

## ELECTRIC CUSTOMER CHOICE IN ILLINOIS – AN UPDATE

*or,*

### *“Why I am Getting these Calls and Letters from People Claiming they Can save me Money on My Ameren Electric Bill?”*

**Overview:** The Illinois electric deregulation law, originally passed in 1997, phased in the ability of various classes of customers of investor-owned utilities (IOUs) to choose electric suppliers other than their own traditional utility. In the initial years, customer choice was limited to the largest customers (mostly industrial accounts) of the IOUs, primarily because the economics of choosing an alternative supplier of electric energy only worked when very large amounts of energy were being purchased. These customers still pay the incumbent utility a fee for the transmission and distribution of electricity, but the power itself comes from a third party (not the utility).

Now some alternative retail electric suppliers (ARES) are beginning to market to individual residential electric customers in the state. The ARES seek to sign up enough customers of investor-owned utilities to knit together a large enough pool of customers to allow the ARES to achieve savings by buying in electricity in bulk, at a lesser price (similar to the way people join buyers clubs to get good deals on groceries and other staples). This is called aggregation

**Municipal aggregation:** Also, due to tweaks to the deregulation law, entire units of government are now able to choose to enter into a third-party energy contract on behalf of their citizens. This “opt-out” approach requires the municipality to pass a referendum then the council to enact an ordinance which allows them to negotiate with a power provider. Citizens are given the option to say no to any city-negotiated deal, but those who do not “opt out” will have their power provided by an ARES chosen by the municipality. The power continues to be delivered over their old utility’s transmission and distribution systems and the customers continue to pay for the use of those facilities plus the power from the third-party provider.

**Direct advertising to investor-owned utility customers:** There 77 ARES operating in Illinois, though not all operate in the Ameren territories. Unfortunately, marketing materials from these ARES have reached customers of cooperative and municipal systems and may be causing some confusion.

**Municipally-owned systems are exempt:** The Illinois electric deregulation law exempts cooperative and municipal customers from participating in these so-called customer choice aggregation plans. This is largely because lawmakers understand that customers of municipally owned electric systems are already receiving the benefit that these alternative energy suppliers are just now offering Ameren customers. That’s because as a customer of a municipally-owned and operated electric system, you are already a member of an aggregated customer pool that provides the benefits being touted by these new, alternative energy providers.

On top of that, as a customer of a municipally owned utility, you have several advantages over customers served through ARES and investor-owned utilities. These include:

- **Competitive utility pricing** – municipal systems are historically among the lowest cost electric providers in the state of Illinois. They have already captured the advantages of aggregation by acquiring bulk power on behalf of all their citizens and delivering it over the electric distribution systems that they own and maintain. And municipal systems operate without the need to provide a profit to shareholders. Instead, they put revenue from the utility back into the community itself.
- **Reliability** – Not only do municipal systems already acquire low cost power in bulk for their citizens, they employ the maintenance and repair crews that keep the system in top condition. Rather than repair crews having to be called in from many miles away, municipal crews are based in the community and are available on short notice. Residential choice and municipal aggregation will do nothing to improve a community's system reliability. In addition, more than half of the municipal systems in Illinois operate some form of local electric generation, which provides a back up to power being taken from outside the municipality and yet another layer of reliability.
- **Economic development** – In a municipally-owned electric system, rate making authority remains in the hands of local electric officials. This provides the community a valuable tool in attracting and retaining commercial and industrial customers for whom the cost of power is a vital concern.

Through a continuing commitment to our citizens, the Village of Freeburg pledges to provide outstanding power service to our citizens for many years to come.