

ELECTRIC DEREG LOTTERY DRAWS FEW PLAYERS

Tepid corporate customer response
will discourage ComEd rivals' entry

By STEVE DANIELS

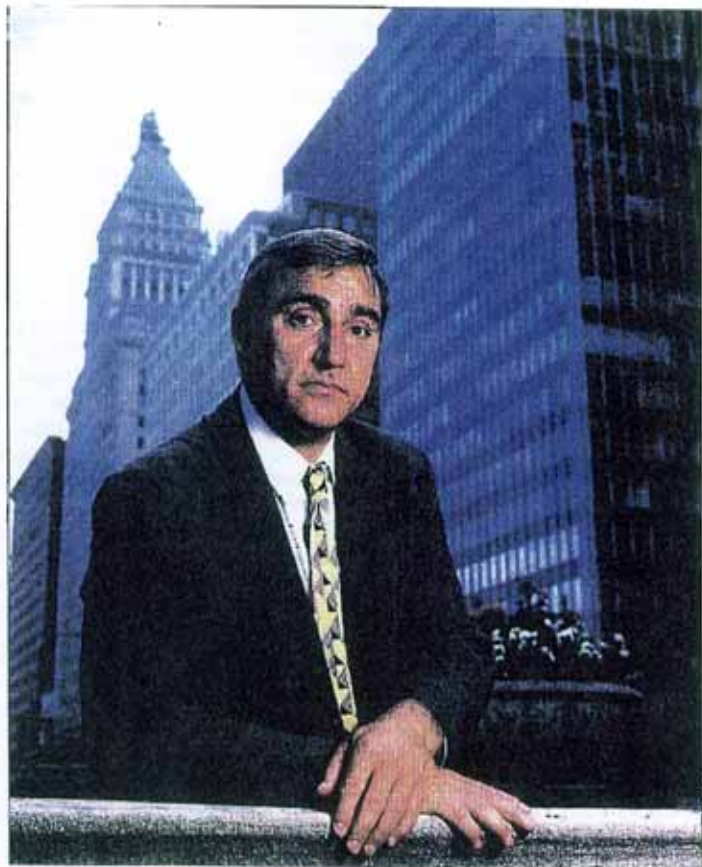
The electricity deregulation bash that's scheduled to begin in the fall is shaping up to be more of an intimate gathering.

Applications have been coming in at a decidedly tepid pace for the statewide "lottery" being held to determine the 33% of mid-sized and small commercial and industrial customers that will be allowed to choose their power provider beginning Oct. 1.

Thus far, fewer than 20,000, or 6%, of Commonwealth Edison Co.'s 300,000 commercial and industrial customers have registered for the lottery. Statewide, 11% of eligible commercial and industrial customers have signed up, according to the Illinois Commerce Commission (ICC). ComEd officials expect those numbers to grow, and are advertising in both daily newspapers in Chicago, as well as on five radio stations, to get the word out.

If applications don't pick up this week—the deadline for submissions is June 15—energy marketers may have substantially less than that one-third of the market to fight over. Such a slow start to the state's competitive power market could scare off some national players, which already fret that deregulation in Illinois unduly favors incumbent utilities

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JOHN R. BOEHM

Watt's the hangup? "There is no downside" to registering for the state's electricity deregulation lottery, says Patrick Giordano, an attorney representing big energy buyers.

Dereg lottery draws few players

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like Unicom Corp.'s Commonwealth Edison.

"If companies see there are so many obstacles, they will reconsider whether they want to be in the Illinois market or not," says Susan Landwehr, Midwest director of government affairs for Houston-based Enron Corp. "The jury is still out on how substantial our efforts will be in Illinois."

Meanwhile, ComEd's competitors worry that the lottery will be undersubscribed.

11th-hour rush?

"Personally, I'm concerned," says John Fringer, director of product and power development for Nicor Energy LLC, the unregulated subsidiary of Naperville-based Nicor Inc. "I expected it to be oversubscribed and go to lottery. I really don't know why we haven't seen the overwhelming response I anticipated."

He notes that similar lotteries in Pennsylvania and New York were oversubscribed.

The Illinois lottery won't be necessary if businesses representing less than 33% of the kilowatt-hours consumed don't register; those customers simply will be in automatically when the market opens.

"There is no downside (to registering)," says Patrick Giordano, an attorney who represents big energy-consuming customers. "It's just dollars being left on the table (if people don't apply). The legislation intended for there to be 8% pretax savings for this group of customers."

For its part, Chicago-based ComEd believes it will see a flood of responses as the deadline nears.

"We do want this to be successful. There's a lot at stake," says Arlene Juracek, ComEd's access implementation vice-president. "I'm giving an anniversary party, and people sent their RSVP cards at the very last minute. It's just human nature."

Explaining the apathy

Still, it's puzzling there hasn't been greater response. Illinois has some of the highest power rates in the country. Large energy users have complained for years about power costs—which are usually one of a manufacturer's biggest expenses—as well as ComEd's perceived service shortcomings.

Energy marketers suggest that the state's lottery system is confusing—there are three categories for various types of businesses—and that the media have paid scant attention to the process.

But they privately shoulder some of the blame themselves, acknowledging that their efforts to sign up potential customers have taken a back seat to influencing the ICC's arcane—but crucial—regulatory process to open up ComEd's transmission wires to competitors on an equal basis.

"Once I know there's going to be a viable market, there's going to be a massive (marketing) blitz by our organization," says Michael Rumman, president of Peoples Energy Services, the unregulated subsidiary of Chicago-based Peoples Energy Corp.

Interestingly, about the only company doing much in the way of marketing is the unregulated subsidiary of Unicom—a "sibling" of ComEd.

Unicom Energy has blanketed ComEd customers in the last few months with mailings offering to register them for the lottery. At the same time, the letters seem to promise savings of 10% or more when the market opens up if customers agree to sign a right-of-first-refusal form that would let Unicom see and attempt to match competitors' offers. Further down in the letters, Unicom says those savings will be available only if the market allows.

"We probably could have worded it clearer," allows Robert Gilpin, vice-president and general manager of Unicom Energy, noting that later versions of the letter didn't include the language about

"locking in" a minimum 10% savings.

Competitors and observers wonder why a customer would grant any company an option to match an offer for free—especially since such clauses might discourage marketers from bidding.

'Counterproductive' practices?

"Practices such as this are counterproductive at a time when ComEd is encouraging its commercial and industrial customers to participate in the lottery process," says Craig Schuttenberg, vice-president of Highland Park-based Energy Choices, a consultant to power users. "It makes people confused and scared."

Responds Unicom Energy's Mr. Gilpin: "There's really no downside to this," adding that about 100 customers have granted Unicom a right of first refusal. In return for the right to see and match offers, Unicom analyzes which of the three lottery categories is appropriate for a specific customer and then fills out the registration form, he says.

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