

Office of Retail Market Development Annual Report on the Development of Natural Gas Markets in Illinois



Submitted pursuant to Section 19-130
of the Illinois Public Utilities Act

*Office of Retail Market Development
Illinois Commerce Commission
October 2022*

STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

October 26, 2022

The Honorable JB
Pritzker Governor

The Honorable Members of the Illinois General Assembly

The Honorable Members of the Illinois Commerce Commission

Please find enclosed the ICC's Office of Retail Market Development's Annual Report on the Development of Natural Gas Markets. This report is submitted in compliance with Section 19-130 of the Illinois Public Utilities Act [220 ILCS 5/19-130]. Section 19-130 requires the Director of the Office of Retail Market Development to prepare an analysis of the status and development of the retail natural gas market in the State of Illinois.

Sincerely,

A handwritten signature in cursive script that reads "Tanya Capellan".

Tanya Capellan
Director, Office of Retail Market Development

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I. Statement of Purpose

Section 19-130 of the Illinois Public Utilities Act states that

“The Commission’s Office of Retail Market Development shall prepare an annual report regarding the development of competitive retail natural gas markets in Illinois. The Office shall monitor existing competitive conditions in Illinois, identify barriers to retail competition for all customer classes, and actively explore and propose to the Commission and to the General Assembly solutions to overcome identified barriers. Solutions proposed by the Office to promote retail competition must also promote safe, reliable, and affordable natural gas service.

On or before October 31¹ of each year, the Director shall submit a report to the Commission, the General Assembly, and the Governor, that includes, at a minimum, the following information:

- (1) an analysis of the status and development of the retail natural gas market in the State of Illinois; and*
- (2) a discussion of any identified barriers to the development of competitive retail natural gas markets in Illinois and proposed solutions to overcome identified barriers; and*
- (3) any other information the Office considers significant in assessing the development of natural gas markets in the State of Illinois.*

Beginning in 2021, the report shall also include the information submitted to the Commission pursuant to paragraph (6) of subsection (b) of Section 19-115.”

¹ The reporting date was changed from October 1 to October 31 by PA 102-0459, effective August 20, 2021.

II. Introduction

Traditional gas utility **sales service** is the sale of natural gas supply to retail customers at rates regulated by the Illinois Commerce Commission (ICC). The rates paid by sales service customers are separated into two parts:

- **Delivery/transportation:** this component recovers the cost to distribute gas, including the cost of utility-owned storage facilities, through rates that vary by customer class.
- **Gas commodity:** this component of sales service is regulated by the Commission to ensure that customers pay only for gas that is prudently purchased. Typically, the price for gas commodity fluctuates monthly, but it does not vary by customer class.

Gas **transportation service** allows **alternative gas suppliers (AGS)** to sell competitively priced natural gas commodity to retail customers. It is believed that the wholesale commodity market is competitive, but the delivery function is a natural monopoly. Therefore, by unbundling the commodity from its delivery, retail customers can get direct access to the wholesale market and potentially:

- A wider array of services;
- Customized pricing, terms, and conditions of service to individual customers or groups of customers than is possible with sales service; and
- Lower prices.

The first transportation tariffs simply removed the utility's gas supply charge from the transportation customer's bill, with limited or no access to utility storage assets. More recently, transportation service has become more sophisticated. It offers customers a number of alternatives to traditional utility sales service, including allocations of utility storage and flexible delivery and storage withdrawal terms.

This report aims to provide an overview of the current state of the market including active gas supplier activity and customer switching trends. This study is divided into two main customer markets:

1. **Large Volume Transportation (LVT):** this segment represents most of the gas transportation volume as these are the large volume industrial and commercial customers in the Nicor Gas, Peoples Gas, North Shore Gas, and Ameren Illinois service territories.
2. **Small Volume Transportation (SVT):** both small commercial and residential customer segments are included in this market, currently served by the three utilities in northern Illinois: Nicor Gas, Peoples Gas, and North Shore Gas. SVT customers fall into two categories and are defined statutorily as:
 - a. **Small commercial:** a non-residential customer who consumes 5,000 or fewer therms annually; or
 - b. **Residential:** a customer who receives gas utility service for household purposes distributed to a dwelling of two or fewer units which is billed under a residential rate or gas utility service for household purposes distributed to a dwelling unit or units which is billed under a residential rate and is registered by a separate meter for each dwelling unit.

The data has been analyzed to identify trends and inform recommendations for 2023 aimed at supporting the development of competitive retail natural gas markets.

III. Executive Summary

A. Market Participation

Statewide, the number of alternative gas suppliers (AGS) certified by the ICC to serve retail customers has remained constant. In general, the number of customers choosing to receive their gas supply from an AGS and the amount of gas supplied to the market is decreasing; AGS supplied less natural gas to the market in 2021 than in 2020. Table 1 summarizes the quantity of annual AGS customers and their yearly usage by utility territory and market.

Table 1: SUMMARY OF MARKET INDICATORS (QUANTITY)

	Quantity		Trend	Percent Change
	2020	2021		
Quantity of Customers	345,705	313,247	↓	-9.4%
Nicor Gas	238,008	222,056	↓	-6.7%
LVT	13,517	12,817	↓	-5.2%
SVT	224,491	209,239	↓	-6.8%
Peoples Gas	80,250	67,146	↓	-16.3%
LVT	7,768	7,684	↓	-1.1%
SVT	72,482	59,462	↓	-18.0%
North Shore Gas	18,525	15,223	↓	-17.8%
LVT	3,362	1,666	↓	-50.4%
SVT	15,163	13,557	↓	-10.6%
Ameren	8,922	8,822	↓	-1.1%
LVT	8,922	8,822	↓	-1.1%
Usage Provided by AGS	4,016,713,105	4,009,690,936	↓	-0.2%
Nicor Gas	2,175,121,722	2,217,380,867	↑	1.9%
LVT	1,732,652,334	1,804,426,712	↑	4.1%
SVT	442,469,388	412,954,155	↓	-6.7%
Peoples Gas	723,326,342	699,815,948	↓	-3.3%
LVT	599,601,070	589,295,923	↓	-1.7%
SVT	123,725,273	110,520,025	↓	-10.7%
North Shore Gas	134,768,689	136,260,629	↑	1.1%
LVT	107,168,951	109,238,462	↑	1.9%
SVT	27,599,738	27,022,167	↓	-2.1%
Ameren	983,496,352	956,233,493	↓	-2.8%
LVT	983,496,352	956,233,493	↓	-2.8%

2021 Snapshot

30,989

LVT customers on AGS supply, compared to 33,569² in 2020.

282,258

SVT customer on AGS supply, compared to 312,136 in 2020.

47%

of natural gas in the state supplied by AGS, which is the same as last year.

51 AGS

certified in the state, compared to 55 in 2020.

85 AGS

actively³ serving customers in the state, compared to 86 last year.

² The number of LVT customers on AGS supply in 2020 was incorrectly reported in the 2021 annual report as 33,580. The correct number of LVT customer on AGS supply in 2020 is 33,569.

The percentages in Table 2 compare⁴:

1. The total number of customers on AGS supply to the total number of customers in the market.
2. The total usage provided by AGS as a percent of the total usage provided to the market.

Table 2: SUMMARY OF MARKET INDICATORS (PERCENT)

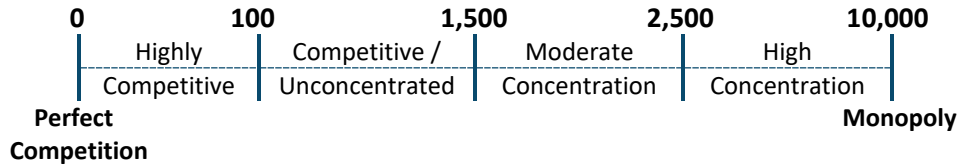
	Percent of Total Market		Trend	Change from Previous Year
	2020	2021		
Quantity of Customers	9.9%	8.9%	↓	-1.0%
Nicor Gas	10.6%	9.8%	↓	-0.7%
LVT	6.9%	6.6%	↓	-0.4%
SVT	10.0%	9.3%	↓	-0.7%
Peoples Gas	8.1%	6.8%	↓	-1.4%
LVT	9.7%	9.6%	↓	-0.1%
SVT	8.0%	6.5%	↓	-1.5%
North Shore Gas	10.3%	8.4%	↓	-1.9%
LVT	23.2%	11.3%	↓	-11.9%
SVT	9.2%	8.2%	↓	-1.0%
Ameren	12.4%	12.2%	↓	-0.2%
LVT	12.4%	12.2%	↓	-0.2%
Usage Provided by AGS	47.1%	47.4%	↑	0.2%
Nicor Gas	46.3%	47.1%	↑	0.8%
LVT	68.8%	69.5%	↑	0.6%
SVT	9.4%	8.8%	↓	-0.6%
Peoples Gas	32.2%	31.9%	↓	-0.3%
LVT	64.2%	64.4%	↑	0.2%
SVT	9.4%	8.7%	↓	-0.8%
North Shore Gas	31.1%	31.2%	↑	0.1%
LVT	68.7%	68.2%	↓	-0.6%
SVT	9.9%	9.8%	↓	-0.2%
Ameren	85.7%	84.5%	↓	-1.2%
LVT	85.7%	84.5%	↓	-1.2%

³ AGS serving LVT do not need to be certified by the Commission. In previous years, the number of AGS actively serving customers was calculated as those serving external customers. Since 2020, the number of active AGS was changed to be based on those serving therms to any person or entity, even if just to itself

⁴ Column three in Table 2 takes the difference between the percent of total market from 2021 minus the percent of total market from 2020.

B. Market Competitiveness

The competitiveness of the market is also an important indicator of the current state of the gas market. The Herfindahl-Hirschmann Index (HHI) is a common indicator to measure competition among firms in a defined market. For an in-depth explanation of HHI values, please see page 11. HHI values consider the market share of each firm to rank a market on the following scale, with an HHI of zero being a perfectly competitive market (lots of firms competing) and an HHI of 10,000 being a monopoly (one firm dominates the market):



Overall, the gas supply markets in the Nicor Gas, Peoples Gas, and North Shore Gas territories are less competitive compared to last year. The exception is the LVT markets in the North Shore Gas and Ameren territories which have become more competitive. Table 3 summarizes the market competitiveness in each utility territory with HHI values broken out by LVT, SVT - Non-Residential, and SVT - Residential. Note: An increasing trend in HHI values indicates that the market is becoming less competitive.

Table 3: SUMMARY OF MARKET COMPETITIVENESS

	HHI Value		Current Designation	Trend	Percent Change
	2020	2021			
Concentration of AGS Market					
Nicor Gas					
LVT	1,365	1,453	Competitive	↑	6.5%
SVT - Non-Residential	1,372	1,398	Competitive	↑	1.9%
SVT - Residential	1,031	1,048	Competitive	↑	1.7%
Peoples Gas					
LVT	2,679	2,693	High Concentration	↑	0.5%
SVT - Non-Residential	1,241	1,521	Moderate Concentration	↑	22.5%
SVT - Residential	1,007	1,009	Competitive	↑	0.2%
North Shore Gas					
LVT	3,508	3,433	High Concentration	↓	-2.1%
SVT - Non-Residential	1,839	1,868	Moderate Concentration	↑	1.6%
SVT - Residential	1,101	1,126	Competitive	↑	2.2%
Ameren					
LVT	1,254	1,238	Competitive	↓	-1.2%

C. Consumer Offers

Consumer resources are available on the ICC website and, as of August 2022, there were a total of 48 offers by AGS posted on the ICC website. There were 17 offers posted by AGS in the North Shore Gas territory; there were 16 offers posted by AGS in the Peoples Gas territory; and the Nicor Gas territory had 15 different offers posted. A majority of these offers are for fixed rates, typically for a year.

IV. General Market Activity

A. AGS Requirements

Certification from the ICC is not required to serve as an LVT supplier. The Public Utilities Act states that rules pertaining to AGS licenses “shall apply only to alternative gas suppliers serving or seeking to serve residential or small commercial customers.” AGS that wish to provide services to the SVT market have several requirements they must fulfill prior to participation which include:

- **Certification:** The AGS must obtain a certificate of service authority from the ICC;
- **Registration:** Suppliers must also register with the gas utility or utilities in whose territory they plan to offer service;
- **Testing:** Technical testing to be completed before offering retail natural gas service in Illinois; and
- **Meet standards:** All AGS companies must adhere to requirements as described in the Illinois Public Utilities Act⁵.

B. Certified and Active AGS

Statewide, 51 AGS companies are certified with the ICC pursuant to Section 19-110 as of 2022. This is four fewer than the 55 which were certified in 2021.

Table 4: CERTIFIED AGS STATEWIDE

	2018	2019	2020	2021	2022	Trend	Percent Change from 2021 to 2022
Total Quantity of Certified AGS	51	53	55	55	51	↓	-7%

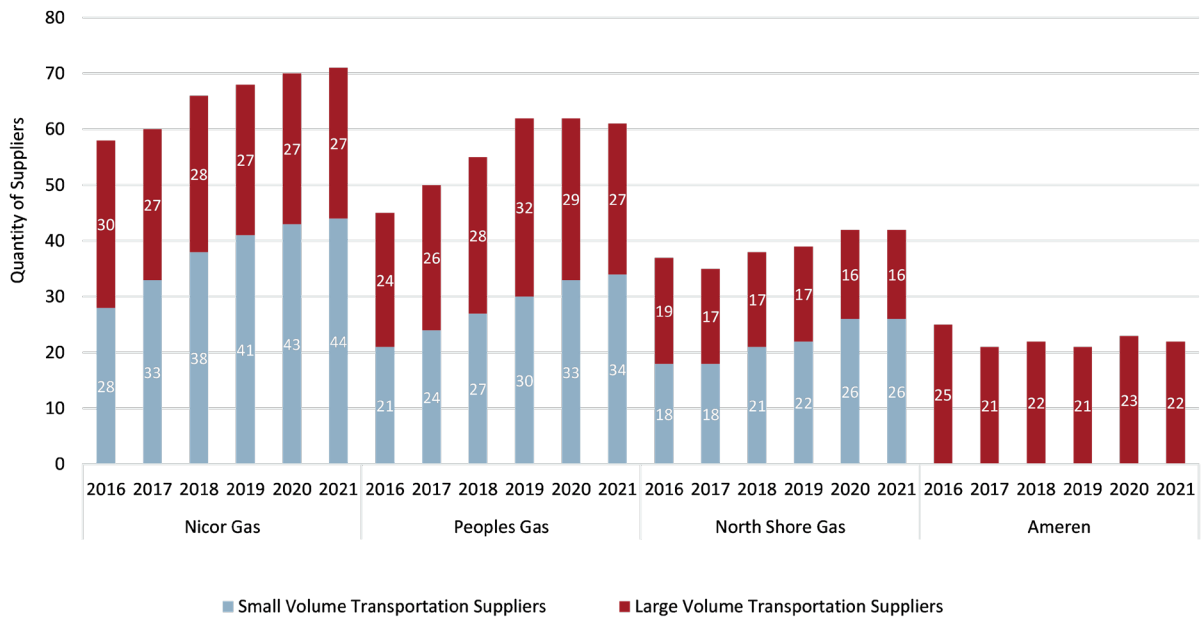
Table 5 and Figure 1 show the number of active AGS each year by utility territory and market served. An AGS is considered active when a utility reports the AGS served therms to at least one customer receiving supply, even if it is only to themselves or an affiliate. The LVT gas suppliers are shown separately from the SVT suppliers in order to visualize the markets serviced by each group. Note, a supplier may be active in both the SVT and LVT markets and, as such, would be counted in both categories.

⁵ As of January 1, 2023, AGS will also be required to comply with 83 Ill. Admin. Code 512.

Table 5: ACTIVE AGS BY UTILITY TERRITORY

	Dec 2017	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Trend	Percent Change from 2020 to 2021
Nicor Gas Territory							
LVT market	27	28	27	27	27	-	0%
SVT market	33	38	41	43	44	↑	2%
Peoples Gas							
LVT market	26	28	32	29	27	↓	-7%
SVT market	24	27	30	33	34	↑	3%
North Shore Gas							
LVT market	17	17	17	16	16	-	0%
SVT market	18	21	22	26	26	-	0%
Ameren Illinois Territory							
LVT market	21	22	21	23	22	↓	-4%

Figure 1: ACTIVE AGS BY UTILITY TERRITORY



The 2021 data shows the number of active alternative gas suppliers in the LVT market in the Nicor Gas territory increased, while the number active suppliers in the SVT market stayed the same as the previous year. The Peoples Gas territory experienced an increase in LVT suppliers, while the number of active suppliers in the SVT market decreased. The number of AGS serving the LVT and SVT markets in the North Shore Gas territory remained stagnant. The LVT market in the Ameren territory saw one fewer supplier than the previous year.

V. Large Volume Transportation (LVT) Market

Local Distribution Companies (LDC) tariffs, along with interstate FERC-approved pipeline tariffs, create the rules and structure needed to support competitive retail supply markets for commercial and industrial customers. The Commission has been approving unbundled gas transportation tariffs filed by Illinois LDC utilities for over four decades. That process continues today.

To recoup their expenses, an LDC may charge back the costs they incur for transportation services. In the early stages of transportation service in Illinois, rate design amounted to deducting the Purchased Gas Adjustment (PGA) price from transported volumes. When transportation customers consumed LDC-supplied gas, they paid the regular PGA or bundled rate. Transportation tariffs have become more sophisticated, since utilities now supply storage services to transportation customers while penalizing transporters for deviating from planned deliveries. When customers' gas usage differs from the level contracted for, various penalty charges may apply or above-market rates may be charged. The penalty charges are designed to prevent large-scale imbalances above the level the LDC is prepared to accommodate as specified in the tariff.

Many gas suppliers and marketers can meet the needs of retail customers who choose to transport their own gas rather than purchasing gas directly from their LDC under bundled tariffs.

In 2021, 51 LVT suppliers were active in the Nicor Gas, Peoples Gas, North Shore Gas, and Ameren Illinois territories. These suppliers **served more than 30,000** Illinois large commercial and industrial customers and provided **72%** of the market's supply.

LVT market activity will be captured by looking at two different indicators:

1. Yearly AGS-provided usage of LVT customers for each of the four utility territories.
2. The competitiveness of the LVT market in each utility territory.

A. LVT Customer Switching

For the purposes of this report, gas utilities provided data on each LVT supplier for the 2021 calendar year. Details depicted below show activity in terms of number of customers switched and related gas usage in therms over the last six years.

Figure 2: COMPETITIVE SUPPLY PERCENTAGES (LARGE VOLUME TRANSPORTATION MARKET)



The graph above shows one clear trend among all four utility territories: a small percentage of the large customers consume the majority of natural gas for that class of customers. As a result, suppliers only need to contract with a small number of customers to capture a significant portion of the market. Depending on the utility territory, in 2021 gas suppliers provided service to 7-12% of the large volume customers while providing 64-85% of the total therms consumed by all large volume customers.

The percentage of customers and therms served by a supplier in both the Nicor Gas and People’s Gas territories remained the same in 2021 from 2020. Ameren Illinois saw a percent decrease in the number of therms served, although their percentage of customers served remained stagnant. North Shore Gas experienced a sharp drop in the percentage of customers they served, while the actual therms served experience a minimal decrease.

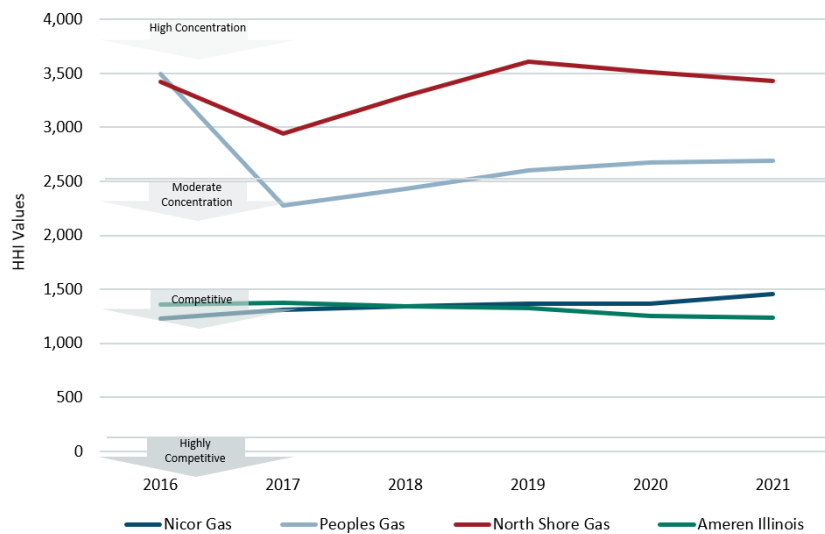
B. Market Concentration

Similar to prior annual reports, this report includes an analysis of non-residential market competitiveness using the Herfindahl-Hirschmann Index (HHI), which is a common indicator to measure competition among firms in a defined market. This analysis ranks each market on a scale of perfectly competitive (HHI of zero) to monopoly (HHI of 10,000). In order to estimate market share, the share of natural gas usage provided by an AGS was used instead of the share of customers served by individual AGS. Either approach would be informative but the amount of therms supplied might be more closely related to the financial success of an AGS than the number of customers served.

Note that the numbers below reflect only the segment of the LVT market that has already switched to a competitive supplier. In other words, this analysis does not include customers on utility sales service.

While it is unreasonable to assume that all LVT customers are considered to be part of the same market, the overall HHI values shown here allow comparison of the relative market concentration among the utility areas to see the trends in market concentration from 2016 to 2021.

Figure 3: HHI VALUES (LARGE VOLUME TRANSPORTATION MARKET)



As shown, the Nicor Gas and Ameren Illinois LVT markets remain competitive—meaning there are a significant number of suppliers serving customers in the utility service territories. The Peoples Gas and North Shore Gas LVT markets continue to show significantly higher market concentration, with both territories remaining in the high concentration category.

Herfindahl-Hirschmann Index

In order to put the market concentration values into perspective, we looked at the revised 2010 Horizontal Merger Guidelines by the Department of Justice (DOJ) and the Federal Trade Commission (FTC), which divide the spectrum of market concentration into three regions based on HHI values.

Generally speaking, the revised guidelines state that the DOJ and the FTC view markets as follows:

- **Less than 100** is highly competitive, meaning many similarly sized firms compete for the same customers.
- **Less than 1,500** is competitive or unconcentrated.
- **Between 1,500 and 2,500** is moderately concentrated.
- **Greater than 2,500** is highly concentrated, meaning very few firms dominate the market.
- **10,000** is the highest HHI and the market would be considered a monopoly.

VI. Small Volume Transportation (SVT) Market

Programs for small commercial and residential customers, known as the SVT market, are an important component of Illinois retail natural gas markets. Like transportation programs for large volume customers, retail choice provides small volume customers with the opportunity to purchase competitively priced natural gas commodity from an AGS, outside of traditional bundled utility service. SVT programs allow suppliers to aggregate customer load and estimate their daily usage for balancing purposes instead of directly measuring daily usage with advanced meters. While Ameren Illinois does not have an SVT program, the Nicor Gas, Peoples Gas and North Shore Gas territories have been offering SVT services to residential and small commercial customers for more than two decades.

While the ICC does not regulate the price of gas charged by retail suppliers, it does regulate alternative gas suppliers in three ways. The ICC:

1. Approves the utility tariffs that allow for the existence of the programs including delivery requirements for system reliability;
2. Issues certificates and approves qualifications for alternative gas suppliers serving small commercial and residential customers; and
3. Enforces the provisions of the Public Utilities Act governing consumer protections for gas supply offered by alternative gas suppliers.

In addition, the ICC maintains a website with residential and small commercial offers from suppliers, including a pricing comparison spreadsheet to assist customers when shopping for gas supply service.

In 2021, there were 47 active SVT suppliers⁶ in the Nicor Gas, Peoples Gas, and North Shore Gas territories. These suppliers served **more than 230,000** residential customers and **more than 52,000** small commercial customers.

SVT market activity will be captured by looking at three different indicators:

1. The quantity of SVT customers switching away from the utility supply service for each of the three utility territories;
2. The quantity and types of residential offers posted on the ICC website; and
3. A market competitiveness analysis and a breakdown of residential market share among AGS.

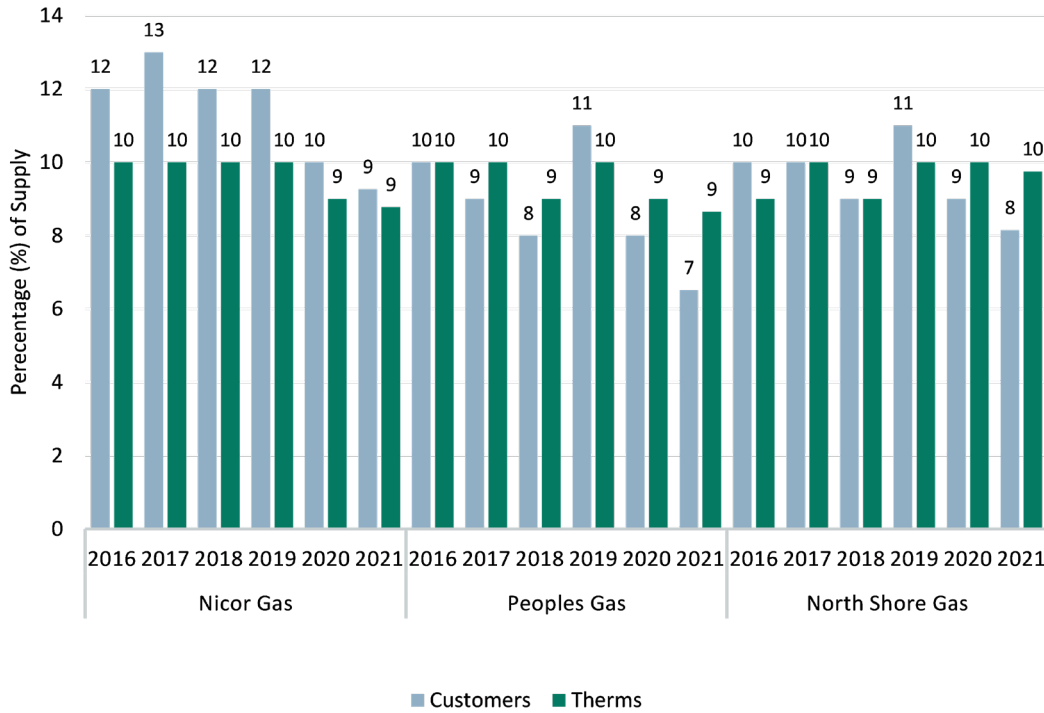
A. SVT Customer Switching

For purposes of this report, gas utilities provided data on each SVT supplier for the 2021 calendar year. Details depicted below show activity in terms of quantity of customers switched away from the gas utility and related gas usage in therms over the last six years.

As mentioned above, SVT includes residential and small non-residential customers.

⁶ In previous years, the number of active suppliers was counted based on those that served customers. Since 2020, counting was based on the suppliers that served therms to any entity, even if just to the AGS itself, instead of those that served external customers.

Figure 4: COMPETITIVE SUPPLY PERCENTAGES (SMALL VOLUME TRANSPORTATION MARKET)



In contrast to the LVT market, the SVT market percentage of switched customers is only slightly lower than the percentage of switched usage and, in the Nicor territory, the percentage is nearly equal. This is in line with the 2020 report. There is a slight decrease in the percentage of SVT customers who have switched compared to last year, yet, the percentage of usage remains steady across all three utility territories. The Nicor Gas market continues to see the largest percentage of switched customers among the three utility areas.

B. Residential Market

As the residential market represents the largest volume of eligible customer accounts, this section singles out this subset of the SVT market. The following table shows the total number, as well as the percentage, of residential customers receiving supply from an AGS.

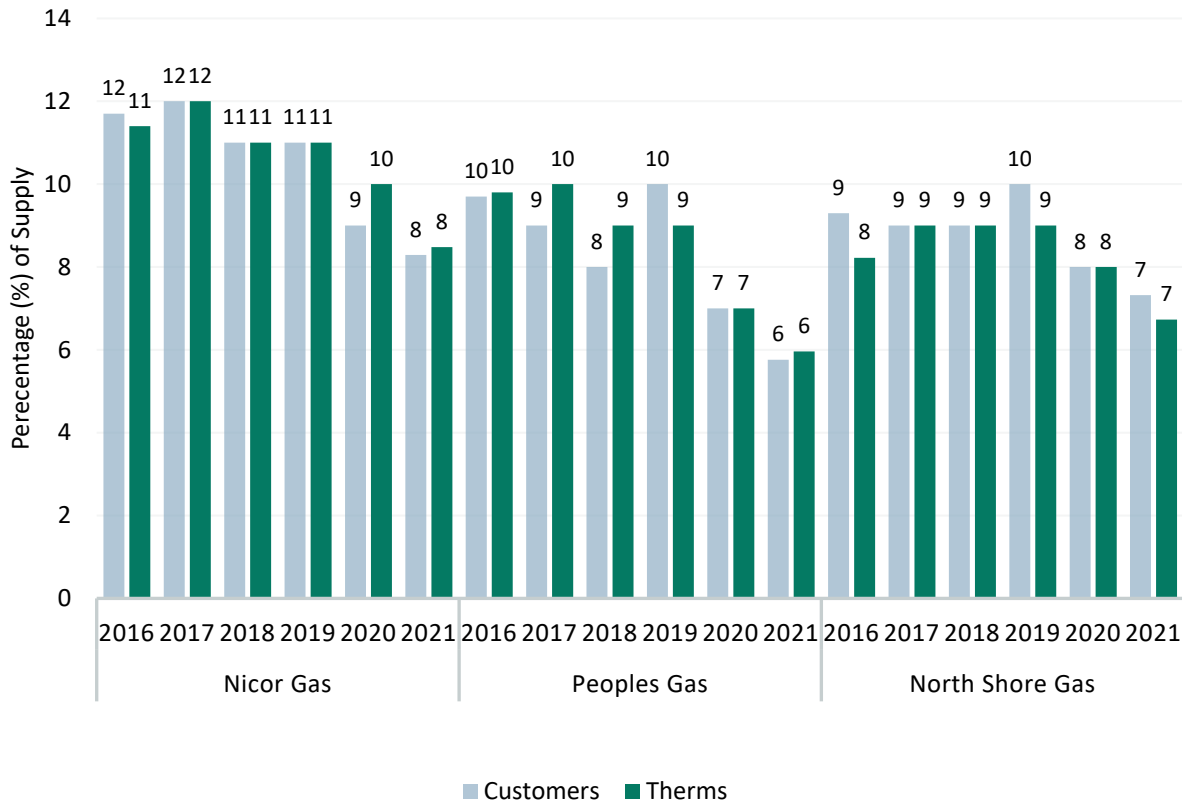
Table 6: QUANTITY OF RESIDENTIAL CUSTOMERS ON COMPETITIVE SUPPLY

	December 2016	December 2017	December 2018	December 2019	December 2020	December 2021
Nicor Gas	236,374	240,333	230,377	217,675	185,232	171,142
Peoples Gas	74,559	71,320	62,731	82,913	60,194	48,015
North Shore Gas	13,591	13,813	12,945	15,586	12,666	11,093
Total	324,524	325,466	306,053	316,174	258,092	230,250
Percent of Customers in the Utility Territory on AGS Supply						
Nicor Gas	11.7%	11.8%	11.3%	10.6%	9.0%	8.3%
Peoples Gas	9.8%	9.0%	7.8%	10.3%	7.3%	5.8%
North Shore Gas	9.3%	9.3%	8.6%	10.4%	8.4%	7.3%

In terms of actual customer counts, the Nicor Gas territory, which has the largest pool of eligible customers, also has the most residential customers on competitive gas service. When evaluated in terms of percentage of eligible customers, all three territories experienced a decrease.

Details depicted below show activity in terms of number of residential customers switched away from gas utility service and related gas usage in therms over the last six years.

Figure 5: COMPETITIVE SUPPLY PERCENTAGES (RESIDENTIAL MARKET)



The graph shows that, compared to the overall SVT market, the percentage of switched residential customers and therms in the Nicor Gas territory is slightly lower in 2021 than the previous year. For the Peoples Gas and the North Shore Gas territories, the residential switching percentages for both customers and therms are less compared to the whole SVT market.

C. Commission Website

1. Supplier Marketing

The number of residential offers posted by the AGS companies on the ICC’s website (www.icc.illinois.gov/ags/products) may also serve as an indicator of supplier activity. The inventory of suppliers and offers from the ICC website is represented in the tables below. Compared to the offers posted by suppliers in the retail electric market, the numbers of suppliers and offers are relatively small, especially considering that the posting of residential supply offers is mandatory for AGS companies but not for alternative retail electric suppliers.

When compared to the same month last year, the number of suppliers posting offers has slightly varied, with the same number of suppliers posting offers in the Nicor territory, one additional supplier posting offers in the Peoples Gas territory, and one less supplier posting offers in the North Shore Gas territory. Additionally, all three territories have shown a decrease in volume of offers available, with Nicor Gas territory showing the largest decrease.

Table 7: AGS POSTING OFFERS ON THE ICC WEBSITE
Quantity of AGS Posting Residential Offers

	August 2017	August 2018	August 2019	August 2020	August 2021	August 2022
Nicor Gas	10	10	10	9	10	10
Peoples Gas	11	10	11	9	7	8
North Shore Gas	9	9	10	9	8	8

Table 8: RESIDENTIAL OFFERS POSTED ON THE ICC WEBSITE
Quantity of Offers

	August 2017	August 2018	August 2019	August 2020	August 2021	August 2022
Nicor Gas	32	28	31	30	22	15
Peoples Gas	30	27	31	28	19	16
North Shore Gas	29	26	30	28	20	17

2. Residential Offers by Utility

The following section compares the types of offers posted within each utility territory over the last six years.

Table 9: BREAKDOWN OF OFFERS AVAILABLE TO CUSTOMERS ON THE ICC WEBSITE

Nicor Gas		August 2017	August 2018	August 2019	August 2020	August 2021	August 2022
Total Product Offers		32	28	31	30	22	15
Product Type	Fixed	19	20	24	21	19	12
	Variable	5	4	4	5	1	0
	Fixed/Variable	1	1	1	2	0	2
	Other	7	3	2	2	2	1
Termination Fee	Yes	22	19	17	7	3	2
	No	10	9	14	23	19	13
Length of Term (in Months)	< 12	6	4	6	6	7	5
	12	15	13	14	16	10	6
	13 – 23	3	2	2	1	0	0
	24	6	3	5	5	3	1
	> 24	2	1	2	2	2	3
	>36	0	0	0	0	0	0

Peoples Gas		August 2017	August 2018	August 2019	August 2020	August 2021	August 2022
Total Product Offers		30	27	31	28	19	16
Product Type	Fixed	18	19	23	20	17	15
	Variable	4	4	5	4	0	0
	Fixed/Variable	1	1	1	2	0	0
	Other	7	3	2	2	2	1
Termination Fee	Yes	23	20	19	7	3	2
	No	7	7	12	21	16	14
Length of Term (in Months)	< 12	8	4	9	6	5	4
	12	13	12	15	16	10	8
	13 – 23	3	2	2	1	0	0
	24	4	2	4	3	2	2
	> 24	2	1	3	2	2	2
	>36	0	0	0	0	0	0

North Shore Gas		August 2017	August 2018	August 2019	August 2020	August 2021	August 2022
Total Product Offers		30	26	30	28	20	17
Product Type	Fixed	18	19	23	20	18	16
	Variable	4	3	4	4	0	0
	Fixed/Variable	1	1	1	2	0	0
	Other	7	3	2	2	2	1
Termination Fee	Yes	23	19	18	7	2	2
	No	7	7	12	21	18	15
Length of Term (in Months)	< 12	8	4	9	6	5	3
	12	13	13	15	16	11	9
	13 – 23	3	2	2	1	0	0
	24	4	2	4	3	2	2
	> 24	2	1	3	2	2	3
	>36	0	0	0	0	0	0

In all utility areas, the quantity of residential offers in August 2022 has decreased compared to August 2021. The majority of residential offers posted are fixed price offers. Other options include offers with both fixed and variable components, and “flat bill” offers pursuant to which the customer pays the same amount for natural gas supply regardless of the actual monthly usage.

Term lengths on offers are largely concentrated in the one-year or less time frame. While a few other term lengths were offered, ranging up to three-years, for the last several years there have been no offers with a term length greater than three years.

While a few offers posted on the ICC website list a termination fee, it is important to note that termination fees are no longer permitted. The Home Energy Affordability and Transparency (HEAT) Act,

effective January 1, 2020, states that, “residential and small commercial customers shall have a right to terminate their agreements with alternative gas suppliers at any time without any termination fees or penalties.” Staff continues their outreach efforts to ensure suppliers are up to date on and compliant with the most recent changes in statutes and rules.

D. AGS Rate Reports

Effective January 1, 2020, Public Act 101-0590 amended the Public Utilities Act (“PUA”) to require all AGS to provide the Commission and the Office of the Attorney General the rates “charged to residential customers in the prior year, including each distinct rate charged and whether the rate was a fixed or variable rate, the basis for the variable rate, and any fees charged in addition to the supply rate, including monthly fees, flat fees, or other service charges” by September 30th of each year. To provide additional context, Staff requested that AGS identify the territory where each rate was charged.

The statute does not require, and AGS did not provide, a description of the types of products associated with the various rates charged or how many customers are enrolled on each rate. Given the number of non-rate benefits, such as airline miles and smart devices, that the AGS utilize in their marketing promotions, this omission often renders it difficult to accurately reflect the benefits provided to customers. Additionally, the reports do not include information about how the various rate products were marketed to customers.

Of the 48 AGS licensed to serve residential customers, the companies below failed to submit the information required⁷.

- Dominion Energy Solutions, Inc. (certificate removed 04/07/22);
- Entrust Energy East, Inc (certificate removed 03/17/22);
- Greenlight Energy Inc.; and
- Mansfield Power and Gas, LLC.

Additionally, the following AGS submitted incorrect reports and were asked to resubmit a corrected report but did not do so in time for the information to be included in the analysis below.

- Atlantic Energy MD, LLC;
- MPower Energy NJ LLC;
- Nordic Energy Services, LLC;
- Residents Energy, LLC;
- RPA Energy Inc.; and
- Santana Natural Gas Corporation.

The AGS rate information covered in the rate reports includes information from September 1, 2021 through August 31, 2022. Although some AGS charged a limited number of rates during the timeframe

⁷ ORMD will consider and take corrective action to ensure compliance by all AGS.

indicated, other AGS charged over 4,000 different fixed and variable rates throughout the Nicor, North Shore, and People's Gas territories.⁸ The lowest rate charged in the Nicor territory was a variable rate product of \$0.099 per therm charged beginning in April 2022. In the North Shore Gas territory, the lowest reported rate was \$0.18 per therm and it is a variable rate product for the time period starting May 2022. In the People's Gas territory, the lowest reported rate was \$0.176 per therm and it is a fixed rate product for the time period starting September 2021. In the Nicor territory, the highest rate charged was a variable rate of \$2.173 per therm, which was charged between July and August 2022. For the North Shore Gas territory, the highest rate charged was a variable rate of \$1.599 per therm with a \$6.95 additional monthly fee, which was charged for August 2022. For the People's Gas territory, the highest rate charged was a variable rate of \$1.864 per therm, which was charged for August 2022. Additionally, several AGS offer subscription or flat fee products pursuant to which residential customers pay the same amount throughout the life of the contract, which tends to be twelve months, regardless of usage. While there was an AGS that charged a subscription fee as low as \$6.99 and one that charged as high as \$752.82, most of the subscription products ranged from \$50 to \$250 a month.

Many AGS reported charging the same variable rate for several months and even several years. Many of the fixed rates reported were only charged for two to three months at a time despite most of the fixed rate offers posted on the ICC website have a term of at least one year.

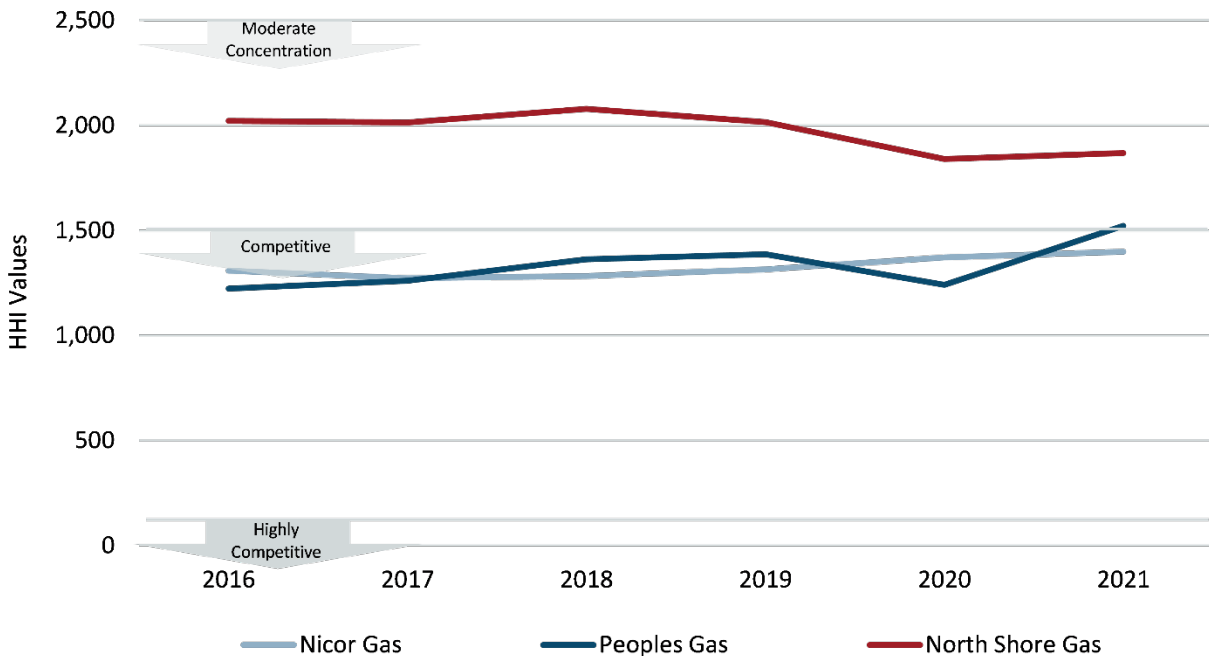
E. Market Concentration

The market concentration for the SVT market was calculated using the same methodology as the LVT market. Market share analysis was based on the gas usage provided by each individual supplier in the SVT market rather than their share of customers. The difference between the percentage of switched customers and the percentage of switched usage is not nearly as marked as it is in the LVT market. The following figures separate the SVT market into residential and non-residential subsets in order to evaluate six-year market trends.

The first graph below illustrates that within the small non-residential portion of the SVT market, all HHI designations remain steady. Nicor Gas and North Shore Gas have maintained their year-over-year concentration levels with Nicor Gas remaining competitive and North Shore Gas remaining moderately concentrated. Peoples Gas saw a decrease in competition and moved from the competitive level to moderately concentrated. All territories saw a rise in HHI values which signifies a decrease in competition.

⁸ 220 ILCS 19-130 requires ORMD to include the AGS rate information in this report. Because of the volume of different fixed, variable, and flat rates charged by a large number of AGS throughout the service territories, the rate information is presented in the aggregate in this report in order to give a broad overview of the state of the competitive market. Individual annual rate reports from any of the AGS that filed annual rate reports are available upon request.

Figure 6: HHI VALUES (SMALL NON-RESIDENTIAL MARKET)



When looking at the residential subset of the SVT market in the next figure, all three territories remained relatively stagnant compared to last year. Similar to the non-residential SVT market, the residential SVT market experienced a rise in HHI values across all three utility territories. The increase in HHI values indicates a decrease in competition, however, it was not significant enough to change any competitive designation. The residential SVT market remains competitive across all three utility territories.

Figure 7: HHI VALUES (RESIDENTIAL MARKET)

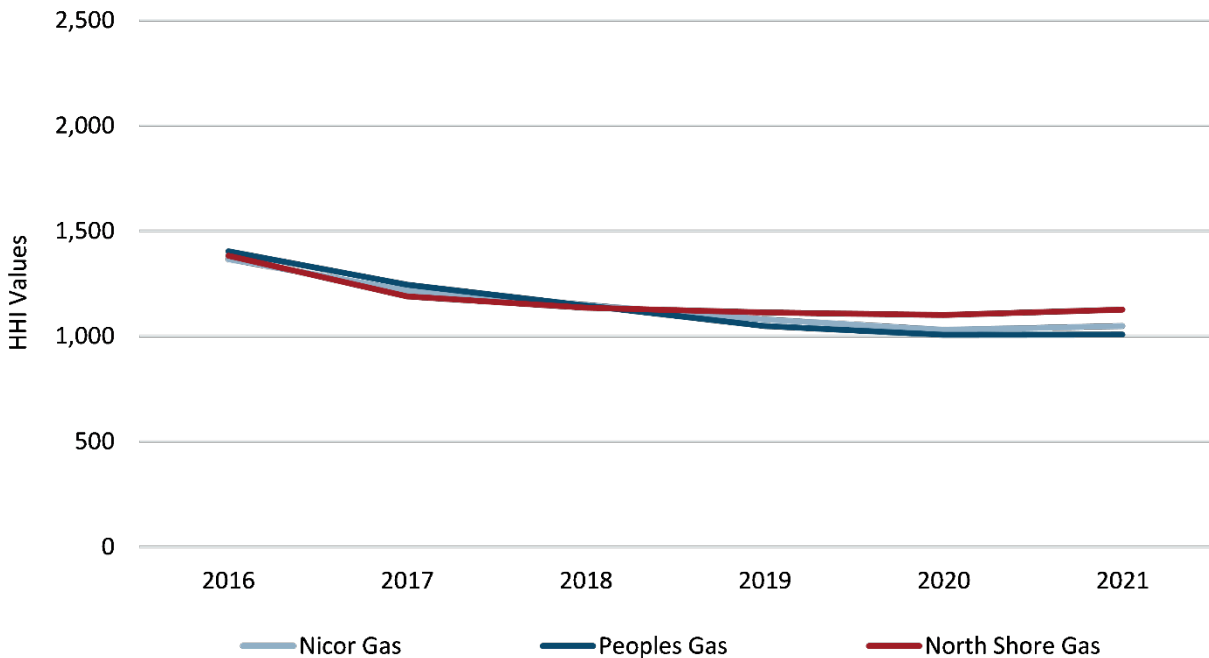


Table 10: AGS MARKET SHARE IN UTILITY TERRITORIES (BY CUSTOMERS)

Residential Market Share: Customers												
	Nicor Gas				Peoples Gas				North Shore Gas			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Largest Three Suppliers % Share	43%	44%	35%	44%	46%	42%	40%	40%	42%	40%	43%	44%
Range of Share	Count of suppliers for each portion of market share											
> 15%	1	1	1	1	1	1	0	0	1	1	1	1
≤15% and > 5%	7	7	7	7	7	7	8	9	8	7	6	6
≤5% and > 1%	7	6	7	6	4	4	4	5	3	4	4	3
≤1% and > 0%	17	20	22	24	9	14	19	18	8	10	15	16
Total Q of Active Suppliers	32	34	37	38	21	26	31	32	20	22	26	26

To get a better sense of how the residential market was being served, data was sorted to determine how many suppliers fell into percentile portions of the market share ranging up to 15% or more. As an example, in the Nicor Gas territory, 24 suppliers had a market share of less than 1% of the switched customers, six suppliers served more than 1% but less than or equal to 5%, seven suppliers served more than 5% but less than or equal to 15%, and only one supplier served more than 15% of the switched customers.

In the Nicor Gas and North Shore Gas territories, the number of suppliers with more than 15% of the market has remained stagnant. For the second year in a row, no supplier in the Peoples Gas territory served more than 15% of the market. Total active suppliers in Nicor Gas and Peoples Gas territories have increased, and the number of active suppliers in the North Shore territory remained the same as last year.

VII. Summary and Recommendations

This is the eighth report from the Office of Retail Market Development (ORMD) pursuant to the updated Section 19-130 of the Public Utilities Act. Findings for 2021 within this report include:

- 51 AGS are certified by the ICC to serve the natural gas market;
- Active AGS counts were 51 for the LVT market and 47 for the SVT market;
- AGS suppliers serve more than 30,000 LVT customers in Illinois which is 8.54% of the eligible customers;
- AGS across all four utility areas service 7-12% of LVT customers while providing 64-85% of the total therms consumed by LVTs;
- SVT suppliers serve more than 230,000 residential and more than 52,000 small non-residential customers, representing 8% of eligible residential customers and more than 18% of small non-residential customers; and
- All three utility territories saw a decrease in the quantity of residential customers being served by AGS

A. The Home Affordability and Transparency Act and Rulemakings

On August 27, 2019, Governor Pritzker signed into law PA 101-0590, the Home Energy Affordability and Transparency (HEAT) Act, which aims to enhance consumer protections and create transparency in the market. It is imperative that consumers understand the transactions they are participating in when engaging with AGS. Consumer education and transparency are essential to a successfully competitive market.

To increase transparency in the market, the HEAT Act requires a number of additional disclosures on marketing materials, the Uniform Disclosure Statement (UDS), etc. Among the new requirements, the Act mandates that the utility gas supply cost rates per therm be included on all marketing materials and on all bills. The HEAT Act eliminates early termination fees, increased bond requirements, and adds a new bond requirement for suppliers who engage in in-person solicitation.

Additionally, the HEAT Act requires AGS to annually submit to the Commission and the Attorney General, the rates the AGS charged to residential customers in the prior year by September 30. This required filing shall include the distinct rate charged, whether the rate was a fixed or variable rate, the basis for the variable rate, and any additional fees charged. ORMD is required to include information pertaining to the rates charged in this report and can be found in section on pages 17 – 18.

The HEAT Act expands on consumer protections found in the Public Utility Act and the Consumer Fraud Act. As a result, Staff has initiated Code Part 512 rulemaking proceeding (Docket No. 17-0857) to ensure the Commission rules reflect changed brought about by the HEAT Act. As of the date of this report, New Part 512 is under consideration by the Joint Committee on Administrative Rules. As a result, the ORMD has no suggestions for administrative or legislative actions at this time.

B. Moratorium on In-Person Solicitation by ARES and AGS

Due to the global COVID-19 pandemic, many states across the country declared public health emergencies. On March 9, 2020, Governor JB Pritzker declared that a public health emergency existed in the State of Illinois within the meaning of Section 4 of the Illinois Emergency Management Agency Act

(IEMA Act). The Governor urged all Illinois citizens to avoid large assemblies and close contact with other to the extent possible. Additionally, the Governor urged employers to permit teleworking and other remote work to the extent possible.

Therefore, on March 18, 2020, the Commission unanimously concluded that it was vital to place a moratorium on in-person solicitations by ARES and AGS to slow the spread of Covid-19 and protect the citizens of Illinois.⁹ As the State has moved to Phase 5 of the Governor’s Restore Illinois framework, the Emergency Orders declaring the moratorium have been amended to allow in-person solicitations to resume subject to certain conditions laid out in the orders.

⁹ The Emergency Orders can be found in Dockets 20-0310 and 20-0311.