



CUBFacts^{Electric}

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The Illinois Power Agency (IPA) is a state office charged with buying power on behalf of Illinois' electric utilities. In recent years, suppliers ComEd and Ameren have bought electricity from power producers, and then passed the cost of electricity directly onto customers. In April of 2009, the IPA began filling that role, procuring roughly 30 percent of the utilities' power, which will affect utility bills starting in June.

The rest of that power is tied up in existing long-term electricity contracts. Some of those contracts were negotiated by the Illinois Attorney General's Office as part of the 2007 Electric Rate Relief Law, and some stem from the utilities' now-abolished "reverse auction" power-buying process. As these contracts expire, the IPA will be responsible for purchasing more and more of the utilities' power. By 2014, all contracts will have expired and the IPA will be the state's sole power-purchaser. The IPA's mission is to "ensure adequate, reliable, affordable, efficient, and environmentally sustainable electric service at the lowest total cost over time."

What parts of Ameren and ComEd bills are affected by the IPA?

Power bills are generally divided into the per-kilowatt-hour energy (or supply) charge, for the actual electricity a customer uses, and delivery charges—what customers pay to have ComEd and Ameren ship the power to their homes.

The IPA's actions affect the energy charge. On the other hand, the delivery fees—a set monthly customer charge and a per-kilowatt-hour distribution charge—are fully regulated. That means ComEd and Ameren have to go before the Illinois Commerce Commission (ICC) and get approval to increase them in 11-month rate cases during which CUB challenges the requests.

Will I pay less for electricity?

Yes. While it's hard to tell where market prices will go in the future, in its first power buy this past April, the IPA was able to secure lower electric rates for 2009. Beginning in June, Ameren and ComEd rates will drop by up to 9 percent, on average, saving residential customers an average of \$100 a year and \$96 a year, respectively. Falling nationwide power prices contributed to the IPA's first-year success. However, in New Jersey, which uses a "reverse auction" similar to what was thrown out in Illinois, electric bills actually stayed about the same despite the falling wholesale prices. Again, it's hard to tell where market prices will go in the future, but the IPA offers much more protection for residential consumers than the "reverse auction" ever did.

Why was the IPA created?

In 1997, utilities and big power producers, like Enron, pushed for a deregulated energy market. However, because of the close ties between those buying the power and those selling the power, there was little incentive to lower prices. So CUB fought for consumer protections that would slow the transition to a deregulated market, including a record 20 percent rate cut for most Illinois consumers and a 9-year electric rate freeze.

After the freeze, Illinois utility customers were hit with huge rate increases, as ComEd and Ameren began acquiring power using a new, supposedly competitive "reverse auction" process. This system drove up power prices and allowed producers, like ComEd parent Exelon, to sell power at artificially high prices, leaving consumers with a 26 to 55 percent average increase in their electric bills.

The bill increases sparked so much anger across the state, that in 2007, the General Assembly passed and the governor signed the Electric Rate Relief Law that granted Illinois customers \$1 billion in rate relief, eliminated the reverse auction, and created the IPA.

How does the IPA procure power?

After ComEd and Ameren estimate their customers' power needs for a given year, the IPA formulates a procurement plan to purchase that year's power over the course of a three year period. Power producers then compete against each other for the right to sell a portion of that power to the IPA at the lowest possible price. For a given year, the IPA purchases between 20 and 40 percent of that year's power in each of the three years leading up to delivery. In years when electricity prices are low, the IPA buys a higher percentage of a given year's power. But when prices are high, the IPA buys a lower percentage. Each year, the IPA must submit a procurement plan to the ICC for approval.

Percentage of power procured by IPA

Year	ComEd Load	Ameren Load
2009-10	28.88%	30.42%
2010-11	36.43%	52.61%
2011-12	37.10%	51.44%
2012-13	37.42%	70.99%
2013-14	100.00%	100.00%

How could the IPA lower electric costs?

Instead of a for-profit utility buying customers' power, the IPA is responsible. With close ties between power buyers and sellers creating a conflict of interest (like ComEd and its parent Exelon), a power-buying agency has more motivation to keep prices low. Illinois consumers can use their collec-

tive buying power to negotiate with producers for better electricity prices. Also, by purchasing power over a three year period, the IPA hopes to reduce the risk of price spikes and buy more power when market conditions are favorable.

In addition, the IPA can factor demand-response programs into their power purchasing, which could help to reduce energy consumption during peak demand periods when prices are at their highest. For example, by coordinating with the residents of a condominium to cycle their air conditioners on and off during periods of peak consumption, overall demand would decrease, leading to lower prices for everyone.

The IPA also supports the creation of a "Smart Grid." That's the general term for complex electric-system improvements that have great potential to lead to lower prices and better reliability. For example, while most consumers pay a set rate for electricity, the actual price varies over the course of a day. A true smart grid could allow for "peak-time rebate pricing," meaning consumers who cut their usage during peak times would receive a credit on their bills, benefitting everyone in the process by lowering energy prices.

Who runs the IPA?

Mark Pruitt is the executive director and sole employee of the IPA. Before being appointed, Pruitt worked at the University of Illinois at Chicago's Energy Resources Center, managing energy procurement for state agencies and local municipalities. CUB is pushing for more resources and staff for this very important agency.