RESPONSE TO ILLINOIS POWER AGENCY REQUEST FOR COMMENTS REGARDING ELIGIBLE RETAIL CUSTOMER PROCUREMENT STRATEGY ON BEHALF OF THE ILLINOIS COMPETITIVE ENERGY ASSOCIATION

The Illinois Competitive Energy Association respectfully submits this limited response to the Illinois Power Agency's (IPA) Electricity and Capacity Procurement for Eligible Retail Customers Request for Stakeholder Comments.

QUESTION 3: How will current market conditions impact the near- and longer-term eligible retail customer switching patterns?

RESPONSE: Switching patterns depend in large part on whether ARES can make a competitive offer to the Price to Compare—whether through individual switching or through opt-out aggregation—either as the lowest-price option, the highest value option, or both. Thus, the absolute value of the wholesale market does not drive switching trends as much as ARES pricing relative to the Price to Compare.

The IPA's procurement strategy is thus more dependent on whether the IPA's procurement strategy accurately reflects market conditions than the individual results of procurements. Under changes from the HEAT Act and as ICEA anticipates will soon be implemented with pending changes to Part 412, ARES must compare their rate to the Price to Compare without the purchased electricity adjustment. (*See, e.g.*, 220 ILCS 5/16-115(e)(i); 815 ILCS 505/2EE(a)(iii); ICC Docket No. 20-0457, Second Notice Order dated June 23, 2022, Appendix A, at 412.115(b)(5), Appendix.A.) If the IPA purposefully underhedges, there is the potential for far more of the actual cost to serve bundled service customers will be captured in the PEA than in the energy, capacity, and transmission charges that make up the Price to Compare. Given that ARES are required to compare their rate to the Price to Compare without the purchased electricity adjustment, an underhedging strategy may artificially depress the Price to Compare and make it more difficult for

ARES to compete. An underhedging strategy undermines the very purpose of a fully competitive market.

IPA procurements and ARES procurements of supply will never exactly match given the laddered procurement approach and PEA factor for bundled customers and a range of procurement approaches for ARES. However, the better the Price to Compare (without the PEA) reflects the cost of ComEd (or Ameren or MidAmerican) to serve bundled service customers, the better the IPA will balance minimizing energy prices with tilting the playing field against ARES.

QUESTION 10: What are the implications for the IPA's hedging strategy for ComEd eligible retail customers given that the procurement of CMCs includes the consumer protection methodology?

RESPONSE: ICEA believes there are no implications for the IPA's hedging strategy. ARES and bundled service customers (not to mention customers ineligible for bundled service) all receive the same universal per kWh credit on their bills. (*See* 220 ILCS 5/16-108.5(k).) Furthermore, each retail customer (i.e. delivery service customer of ComEd) receives the same credit no matter how much ComEd over- or under-procures energy for eligible retail customers.

On the other hand, purposefully underhedging has the potential to push more of the cost to serve bundled service customers to the PEA. As explained above, this makes the Price to Compare (before applying the PEA) look artificially low.

QUESTION 11: Do CMCs represent a viable hedging approach over the five-year horizon of the CMC program that can be matched with the energy hedging strategy?

QUESTION 12: Should the hedging benefits of CMCs, if any, be considered in the IPA's hedging strategy for energy?

RESPONSE: No. Using CMCs as a "hedge" is tantamount to commandeering a bundled service customer's CMC credit and using it to make ComEd's Price to Compare look artificially low (even though all costs to serve will eventually be recovered). There is no customer benefit to the artificial but incorrect perception that the bundled supply option is less expensive than it is once the PEA is taken into account.

To the extent that the IPA undertakes hedging strategies, the costs—and, if the hedges are in the money, the benefits—should all be reflected in the Price to Compare to the extent possible. That way, customers have much more of an apples-to-apples comparison with ARES products, at least with regard to price. The ARES customer will still enjoy the CMC credit on their bill as much as that customer would have if they had stayed on bundled supply.

CONCLUSION

To the extent that the IPA reconsiders its hedging strategy, ICEA recommends that the hedges be procured purposefully by the IPA for eligible retail customers, rather than relying on a credit that all delivery customers receive.