

**ILLINOIS COMMERCE COMMISSION
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**

October 2020

STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

October 1, 2020

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,

Tanya Capellan

Tanya Capellan
Acting 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 1 of each year, beginning in 2015, 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.”*

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:** 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
- 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 is 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. **The 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 2021 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 been increasing. 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 increasing. Despite this fact, AGS supplied less natural gas to the market than during the previous reporting period. 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
	2018	2019		
Quantity of Customers	391,307	406,199	↑	3.8%
Nicor Gas	285,875	273,886	↓	-4.2%
LVT	15,189	15,177	↓	-0.1%
SVT	270,686	258,709	↓	-4.4%
Peoples Gas	80,936	103,836	↑	28.3%
LVT	7,422	7,786	↑	4.9%
SVT	73,514	96,050	↑	30.7%
North Shore Gas	16,605	19,882	↑	19.7%
LVT	1,642	1,777	↑	8.2%
SVT	14,963	18,105	↑	21.0%
Ameren	7,891	8,595	↑	8.9%
LVT	7,891	8,595	↑	8.9%
Usage Provided by AGS	4,348,544,485	4,292,715,081	↓	-1.3%
Nicor Gas	2,348,216,265	2,353,598,362	↑	0.2%
LVT	1,836,133,658	1,837,585,171	↑	0.1%
SVT	512,082,607	516,013,191	↑	0.8%
Peoples Gas	848,194,520	794,472,378	↓	-6.3%
LVT	694,558,866	648,180,767	↓	-6.7%
SVT	153,635,654	146,291,611	↓	-4.8%
North Shore Gas	158,300,081	149,126,956	↓	-5.8%
LVT	125,411,530	117,235,243	↓	-6.5%
SVT	32,888,551	31,891,713	↓	-3.0%
Ameren	993,833,619	995,517,385	↑	0.2%
LVT	993,833,619	995,517,385	↑	0.2%

A total of 55 AGS were certified to serve, and a total of 83 AGS actively served Illinois customers in 2019. This difference in numbers is due to the fact that LVT suppliers are not required to obtain ICC certification, which is also why active suppliers may outnumber certified suppliers.

For this reporting period, Staff changed the methodology for counting certified AGS. In previous reports, the timeline for the number of certified AGS was from October the previous year to September. For the 2020 report, however, Staff counted the number of certified suppliers within the calendar

2019 Snapshot

33,335

LVT customers on AGS supply, compared to 32,144 in 2018.

372,864

SVT customers on AGS supply, compared to 359,163 in 2018.

46%

of natural gas in the state supplied by AGS, compared to 45% in 2018.

55 AGS

certified in the state, compared to 59 last year.

83 AGS

actively serving customers in the state, compared to 67 last year.

year (January 2019 through the end of December 2019) in an effort to provide a more consistent timeline with the rest of the report.

The percentages in Table 2 compare:

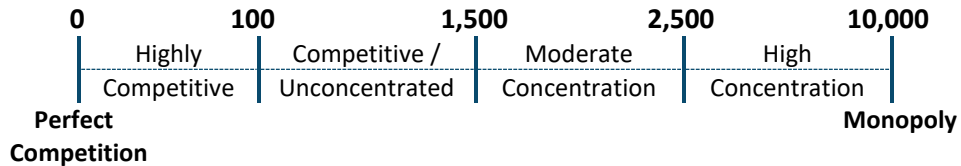
1. The total number of customers on AGS supply to the total number of customers in the market.
2. The total usage provided by AGS as a percent of the total usage provided to the market.

Table 2: SUMMARY OF MARKET INDICATORS (PERCENT)

	Percent of Total Market		Trend	Percent Change
	2018	2019		
Quantity of Customers	11%	12%	↑	0.4%
Nicor Gas	13%	12%	↓	-0.6%
LVT	8%	8%	-	0.0%
SVT	13%	12%	↓	-1.0%
Peoples Gas	8%	11%	↑	2.4%
LVT	9%	10%	↑	1.0%
SVT	8%	11%	↑	3.0%
North Shore Gas	9%	11%	↑	1.8%
LVT	12%	13%	↑	2.0%
SVT	9%	11%	↑	-0.9%
Ameren	11%	12%	↑	1.0%
LVT	11%	12%	↑	1.0%
Usage Provided by AGS	45%	46%	↑	1.1%
Nicor Gas	47%	46%	↓	-0.7%
LVT	70%	67%	↓	-3.0%
SVT	10%	10%	-	0.0%
Peoples Gas	30%	32%	↑	2.3%
LVT	60%	64%	↑	4.0%
SVT	9%	10%	↑	1.0%
North Shore Gas	29%	31%	↑	2.1%
LVT	62%	68%	↑	6.0%
SVT	9%	10%	↑	1.0%
Ameren	83%	84%	↑	0.1%
LVT	83%	84%	↑	0.1%

B. Market Competitiveness

The competitiveness of the market is also an important indicator. 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 residential gas supply markets in the Nicor Gas, Peoples Gas, and North Shore Gas territories are becoming more competitive. The small non-residential market is becoming less competitive in the Nicor Gas and People’s Gas territory, while in the North Shore Gas territory, the small non-residential market is becoming more competitive than last year. The LVT market has also become more concentrated for all territories except for Ameren Illinois, which has 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
	2018	2019			
Concentration of AGS Market					
Nicor Gas					
LVT	1,346	1,371	Competitive	↑	1.9%
SVT - Non-Residential	1,283	1,314	Competitive	↑	2.4%
SVT - Residential	1,149	1,080	Competitive	↓	-6.0%
Peoples Gas					
LVT	2,428	2,599	High Concentration	↑	7.0%
SVT - Non-Residential	1,363	1,386	Competitive	↑	1.7%
SVT - Residential	1,145	1,049	Competitive	↓	-8.4%
North Shore Gas					
LVT	3,295	3,606	High Concentration Moderate	↑	9.4%
SVT - Non-Residential	2,078	2,015	Concentration	↓	-3.0%
SVT - Residential	1,135	1,112	Competitive	↓	-2.0%
Ameren					
LVT	1,342	1,326	Competitive	↓	-1.2%

C. Consumer Offers

Consumer resources are available on the ICC website and, as of August 2020, a total of 86 offers had been posted by alternative gas suppliers. North Shore Gas and Peoples Gas, each, posted 28 different residential offers, while Nicor Gas posted 30 different residential offers. A majority of these offers have fixed rates, typically lasting for 12 consecutive months.

IV. General Market Activity

A. AGS Requirements

To serve as an LVT supplier, ICC certification is not required. Specifically, 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 that they must fulfill prior to participation. These requirements include:

- **Certification:** The AGS must obtain a certificate of service authority from the ICC;
- **Registration:** Suppliers must also register with the gas utility;
- **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 Act.

B. Certified and Active AGS

Statewide, currently 55 AGS companies have obtained ICC certification pursuant to Section 19-110, up from 53 suppliers in 2019.

Table 4: CERTIFIED AGS STATEWIDE

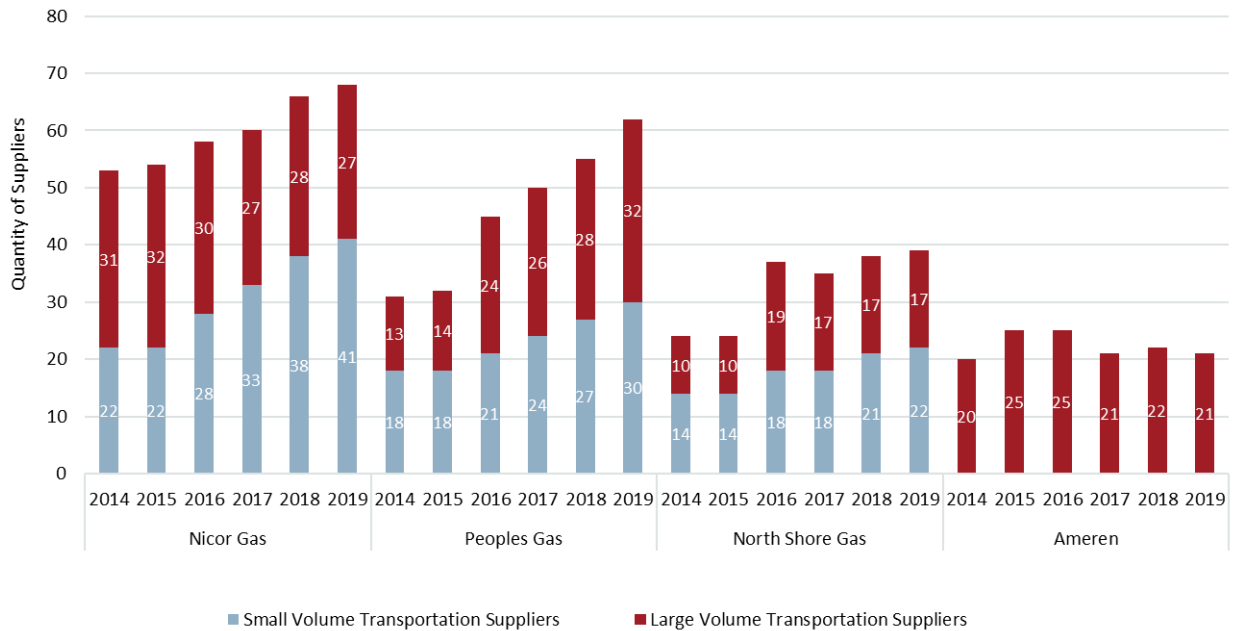
	2016	2017	2018	2019	2020	Trend	Percent Change from 2018 to 2019
Total Quantity of Certified AGS	41	44	51	53	55	↑	+4%

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 has 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.

Table 5: ACTIVE AGS BY UTILITY TERRITORY

	Dec 2015	Dec 2016	Dec 2017	Dec 2018	Dec 2019	Trend	Percent Change from 2017 to 2018
Nicor Gas Territory							
LVT market	32	30	27	28	27	↓	-4%
SVT market	22	28	33	38	41	↑	8%
Peoples Gas							
LVT market	14	24	26	28	32	↑	14%
SVT market	18	21	24	27	30	↑	11%
North Shore Gas							
LVT market	10	19	17	17	17	—	—
SVT market	14	18	18	21	22	↑	5%
Ameren Illinois Territory							
LVT market	25	25	21	22	21	↓	-5%

Figure 1: ACTIVE AGS BY UTILITY TERRITORY



Overall, data this year shows increased new entry by alternative gas suppliers in the LVT market in the People’s Gas territory. Both the Nicor Gas and the Ameren Illinois territory experienced a slight decrease in the quantity of AGS serving the LVT market. The LVT market for the North Shore Gas territory has stayed at a consistent level. The number of AGS serving the SVT markets increased for all utility territories.

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 establish 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 or above-market rates may apply. The penalty charges try to prevent large-scale imbalances above the level the LDC is prepared to accommodate as specified in the tariff.

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

In 2019, 53 active LVT suppliers in the Nicor Gas, Peoples Gas, North Shore Gas, and Ameren Illinois territories. These suppliers **served more than 33,000** Illinois large commercial and industrial customers and provided **70%** of the market's supply.

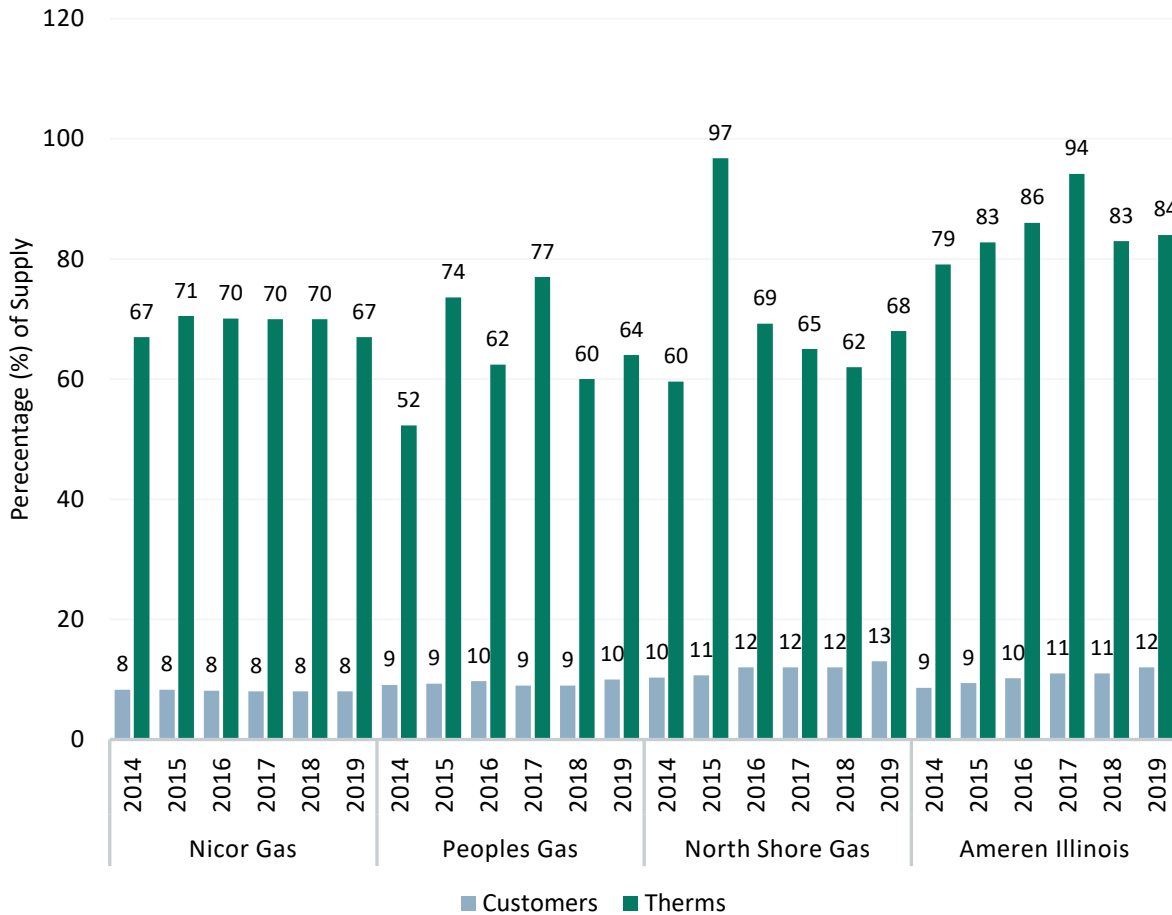
LVT market activity will be captured by looking at two different indicators:

1. Yearly AGS-provided usage of non-residential LVT customers for each of the four utility areas
2. The competitiveness of each LVT market

A. LVT Customer Switching

For the purposes of this report, gas utilities provided data on each LVT supplier for the 2019 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 thing very clearly among all four utility areas: a small percentage of the large customers consume the majority of natural gas for this 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 area, in 2019 gas suppliers provided service to 8-13% of the large volume customers while providing 64-84% of the total therms consumed by all large volume customers.

Nicor Gas continues to stay stagnant year-over-year, in each of the last three years, in terms of customers switching and has decrease slightly in the associated therm usage. All other utility areas have experienced increases compared to last year in terms of therms supplied and a slight increase in the percentage of customers.

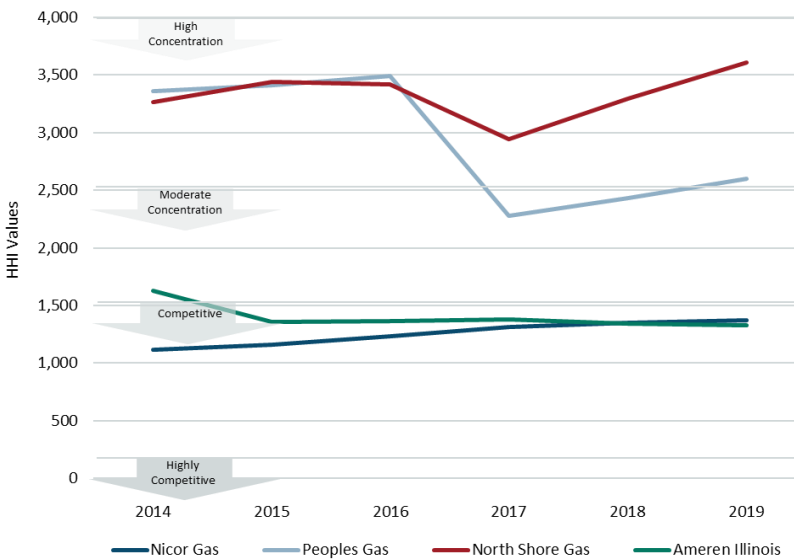
B. Market Concentration

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 served 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 us to compare the relative market concentration among the utility areas and display the trend in market concentration from 2014 to 2019.

Figure 3: HHI VALUES (LARGE VOLUME TRANSPORTATION MARKET)



As shown, the Nicor Gas and Ameren Illinois LVT markets remain competitive—meaning more suppliers serving customers. The Peoples Gas and North Shore Gas LVT markets continue to show significantly higher concentration. The Peoples Gas market increased to highly concentrated, and the North Shore Gas market remains highly concentrated.

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.

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 gives small volume customers 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 offer 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 two decades.

While the ICC does not regulate the market 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 populated with residential and small commercial offerings from suppliers, including a pricing comparison spreadsheet to assist customers as they shop for gas supply service.

In 2019, 45 SVT suppliers in the Nicor Gas, Peoples Gas, and North Shore Gas territories were active. These suppliers served more than **316,000** residential customers and **more than 56,000** small commercial customers.

This report captures SVT market activity by looking at three different indicators:

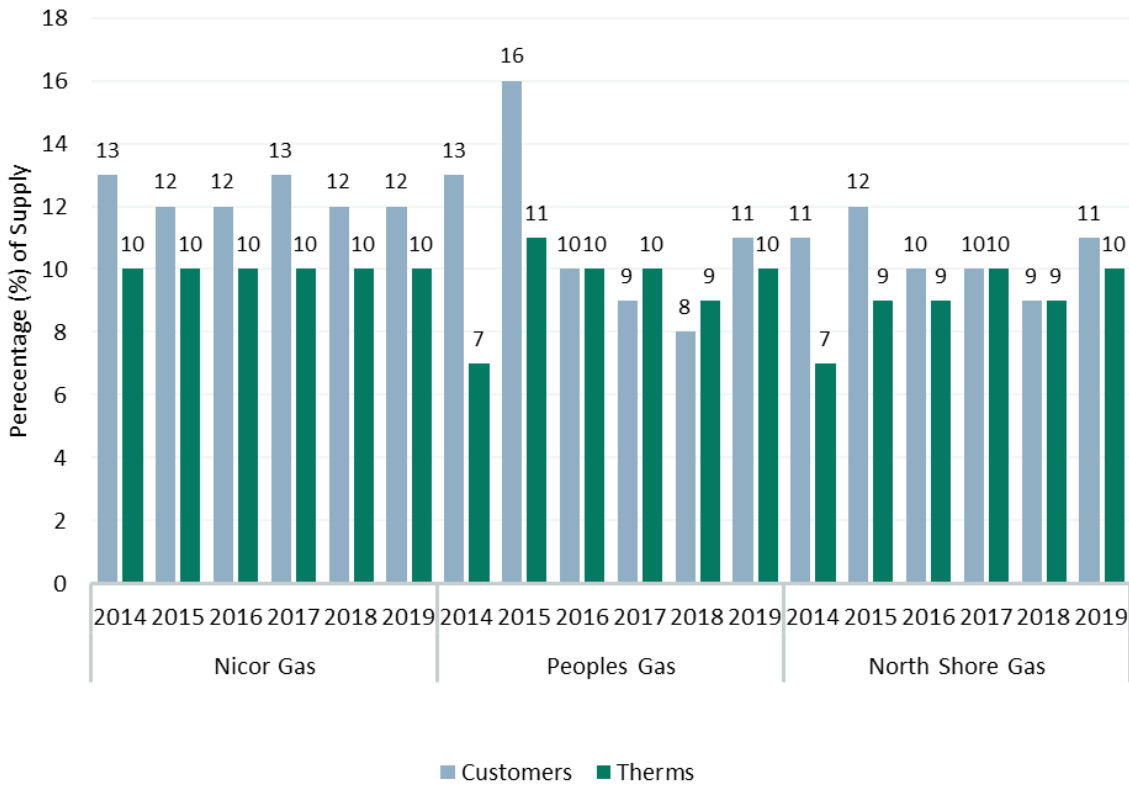
1. The quantity of SVT customers switching away from the utility supply service for each of the three utility service areas;
2. The quantity and types of residential offerings posted on the ICC website; and
3. A market competitiveness analysis and a breakdown of residential market share among AGS.

A. SVT Customer Switching

For purposes of this report, gas utilities provided data on each SVT supplier for the 2019 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. Also, Ameren Illinois does not have a small volume transportation program at this time.

Figure 4: COMPETITIVE SUPPLY PERCENTAGES (SMALL VOLUME TRANSPORTATION MARKET)¹



In contrast to the LVT market, the SVT market percentage of switched customers is almost always greater than the percentage of switched usage. This is not surprising, given that the usage threshold for non-residential SVT customers is annually capped at 5,000 or fewer therms. Suppliers do not serve customers within the LVT market at that lower threshold and, accordingly, their usage can be significantly higher. Although the annual *usage* is higher within the LVT market, a greater *number* of SVT customers exist within that market. This explains why a larger percentage of switched customers with a lower usage level exists within the SVT market. This is true, with the exception of the North Shore Gas territory. There is a slight decrease in the percentage of SVT customers who have switched compared to the percentage of LVT customers who have switched. In terms of usage, the reverse is true. The percentage of SVT usage is less than the percentage of LVT usage. This applies to all three LDC areas. The Nicor Gas market continues to see the largest percentage of switched customers among the three LDC areas.

¹ This figure in previous reports presented the data for the non-residential SVT market only. The historical data included in this figure has been updated to include the switching of non-residential and residential SVT consumers.

B. Residential Market

As the residential market represents the largest volume of eligible customers' 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.

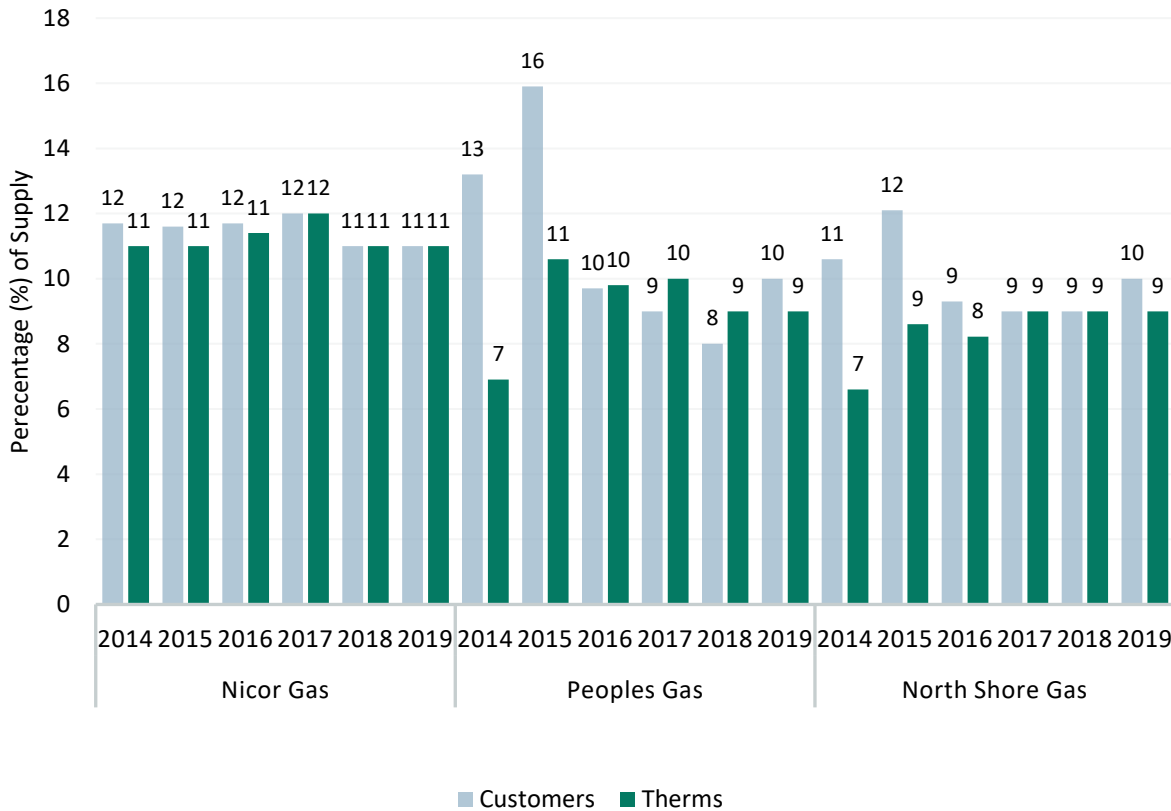
Table 6: QUANTITY OF RESIDENTIAL CUSTOMERS ON COMPETITIVE SUPPLY

	December 2014	December 2015	December 2016	December 2017	December 2018	December 2019
Nicor Gas	235,919	234,304	236,374	240,333	230,377	217,675
Peoples Gas	98,423	119,709	74,559	71,320	62,731	82,913
North Shore Gas	15,327	17,441	13,591	13,813	12,945	15,586
Total	349,669	371,454	324,524	325,466	306,053	316,174
Percent of Customers in the Utility Territory on AGS Supply						
Nicor Gas	11.7	11.6	11.7	11.8	11.3	10.6
Peoples Gas	13.2	15.9	9.8	9.0	7.8	10.3
North Shore Gas	10.6	12.1	9.3	9.3	8.6	10.4

In terms of actual customer counts, the Nicor Gas territory, which has the largest pool of eligible customers, also has the most residential customers served on competitive AGS service. When evaluated in terms of percentage of eligible customers, the Nicor territory has experienced a slight decrease. The Peoples Gas and the North Shore Gas territories, however, have both seen increases in the percentage of residential customers on competitive AGS supply.

Details depicted below show activity in terms of number of residential customers switched away from the LDC 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 SVT market as a whole, the percentage of switched residential customers in the Nicor Gas territory is less than last year, while the percentage of therms is slightly more. For the Peoples Gas and the North Shore Gas service territories, the residential switching percentages for both customers and therms, are slightly 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 offerings from the ICC website is represented in the tables below. Compared to the offerings posted by suppliers in the retail electric market, the number of suppliers and offerings are relatively small, especially when considering that the posting of residential gas offerings is mandatory for AGS companies, unlike for the alternative retail electric suppliers.

When compared to the same month last year, the number of suppliers’ postings has slightly decreased in all three service territories. Additionally, all three service territories have shown a slight decrease in volume of offerings available.

Table 7: AGS POSTING OFFERS ON THE ICC WEBSITE

Quantity of AGS Posting Residential Offers

	August 2015	August 2016	August 2017	August 2018	August 2019	August 2020
Nicor Gas	9	9	10	10	10	9
Peoples Gas	7	9	11	10	11	9
North Shore Gas	6	7	9	9	10	9

Table 8: RESIDENTIAL OFFERS POSTED ON THE ICC WEBSITE

Quantity of Offers

	August 2015	August 2016	August 2017	August 2018	August 2019	August 2020
Nicor Gas	29	24	32	28	31	30
Peoples Gas	24	21	30	27	31	28
North Shore Gas	21	17	29	26	30	28

2. Residential Offers by Utility

The following section compares the types of offerings posted within each LDC service territory over the previous six years.

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

Nicor Gas		August 2015	August 2016	August 2017	August 2018	August 2019	August 2020
Total Product Offers		29	24	32	28	31	30
Product Type	Fixed	20	16	19	20	24	21
	Variable	6	5	5	4	4	5
	Fixed/Variable	1	1	1	1	1	2
	Other	2	2	7	3	2	2
Termination Fee	Yes	16	15	22	19	17	7
	No	13	9	10	9	14	23
Length of Term (in Months)	< 12	4	4	6	4	6	6
	12	15	13	15	13	14	16
	13 – 23	2	2	3	2	2	1
	24	4	4	6	3	5	5
	> 24	2	1	2	1	2	2
	>36	2	0	0	0	0	0

Peoples Gas		August 2015	August 2016	August 2017	August 2018	August 2019	August 2020
Total Product Offers		24	21	30	27	31	28
Product Type	Fixed	15	14	18	19	23	20
	Variable	4	4	4	4	5	4
	Fixed/Variable	3	1	1	1	1	2
	Other	2	2	7	3	2	2
Termination Fee	Yes	17	14	23	20	19	7
	No	7	7	7	7	12	21
Length of Term (in Months)	< 12	3	4	8	4	9	6
	12	12	12	13	12	15	16
	13 – 23	1	1	3	2	2	1
	24	4	3	4	2	4	3
	> 24	2	1	2	1	3	2
	>36	2	0	0	0	0	0

North Shore Gas		August 2015	August 2016	August 2017	August 2018	August 2019	August 2020
Total Product Offers		21	17	30	26	30	28
Product Type	Fixed	12	11	18	19	23	20
	Variable	4	3	4	3	4	4
	Fixed/Variable	3	1	1	1	1	2
	Other	2	2	7	3	2	2
Termination Fee	Yes	17	13	23	19	18	7
	No	4	4	7	7	12	21
Length of Term (in Months)	< 12	2	3	8	4	9	6
	12	12	11	13	13	15	16
	13 – 23	0	0	3	2	2	1
	24	3	2	4	2	4	3
	> 24	2	1	2	1	3	2
	>36	2	0	0	0	0	0

In all LDC areas, the quantity of offerings compared to 2019 has decreased. The majority of residential offerings are fixed price offers. Other options include offerings with both fixed and variable components, and yet other offerings are “fixed bill” offerings for which the customer pays the same amount for natural gas supply regardless of actual monthly usage.

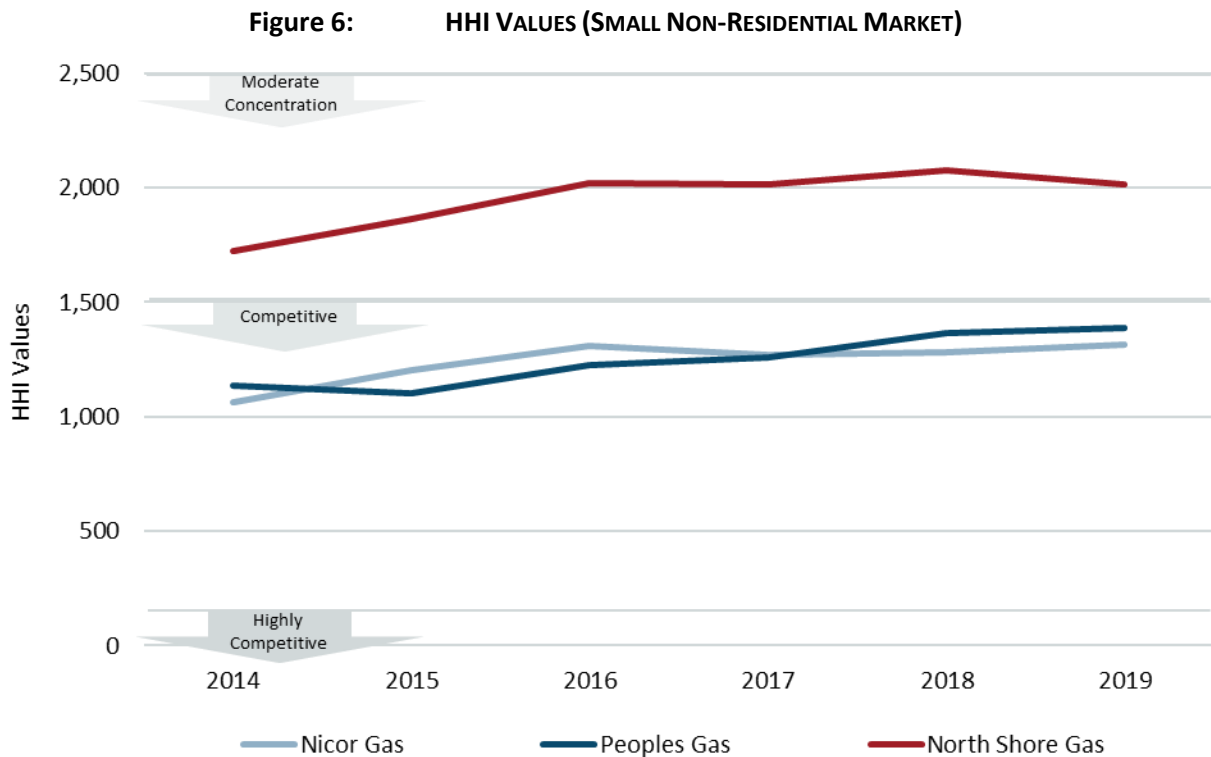
Term lengths on offerings are typically 12 months or less. Although in the past, some number of suppliers offered contracts for three years, these longer contract offerings have disappeared for the marketplace altogether.

Although a number of offerings posted on the ICC website include a termination fee, it is important to note that termination fees are no longer permitted in Illinois. Specifically, the Home Energy Affordability and Transparency (HEAT) Act, effective January 1, 2020, states as follows, “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”. The responsibility of updating offerings on the ICC website and removing outdated information, such as early termination fees, falls on the AGS; however, a number of AGS have failed to update the terms and conditions of these offers.

D. Market Concentration

The market concentration for the SVT market was calculated using the same methodology as the LVT market. Market share analysis was based not on the number of customers served but, rather, based upon the gas usage supplied by each respective AGS in the SVT market. The difference between the percentage of switched customers and the percentage of switched usage is not nearly as defined 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 values remain steady. All LDCs have maintained their year-over-year concentration levels, with Nicor Gas and Peoples Gas remaining competitive and North Shore Gas remaining moderately concentrated.



When looking at the residential subset of the SVT market in the next figure, the North Shore Gas service territory has stayed relatively stagnant compared to last year. The Peoples Gas and the Nicor Gas territories have both become slightly more competitive.

Between the two SVT subset groups, the non-residential markets and residential markets are similarly competitive, except for the North Shore Gas non-residential market, which is moderately concentrated.

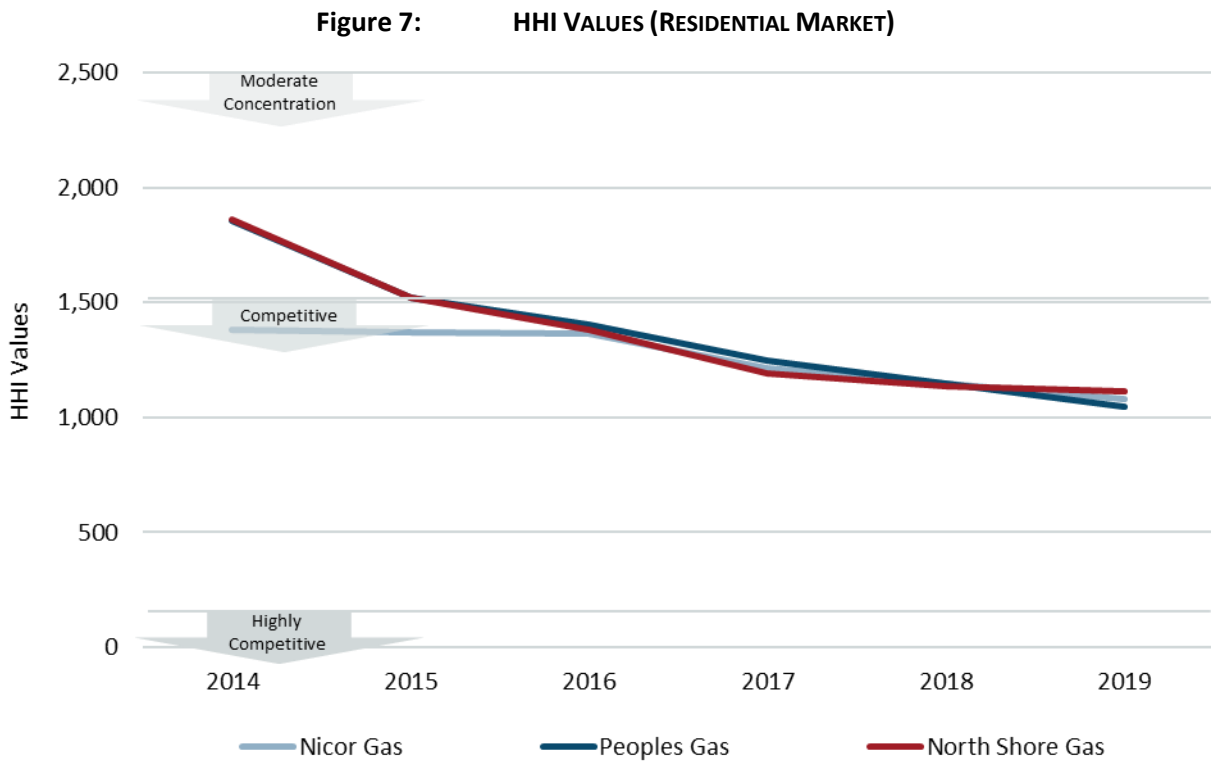


Table 10: AGS MARKET SHARE IN UTILITY TERRITORIES (BY CUSTOMERS)²

Residential Market Share: Customers												
	Nicor Gas				Peoples Gas				North Shore Gas			
	2016	2017	2018	2019	2016	2017	2018	2019	2016	2017	2018	2019
Largest Three Suppliers % Share	51%	47%	43%	44%	55%	50%	46%	42%	52%	44%	42%	40%
Range of Share	Count of suppliers for each portion of market share											
> 15%	1	1	1	1	2	1	1	1	1	1	1	1
≤15% and > 5%	7	6	7	7	5	8	7	7	5	7	8	7
≤5% and > 1%	4	6	7	6	5	3	4	4	5	3	3	4
≤1% and > 0%	11	16	17	20	6	8	9	14	5	6	8	10
Total Q of Active Suppliers	23	29	32	34	18	20	21	26	16	17	20	22

To gain 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 above 15%. As an example, in the Nicor Gas territory, 20 suppliers had a market share of less than 1% of the switched customers, six AGS served more than 1% but less than or equal to 5%, seven AGS served more than 5% but less than or equal to 15%, and only one AGS served more than 15% of the switched customers.

In all LDC service areas, the number of AGS with more than 15% of the market has stayed stagnant. The quantity of suppliers found in the three market share segments of less than 15% has increased. Total active suppliers in each LDC service territory has also increased with Nicor Gas adding two new suppliers, Peoples Gas adding five, and North Shore Gas adding two.

² In the 2016 report, data was adjusted from previous yearly reports to clarify percentages and ranges. Suppliers are considered 'active' when they have more than one customer during the course of a reported year.

VII. Summary and Recommendations

This is the sixth report from the Office of Retail Market Development (ORMD) pursuant to the updated Section 19-130 of the Public Utilities Act. Findings for 2019 within this report include:

- 55 AGS are certified by the ICC to serve the natural gas market;
- Active AGS counts were 54 for the LVT market;
- The SVT market had 45 certified AGS;
- LVT suppliers serve over 33,000 large commercial and industrial customers in Illinois, which is 9% of the eligible customers;
- AGS across all four utility areas service 8-13% of LVT customers while providing 64-84% of the total therms consumed by LVTs;
- SVT AGS serve more than 316,000 residential and more than 56,000 small non-residential customers, representing 11% of eligible residential customers and more than 19% of small commercial customers; and
- Nicor Gas saw a small decrease in the number of residential customers switched to AGS service, while North Shore Gas and Peoples Gas areas had an increase in quantity of residential customers.

On August 27, 2019, Governor Pritzker signed into law the Home Energy Affordability and Transparency (HEAT) Act which aims to enhance consumer protections and create transparency in the market. It is imperative for consumers to 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 required 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 costs rates per therm be included on all marketing materials and on all bills. The HEAT Act eliminates early termination fess, increases bond requirements, and adds a new bond requirement for suppliers who engage in in-person solicitation.

Additionally, the HEAT Act requires that AGS annually submit to the Commission and the Attorney General, the rates the AGS charged to residential customers in the prior year by January 1. 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. Beginning in 2021, ORMD is required to include information pertaining to the rates charged in the ORMD annual report. ORMD is currently reviewing the 2019 AGS rate reports and determining how to include the required information in future reports.

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 changes brought about by the HEAT Act. As a result, the ORMD has no suggestions for administrative or legislative actions at this time.

On March 9, 2020, Governor Pritzker declared a state of emergency in response to the rapid increase of COVID-19 cases in the State. On March 13, 2020 Governor Pritzker and public health officials issues guidance for Illinois residents related to the COVID-19 pandemic. As a result, the Commission issued a moratorium on AGS in-person solicitations to slow the spread of the disease and protect the public. The

moratorium is memorialized in Docket No. 20-0311. The ICC, including ORMD, will continue to respond to the needs of the State and its residents.