

## Rate Relief Law Alters Power Purchasing in Illinois

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The Illinois Electric Service Customer Choice and Rate Relief Law has generated substantial savings for power customers throughout Illinois and municipalities are increasingly utilizing aggregation programs to secure savings for residents and businesses.

In 1997, the Illinois General Assembly adopted the Rate Relief Law, 220 ILCS 5/16 - 101 et seq., which restructured the energy industry to allow competition among Illinois electricity suppliers. Today, alternative retail electric suppliers (“ARES”) supply more than half of the electricity purchased by commercial and industrial customers in Illinois. This is due in part to municipal aggregation in which local governments purchase power in bulk from ARES for their residents and eligible businesses.

Financial savings from municipal aggregation can be significant but are not guaranteed. Under the Rate Relief Law, municipalities may negotiate bulk rates with ARES. In contrast, the Illinois Power Agency sets electricity rates for Ameren and ComEd, whereas ARES purchase power in the open electricity market often at much lower rates. Notably, electrical cooperatives and municipal utility customers are exempt from the Rate Relief Law.

Municipal aggregation can impact 50 to 75 percent of a typical electricity bill. The remainder is comprised of transmission and distribution charges from ComEd or Ameren Illinois. Nevertheless, discounted electricity prices from ARES can produce a large reduction in electricity bills. Residents and eligible businesses should examine kWh prices, rate structure (variable versus fixed), contract length and early termination fees before switching from their current provider.

Municipalities can establish either “opt-in” or “opt-out” aggregation programs under the the Illinois Power Agency Act, 20 ILCS 3855/1-92 et seq. With referendum approval, local governments may adopt an opt-out resolution, which provides for automatic enrollment but permits residents and small businesses to decline participation without penalty. Alternatively, an opt-in program requires eligible customers to submit a request to be included in the program. These programs typically have one to three-year terms.