

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 2024*

STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

October 24, 2024

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
Director, Office of Retail Market Development

Contents

- I. **Statement of Purpose**1
- II. **Introduction**2
- III. **Executive Summary**.....4
 - A. Market Participation 4
 - Table 1: Summary of Market Indicators (Quantity)..... 4
 - Table 2: Summary of Market Indicators (Percent)..... 5
 - B. Market Competitiveness..... 6
 - Table 3: Summary of Market Competitiveness..... 6
 - C. Consumer Offers 6
- IV. **General Market Activity**7
 - A. AGS Requirements 7
 - B. Certified and Active AGS 7
 - Table 4: Certified AGS Statewide 7
 - Table 5: Active AGS by Utility Territory..... 8
 - Figure 1: Active AGS by Utility Territory..... 8
- V. **Large Volume Transportation (LVT) Market**9
 - A. LVT Customer Switching 9
 - Figure 2: Competitive Supply Percentages (Large Volume Transportation Market) 10
 - B. Market Concentration..... 11
 - Figure 3: HHI Values (Large Volume Transportation Market)..... 11
- VI. **Small Volume Transportation (SVT) Market**12
 - A. SVT Customer Switching 12
 - Figure 4: Competitive Supply Percentages (Small Volume Transportation Market)..... 13
 - B. Residential Market..... 13
 - Table 6: Quantity of Residential Customers on Competitive Supply..... 13
 - Figure 5: Competitive Supply Percentages (Residential Market)..... 14
 - C. Commission Website 14
 - 1. Supplier Marketing..... 14
 - Table 7: AGS Posting Offers on the ICC Website..... 15
 - Table 8: Residential Offers Posted on the ICC Website..... 15
 - 2. Residential Offers by Utility 15
 - Table 9: Breakdown of Offers Available to Customers on the ICC Website 15
 - D. AGS Rate Reports 16
 - E. Market Concentration..... 17
 - Figure 6: HHI Values (Small Non-Residential Market) 18
 - Figure 7: HHI Values (Residential Market) 19
 - Table 10: AGS Market Share in Utility Territories (by Customers)..... 19
- VII. **Summary and Recommendations**20
 - A. The Home Affordability and Transparency Act and Rulemakings 20

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 aimed at supporting the development of competitive retail natural gas markets. Most of the data in the report covers the 2023 calendar year. However, some of the information provided reflects data as of August 2024.

III. Executive Summary

A. Market Participation

Statewide, the number of alternative gas suppliers (AGS) certified by the ICC to serve retail customers decreased from 51 AGS in 2022 to 48 certified AGS in 2023. The quantity of customers choosing to receive their gas supply from an AGS decreased from 2022 to 2023. Similarly, the amount of gas supplied to the market by AGS decreased in 2023 when compared to 2022. Table 1 summarizes the quantity of annual AGS customers and their yearly usage by utility territory and market. Table 2 shows an increase of 3% in the quantity of gas supplied by AGS compared to the overall amount of gas used by all customers.

Table 1: SUMMARY OF MARKET INDICATORS (QUANTITY)

| | Quantity | | Trend | Percent Change |
|------------------------------|----------------------|----------------------|----------|----------------|
| | 2022 | 2023 | | |
| Quantity of Customers | 306,730 | 304,107 | ↓ | -0.9% |
| Nicor Gas | 217,009 | 216,710 | ↓ | -0.1% |
| LVT | 11,906 | 11,256 | ↓ | -5.5% |
| SVT | 205,103 | 205,454 | ↑ | 0.2% |
| Peoples Gas | 65,347 | 62,858 | ↓ | -3.8% |
| LVT | 7,871 | 7,267 | ↓ | -7.7% |
| SVT | 57,476 | 55,591 | ↓ | -3.3% |
| North Shore Gas | 15,468 | 15,108 | ↓ | -2.3% |
| LVT | 1,669 | 1,624 | ↓ | -2.7% |
| SVT | 13,799 | 13,484 | ↓ | -2.3% |
| Ameren | 8,906 | 9,431 | ↑ | 5.9% |
| LVT | 8,906 | 9,431 | ↑ | 5.9% |
| Usage Provided by AGS | 4,134,761,667 | 4,055,362,961 | ↓ | -1.9% |
| Nicor Gas | 2,268,603,372 | 2,134,766,583 | ↓ | -5.9% |
| LVT | 1,783,097,868 | 1,699,625,756 | ↓ | -4.7% |
| SVT | 485,505,504 | 435,140,827 | ↓ | -10.4% |
| Peoples Gas | 771,429,675 | 801,028,915 | ↑ | 3.8% |
| LVT | 647,675,098 | 677,880,703 | ↑ | 4.7% |
| SVT | 123,754,577 | 123,148,212 | ↓ | -0.5% |
| North Shore Gas | 136,664,777 | 149,214,212 | ↑ | 9.2% |
| LVT | 106,500,342 | 120,307,468 | ↑ | 13.0% |
| SVT | 30,164,435 | 28,906,744 | ↓ | -4.2% |
| Ameren | 958,063,843 | 970,353,251 | ↑ | 1.3% |
| LVT | 958,063,843 | 970,353,251 | ↑ | 1.3% |

2023 Snapshot

29,578

LVT customers on AGS supply, compared to 30,352 in 2022.

274,529

SVT customer on AGS supply, compared to 276,378 in 2022.

48%

of natural gas in the state supplied by AGS, compared to 45% in 2022.

48 AGS

certified in the state, compared to 51 in 2022.

78 AGS

actively² serving customers in the state, compared to 83 last year.

² AGS serving LVT are not required 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 those serving therms to any person or entity, even if just to itself.

The percentages in Table 2 compare³:

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.

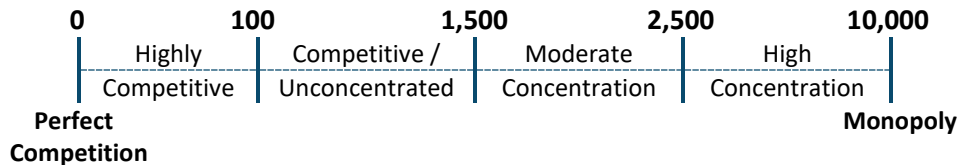
Table 2: SUMMARY OF MARKET INDICATORS (PERCENT)

| | Percent of Total Market | | Trend | Percent Change |
|------------------------------|-------------------------|--------------|----------|----------------|
| | 2022 | 2023 | | |
| Quantity of Customers | 8.7% | 8.6% | ↓ | -0.1% |
| Nicor Gas | 9.6% | 9.5% | ↓ | 0.0% |
| LVT | 6.1% | 5.8% | ↓ | -0.3% |
| SVT | 9.0% | 9.0% | ↓ | 0.0% |
| Peoples Gas | 6.5% | 6.2% | ↓ | -0.3% |
| LVT | 9.8% | 9.0% | ↓ | -0.8% |
| SVT | 6.3% | 6.0% | ↓ | -0.3% |
| North Shore Gas | 8.5% | 8.3% | ↓ | -0.2% |
| LVT | 11.2% | 10.9% | ↓ | -0.3% |
| SVT | 8.3% | 8.1% | ↓ | -0.2% |
| Ameren | 12.3% | 13.0% | ↑ | 0.7% |
| LVT | 12.4% | 13.0% | ↑ | 0.6% |
| Usage Provided by AGS | 45.4% | 48.5% | ↑ | 3.1% |
| Nicor Gas | 44.8% | 47.6% | ↑ | 2.8% |
| LVT | 65.5% | 67.8% | ↑ | 2.3% |
| SVT | 9.6% | 9.7% | ↑ | 0.1% |
| Peoples Gas | 32.0% | 34.9% | ↑ | 2.9% |
| LVT | 63.0% | 67.1% | ↑ | 4.1% |
| SVT | 9.0% | 9.6% | ↑ | 0.6% |
| North Shore Gas | 29.4% | 32.7% | ↑ | 3.3% |
| LVT | 64.5% | 72.2% | ↑ | 7.7% |
| SVT | 10.1% | 10.0% | ↓ | -0.1% |
| Ameren | 81.8% | 86.0% | ↑ | 4.2% |
| LVT | 81.8% | 86.0% | ↑ | 4.2% |

³ Column labeled Percent Change in Table 2 is the difference between the percentage of total market in 2022 and the percentage of total market in 2021.

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 used 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, North Shore Gas, and Ameren Illinois territories are less competitive compared to last year. 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 |
|------------------------------------|-----------|-------|------------------------|-------|----------------|
| | 2022 | 2023 | | | |
| Concentration of AGS Market | | | | | |
| Nicor Gas | | | | | |
| LVT | 1,995 | 2,080 | Moderate Concentration | ↑ | 4.3% |
| SVT - Non-Residential | 1,279 | 1,267 | Competitive | ↓ | -0.9% |
| SVT - Residential | 1,009 | 1,001 | Competitive | ↓ | -0.8% |
| Peoples Gas | | | | | |
| LVT | 2,711 | 2,726 | High Concentration | ↑ | 0.5% |
| SVT - Non-Residential | 1,636 | 1,627 | Moderate Concentration | ↓ | -0.5% |
| SVT - Residential | 933 | 917 | Competitive | ↓ | -1.7% |
| North Shore Gas | | | | | |
| LVT | 4,405 | 4,493 | High Concentration | ↑ | 2.0% |
| SVT - Non-Residential | 1,961 | 2,034 | Moderate Concentration | ↑ | 3.7% |
| SVT - Residential | 1,095 | 1,154 | Competitive | ↑ | 5.4% |
| Ameren | | | | | |
| LVT | 1,339 | 1,309 | Competitive | ↓ | -2.2% |

C. Consumer Offers

Consumer resources are available on the ICC website and, as of August 2024, there were a total of 71 offers by AGS posted. There were 24 offers posted by AGS in the North Shore Gas territory; there were 23 offers posted by AGS in the Peoples Gas territory; and the Nicor Gas territory had 24 different offers posted. A majority of these offers are for fixed rates, typically for one year.

IV. General Market Activity

A. AGS Requirements

Certification from the ICC is not required to serve LVT customers. 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 Act⁴.

B. Certified and Active AGS

Statewide, 48 AGS companies are certified with the ICC pursuant to Section 19-110 as of August 2024, which is a decrease from the 51 AGS companies that were certified in August of 2022. The ICC licensed one AGS over the last year and four left the market.

Table 4: CERTIFIED AGS STATEWIDE

| | 2020 | 2021 | 2022 | 2023 | 2024 | Trend | Percent Change from 2022 to 2023 |
|--|------|------|------|------|------|-------|-------------------------------------|
| Total Quantity of Certified AGS | 55 | 55 | 51 | 51 | 48 | ↓ | -6% |

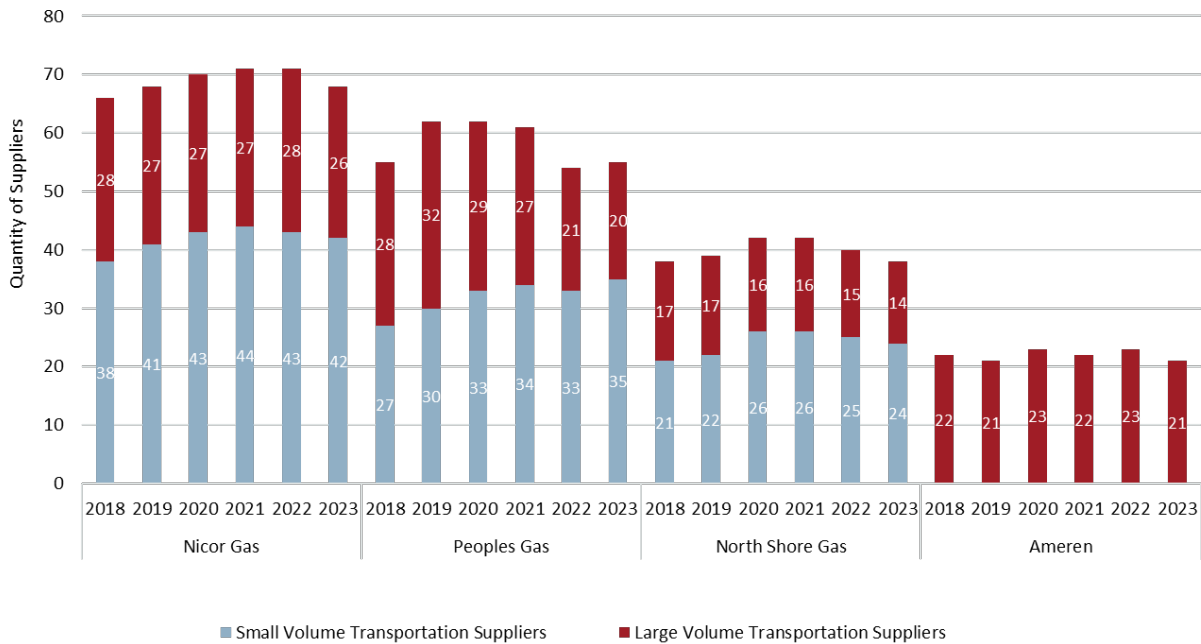
Table 5 and Figure 1 show the number of active AGS each year by utility territory and market served. An AGS is considered active when a utility reports the AGS served therms to at least one customer receiving supply, even if it is only to themselves or an affiliate. The LVT gas suppliers are shown separately 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.

⁴ As of January 1, 2023, AGS are also required to comply with 83 Ill. Admin. Code 512.

Table 5: ACTIVE AGS BY UTILITY TERRITORY

| | Dec 2019 | Dec 2020 | Dec 2021 | Dec 2022 | Dec 2023 | Trend | Percent Change from 2022 to 2023 |
|----------------------------------|----------|----------|----------|----------|----------|-------|----------------------------------|
| Nicor Gas Territory | | | | | | | |
| LVT market | 27 | 27 | 27 | 28 | 26 | ↓ | -7% |
| SVT market | 41 | 43 | 44 | 43 | 42 | ↓ | -2% |
| Peoples Gas | | | | | | | |
| LVT market | 32 | 29 | 27 | 21 | 20 | ↓ | -5% |
| SVT market | 30 | 33 | 34 | 33 | 35 | ↑ | 6% |
| North Shore Gas | | | | | | | |
| LVT market | 17 | 16 | 16 | 15 | 14 | ↓ | -7% |
| SVT market | 22 | 26 | 26 | 25 | 24 | ↓ | -4% |
| Ameren Illinois Territory | | | | | | | |
| LVT market | 21 | 23 | 22 | 23 | 21 | ↓ | -9% |

Figure 1: ACTIVE AGS BY UTILITY TERRITORY



The 2023 data shows the number of active alternative gas suppliers in the LVT and SVT markets in the Nicor Gas territory decreased when compared to the previous year. The Peoples Gas territory experienced a decrease in LVT market and an increase in the SVT market when compared to the previous year. The number of AGS serving the LVT and SVT markets in the North Shore Gas territory decreased cover the last year. Further, the LVT market in the Ameren territory saw a decrease in active suppliers when compared to 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 it incurs 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 2023, 46 LVT suppliers were active in the Nicor Gas, Peoples Gas, North Shore Gas, and Ameren Illinois territories. These suppliers **served more than 29,000** Illinois large commercial and industrial customers and provided **72%** of the market's supply.

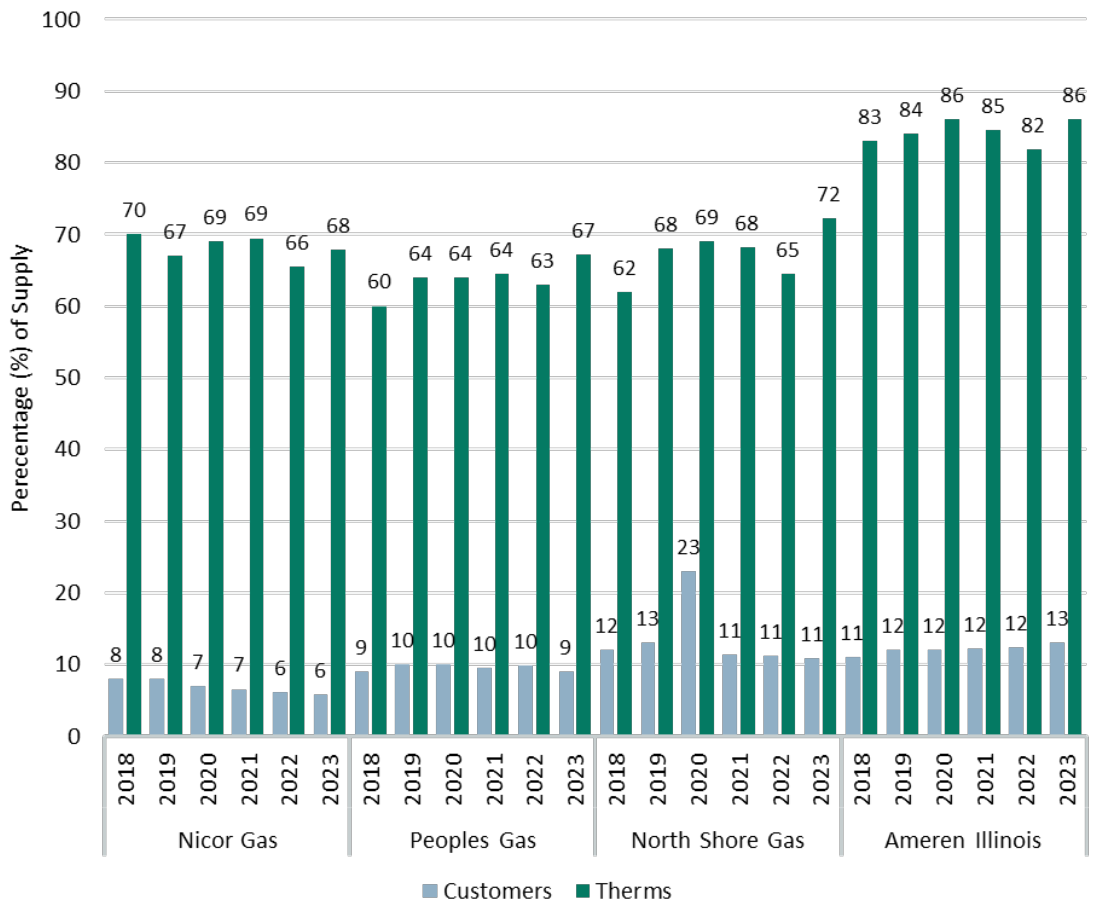
LVT market activity will be captured by looking at two different indicators:

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 2023 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 2023, gas suppliers provided service to 6-13% of the large volume customers while providing 67-86% of the total therms consumed by all large volume customers.

The percentage of customers served by an AGS in the North Shore and Nicor territories remained the same in 2023 from 2022. In the Peoples Gas territory, the percentage of customers served by an AGS decreased from 2022 to 2023. In the Ameren Illinois territory, the percentage of customers served by an AGS increased from 2022 to 2023. All four utility territories saw an increase in the percentage of therms served by an AGS.

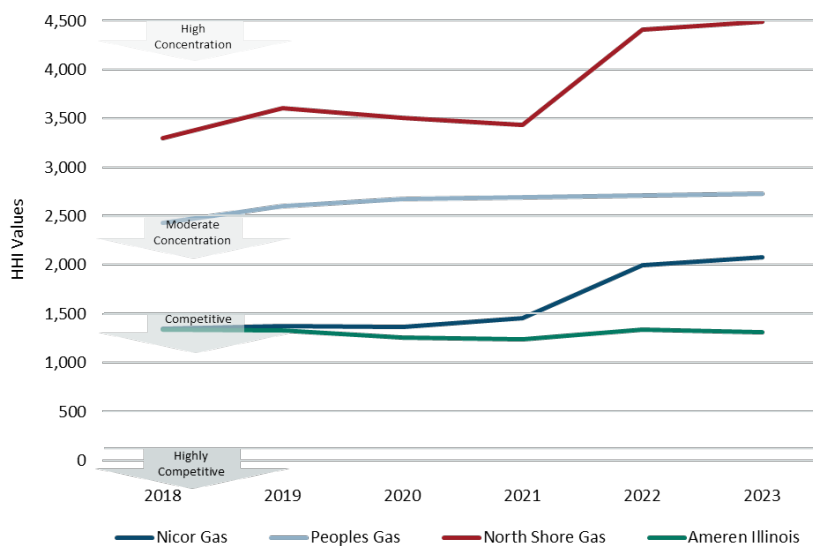
B. Market Concentration

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 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 2018 through 2023.

Figure 3: HHI VALUES (LARGE VOLUME TRANSPORTATION MARKET)



As shown, the Ameren Illinois LVT market remains competitive—meaning there are a significant number of suppliers serving customers in the utility service territory. The Nicor Gas market saw a decrease in competition and remains moderately concentrated. 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 with shopping for gas supply service.

In 2023, there were 43 active SVT suppliers⁵ in the Nicor Gas, Peoples Gas, and North Shore Gas territories. These suppliers served **more than 200,000** residential customers and **more than 56,000** 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.

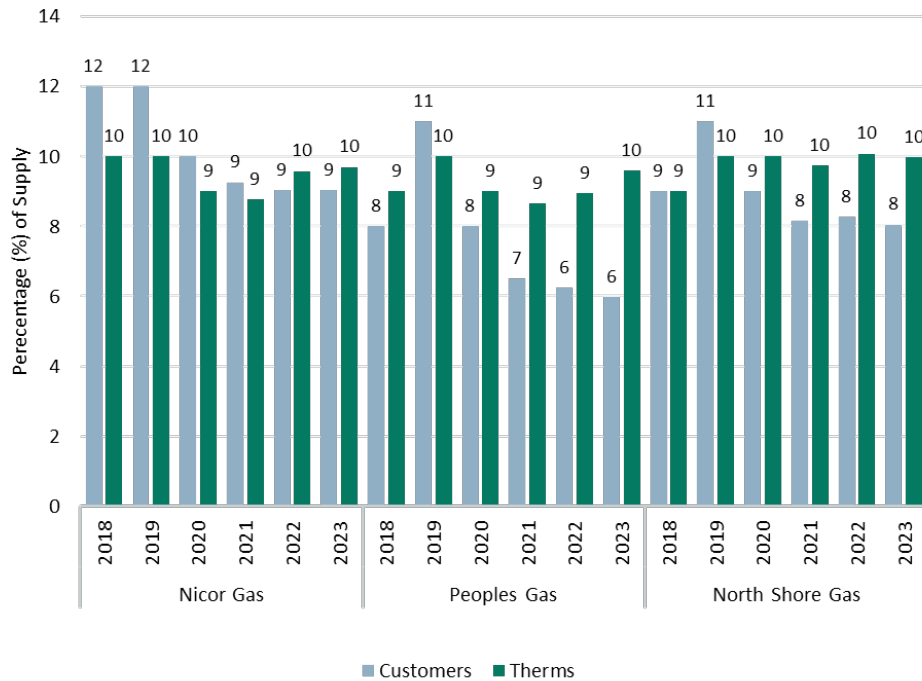
A. SVT Customer Switching

For purposes of this report, gas utilities provided data on each SVT supplier for the 2023 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.

⁵ In previous years, the number of active suppliers was counted based on those that served customers. Since 2020, the number reflects 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. The percentage of customers supplied by AGS in the Nicor, Peoples Gas, and North Shore Gas territories remains the same as last year. The percentage of usage supplied by AGS remains steady in the Nicor and North Shore Gas territories. The Peoples Gas territory saw an increase in the amount of usage supplied by AGS.

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.

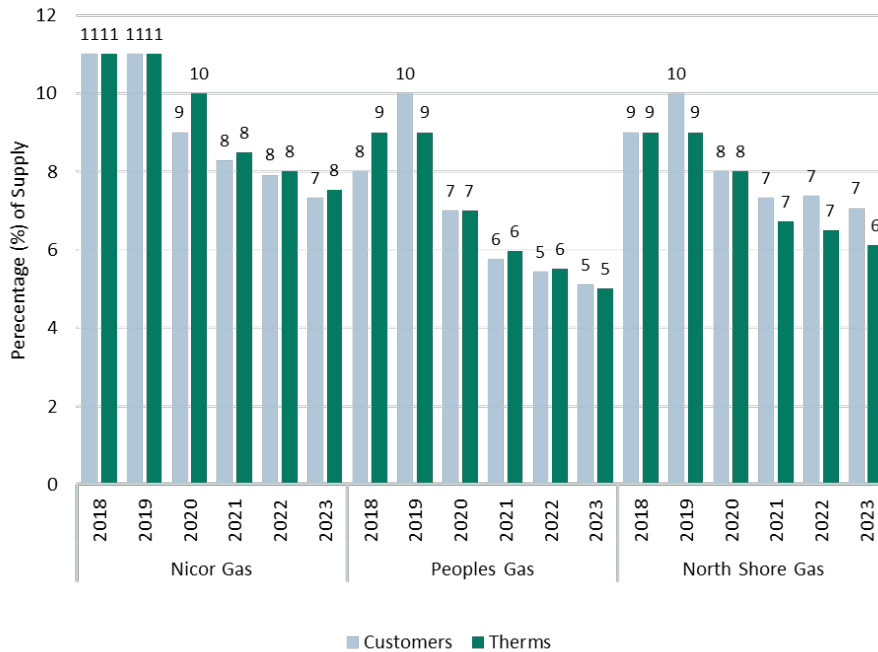
Table 6: QUANTITY OF RESIDENTIAL CUSTOMERS ON COMPETITIVE SUPPLY

| | December 2018 | December 2019 | December 2020 | December 2021 | December 2022 | December 2023 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Nicor Gas | 230,377 | 217,675 | 185,232 | 171,142 | 164,108 | 152,419 |
| Peoples Gas | 62,731 | 82,913 | 60,194 | 48,015 | 45,607 | 43,306 |
| North Shore Gas | 12,945 | 15,586 | 12,666 | 11,093 | 11,216 | 9,431 |
| Total | 306,053 | 316,174 | 258,092 | 230,250 | 220,940 | 206,499 |
| Percent of Customers in the Utility Territory on AGS Supply | | | | | | |
| Nicor Gas | 11.3% | 10.6% | 9.0% | 8.3% | 7.9% | 7.3% |
| Peoples Gas | 7.8% | 10.3% | 7.3% | 5.8% | 5.4% | 5.1% |
| North Shore Gas | 8.6% | 10.4% | 8.4% | 7.3% | 7.4% | 7.1% |

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 utility territories experienced a slight decrease.

Details depicted below⁶ show the number of residential customers who switched away from gas utility service, and the related gas usage in therms, over the last six years.

Figure 5: COMPETITIVE SUPPLY PERCENTAGES (RESIDENTIAL MARKET)



The graph shows that the percentage of switched residential customers and therms in the Nicor Gas territory is lower compared to the overall SVT market. The percentage of usage supplied by AGS remained very close for all three utility territories when compared to the previous year. The percentage of customers served by AGS has slightly decreased for all three utility territories.

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 in 2023, the number of suppliers posting offers has remained the same in all three utility territories. Additionally, the Nicor territory saw a decrease in the number of

⁶ The numbers above each bar are rounded, but the bar height displays the difference.

offers available. The number of offers available remained the same in the Peoples Gas and North Shore Gas territories.

Table 7: AGS POSTING OFFERS ON THE ICC WEBSITE

| Quantity of AGS Posting Residential Offers | | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| | Aug-19 | Aug-20 | Aug-21 | Aug-22 | Aug-23 | Aug-24 |
| Nicor Gas | 10 | 9 | 10 | 10 | 11 | 11 |
| Peoples Gas | 11 | 9 | 7 | 8 | 10 | 10 |
| North Shore Gas | 10 | 9 | 8 | 8 | 10 | 10 |

Table 8: RESIDENTIAL OFFERS POSTED ON THE ICC WEBSITE

| Quantity of Offers | | | | | | |
|--------------------|--------|--------|--------|--------|--------|--------|
| | Aug-19 | Aug-20 | Aug-21 | Aug-22 | Aug-23 | Aug-24 |
| Nicor Gas | 31 | 30 | 22 | 15 | 32 | 24 |
| Peoples Gas | 31 | 28 | 19 | 16 | 23 | 23 |
| North Shore Gas | 30 | 28 | 20 | 17 | 24 | 24 |

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 | | | | | | | |
|---------------------------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | Aug-19 | Aug-20 | Aug-21 | Aug-22 | Aug-23 | Aug-24 |
| Total Product Offers | | 31 | 30 | 22 | 15 | 32 | 24 |
| Product Type | Fixed | 24 | 21 | 19 | 12 | 19 | 19 |
| | Variable | 4 | 5 | 1 | 0 | 9 | 4 |
| | Fixed/Variable | 1 | 2 | 0 | 2 | 3 | 0 |
| | Other | 2 | 2 | 2 | 1 | 1 | 1 |
| Termination Fee | Yes | 17 | 7 | 3 | 2 | 0 | 0 |
| | No | 14 | 23 | 19 | 13 | 32 | 24 |
| Length of Term (in Months) | < 12 | 6 | 6 | 7 | 5 | 18 | 4 |
| | 12 | 14 | 16 | 10 | 6 | 7 | 7 |
| | 13 – 23 | 2 | 1 | 0 | 0 | 0 | 1 |
| | 24 | 5 | 5 | 3 | 1 | 3 | 4 |
| | > 24 | 2 | 2 | 2 | 3 | 3 | 2 |
| | >36 | 0 | 0 | 0 | 0 | 1 | 1 |

| Peoples Gas | | | | | | | |
|---------------------------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | Aug-19 | Aug-20 | Aug-21 | Aug-22 | Aug-23 | Aug-24 |
| Total Product Offers | | 31 | 28 | 19 | 16 | 23 | 23 |
| Product Type | Fixed | 23 | 20 | 17 | 15 | 19 | 19 |
| | Variable | 5 | 4 | 0 | 0 | 3 | 3 |
| | Fixed/Variable | 1 | 2 | 0 | 0 | 0 | 0 |
| | Other | 2 | 2 | 2 | 1 | 1 | 1 |
| Termination Fee | Yes | 19 | 7 | 3 | 2 | 0 | 0 |
| | No | 12 | 21 | 16 | 14 | 23 | 23 |
| Length of Term (in Months) | < 12 | 9 | 6 | 5 | 4 | 9 | 5 |
| | 12 | 15 | 16 | 10 | 8 | 7 | 7 |
| | 13 – 23 | 2 | 1 | 0 | 0 | 0 | 1 |
| | 24 | 4 | 3 | 2 | 2 | 3 | 3 |
| | > 24 | 3 | 2 | 2 | 2 | 3 | 2 |
| | >36 | 0 | 0 | 0 | 0 | 1 | 1 |

| North Shore Gas | | | | | | | |
|---------------------------------------|----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | Aug-19 | Aug-20 | Aug-21 | Aug-22 | Aug-23 | Aug-24 |
| Total Product Offers | | 30 | 28 | 20 | 17 | 24 | 24 |
| Product Type | Fixed | 23 | 20 | 18 | 16 | 20 | 20 |
| | Variable | 4 | 4 | 0 | 0 | 3 | 3 |
| | Fixed/Variable | 1 | 2 | 0 | 0 | 0 | 0 |
| | Other | 2 | 2 | 2 | 1 | 1 | 1 |
| Termination Fee | Yes | 18 | 7 | 2 | 2 | 0 | 0 |
| | No | 12 | 21 | 18 | 15 | 24 | 24 |
| Length of Term (in Months) | < 12 | 9 | 6 | 5 | 3 | 9 | 4 |
| | 12 | 15 | 16 | 11 | 9 | 8 | 8 |
| | 13 – 23 | 2 | 1 | 0 | 0 | 0 | 1 |
| | 24 | 4 | 3 | 2 | 2 | 3 | 4 |
| | > 24 | 3 | 2 | 2 | 3 | 3 | 2 |
| | >36 | 0 | 0 | 0 | 0 | 1 | 1 |

In the Nicor territory, the quantity of residential offers available in August 2024 has decreased compared to August 2023. The number of offers available in the Peoples Gas and North Shore Gas territories has remained the same from the previous year. The majority of residential offers posted are fixed price offers for a term of 12 months or more. Other options include offers with both fixed and variable components, and “flat bill” offers pursuant to which the customer pays the same amount each month for natural gas supply regardless of the actual monthly usage.

Most offers have a term of at least one year and a handful have a term of two and three years. For the last two years, all three territories have had one offer available with a term of over three years.

The Home Energy Affordability and Transparency (HEAT) Act, 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” and was effective January 1, 2020.

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.

- Bolt Energy LLC; and
- LE Energy.

The AGS rate information covered in the rate reports includes information from September 1, 2023 through August 31, 2024. Although some AGS charged a limited number of rates during the timeframe indicated, other AGS charged over 19,000 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 \$0.0469 per therm charged in April and May of 2024. In the North Shore Gas territory, the lowest reported rate was \$0.112 per therm and it is a variable rate product charged from April through May of 2024. In the People's Gas territory, the lowest reported rate was \$0.112 per therm and it was a variable rate product charged in April and May of 2024. In the Nicor territory, the highest rate charged was a fixed rate of \$1.68 per therm, which was charged from September 2023 through October 2023. For the North Shore Gas territory, the highest rate charged was a variable rate of \$1.62 per therm charged in September 2023. For the People's Gas territory, the highest rate charged was a fixed rate of \$1.85 per therm, which was charged from March 2019 through April 2024. Additionally, at least one AGS offered 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. The fees charged ranged from \$39.99 to \$860 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

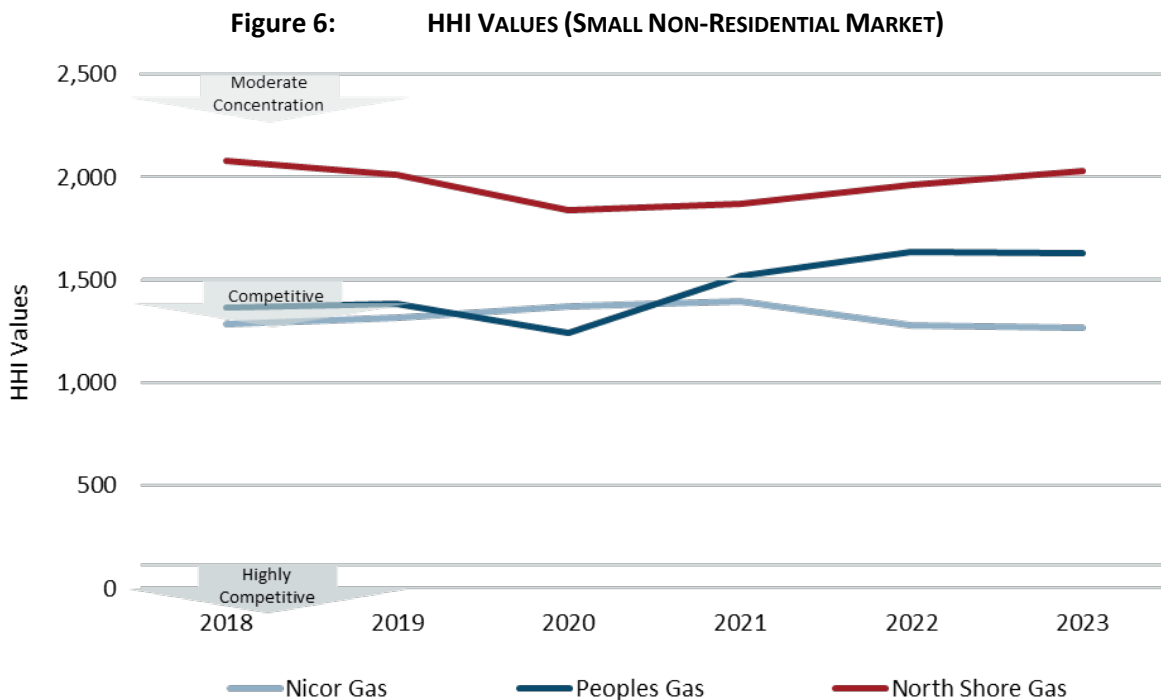
The market concentration for the SVT market was calculated using the same methodology as the LVT market. Market share analysis was based on the gas usage provided by each individual supplier in the SVT market rather than its share of customers. The difference between the percentage of switched customers and the percentage of switched usage is not nearly as stark as it is in the LVT market. The

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

⁸ 220 ILCS 5/19-130 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.

following figures separate the SVT market into residential and non-residential subsets in order to evaluate six-year market trends.

Figure 6 below illustrates that, within the small non-residential portion of the SVT market, all HHI designations remain steady. The Nicor Gas territory continues to experience an increase in competition similar to last year. The Peoples Gas territory experienced a slight increase in competition while the North Shore Gas territory saw a decrease in competition, however, both territories remain moderately concentrated.



When looking at the residential subset of the SVT market in the next figure, all three territories remained relatively stagnant compared to last year. The residential SVT market experienced an increase in HHI values in the Nicor and Peoples Gas territories, and the North Shore Gas territory experienced a slight decrease in competition. The changes in HHI values are not significant enough to change the competitive designation. As a result, the residential SVT market remains competitive across all three utility territories.

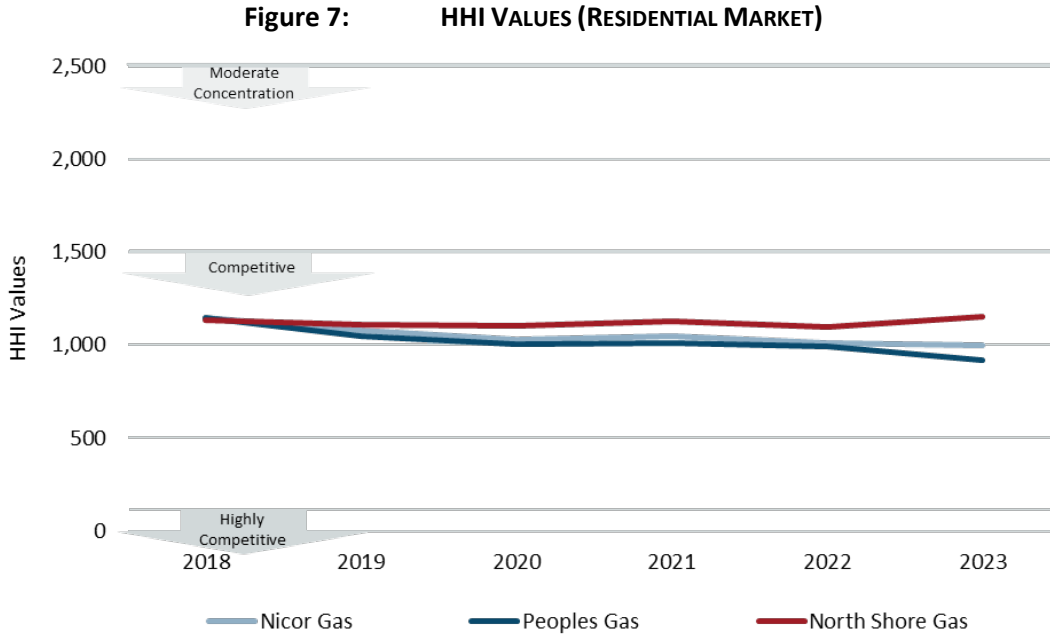


Table 10: AGS MARKET SHARE IN UTILITY TERRITORIES (BY CUSTOMERS)

| Residential Market Share: Customers | | | | | | | | | | | | |
|--|--|-----------|-----------|-----------|-------------|-----------|-----------|-----------|-----------------|-----------|-----------|-----------|
| | Nicor Gas | | | | Peoples Gas | | | | North Shore Gas | | | |
| | 2020 | 2021 | 2022 | 2023 | 2020 | 2021 | 2022 | 2023 | 2020 | 2021 | 2022 | 2023 |
| Largest Three Suppliers % Share | 35% | 44% | 43% | 43% | 40% | 40% | 37% | 35% | 40% | 40% | 44% | 46% |
| Range of Share | Count of suppliers for each portion of market share | | | | | | | | | | | |
| > 15% | 1 | 1 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 2 |
| ≤15% and > 5% | 7 | 7 | 7 | 7 | 8 | 9 | 8 | 8 | 6 | 6 | 6 | 6 |
| ≤5% and > 1% | 7 | 6 | 6 | 6 | 4 | 5 | 7 | 7 | 4 | 3 | 4 | 3 |
| ≤1% and > 0% | 22 | 24 | 21 | 22 | 19 | 18 | 16 | 17 | 15 | 16 | 14 | 14 |
| Total Q of Active Suppliers | 37 | 38 | 35 | 36 | 31 | 32 | 31 | 32 | 22 | 26 | 25 | 25 |

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, 22 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 territory, the number of suppliers with more than 15% of the market remained stagnant at one supplier. For the third year in a row, no supplier in the Peoples Gas territory served more than 15% of the market. This year, North Shore Gas has two suppliers with a market share greater than 15%. The total number of active suppliers in the Nicor Gas and Peoples Gas territory increased over the last year.

VII. Summary and Recommendations

This is the tenth report from the Office of Retail Market Development (ORMD) pursuant to the updated Section 19-130 of the Public Utilities Act. Findings for 2023 within this report include:

- 48 AGS are certified by the ICC to serve the natural gas market;
- Active AGS counts were 46 for the LVT market and 43 for the SVT market;
- AGS suppliers serve more than 29,000 LVT customers in Illinois which is 8.16% of the eligible customers;
- AGS across all four utility areas service 6-13% of LVT customers while providing 67-86% of the total therms consumed by LVTs;
- SVT suppliers serve more than 206,000 residential and more than 56,000 small non-residential customers, representing 6.70% of eligible residential customers and more than 19.57% 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 several rulemaking proceedings to ensure the Commission rules reflect changes brought about by the HEAT Act.

In collaboration with Staff from OGC and CSD, ORMD Staff continues to evaluate changes in the statute that may require amendments to the rules.