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A ray of hope for electric choice in Illinois?

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ST. LOUIS POST-DISPATCH

Friday, Oct. 16 2009

It seemed too good to be true in 1997 when then-Illinois Gov. Jim Edgar signed a bill to deregulate the state's retail electricity markets.

Customers across the state would get almost immediate rate cuts, providing relief from some of the highest electricity prices in the nation. And by May 2002, they would be free to choose their power supplier, ushering in a new era of lower prices and innovative services.

Today, seven years after the supposed start to the era of consumer choice in the Illinois electricity market, residential customers remain tethered to their electric utilities — a point reinforced by some customers who showed up at a recent public hearing in the Metro East to speak out against Ameren's proposed \$226 million rate increase.

"It's grossly unfair that we have no option here for service," said Darlene Pursell of Collinsville.

That may be about to change.

Bob Porter, vice president of North American sales for Chicago-based BlueStar Energy Services Inc., which sells electricity to business customers in Illinois and other states, says Ameren's residential customers in Illinois will have a choice of electric suppliers by yearend.

Porter wouldn't elaborate on the statement, or confirm that his company is prepared to begin offering service to Ameren

customers. But BlueStar is one of just four electric suppliers registered to do business in Ameren's service area and is "definitely looking at the market," he said.

State Rep. Thomas Holbrook, D-Belleville, likewise thinks downstate Illinois is

on the verge of seeing residential competition.

"Do I think it's going to happen? Yes," said Holbrook, chairman of the House Energy and Environment committee and vice chairman of the Public Utilities Committee. "Do I think it's going to happen in the near future? Yes. I think in the next six months to a year, you're going to see some movement."

Holbrook was a co-sponsor of two bills in 2007 that were specifically aimed at encouraging electric suppliers to offer service to residential and small business customers, not just big commercial and industrial customers.

One of the bills led to new rules that take effect in Ameren's service area Saturday. It was based on policies used in the state of New York to help stimulate residential electric competition.

The rules require Ameren to bill customers who buy electricity from a competing provider. The St. Louis-based utility would also have responsibility for collecting past due bills and disconnecting customers with delinquent accounts.

Torsten Clausen, who heads a state office created in 2007 to help promote competition in the state's retail electric markets, said the rules remove a potential burden for competing electric suppliers and encourage them to market services to all customers and not cherry pick the best ones.

"This knocks down a major barrier to competition among residential customers," said Kevin Wright, a former ICC chairman and executive director for the Illinois Competitive Energy Association, a pro-competition group representing some of the largest alternative electric suppliers doing business in Illinois.

Another law passed by the Legislature in June would allow cities and counties to purchase electricity in bulk for residents with help from the Illinois Power Agency, a state office formed two years ago to purchase electricity for the state's investor-owned utilities.

For its part, Ameren's Illinois utilities has begun rolling out a marketing campaign to help educate customers about electric competition, even if it doesn't yet exist. The company has produced a DVD, pamphlets and a separate website with information, IllinoisPowerSwitch.com.

Still, for all the work being done to entice electric suppliers to go head-to-head with Ameren, most remain reluctant to jump into the market.

Of the four companies registered as alternative electric suppliers in Ameren's service area, FirstEnergy Solutions Corp. says it has no immediate plans to serve the residential customers in Illinois.

"I don't see immediate plans for Illinois," said Gretchan Sekulich, a spokeswoman for FirstEnergy Solutions, an affiliate of Ohio-based First Energy Corp.

The other registered suppliers, Liberty Power and Integrys Energy Services, also haven't indicated plans to offer residential service.

While competition among the state's biggest electric consumers is flourishing, electric suppliers say they faced significant barriers that make it difficult to justify offering residential service in Illinois.

Historically, they've had little incentive. Until Jan. 1, 2007, rate caps kept electricity rates below wholesale market prices, making it practically impossible to offer a better deal.

Even today, there's a high cost to convincing customers to switch providers. Most have never heard of companies such as FirstEnergy or BlueStar. Mail, television and radio marketing campaigns are expensive. And many customers are unfamiliar with how competitive electric markets work, so a lot of consumer education is required.

To date, only one company has tried to compete in Ameren's service area.

The New Illinois Cooperative Energy, a nonprofit created as a subsidiary of Southwestern Electric Cooperative Inc., planned to begin offering service to residential customers across Illinois early this year. NICE instead got tangled up in red tape and is currently working to revive its business plan.

"We know that the people of Illinois want a not-for-profit option," said Kerry Sloan, NICE's president. "And we are very willing and interested to provide them that option."

Despite the promises of competition in the state's residential electricity market, David Kolata, executive director of the Chicago-based Citizens Utility Board, remains pessimistic.

"We don't have a very positive outlook," he said.

CUB questions whether competition can flourish in the residential electric market like it has among commercial and industrial customers. It may be more worthwhile for the state to enact policies and programs that help customers reduce their bills through efficiency and lowering energy demand at peak times, he said.

One example is an Ameren hourly pricing plan that began in 2007. It gives customers an opportunity to save money by consuming electricity at night when prices are cheap, and conserving power during the hours of peak demand in the afternoon.

"Studies have shown small reductions in peak usage can lead to big cuts in prices," he said.

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