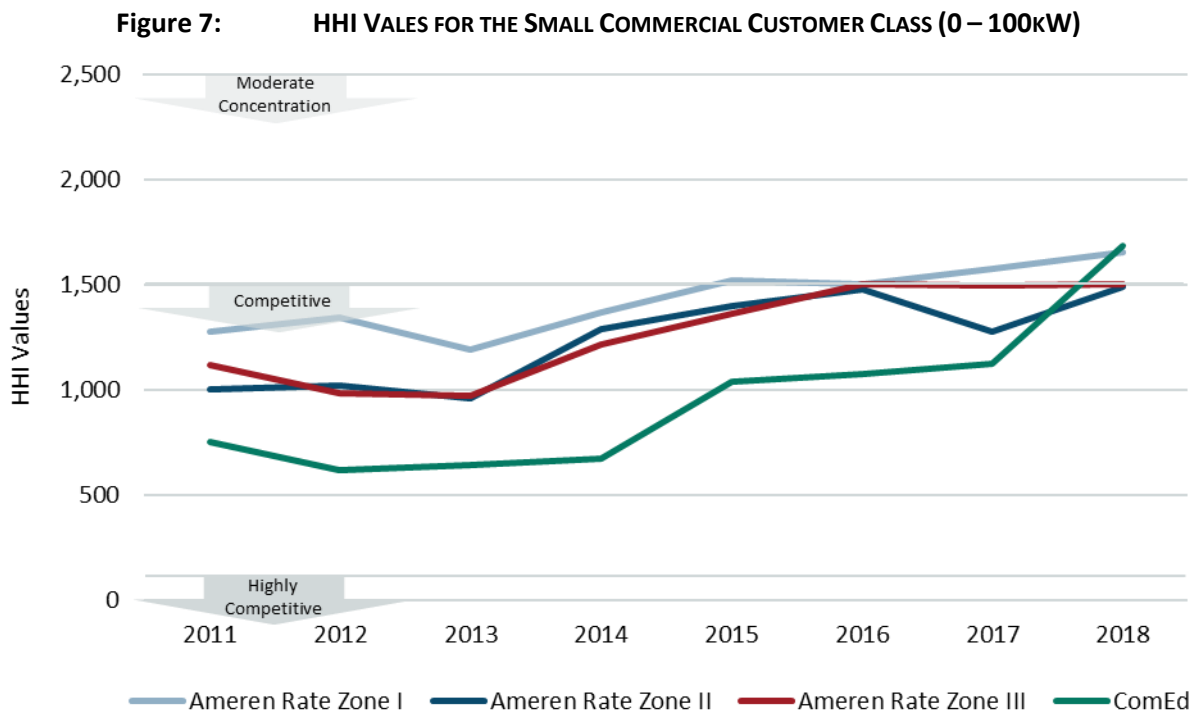
Generally speaking, the revised guidelines state that the DOJ and the FTC view markets as follows:

- **Less than 100** is highly competitive, meaning many similarly sized firms compete for the same customers.
- **Less than 1,500** is competitive or unconcentrated.
- **Between 1,500 and 2,500** is moderately concentrated.
- **Greater than 2,500** is highly concentrated, meaning very few firms dominate the market.
- **10,000** is the highest HHI and the market would be considered a monopoly.

Turning to the individual non-residential customer classes, our analysis shows that the HHI values for the small, medium, and large non-residential customer classes are all hovering between 1,400 and 1,850, which is at the border between a moderately concentrated and a competitive market. This is true for all four utility territories. The data also reveals that market competitiveness decreases as the size of the non-residential customer increases and that the ComEd market is no longer more competitive than the Ameren Illinois markets. In addition, many markets saw a decrease in competition after increases last year.

1. Small Commercial Class Market Competitiveness (0 – 100 kW)

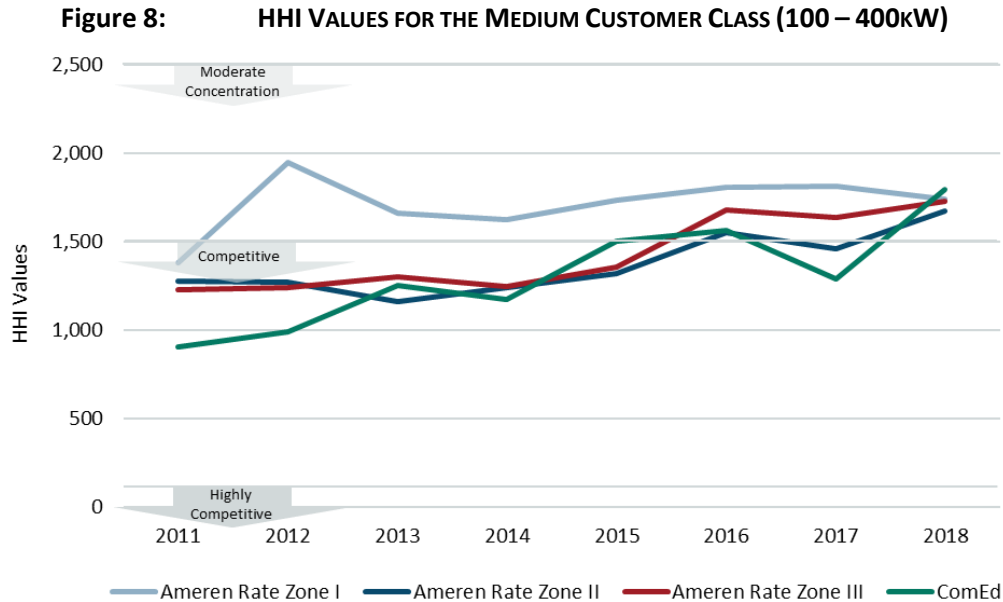
The following graph shows the HHI values for the small commercial class. Generally speaking, the market for the small commercial customers has been, and continues to be, the most competitive non-residential market even though each market’s HHI has increased by an average of 214 points since last year. It appears that this market sees entry not just from ARES whose main focus is the small business customer, but also ARES who generally focus on residential customers and ARES who target the medium and large commercial customers.



As Figure 7 depicts, Ameren RZs II and III saw increases in market concentration (meaning a decrease in competitiveness) compared to last year but the markets are still considered competitive, while the Ameren RZ I is still moderately concentrated. The ComEd market saw a big increase in market concentration from 2014 to 2015, which is partially explained by the Constellation/Integritys merger, and experienced additional small increases in the last two years. This year the ComEd HHI has surpassed the HHI for all three Ameren RZs. Also, for the first time the ComEd market has moved from competitive to moderately concentrated.

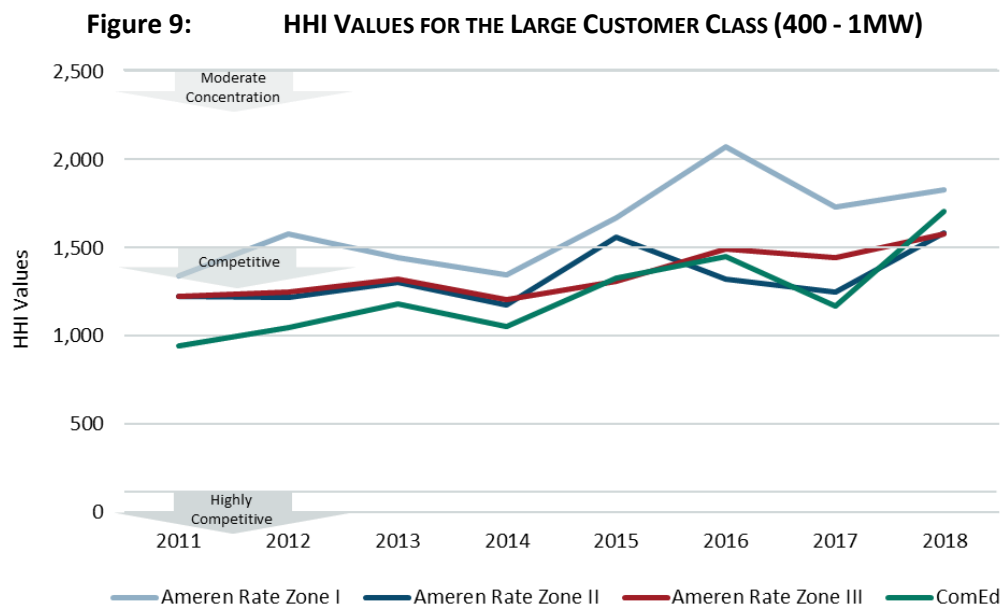
2. Medium Commercial Class Market Competitiveness (100 – 400 kW)

The medium commercial class generally shows HHI values in the 1,100 to 1,800 range for the last six years. This year all the HHI values are between 1,600 – 1,800. The graph below also shows that three of the four markets saw their concentration go up compared to last year.



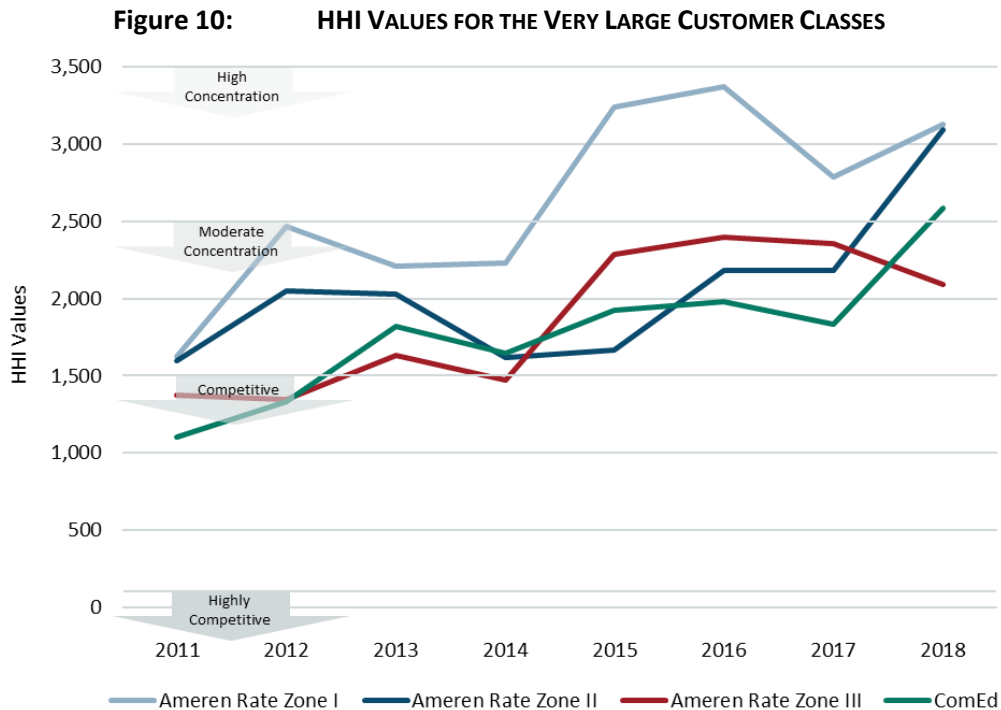
3. Large Commercial Class Market Competitiveness (400 kW – 1 MW)

In the large commercial class market, all four utility areas saw a decrease in market competitiveness this year. All the utility markets are now between 1,500 – 1,850. For reference, there are about 1,022 ARES customers of this size in the three Ameren three RZs and 3,553 in the ComEd territory.



4. Very Large Commercial Class Market Competitiveness

The market for the very large commercial and industrial customers is generally exhibiting the highest non-residential HHI values. The following graph is different from the three previous graphs because the customer sizes are not uniform among the utility areas. This analysis includes ComEd switching activity for the 1 – 10MW class and the Ameren switching activity for the 1 – 3MW and the 3 – 6MW. As a result, the HHI values are not necessarily comparable among the four utility areas but they show some trends nonetheless. The graph shows that Ameren RZ I continues to exhibit the highest market concentration (least competitive), however Ameren RZ II has become significantly more concentrated with only 38 points separating them. At the same time, Ameren RZ III is now the most competitive market for this commercial class.



While we did not include graphs for the largest customer classes, we can report that the following:

- The greater than 10 MW class in the ComEd territory is moderately concentrated and has been for the last five years.
- The greater than 6 MW class in Ameren RZ I is highly concentrated.
- The greater than 6 MW class in Ameren RZ II is highly concentrated.
- The greater than 6 MW class in Ameren RZ III is moderately concentrated.

VI. Residential Market

Residential market activity will be captured by looking at six different indicators:

1. The number of residential customers switching away from the utility supply service over the previous twelve months and for each of the four utility areas
2. Municipal aggregation activity
3. The number of certified and active suppliers and the number and types of residential offers that those suppliers have posted on our website, PlugInIllinois.org
4. Market competitiveness analysis and a deep dive into the ComEd residential market to look at ARES market share
5. The number of informal customer complaints over the last twelve months
6. Estimate of savings (in dollars) realized by the residential customers that have been on ARES service during the last year.

A. Residential Customer Switching

For the third time since residential switching began in 2011, the number of residential customers receiving supply from an ARES decreased year-over-year. As of the end of May 2018, about 1.77 million residential customers were on ARES service, compared to about 1.88 million customers a year earlier and over 3 million customers four years ago. Table 14 shows the number, as well as the percentage, of residential customers who are receiving supply from a competitive supplier.

Table 14: RESIDENTIAL CUSTOMERS ON COMPETITIVE SUPPLY

	May 2012	May 2013	May 2014	May 2015	May 2016	May 2017	May 2018
ComEd	406,144	2,312,654	2,356,669	2,126,674	1,434,319	1,244,899	1,150,368
Ameren Illinois RZ I	28,459	147,513	185,251	172,449	180,480	182,073	174,540
Ameren Illinois RZ II	12,752	138,163	140,439	129,211	126,871	127,439	125,587
Ameren Illinois RZ III	47,124	277,229	345,911	308,554	326,904	326,723	323,887
Total	494,479	2,875,559	3,028,270	2,736,888	2,068,574	1,881,134	1,774,382
Percent of Customers in the Utility Territory on ARES Supply							
ComEd	11.9%	67.7%	68.5%	61.5%	40.9%	35.2%	32.4%
Ameren Illinois RZ I	8.7%	45.2%	63.9%	53.0%	55.6%	56.3%	54.0%
Ameren Illinois RZ II	6.8%	73.2%	74.5%	68.5%	67.1%	67.4%	66.4%
Ameren Illinois RZ III	8.7%	51.2%	63.9%	56.9%	60.2%	60.1%	59.6%

The biggest drop—in percent as well as absolute customer numbers—occurred in the ComEd territory. The number of customers on competitive supply in all Ameren RZs declined slightly compared to last year. The number of residential ARES customers in the ComEd territory—which has more than three times as many residential customers as Ameren Illinois—shrank by about 94,500 in the last year and has decreased by just over 1.2 million customers from the peak in 2014.

The share of residential aggregation customers was 52% of all residential ARES customers in May 2018. This is down from 56% a year earlier and down from 64% two years ago.

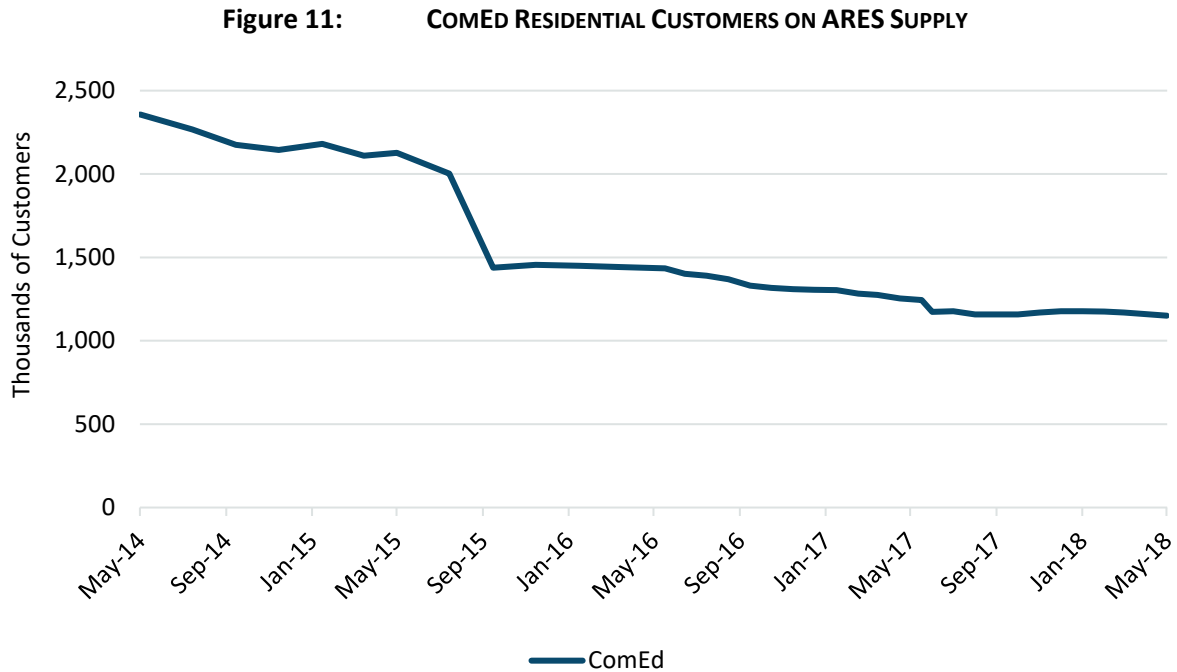
Broken down by utility area, of the 624,014 residential ARES customers in the Ameren Illinois areas, 431,258 (or 69%), are government aggregation customers. This represents a 21 percentage point

decrease compared to the 90% aggregation share from a year earlier. The number of residential aggregation customers decreased by almost 139,000 in the last year. Given that the number of total residential ARES customers decreased by only about 12,000 during the same period, the number of residential customers on non-aggregation ARES service increased significantly in the Ameren Illinois areas during the last 12 months to close this gap.

In the ComEd area, by contrast, only 494,993 of the 1,150,368 residential ARES customers, or 43%, are government aggregation customers. This share is up from 39% last year but still less than two years ago when the share was 55%. There are almost 10,000 more residential aggregation customers in the last year. However, the total number of residential ARES customers decreased by about 95,000 during the same period, so the number of residential customers on non-aggregation ARES service declined.

1. ComEd Territory

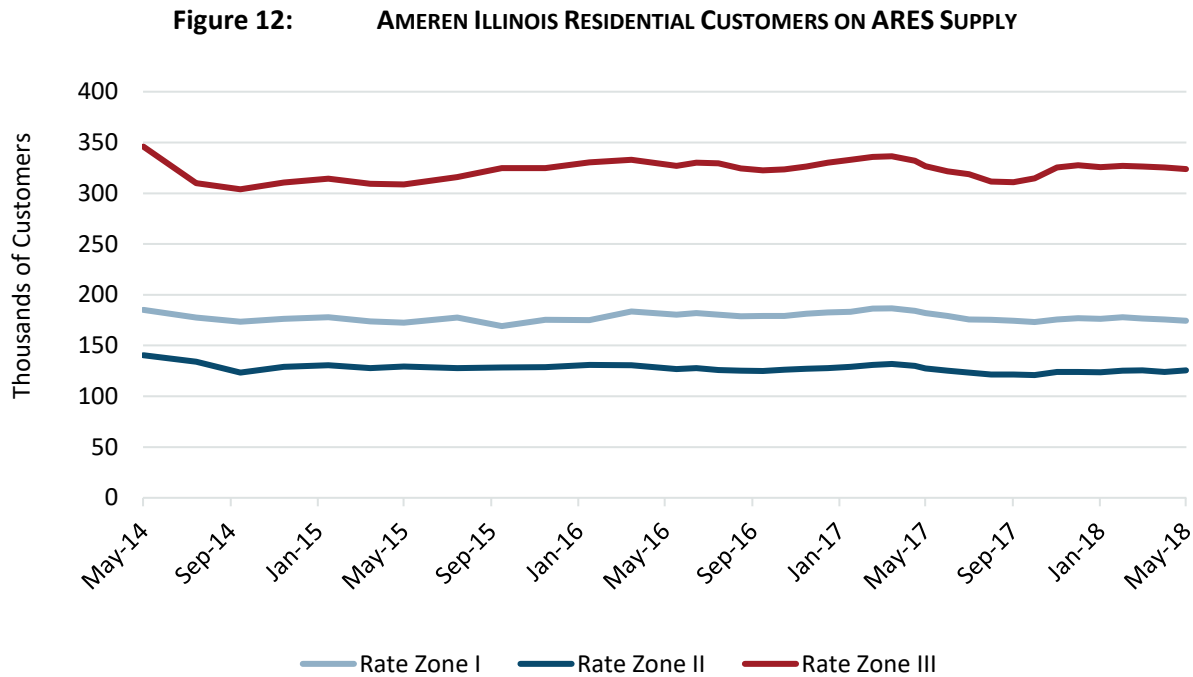
Figure 11 shows the residential switching levels for the ComEd territory.



The graph shows the drop in September 2015 when the City of Chicago ended its aggregation program. The graph also shows a steady decline from the peak in the number of residential ARES customers in 2014. At that time, more than 2.4 million residential customers, or 70% of the total residential customers in the ComEd territory, received electric service from an ARES. As of May 2018, that number has dropped in half with about 32% of residential customers in the ComEd territory receiving electric service from an ARES (including both non-aggregation and aggregation).

3. Ameren Illinois Territories

Figure 12 shows the residential switching levels for all three Ameren Illinois territory.



The Ameren Illinois areas as a whole experience steady residential ARES service during the last two years. As of May 2018, about 54% of residential customers in RZ I, 66% in RZ II, and about 60% in RZ III have switched to a competitive supplier.

B. Municipal/Government Aggregation

Effective January 1, 2010, Public Act 96-0176 amended the Illinois Power Agency Act (“IPA Act”) by allowing municipalities and counties to adopt an ordinance under which they may aggregate electrical load. Specifically, it allows municipal corporate authorities or county boards to adopt an ordinance under which they may aggregate residential and small non-residential retail electrical loads located within their jurisdiction and solicit bids to enter service agreements for the sale and purchase of electricity and related services and equipment.

The law requires the corporate authorities of a municipality, township, or county board to submit a referendum to its residents to determine whether the aggregation program shall operate as an opt-out program for residential and small non-residential customers prior to the adoption of an ordinance for the aggregation of these loads.

Statewide, a total of 749 communities have passed referendums approving aggregation programs. Table 15 compares the municipal aggregation activity over the various election dates:

Table 15: MUNICIPAL AGGREGATION ACTIVITY

	Apr 2011	Mar 2012	Nov 2012	Apr 2013	Mar 2014	Nov 2014	Feb 2015	Mar 2016	Nov 2016
Referendums Passed	20	246	207	204	52	12	2	2	4
Aggregation Programs Announced or Implemented	19	244	192	187	48	8	2	2	4
# of Unique “Winning” Suppliers – ComEd	4	8	8	7	7	1	1	1	N/A
# of Unique “Winning” Suppliers – Ameren Illinois	N/A	3	5	3	1	1	1	1	1
Average Rate – ComEd	5.75	4.85	5.11	5.82	7.04	6.47	6.59	6.29	N/A
Average Rate – Ameren Illinois	N/A	4.12	4.42	4.31	5.34	5.67	5.80	6.19	4.95

The number of different “winning” suppliers, meaning the aggregation suppliers being selected by the community leaders, has declined from a high of 14 different suppliers three years ago to a total of eight suppliers currently serving opt-out aggregation programs. Breaking it down further, there are currently eight different suppliers serving aggregation customers in the ComEd territory and four different suppliers currently serving aggregation customers in the Ameren Illinois territory. All of the aggregation suppliers in Ameren Illinois territory are also aggregation suppliers in the ComEd territory. There is significantly less competition for aggregation contracts in the Ameren Illinois markets than there is for aggregation contracts in the ComEd market. Every initial aggregation contract in the last four sets of Ameren Illinois aggregation communities was won by two suppliers (one for all the March 2014 through March 2016 referendum dates and another for the November 2016 referendum dates). The data gathered from publicly available information also shows that the simple average electric supply rate of the communities with announced or implemented aggregation programs shows significant variation depending on the date of the referendum.¹³ The table shows that the lowest prices have generally been achieved by the communities with a referendum in March 2012.

A number of communities that implemented aggregation programs from 2011 to 2014 have seen their initial contracts expire. Several of them have renewed with the incumbent supplier, others have continued with the aggregation but with a different supplier and some of them have allowed the aggregation program to expire. Table 16 provides an overview as of June 2018.

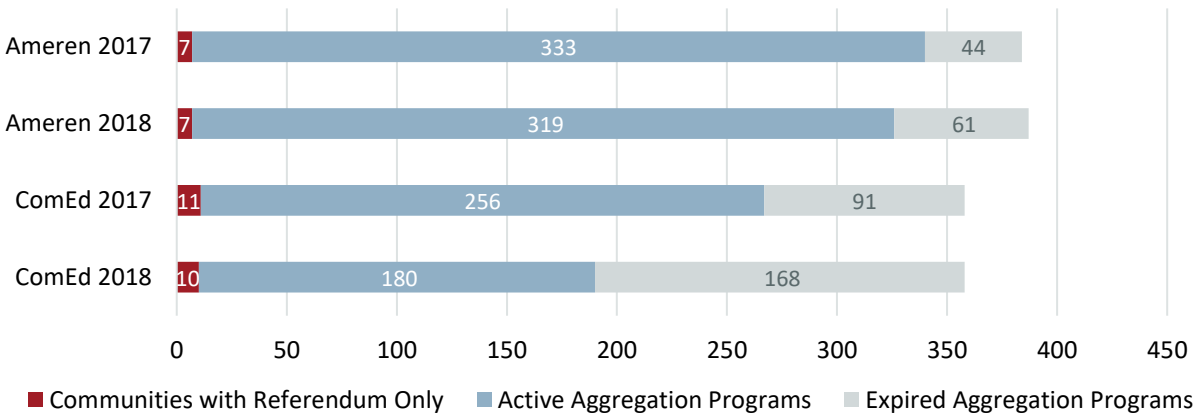
¹³ The information for the aggregation programs is reflective of data that was available as of June 2018. Updated information can be found at www.pluginillinois.org/MunicipalAggregationList.aspx.

Table 16: MUNICIPAL AGGREGATION ACTIVITY BY UTILITY TERRITORY

	Communities Passing a Referendum	Aggregation Programs Implemented	Active Aggregation Programs	Expired Aggregation Programs	Average Rate (in cents per kWh)
ComEd	358	348 (97%)	180 (52%)	168 (48%)	6.764
Ameren	387	380 (98%)	319 (84%)	61 (16%)	5.799
Total	745	728 (98%)	499 (68%)	229 (31%)	6.2815

As of June 2018, 229 of the 728 communities (about 31%) who implemented an aggregation program let their aggregation end. Besides including the number of communities with active or expired programs in Table 16, we also calculated the simple average rate of the active aggregation programs as of June 2018. The snap shot of the average rate is composed of a wide range of programs, including ones that are near the end of a two- or three-year term as well as recently implemented or renewed programs.

Figure 13: MUNICIPAL AGGREGATION STATUS FOR COMMUNITIES WITH REFERENDUMS



C. Active Suppliers

Having looked at the customer switching numbers, Table 17 shows the increase in residential supplier activity over the last seven years. The number of certified suppliers continues to increase in the ComEd territory, but has decreased in the Ameren territory this year. For ComEd, the number of active ARES is at an all-time high.

Table 17: RESIDENTIAL SUPPLIERS

	May 2012	May 2013	May 2014	May 2015	May 2016	May 2017	May 2018
ComEd							
ICC certified	40	57	61	60	67	72	84
Active	27	42	51	48	57	55	60
Ameren Illinois							
ICC certified	26	33	36	34	41	43	41
Active	10	17	23	22	25	27	27

An additional indicator of supplier activity is the number of residential offers posted on PlugInIllinois.org. The “Compare Offers Now” portion of the website went live in 2011 and has seen a steady stream of additional suppliers and residential offers since that date. Table 18 and Table 19 show that the number of suppliers as well as the number of offers by these suppliers continues to increase. Most of the activity has been in the ComEd area but customers of Ameren Illinois are able to choose from a host of residential offers as well.

Table 18: ARES POSTING OFFERS ON PLUGINILLINOIS.ORG

Quantity of ARES Posting Residential Offers

	May 2012	April 2013	April 2014	April 2015	April 2016	April 2017	May 2018
ComEd	20	28	29	30	31	34	35
Ameren Illinois	6	10	11	10	13	15	19

Table 19: RESIDENTIAL OFFERS POSTED ON PLUGINILLINOIS.ORG

Quantity of Offers

	May 2012	April 2013	April 2014	April 2015	April 2016	April 2017	May 2018
ComEd	61	63	59	75	94	106	103
Ameren Illinois	11	20	22	24	34	36	42

Given the large number of residential offers for ComEd customers, additional detail is provided below on types of offers posted over the years.

Table 20: BREAKDOWN OF OFFERS AVAILABLE TO COMED CUSTOMERS ON PLUGINILLINOIS.ORG

Quantity of Offers

	May 2012	April 2013	April 2014	April 2015	April 2016	April 2017	May 2018
Total	61	63	59	75	94	106	103
Fixed	51 (84%)	46 (73%)	41 (69%)	57 (76%)	73 (78%)	90 (85%)	91 (88%)
• Fixed with Early Termination Fee	34 (67%)	29 (63%)	28 (68%)	37 (65%)	45 (62%)	54 (60%)	65 (71%)
• Fixed without Early Termination Fee	17 (33%)	17 (37%)	13 (32%)	20 (35%)	28 (38%)	36 (40%)	21 (23%)
• Custom ¹⁴							5 (5%)
Variable	10 (16%)	17 (27%)	17 (31%)	16 (21%)	17 (18%)	14 (13%)	12 (12%)
< 12-month Term	6 (12%)	23 (37%)	22 (37%)	24 (32%)	32 (34%)	38 (36%)	35 (34%)
12-month Term	26 (51%)	28 (44%)	26 (44%)	29 (39%)	33 (35%)	37 (35%)	38 (37%)
13-23 month Term	3 (6%)	2 (3%)	5 (8%)	6 (8%)	6 (6%)	6 (6%)	5 (5%)
24-month Term	16 (31%)	10 (16%)	4 (7%)	11 (15%)	18 (19%)	21 (20%)	18 (17%)
> 24-month Term	1 (2%)	0 (0%)	2 (3%)	5 (6%)	5 (5%)	3 (3%)	7 (7%)
Green/Renewable	21 (34%)	18 (29%)	23 (39%)	21 (28%)	26 (28%)	28 (26%)	31 (30%)

¹⁴ Custom offers listed separately as of 2018.

Table 20 allows us to make several observations:

- **Fixed-Price Offers:** Their share declined through 2014 and then significantly increased through 2017, while in 2018, the quantity of fixed-price offers remains steady.
 - **Early Termination Fees:** Two thirds of the fixed offers have an early termination fee.
- **< 12-Month Contract Terms:** Offers with a term of less than one year make up more than a third of all offers.
- **One- or Two-Year Contract Terms:** In every year, more than half of the posted offers have either a one- or two-year contract term.
- **> 24-Month Contract Terms:** Only seven of the 103 offers posted in May 2018 had a term longer than two years.
- **Green/Renewable:** Thirty-one of the 103 offers have a green/renewable content higher than what is required by the state’s renewable portfolio standard.

Besides analyzing the type of offers, the prices for the various posted offers and how those prices might have changed during that same time period were evaluated. Table 21 shows the average prices for the different types of offers posted on PlugInIllinois.org. The bottom of the table shows the ComEd fixed-price supply service rate, also referred to as the Price-to-Compare (PTC) for the five months in question. The ComEd rates shown include the Purchased Electricity Adjustment (PEA).

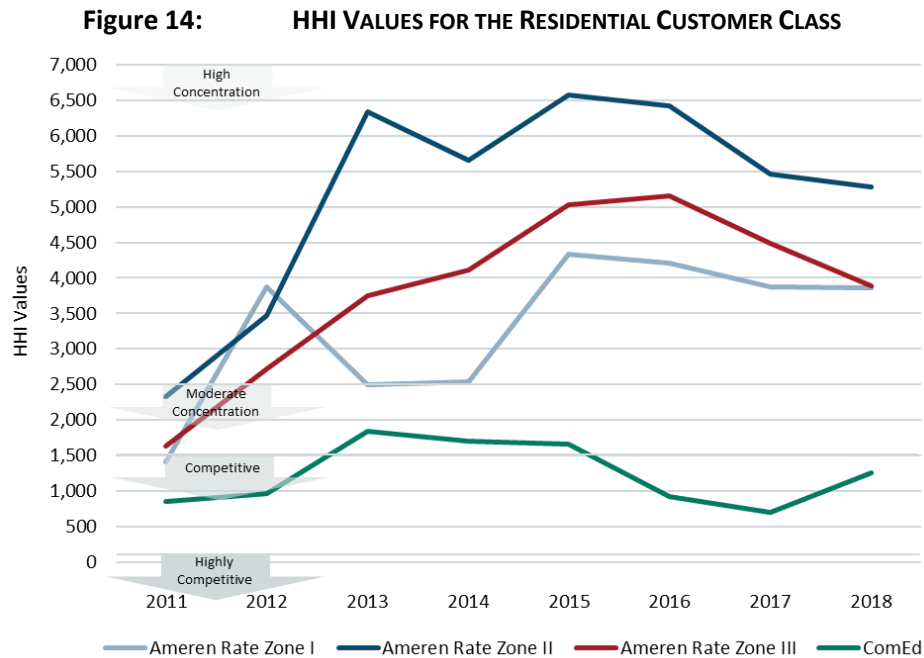
Table 21: AVERAGE PRICES (CENTS/KWH) OF OFFER TYPES ON PLUGINILLINOIS.ORG

	May 2012	April 2013	April 2014	April 2015	April 2016	April 2017	May 2018
Fixed	6.37	6.21 (-3%)	7.76 (+25%)	7.78 (+0.26%)	7.23 (-7%)	7.67 (+6%)	8.42 (+10%)
• Fixed with Early Termination Fee	6.35	6.00 (-6%)	7.80 (+30%)	7.60 (-3%)	7.51 (-1%)	7.79 (+4%)	8.58 (+10%)
• Fixed without Early Termination Fee	6.32	5.64 (-12%)	6.97 (+24%)	7.89 (+13%)	6.80 (-14%)	7.46 (+9%)	8.25 (+11%)
Variable	7.00	7.07 (+1%)	8.49 (+20%)	8.48 (-0.12%)	7.86 (-7%)	7.49 (-5%)	7.82 (+4%)
< 12-month Term	6.14	6.78 (+9%)	7.79 (+15%)	7.89 (+1%)	7.31 (-7%)	7.09 (-3%)	7.76 (+9%)
12-month Term	6.52	5.92 (-10%)	7.64 (+29%)	8.07 (+6%)	7.05 (-13%)	7.78 (+9%)	8.98 (+15%)
13-23 month Term	6.33	6.22 (-2%)	7.59 (+22%)	7.28 (-4%)	7.58 (+4%)	8.22 (+8%)	7.85 (-5%)
24-month Term	6.15	5.60 (-10%)	5.92 (+6%)	7.65 (+29%)	7.55 (-1%)	8.07 (+6%)	8.91 (+10%)
> 24-month Term	6.30	N/A	7.58	8.27 (+9%)	8.84 (+7%)	9.39 (+6%)	8.80 (-6%)
Green/Renewable	6.98	6.83 (-2%)	8.57 (+25%)	8.60 (+0.35%)	8.05 (-6%)	7.87 (-2%)	8.32 (+6%)
ComEd PTC incl. PEA	8.23	8.80	5.97	8.07	6.55	5.818	6.818 (+17%)

The comparison shows that the average price of the various types of offers was higher in May 2018 than it had been in April 2017 in most cases. The largest increases occurred in the fixed offers without early termination fees and in the offers with a 12-month term.

D. Residential Market Competitiveness

As the previous section on supplier activity suggests, currently there is significantly more market competition in the ComEd residential market than in the Ameren Illinois residential market. While the residential market in the Ameren Illinois areas has become a little less concentrated in the last three years, the HHI values in the three Ameren RZs still indicate that it is a highly concentrated market. The following graph shows the May HHI values for the residential class in both ComEd and Ameren Illinois areas from 2011 to 2018.¹⁵



The graph illustrates several trends:

- The ComEd residential market continues to be unconcentrated for the third consecutive year, even after a year-over-year increase in the HHI value. A big part of the unconcentrated nature of the ComEd market is the end of the Chicago aggregation program in 2015, which had a substantial share of the market concentrated in one supplier. Together with the loss of that concentration, the overall market has shrunk as well following the end of the Chicago aggregation.
- While all three Ameren Illinois RZs have very high market concentration, Ameren Illinois RZ II continues to be the most concentrated residential market by a wide margin. The fact that 69% of the residential ARES market in Ameren Illinois' areas consists of aggregation customers, and the vast majority of the aggregation programs are with the same supplier help explain this phenomenon.

¹⁵ The HHI values are based on residential usage, rather than number of customers. However, there is not a substantial difference between using number of customers and amount of usage for the market share calculation.

Specifically considering the ComEd residential market, the HHI values above show that the current market would be considered an unconcentrated market. Table 22 highlights the changing market dynamics over the last few years:

Table 22: ARES MARKET SHARE IN COMED TERRITORY (BY CUSTOMERS)

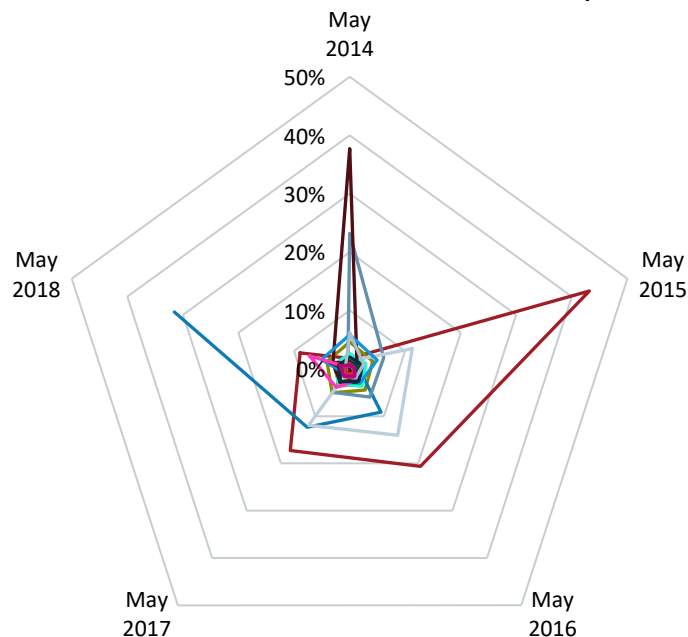
	May 2012	May 2013	May 2014	May 2015	May 2016	May 2017	May 2018
Share of largest 3 suppliers	44%	69%	66%	61%	44%	42%	48%
# of suppliers with customers	27	41	50	48	57	56	53
# of suppliers with >15% share	1	2	2	1	1	1	1
# of suppliers with >5% and <15% share	5	2	2	2	3	3	3
# of suppliers with <5% share	21	37	46	45	53	52	49
# of suppliers with < 1% share	11	30	38	29	34	33	31

Table 22 shows that the total market share of the three ARES with the highest individual market share of residential customers has increased after two years of decline. It is also worth pointing out that:

- 49 of the 53 ARES with residential customers had a market share of less than 5%
- 31 of the ARES with residential customers had a market share of less than 1%
- The number of ARES that have a market share greater than 1% has been consistent for the past three years (ranging from 22 to 23)
- For the third time since 2012, there are more than two suppliers with a market share between 5% and 15%
- For the fourth year in a row, only one supplier had a market share above 15%

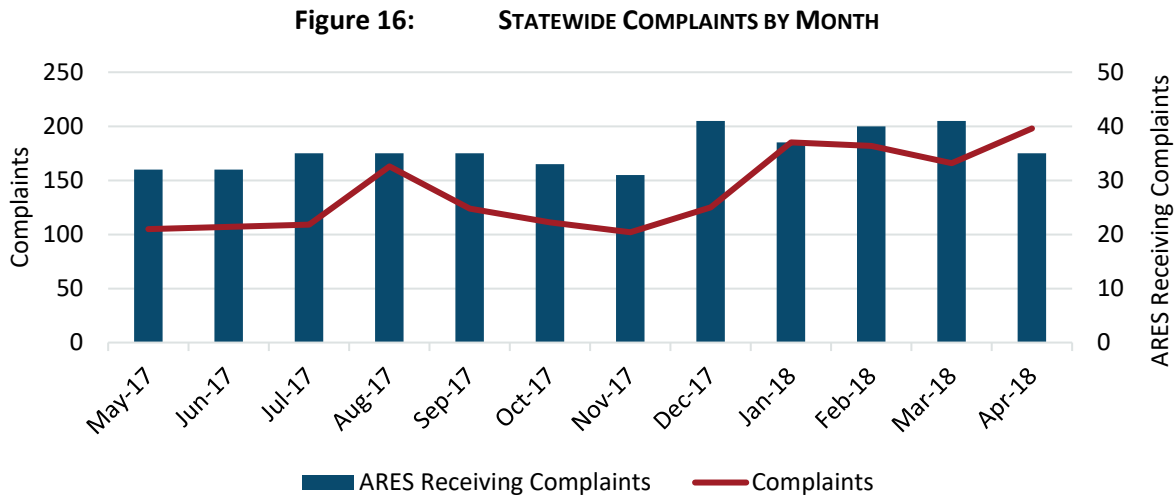
Figure 15 is a visual representation of the changes in supplier diversity. Each line represents an ARES and each corner of the pentagon represents a different year. Lines reaching furthest from the center signify a larger share of the market for the represented ARES. As is shown in the figure, a majority of ARES maintain a small share of the market and consistently keep their market share year after year. However, there are occasional instances where suppliers quickly gain and lose market share. For example, the red line that reaches far to the right represents an ARES that had very little market share in 2014. Its share increased to greater than 40% of the market in 2015, declined in 2016 to about 20% of the market, and their share continues to decline.

Figure 15: ARES MARKET SHARE IN COMED TERRITORY (OVER TIME)



E. Residential Complaints

The Consumer Services Division (CSD) of the ICC includes a team of professional consumer counselors who address consumer inquiries and complaints. The number of informal complaints (some of which are inquiries) per ARES are logged each month. Figure 16 shows the total number of informal complaints per month during the past year. The red line indicates the quantity of informal complaints per month (reference left vertical axis). The blue bars indicate the quantity of unique ARES receiving complaints per month (reference right vertical axis). CSD generally receives 100-200 informal complaints per month for 30-40 ARES. These complaint quantities represent 0.006% - 0.01% of ARES customers per month.



F. Residential Savings Estimate

The last six annual reports included an estimate of the total annual savings realized by residential ARES customers in the ComEd territory. We looked at the preceding twelve-month period and we compared the dollar amount residential customers as a whole spent on ARES service to the amount those customers would have spent had they been on the ComEd fixed-price bundled service,¹⁶ also known as the Price-to-Compare (PTC).¹⁷ In each year, we calculated the savings with and without the effects of the Purchased Electricity Adjustment (PEA).¹⁸ The same analysis has been completed for this year's report, allowing us to look at a seven-year total tally. In addition, we have performed this analysis for the third time for the Ameren Illinois territories.

¹⁶ For the first two years we performed this analysis, we took into account the fact that some customers switched away from the discounted utility space-heat rate. As of June 2013, there are no separate utility supply rates for residential customers with electric space heat.

¹⁷ The PTC is the monthly Electric Supply Charge plus the Transmission Services Charge (cents/kWh) that a customer would be charged by the utility.

¹⁸ The PEA is a monthly fluctuating true-up mechanism for the utility, matching incurred supply costs to actual received supply revenues. The PEA is therefore a credit in some months and a charge in others.

Three sets of data are utilized to calculate how much residential customers have saved by switching away from the utility:

1. Cents/kWh rate the customers would have paid under the utility's default service (PTC)
2. Cents/kWh rate the customers actually paid while on ARES
3. Amount of electrical usage each ARES provided to their residential customers

Monthly reports from ComEd and Ameren Illinois provide us with the necessary usage information, and the utilities' default rates are tariffed rates. As for the ARES prices, almost all suppliers provided us with monthly average residential rates for the past twelve months in response to a Staff Data Request.

While reviewing these estimates, it is important to keep in mind several caveats:

1. These are total, or aggregate, savings and the savings for almost all individual customers differ from these averages.
2. These calculations are ex-post calculations and do not take into account how the ComEd default rates would have been different had more or fewer customers stayed on the utility's default supply service.
3. Most of the ARES with residential customers have at least one offer that features a renewable energy content higher than what is required under the Illinois Renewable Portfolio Standard. The average rate information collected from the ARES include the (usually higher) prices associated with those offers.
4. Not captured in these numbers are rewards and incentives that are not part of the ARES electric supply rates. For example, several suppliers offer one-time gift cards as an incentive to sign up for a particular offer and other offers contain rewards such as airline miles and other non-rate benefits. However, those non-rate benefits are hard to include in such a calculation and would require us to make several more assumptions as well as additional detailed data from the ARES. For these reasons we decided to compare just the average rates of the suppliers to the rates of the utility PTC.

We will start by showing the results for the ComEd territory and then present the findings for the Ameren Illinois territories.

1. ComEd Territory

The ComEd results for the first six years of this analysis are included in Table 24. As a recap, the last six years produced an aggregate residential savings deficit of around -\$20.3 million, with about \$4.4 million in savings resulting from comparing the suppliers' average rate to the ComEd PTC. The difference of -\$15.9 million in total savings deficit results from the application of the PEA for ComEd supply customers. The PEA can, and often does, change monthly and it can be a charge or a credit for ComEd supply customers.

Table 23 shows the monthly comparisons for the most recent twelve-month period:

Table 23: CURRENT YEAR COMED RESIDENTIAL SAVINGS ESTIMATES (MONTHLY)

	Savings compared to ComEd PTC	PEA Impact	Savings inclusive of the PEA Impact	Savings compared to ComEd PTC (cents/kWh)	Savings inclusive of the PEA (cents/kWh)
June 2017	(\$9,387,411)	\$1,177,050	(\$8,210,361)	-1.212	-1.060
July 2017	(\$11,889,574)	\$781,691	(\$11,107,883)	-1.171	-1.094
August 2017	(\$13,110,990)	\$1,876,702	(\$11,234,289)	-1.327	-1.137
September 2017	(\$9,813,556)	\$1,618,951	(\$8,194,605)	-1.279	-1.068
October 2017	(\$9,522,795)	(\$3,825,641)	(\$13,348,436)	-1.245	-1.745
November 2017	(\$7,898,305)	(\$3,143,641)	(\$11,041,945)	-1.256	-1.756
December 2017	(\$9,710,390)	(\$4,015,829)	(\$13,726,219)	-1.209	-1.709
January 2018	(\$12,339,327)	(\$4,227,779)	(\$16,567,106)	-1.194	-1.603
February 2018	(\$10,947,834)	\$2,435,718	(\$8,512,116)	-1.303	-1.013
March 2018	(\$10,210,199)	(\$2,103,077)	(\$12,313,276)	-1.442	-1.739
April 2018	(\$9,651,324)	(\$3,280,641)	(\$12,931,965)	-1.471	-1.971
May 2018	(\$8,833,669)	(\$2,221,216)	(\$11,054,886)	-1.499	-1.876
Totals	(\$123,315,376)	(\$14,927,712)	(\$138,243,088)	-1.289	-1.445
Average	(\$10,276,281)	(\$1,243,976)	(\$11,520,257)		

It shows that, on average, residential ARES customers paid around \$10.2 million more per month during the last twelve months when compared to the ComEd PTC. In addition, given that the PEA was a credit in seven of the twelve months during the June 2017 through May 2018 period, the gap between the ComEd supply price and the average ARES price increased even more. In terms of cents per kWh, residential ARES customers paid about 1.289¹⁹ cents/kWh more when compared to the ComEd PTC only, and about 1.445²⁰ cents/kWh more when including the PEA.

¹⁹ Historically, annual average savings compared to the PTC (cents/kWh) was calculated by averaging the 12-month values for the year. However, this year the value presented is a true annual savings (cents/kWh) calculated as follows: (Annual Savings with ARES/Annual ARES Usage)*100

²⁰ Historically, annual average savings compared to the PTC inclusive of the PEA (cents/kWh) was calculated by averaging the 12-month values for the year. However, this year the value presented is a true annual savings (cents/kWh) calculated as follows: (Annual Savings with ARES Including PEA/Annual ARES Usage)*100

Taking the most recent twelve-month period into account, the seven-year tables look as follows²¹:

Table 24: COMED RESIDENTIAL SAVINGS ESTIMATES (YEARLY)

	Annual Savings compared to ComEd PTC (in million)	Annual Savings inclusive of the PEA Impact (in million)
June 2011 – May 2012	\$17.2	\$24.2
June 2012 – May 2013	\$250.8	\$257.5
June 2013 – May 2014	(\$40.2)	\$38.7
June 2014 – May 2015	(\$12.3)	(\$73.4)
June 2015 – May 2016	(\$79.7)	(\$115.2)
June 2016 – May 2017	(\$131.4)	(\$152.1)
June 2017 – May 2018	(\$123.3)	(\$138.2)
Seven-year Total	(\$118.9)	(\$158.5)

Table 25: DETAILED COMED RESIDENTIAL SAVINGS ESTIMATES (YEARLY)

	Annual Savings compared to ComEd PTC	Annual PEA Impact	Annual Savings inclusive of the PEA Impact	Savings compared to ComEd PTC (cents/kWh)	Savings inclusive of the PEA (cents/kWh)
June 2011 – May 2012	\$17,219,337	\$7,023,472	\$24,242,809	0.984	1.386
June 2012 – May 2013	\$250,827,896	\$6,681,912	\$257,509,807	2.148	2.315
June 2013 – May 2014	(\$40,238,809)	\$78,936,788	\$38,697,979	-0.211	0.190
June 2014 – May 2015	(\$12,338,179)	(\$61,101,792)	(\$73,439,971)	-0.081	-0.446
June 2015 – May 2016	(\$79,723,261)	(\$35,481,059)	(\$115,204,320)	-0.643	-0.948
June 2016 – May 2017	(\$131,391,493)	(\$20,716,588)	(\$152,108,081)	-1.210	-1.449
June 2017 – May 2018	(\$123,315,376)	(\$14,927,712)	(\$138,243,088)	-1.289	-1.445

The tables show that, on average, ARES customers saved during the first two years of residential choice when compared to the ComEd PTC and paid more during the last five years when compared to the ComEd PTC. It also shows that the PEA was mostly a credit during the last four years, which increased the overall negative savings during that period.

Looking at this from a cents/kWh perspective, during the June 2012 through May 2013 period the average savings per kWh was about 2.1 cents when compared to the ComEd PTC and about 2.3 cents when taking into account the PEA. For the June 2013 through May 2014 period, the average ARES rate was about 0.2 cent above the ComEd PTC and 0.19 cent below the ComEd supply rate when taking into account the PEA. Since then, the difference in the ARES rates and the ComEd PTC/PEA have continued to increase with this year's difference the largest yet. For the most recent June through May period, the average ARES rate was about 1.289 cents above the ComEd PTC and 1.445 cents above the ComEd supply rate when including the PEA.

Reviewing the tables above shows that, on average, an ARES customer consuming 500 kWh/month saved approximately \$139 for the year during the planning year that ended in May 2013. The same

²¹ All amounts are absolute amounts and have not been adjusted for inflation.

average ARES customer saved just over \$11 during the planning year that ended in May 2014, and paid \$87 more during the planning year that ended in May 2018.

An average ARES customer using 1,200 kWh/month during the planning year that ended in May 2013 saved around \$333 while saving just over \$27 during the planning year that ended in May 2014, and paying \$208 more during the planning year that ended in May 2018. Again, these numbers are averages and almost all customers are either below or above the average.

2. Ameren Illinois Territories

As mentioned above, a savings analysis was completed for the Ameren Illinois territory for the third time this year. In comparison to the analysis for the ComEd area, there was one additional factor considered: the two-block rate for the non-summer months. From October to May, the Ameren Illinois supply rate has a lower rate for usage above 800 kWh. In order to account for this, Ameren Illinois provided the weighted average rate based on actual usage during those months. Given that the usage characteristics vary across the three RZs, the savings calculations were performed separately for each of the RZs, even though most ARES did not differentiate their residential rates based on RZs. Other than this additional step, the same steps that were used for the ComEd calculations were followed.

Table 26 combines the results of the three RZs to give an overview of the entire Ameren Illinois area:

Table 26: CURRENT YEAR AMEREN ILLINOIS RESIDENTIAL SAVINGS ESTIMATES (MONTHLY)

	Savings compared to Ameren PTC	PEA Impact	Savings inclusive of the PEA Impact	Savings compared to Ameren PTC (cents/kWh)	Savings inclusive of the PEA (cents/kWh)
June 2017	(\$4,462,416)	(\$2,203,746)	(\$6,666,162)	-0.881	-1.316
July 2017	(\$8,582,744)	(\$2,869,746)	(\$11,452,491)	-1.259	-1.680
August 2017	(\$9,558,377)	(\$2,318,038)	(\$11,876,415)	-1.357	-1.686
September 2017	(\$6,740,731)	(\$1,832,940)	(\$8,573,671)	-1.225	-1.558
October 2017	(\$5,957,971)	(\$1,638,875)	(\$7,596,846)	-1.160	-1.479
November 2017	(\$3,290,141)	(\$1,080,917)	(\$4,371,059)	-0.779	-1.035
December 2017	(\$4,994,570)	(\$522,346)	(\$5,516,916)	-0.947	-1.046
January 2018	(\$9,458,993)	(\$552,049)	(\$10,011,042)	-1.285	-1.360
February 2018	(\$6,865,816)	(\$490,565)	(\$7,356,381)	-1.092	-1.170
March 2018	(\$5,004,471)	(\$1,470,866)	(\$6,475,336)	-0.953	-1.233
April 2018	(\$4,393,159)	(\$1,421,092)	(\$5,814,251)	-0.875	-1.158
May 2018	(\$2,766,838)	(\$866,683)	(\$3,633,521)	-0.658	-0.864
Totals	(\$72,076,228)	(\$17,267,863)	(\$89,344,091)	-1.073	-1.330
Average	(\$6,006,352)	(\$1,438,989)	(\$7,445,341)		

Table 26 reveals that, on average, residential ARES customers (which were overwhelmingly aggregation customers), paid about 1.3 cents more per kWh than Ameren Illinois bundled service customers between June 2017 and May 2018 when taking into account the PEA. In Ameren Illinois territory, the PEA was a credit for all twelve months during the last year.

Table 27 breaks down the annual numbers by rate zone for the past three years:

Table 27: DETAILED AMEREN ILLINOIS RESIDENTIAL SAVINGS ESTIMATES BY RZ (YEARLY)

	Savings compared to Ameren PTC	PEA Impact	Savings inclusive of the PEA Impact	Savings compared to Ameren PTC (cents/kWh)	Savings inclusive of the PEA (cents/kWh)
June 2015 – May 2016					
RZ I	(\$4,880,734)	(\$2,605,697)	(\$7,486,431)	-0.358	-0.490
RZ II	\$3,523,105	(\$1,824,501)	\$1,698,604	0.243	0.111
RZ III	(\$664,637)	(\$4,180,380)	(\$4,845,017)	-0.044	-0.172
June 2016 – May 2017					
RZ I	(\$11,606,248)	(\$6,284,848)	(\$17,891,096)	-0.582	-0.898
RZ II	(\$3,482,116)	(\$4,276,724)	(\$7,758,840)	-0.255	-0.569
RZ III	(\$10,972,004)	(\$9,234,493)	(\$20,206,497)	-0.341	-0.628
June 2017 – May 2018					
RZ I	(\$25,719,473)	(\$5,186,539)	(\$30,906,012)	-1.253	-1.506
RZ II	(\$11,548,340)	(\$3,444,847)	(\$14,993,187)	-0.865	-1.123
RZ III	(\$34,808,416)	(\$8,636,476)	(\$43,444,892)	-1.044	-1.304

VII. Consumer Resources for Residential and Small Commercial Electric Customers

A. PlugInIllinois.org

PlugInIllinois.org is the ICC's electric choice education website aimed at providing residential and small commercial customers with a better understanding of their electric supply options. Public Act 97-0222 required Ameren Illinois and ComEd to include the PlugInIllinois.org website address on their monthly bills. Since May 2012, both ComEd and Ameren Illinois have been sending out monthly bills with this information. The law also requires all suppliers to provide the PlugInIllinois.org website address to residential and small commercial customers.

For a customer seeking a basic understanding of the Illinois market, this resource provides information including electric choice basics, utility bill and pricing information, a Frequently Asked Questions (FAQ) guide, and a glossary. Details to aid a consumer shopping for electric supply options are also provided. A shopper may review a list of ARES, current offers as posted by ARES, and the price-to-compare—current and historical—in both the Ameren and ComEd service territories. Historical price-to-compare information also includes the Purchased Electricity Adjustment (PEA) as these known values are part of the actual price paid by utility supply customers.

A consumer has the opportunity to comparison shop ARES offers through the “Compare Offers Now” link and matrix. Customers may select their utility territory to see the ARES offers available and compare the offers to their utility rate as well as to other competing offers. For each offer posted, the comparison matrix displays the supplier's logo as well as the offer name; both items link to further offer-specific information on the supplier's website. The offer comparison matrix lists the price in cents per kWh, any potential additional monthly fees, the term in months, any possible early termination fees, and a brief description of the offer. The customer may also review the offer's cost for monthly usage levels of 500, 1,000 and 1,500 kWh. Customers can sort the offers by supplier, by price, or by the length of the term.

Further, a customer may review some performance metrics related to individual ARES. Each monthly Complaint Scorecard ranks suppliers by their rate of complaints compared to the average rate of complaints for the entire residential market. Additionally, within the Customer Complaint Statistics section is a Complaint Summary which shows the total number and type of complaints received for each retail electric supplier over the last two years. The Complaint Summary provides a more detailed view of the number and types of informal complaints the Consumer Services Division receives about each ARES.

With the constant change in the status of communities with opt-out aggregation programs, the ORMD continues to maintain the informative Municipal Aggregation List of Communities on PlugInIllinois.org. The Municipal Aggregation List contains eight columns, including the name of the community, the status of each community's aggregation program, the chosen supplier, the rate, the contract end date, possible termination fees, utility territory and referendum date. Additionally, a sort function was added to the list, allowing website visitors to sort by community name, status, supplier name, aggregation rate, contract end date, territory or referendum date.

B. Other Regulatory Activities

1. Enhanced Consumer Education and Protection Rules

Enhanced consumer education and protections became effective November 1, 2017 within Code Part 412 (Obligations of Retail Electric Suppliers) and Code Part 453 (Internet Enrollment Rules).

The effort to increase these protections began in July 2015 when the ORMD sent a Staff Report to the Commission that contained several recommendations including amending the Commission's rules regarding the marketing to residential and small commercial retail electric customers (Code Part 412). In September 2015, the Commission initiated Docket No. 15-0512 to consider the amendment of rules to address the matters noted in Staff's Report. A large number of parties intervened in that Docket and three rounds of comments formed the basis for a First Notice Order entered by the Commission in September 2016. The First Notice Order addressed residential marketing terms such as "green" and "renewable" offers, additional disclosures for variable rate offers, an updated Uniform Disclosure Statement, additional requirements for in-person solicitations, among other issues. After additional rounds of comments in December 2016 and January 2017, the Commission entered a Second Notice Order on June 1, 2017. Following a JCAR review in September 2017, the Final Order for Docket 15-0512 was issued on October 19, 2017.

The Final Order required that compliance with Part 453 was effective November 1, 2017. Code Part 412 required compliance beginning 6 months after the final order; as such, all ARES were required to be in compliance on May 1, 2018.

Since November 2017, ORMD has hosted three workshops in preparation for implementation of Code Part 412 with the support of additional Staff from the Office of General Counsel and the Consumer Services Division. Invitations were extended to the ARES companies, ABC companies, interested parties of the retail choice market including industry groups, representatives of the Attorney General's office, and consumer advocate groups. The events were as follows:

- **December 12, 2017:** Workshop – Implementation of Parts 412 and 452
- **March 15, 2018:** Workshop – Implementation of Parts 412 and 452 (Follow-up to December)
- **June 12, 2018:** Workshop – 412/453 Workshop on Agent Training

Further, ICC Staff worked to facilitate and make efficient the submission process of Part 412 compliance documentation by suppliers. ICC Staff initiated and created an online, password-protected electronic filing system allowing each ARES the ability to upload required documents and maintain current documentation throughout the year to stay in compliance.

2. Retail Market Advisory Committee

Following a Staff Report sent by ORMD, the Commission passed a resolution establishing the ORMD Retail Market Advisory Committee in December 2017. The establishment of the committee supports Sec. 20-110 of the Public Utilities Act, which directs the ORMD director and staff to be "...dedicated to the task of actively seeking out ways to promote retail competition in Illinois to benefit all Illinois consumers."

The statute further states that "the Office shall actively seek input from all interested parties and shall develop a thorough understanding and critical analyses of the tools and techniques used to promote

retail competition in other states.” As such, the mission of the Advisory Committee is to find proactive, innovative ways to build and maintain relationships between the ICC and key stakeholders in the retail energy supplier community. Aiming to broaden the pool of input received, a diverse representation of retail energy market companies was invited to participate through a thorough application process.

The ICC received many high-quality applications representing a broad variety of alternative energy suppliers. The selected membership includes both electric and natural gas suppliers with varying experience levels serving residential and small commercial customers in Illinois. The committee also includes representation from the Retail Energy Supply Association (RESA) and Illinois Competitive Energy Association (ICEA). The cross-section of members on the committee will aid ORMD and other ICC Staff to better understand the marketplace and encourage dialogue to address the issues, opportunities, and challenges of the retail energy market. The inaugural committee meeting was held on April 25, 2018.

3. Enforcement

The ORMD will be evaluating the impacts of the newly implemented revisions to Code Part 412 on the residential and small commercial retail consumer markets. ICC Staff will evaluate complaints received and ARES behaviors in context of the improved rules. Infractions may result in immediate notice of apparent violation, more in-depth investigations into patterns of non-compliant behaviors, or a recommendation that the Commission impose other penalties pursuant to 220 ILCS 5/16-115B.

VIII. Suggested Administrative and Legislative Action

To provide additional transparency regarding costs to Illinois electric consumers, ORMD suggests that the Commission ***require electric utilities to prominently display the Price-to-Compare (PTC) on all bills*** for residential and small commercial retail customers. Such a requirement will increase the PTC visibility to all consumers whether they have already switched to an ARES or are considering making a switch. The PTC reflects the costs of a typical customer using methodology as established by the ICC. Currently the PTC is available on the ICC's PlugInIllinois.org website. In addition to placing the PTC on utility bills, ORMD recommends that the Commission require all ARES include the PTC on solicitations or materials marketing electric power or energy services to a residential or small retail commercial electric customer that contains a price per kilowatt-hour.

In the year ahead, ORMD Staff will explore additional methods to better understand value-added incentives offered through the retail choice market as well as overall market participation. Through research and workshops, ICC Staff will consider:

1. **Value-Added Reporting:** to provide perspective on value-added benefits offered by ARES, ORMD will consider rules, standards, practices, forms, procedures and policies to quantify and collect consistent, measurable and verifiable data for items that could be considered to add value such as products, services, energy savings, renewable energy, and value of cash equivalent.
2. **Market Participation:** investigate tactics and methodology to collect and analyze data on customer participation by geographic location.