

**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 2019

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STATE OF ILLINOIS



ILLINOIS COMMERCE COMMISSION

October 1, 2019

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

Contents

- I. **Statement of Purpose**1
- II. **Introduction**2
- III. **Executive Summary**.....3
 - A. Market Participation 3
 - Table 1: Summary of Market Indicators (Quantity)..... 3
 - Table 2: Summary of Market Indicators (Percent)..... 4
 - B. Market Competitiveness.....5
 - Table 3: Summary of Market Competitiveness..... 5
 - 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..... 7
 - 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**13
 - A. SVT Customer Switching 13
 - Figure 4: Competitive Supply Percentages (Small Volume Transportation Market)..... 14
 - B. Residential Market..... 14
 - Table 6: Quantity of Residential Customers on Competitive Supply..... 14
 - C. Commission Website 15
 - 1. Supplier Marketing..... 15
 - Table 7: AGS Posting Offers on the ICC Website..... 16
 - Table 8: Residential Offers Posted on the ICC Website..... 16
 - 2. Residential Offers by Utility 16
 - Table 9: Breakdown of Offers Available to Customers on the ICC Website 16
 - D. Market Concentration..... 18
 - Figure 5: HHI Values (Small Non-Residential Market) 18
 - Figure 6: HHI Values (Residential Market) 19
 - Table 10: AGS Market Share in Utility Territories (by Customers) 20
- VII. **Summary and Recommendations**21

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 2019 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 decreasing. 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
	2017	2018		
Quantity of Customers	411,418	391,307	↓	-4.9%
Nicor Gas	296,700	285,875	↓	-3.6%
LVT	15,315	15,189	↓	-0.8%
SVT	281,385	270,686	↓	-3.8%
Peoples Gas	89,722	80,936	↓	-9.8%
LVT	7,566	7,422	↓	-1.9%
SVT	82,156	73,514	↓	-10.5%
North Shore Gas	17,343	16,605	↓	-4.3%
LVT	1,650	1,642	↓	-0.5%
SVT	15,693	14,963	↓	-4.7%
Ameren	7,653	7,891	↑	3.1%
LVT	7,653	7,891	↑	3.1%
Usage Provided by AGS	4,408,404,464	4,348,544,485	↓	-1.4%
Nicor Gas	2,192,971,150	2,348,216,265	↑	7.1%
LVT	1,744,469,392	1,836,133,658	↑	5.3%
SVT	448,501,758	512,082,607	↑	14.2%
Peoples Gas	1,005,765,704	848,194,520	↓	-15.7%
LVT	863,061,344	694,558,866	↓	-19.5%
SVT	142,704,360	153,635,654	↑	7.7%
North Shore Gas	150,158,498	158,300,081	↑	5.4%
LVT	120,346,658	125,411,530	↑	4.2%
SVT	29,811,840	32,888,551	↑	10.3%
Ameren	1,059,509,112	993,833,619	↓	-6.2%
LVT	1,059,509,112	993,833,619	↓	-6.2%

2018 Snapshot

32,144

LVT customers on AGS supply, compared to 32,184 in 2017.

359,163

SVT customers on AGS supply, compared to 379,234 in 2017.

45%

of natural gas in the state supplied by AGS, compared to 50% in 2017.

53 AGS

certified in the state, compared to 51 in 2017.

The percentages in Table 2 compare:

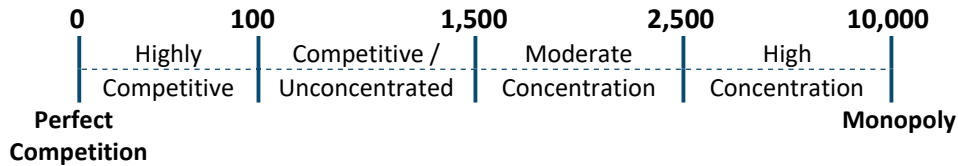
1. The total number of customers on AGS supply to the total number of customers in the market.
2. The total usage provided by AGS as a percent of the total usage provided to the market.

Table 2: SUMMARY OF MARKET INDICATORS (PERCENT)

	Percent of Total Market		Trend	Percent Change
	2017	2018		
Quantity of Customers	12%	11%	↓	-0.7%
Nicor Gas	13%	13%	↓	-0.5%
LVT	8%	8%	-	-
SVT	13%	13%	-	-
Peoples Gas	9%	8%	↓	-1.0%
LVT	9%	9%	↓	0.0%
SVT	9%	8%	↓	-1.0%
North Shore Gas	10%	9%	↓	-0.5%
LVT	12%	12%	-	-
SVT	10%	9%	↓	-1.9%
Ameren	11%	11%	↑	0.4%
LVT	11%	11%	↑	0.4%
Usage Provided by AGS	50%	45%	↓	-4.9%
Nicor Gas	48%	47%	↓	-1.4%
LVT	70%	70%	-	-
SVT	10%	10%	-	-
Peoples Gas	39%	30%	↓	-8.8%
LVT	77%	60%	↓	-17.0%
SVT	10%	9%	↓	-1.0%
North Shore Gas	30%	29%	↓	-1.4%
LVT	65%	62%	↓	-3.0%
SVT	10%	9%	↓	-1.0%
Ameren	94%	83%	↓	-10.7%
LVT	94%	83%	↓	-10.7%

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 more concentrated 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
	2017	2018			
Concentration of AGS Market					
Nicor Gas					
LVT	1,310	1,346	Competitive	↑	2.7%
SVT - Non-Residential	1,272	1,283	Competitive	↑	0.9%
SVT - Residential	1,216	1,149	Competitive	↓	-5.5%
Peoples Gas					
LVT	2,280	2,428	Moderate Concentration	↑	6.5%
SVT - Non-Residential	1,261	1,363	Competitive	↑	8.1%
SVT - Residential	1,245	1,145	Competitive	↓	-8.0%
North Shore Gas					
LVT	2,944	3,295	High Concentration Moderate Concentration	↑	11.9%
SVT - Non-Residential	2,014	2,078	Concentration	↑	3.2%
SVT - Residential	1,189	1,135	Competitive	↓	-4.5%
Ameren					
LVT	1,377	1,342	Competitive	↓	-2.5%

C. Consumer Offers

Consumer resources are available on the ICC website and, as of August 2019, Nicor Gas and Peoples Gas both had 31 different residential offers posted and North Shore Gas had 30 different residential offers posted. A majority of these offers have fixed rates, typically for a year, with early termination fees.

IV. General Market Activity

A. AGS Requirements

To serve as an LVT supplier, a certification from the ICC is not required. 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,
- **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, there are currently 53 AGS companies that have obtained ICC certification pursuant to Section 19-110, up from 51 suppliers in 2018.

Table 4: CERTIFIED AGS STATEWIDE

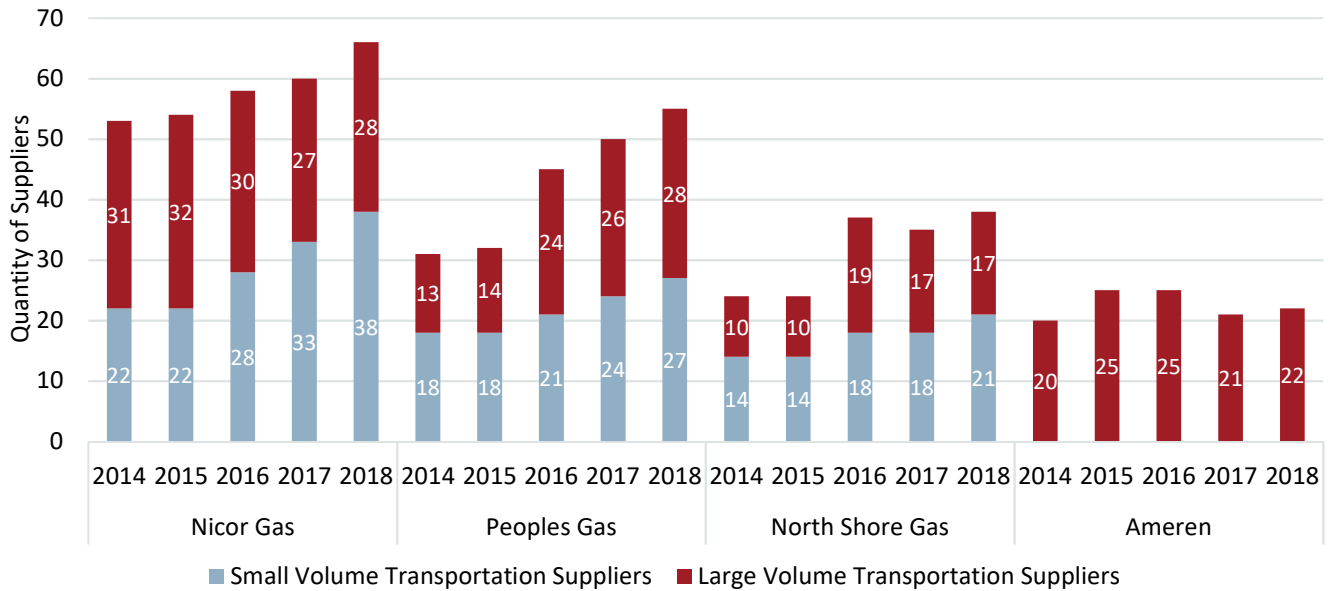
	2016	2017	2018	2019	Trend	Percent Change from 2018 to 2019
Total Quantity of Certified AGS	41	44	51	53	↑	+4%

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	Trend	Percent Change from 2017 to 2018
Nicor Gas Territory						
SVT market	22	28	33	38	↑	+15%
LVT market	32	30	27	28	↑	+4%
Peoples Gas						
SVT market	18	21	24	27	↑	+13%
LVT market	14	24	26	28	↑	+8%
North Shore Gas						
SVT market	14	18	18	21	↑	+17%
LVT market	10	19	17	17	—	—
Ameren Illinois Territory						
LVT market	25	25	21	22	↑	+5%

Figure 1: ACTIVE AGS BY UTILITY TERRITORY



Overall, data this year shows increased new entry by alternative gas suppliers in the LVT market decreased in all utility territories, except for North Shore Gas which stayed at a consistent level. The quantity of AGS serving the SVT markets also 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 2018, there were 44 active LVT suppliers in the Nicor Gas, Peoples Gas, North Shore Gas, and Ameren Illinois territories. These suppliers **served more than 32,000** Illinois large commercial and industrial customers and provided **69%** of the market's supply.

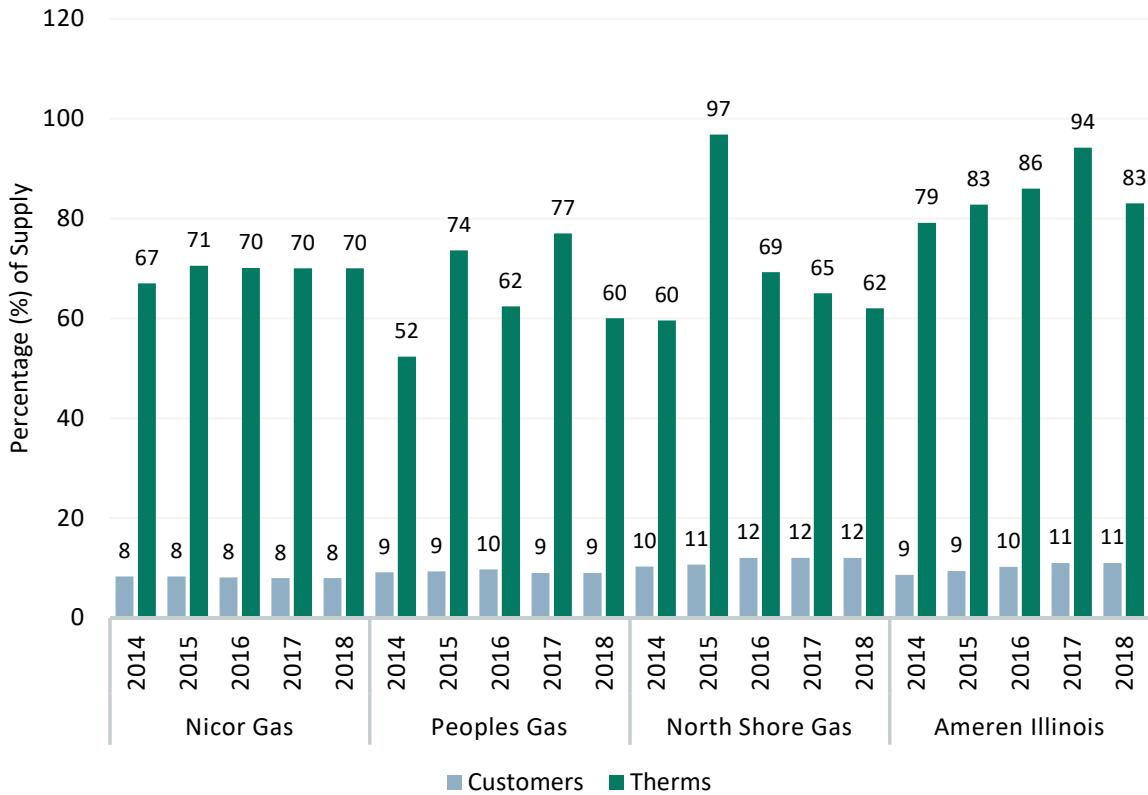
LVT market activity will be captured by looking at two different indicators:

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 2018 calendar year. Details depicted below show activity in terms of number of customers switched and related gas usage in therms over the last five 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 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 area, in 2018 gas suppliers provided service to 8-12% of the large volume customers while providing 60-83% 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 associated therm usage. All other utility areas have a slight decrease compared to last year in terms of therms supplied. The percentage of customers receiving supply from an AGS has remained consistent to 2017 for all four utility territories.

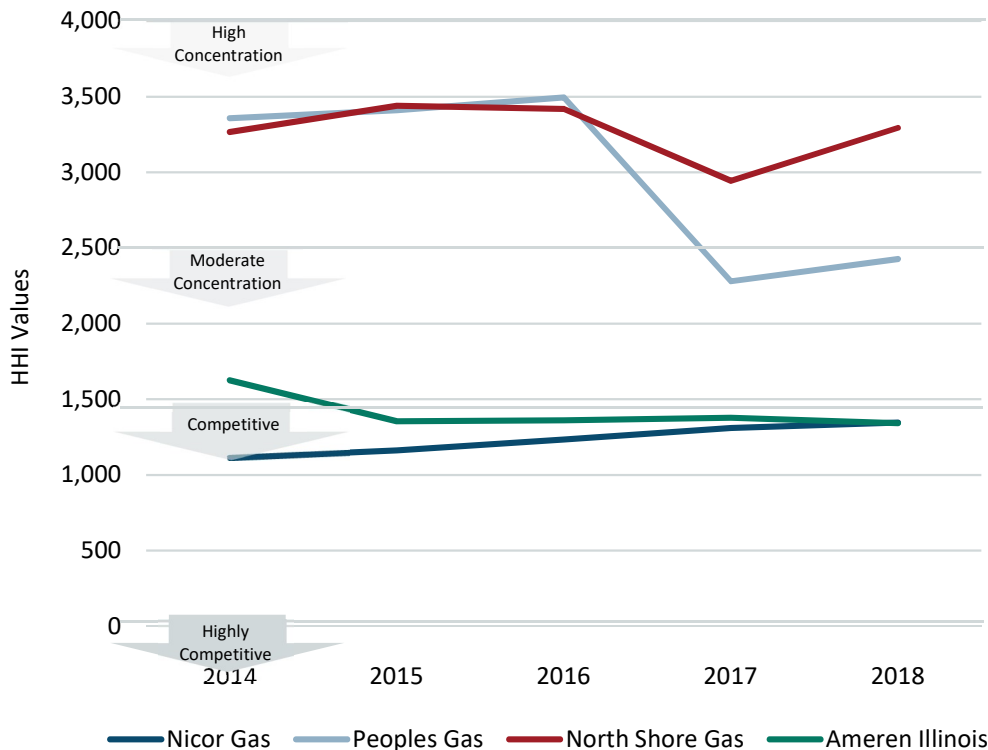
B. Market Concentration

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 us to compare the relative market concentration among the utility areas and display the trend in market concentration from 2014 to 2018.

Figure 3: HHI VALUES (LARGE VOLUME TRANSPORTATION MARKET)



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.

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

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 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 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 qualification for alternative gas suppliers serving small commercial and residential customers
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 2018, there were 38 active SVT suppliers in the Nicor Gas, Peoples Gas, and North Shore Gas territories. These suppliers served more than **306,000** residential customers and **more than 53,000** small commercial customers.

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

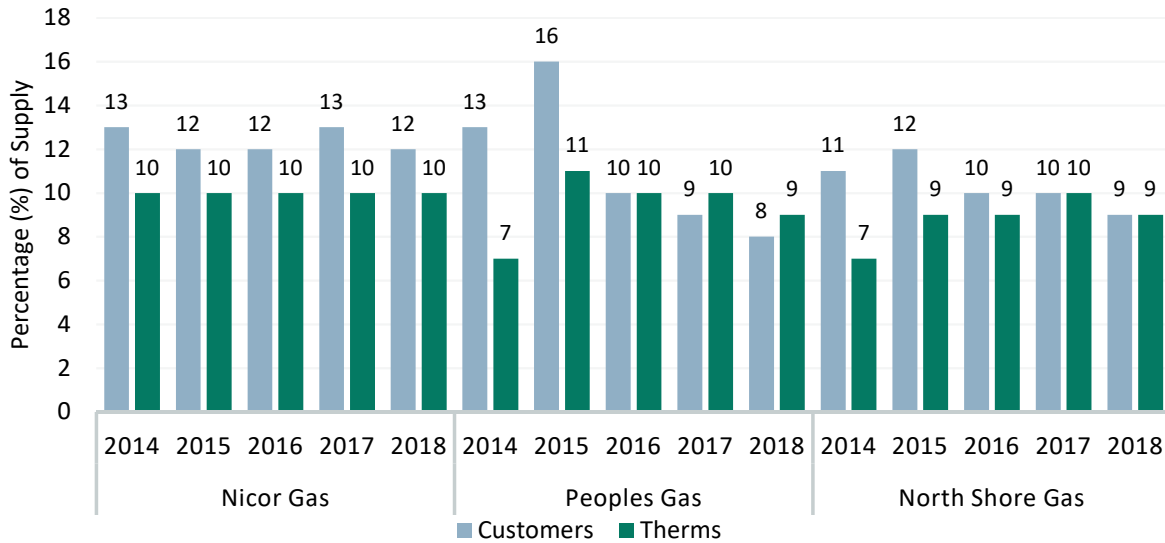
1. The quantity of SVT customers switching away from the utility supply service for each of the three utility areas
2. The quantity and types of residential offers posted on the ICC website
3. A market competitiveness analysis and a breakdown of residential market share among AGS

A. SVT Customer Switching

For purposes of this report, gas utilities provided data on each SVT supplier for the 2018 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 five 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 virtually all non-residential customers are eligible for both the LVT and SVT programs. Further, the percentage of SVT customers who have switched is greater than the percentage of switched LVT customers. In terms of usage, the reverse is true. This applies to all three utility areas. 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 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.

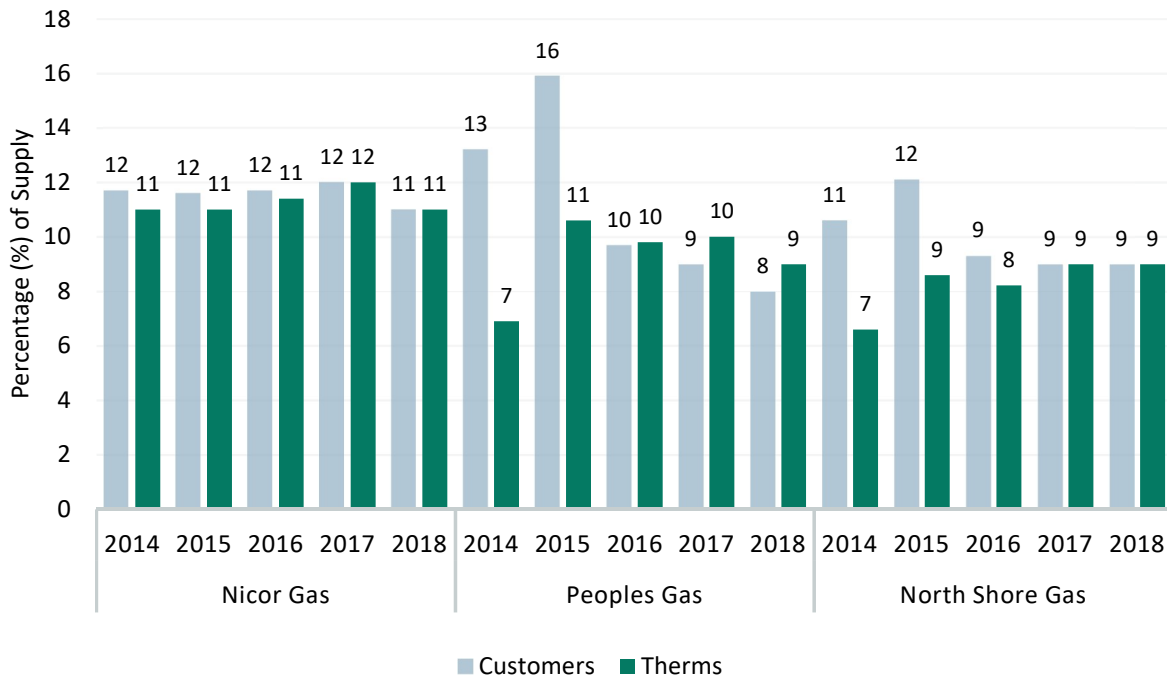
Table 6: QUANTITY OF RESIDENTIAL CUSTOMERS ON COMPETITIVE SUPPLY

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

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.

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, this year has the lowest share of residential customers receiving AGS service for all utilities.

Details depicted below show activity in terms of number of residential customers switched away from the gas utility and related gas usage in therms over the last four years. Competitive Supply Percentages (Residential Market)



The graph shows that, compared to the SVT market as a whole, the percentage of switched residential customers and switched residential usage are similar in the Nicor Gas territory. For the Peoples Gas and North Shore Gas areas, the residential switching percentages are virtually identical to the percentages for the whole SVT market, indicating that these two markets behave similarly in terms of customer switching and therm usage.

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 when taking into account that the posting of residential gas offers is mandatory for AGS companies but not for the alternative retail electric suppliers.

When compared to the same month last year, the number of suppliers posting has remained steady in the Nicor Gas territory. One additional AGS is posting in the Peoples Gas and North Shore Gas territories. All three territories have shown a slight increase in volume of offers 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
Nicor Gas	9	9	10	10	10
Peoples Gas	7	9	11	10	11
North Shore Gas	6	7	9	9	10

Table 8: RESIDENTIAL OFFERS POSTED ON THE ICC WEBSITE

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

2. Residential Offers by Utility

The following section compares the types of offers posted within each utility territory over the last four 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
Total Product Offers		29	24	32	28	31
Product Type	Fixed	20	16	19	20	24
	Variable	6	5	5	4	4
	Fixed/Variable	1	1	1	1	1
	Other	2	2	7	3	2
Termination Fee	Yes	16	15	22	19	17
	No	13	9	10	9	14
Length of Term (in Months)	< 12	4	4	6	4	6
	12	15	13	15	13	14
	13 – 23	2	2	3	2	2
	24	4	4	6	3	5
	> 24	2	1	2	1	2
	>36	2	0	0	0	0

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

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

In all utility areas, the quantity of offers compared to 2018 has increased. The majority of residential offers are fixed price offers with an early termination fee (which is statutorily limited to \$50). Other options include offers with both fixed and variable components and some offers are “fixed bill” offers where the customer pays the same amount for natural gas supply regardless of the actual monthly usage.

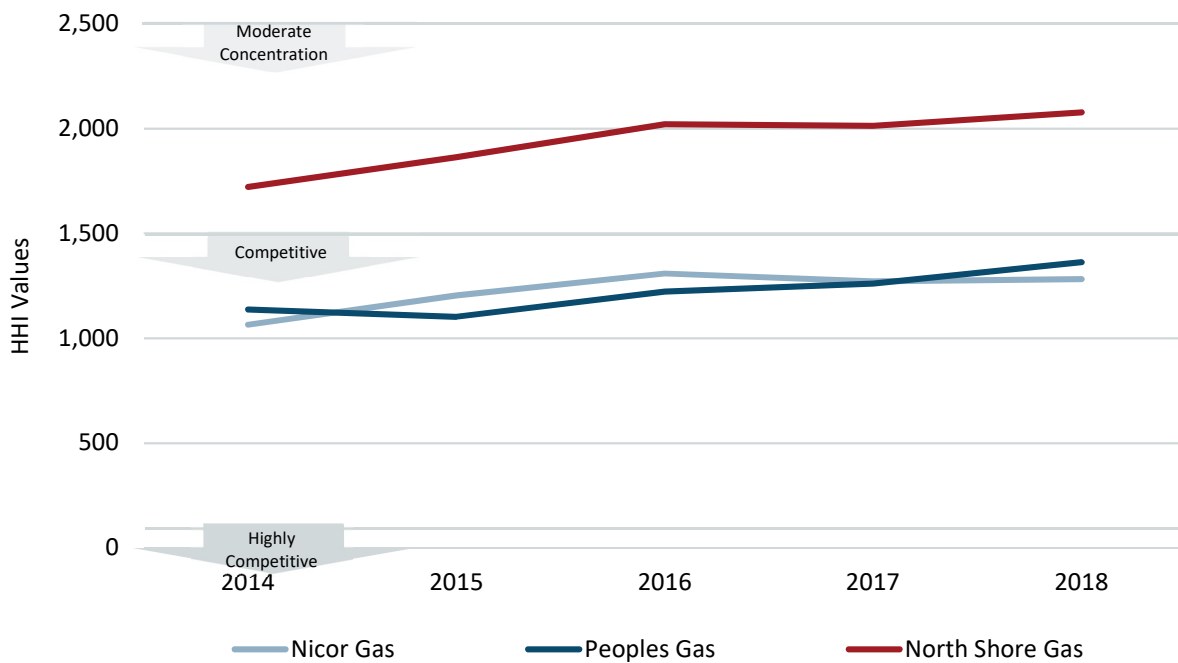
Term lengths on offers are largely concentrated in the one-year or less time frame. While a few other term lengths occurred ranging up to three-years, offers with terms longer than three years have disappeared altogether.

D. Market Concentration

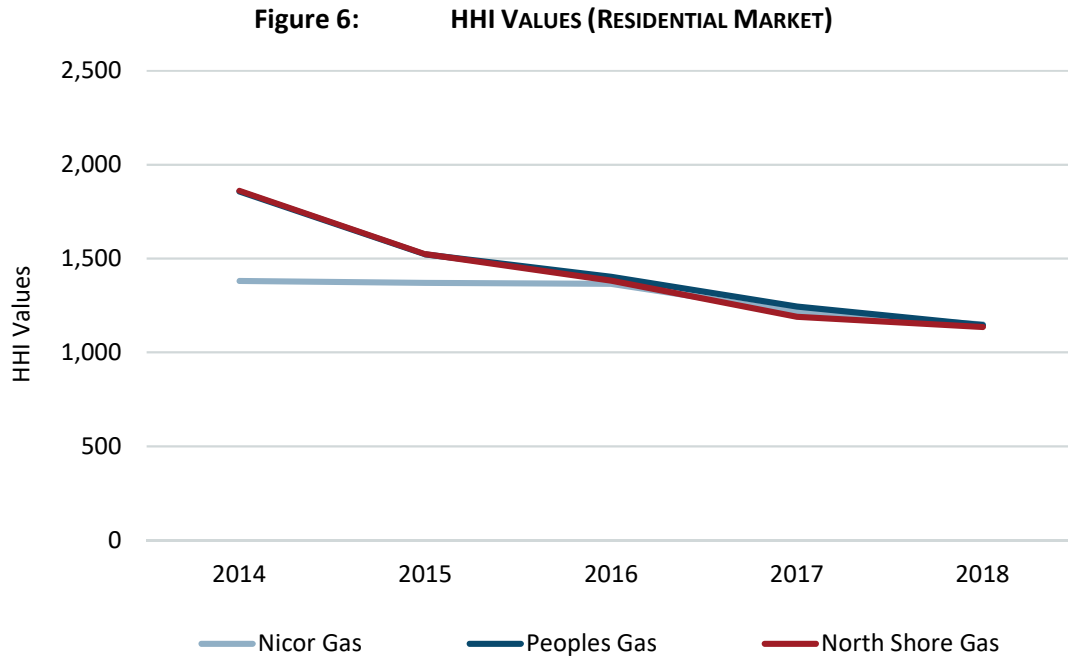
The market concentration for the SVT market was calculated using the same methodology as the LVT market. Market share analysis was based on the gas usage provided by each individual supplier in the SVT market rather than their share of customers. The difference between the percentage of switched customers 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 four-year market trends.

The first graph below illustrates that within the small non-residential portion of the SVT market, all HHI values are remaining steady. All utilities have maintained their year-over-year concentration levels with Nicor Gas and Peoples Gas remaining competitive and North Shore Gas remaining moderately concentrated.

Figure 5: HHI VALUES (SMALL NON-RESIDENTIAL MARKET)



When looking at the residential subset of the SVT market in the next figure, all three utility territories have become 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.



The residential customer market share of the three largest suppliers continues to decrease in all territories.

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

Residential Market Share: Customers												
	Nicor Gas				Peoples Gas				North Shore Gas			
	2015	2016	2017	2018	2015	2016	2017	2018	2015	2016	2017	2018
Largest Three Suppliers % Share	54%	51%	47%	43%	63%	55%	50%	46%	53%	52%	44%	42%
Range of Share	Count of suppliers for each portion of market share											
> 15%	2	1	1	1	3	2	1	1	2	1	1	1
≤15% and > 5%	5	7	6	7	3	5	8	7	5	5	7	8
≤5% and > 1%	4	4	6	7	4	5	3	4	3	5	3	3
≤1% and > 0%	8	11	16	17	6	6	8	9	2	5	6	8
Total Q of Active Suppliers	19	23	29	32	16	18	20	21	12	16	17	20

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 above 15%. As an example, in the Nicor Gas territory, 17 suppliers had a market share of less than 1% of the switched customers, 7 suppliers served more than 1% but less than or equal to 5%, 7 suppliers served more than 5% but less than or equal to 15%, and only 1 supplier served more than 15% of the switched customers.

In all utility areas, the number of suppliers 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% have increased. Total active suppliers in each utility service territory has also increased with Nicor Gas adding three new suppliers, Peoples Gas adding one, and North Shore Gas adding three.

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 fifth report from the Office of Retail Market Development (ORMD) pursuant to the updated Section 19-130 of the Public Utilities Act. Findings for 2018 within this report include:

- Fifty-three AGS are certified by the ICC to serve the SVT market
- Active AGS counts were 44 for the LVT market and 35 certified for the SVT market
- LVT suppliers serve over 32,000 large commercial and industrial customers in Illinois which is more than 9% of the eligible customers
- AGS across all four utility areas service 8-12% of LVT customers while providing 60-83% of the total therms consumed by LVTs
- Small volume transportation suppliers serve more than 306,000 residential and more than 53,000 small non-residential customers representing 10% of eligible residential customers and more than 18% of small commercial customers
- Nicor Gas, North Shore Gas, and Peoples Gas areas all had a small decrease in quantity of residential customers switched to AGS service

The ORMD is hopeful that the pending Code Part 512 proceeding (Docket No. 17-0857), along with the new Home Energy Affordability and Transparency Act, will lead to additional disclosure requirements for alternative gas suppliers marketing to residential customers. As a result, the ORMD has no suggestions for administrative or legislative actions at this time.