

Electricity Competition and Consumer Choice in Illinois

History

In December 1997, the Illinois legislature passed the Electric Service Customer Choice and Rate Relief Law of 1997 [1], which called for the Illinois Commerce Commission (ICC) to “promote the development of an effectively competitive electricity market that operates efficiently and is equitable to all consumers.” This law phased in the ability of various classes of customers of investor-owned utilities (IOUs) to choose their electricity supplier from among competing suppliers. The IOUs retained the mandate to transmit and distribute electricity over their poles and wires, but customers acquired the right to choose the company that put the electricity on the grid for their use.

Cooperatives and municipal-owned electric systems are exempted from the law.

The ICC remains the state’s regulatory body overseeing the IOUs that operate in the state.

Competitive wholesale markets in Illinois are managed by two different Regional Transmission Organizations (RTOs): PJM Interconnection in the northern portion of the state, including Chicago and Rockford, and Midcontinent Independent System Operator (MISO) in the southern portion of the state.

Retail consumers, which include residential, commercial, and industrial customer classes, may now choose their electricity (energy) supplier from among a collection of state-certified Alternative Retail Electric Suppliers (ARES) or from the IOU serving their area. The IOU serves as the default energy provider; consumers who wish to buy from an ARES are required to “opt-in” to that alternative supplier. In essence, the ARES and IOU companies compete for each customer’s business.

The ICC screens all companies wishing to be ARES suppliers. Candidate applicants must meet certain financial, technical, management, and filing/reporting requirements as spelled out in the ICC’s Administrative code [2], which was developed pursuant to the 1997 legislation. They must also certify that they will comply with relevant federal, state and industry laws, rules, practices, etc.

In 2006, the Illinois legislature, seeing that the 1997 law was primarily benefitting large commercial and industrial customers, passed the Retail Electric Competition Act of 2006 [3]. This act created the Office of Retail Market Development at the ICC to promote a more effective competitive retail electricity market, particularly for residential and small commercial customers.

Aggregation

In 2007, the legislature passed the Illinois Power Agency Act [4]. One key provision of this act, Section 1-92 (subsequently amended in 2012), authorizes municipalities, townships, and counties served by IOUs to collectively choose the energy provider serving all retail customers within their jurisdiction.

Cooperatives and municipal-owned electric systems are also exempted from the laws governing aggregation.

Per Plug In Illinois® [5], there are two types of aggregation programs [6]:

Opt-out requires the voters of the municipality or county to pass a referendum, at which point all customers within the locality receive their energy from a single supplier as determined by the locality. Individual customers may “opt-out” of the locality’s purchase program and choose their own energy supplier. PlugInIllinois.org lists hundreds of Illinois communities that have passed community aggregation by referendum [7].

Opt-in allows the choice of energy supplier to be made by the local authorities (e.g., city council, town board, etc.) through an ordinance, thus allowing the locality to combine customers’ electrical loads in the bidding process to secure better, high-volume pricing. Absent a direct vote by the citizens, however, these programs provide that only those citizens who “opt-in” to the program receive their energy from the locality’s chosen supplier. All others default to the IOU serving the area.

Consumer Choice Today

According to the ICC [8], as of 2015 there were 85 energy providers offering services to electricity consumers in Illinois. These companies provided 59% to 86% of the electricity consumed in the IOU coverage areas, depending on region ("rate zone") and customer class.

In summary, the means by which electric consumers choose their energy supplier will vary according to location:

- If residing in a location whose electric service is provided by a municipal-owned or cooperative utility, the consumer does not have a choice of energy suppliers. That choice is made by the local utility.
- If residing in a municipality, township, or county served by an IOU where aggregation has been adopted by the voters, the consumer's energy will be provided by the ARES chosen by the locality, unless the customer opts out of the locality's program, thereby choosing to purchase energy from the IOU in the area or directly from another ARES.
- If residing in a municipality, township, or county served by an IOU where aggregation has been adopted by the governing body, the consumer's energy will be provided by the IOU serving the area unless they opt-in and purchase their energy from the ARES chosen by the locality's governing body.
- If residing in a municipality, township, or county served by an IOU where aggregation has not been adopted, the consumer can purchase energy directly from one of the state-authorized ARES serving their area. If the consumer does not choose an ARES, their energy will be purchased from the IOU that serves their area. Choosing an ARES can usually be done online or by telephone.

Rates and other pricing guidelines are determined by each ARES. Terms and conditions vary. The 1997 law mandates some minimum contract periods to avoid abusive switching behavior. Generally, contracts are for 12 or 24 months at a time and provide fixed rates per kWh of electricity consumed during the life of the contract. See the latest Citizens Utility Board posting [9] for details.

Sources:

- [1] <http://www.ilga.gov/legislation/ilcs/ilcs4.asp?ActID=1277&ChapterID=23&SeqStart=35800000&SeqEnd=40900000>
- [2] <https://www.icc.illinois.gov/Electricity/authorities/ARES.aspx>
- [3] <http://www.ilga.gov/legislation/publicacts/fulltext.asp?Name=094-1095>
- [4] <http://www.ilga.gov/legislation/ilcs/ilcs5.asp?ActID=2934&ChapterID=5>
- [5] <http://pluginillinois.org>
- [6] <https://www.pluginillinois.org/MunicipalAggregation.aspx>
- [7] <https://www.pluginillinois.org/MunicipalAggregationList.aspx>
- [8] https://www.eenews.net/assets/2015/07/15/document_ew_01.pdf
- [9] <https://citizensutilityboard.org/wp-content/uploads/2016/10/AlternativeElectricComEd-11.pdf>

Other resources:

- <http://irps.illinoisstate.edu/downloads/Echele ECO 300 Paper 090513.pdf>
- <https://www.electricchoice.com/blog/ultimate-guide-illinois-electricity/>
- http://www.illinoiscompetitiveenergy.com/ICEA_White_Paper_FINAL.pdf

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