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Higher electric rates are coming

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BY MARY WISNIEWSKI Business Reporter

Want to save money on electricity? Could you wait until 10 p.m. to wash your clothes?

Under a new state law taking effect in 2007, utilities must provide residential customers with access to hourly, market-based wholesale electricity prices.

This means that instead of paying a flat rate for power, set by the results of the Illinois power auction that started Tuesday, customers can choose to pay an hourly rate set by daily bidders on national wholesale electricity markets.

Program not open to public -- yet

Want to sign up for real-time residential electricity pricing? You can't -- at least not yet. The pilot program run by the Community Energy Cooperative currently is closed to new participants.

Rules for the new program for ComEd and Ameren customers must be worked out by the Illinois Commerce Commission, which must approve a real-time pricing program and rate structure before it takes effect.

However, those interested in enrolling in the program when it becomes available can fill out a form with the Community Energy Cooperative, at <http://www.energycooperative.org>. Look for the Energy-Smart Pricing Plan page.

--Mary Wisniewski

Bills expected to leap when regulation ends

When Illinois began the process of deregulating electricity 10 years ago, ComEd prices were rolled back 20 percent and frozen through 2006.

In the meantime, energy prices have gone up. It's expected that Illinois electric bills will increase when the rate freeze ends in 2007, but it's not clear how much.

The Citizens Utility Board suggests that residential electric bills, including the cost of power and distribution, could rise next year by 20 percent to 40 percent.

George Gross, a University of Illinois electrical and computer engineering professor, said a 20 percent to 60 percent increase in the bills is possible over the next two years. For a \$60 bill, a 20 percent increase would mean

a new total of \$72.

The utilities themselves would not speculate. ComEd has proposed capping rates at 10 percent a year for the first three years, with any additional increases deferred until the following three years.

A power auction that started Tuesday will set wholesale electricity prices, which utilities will pass to consumers.

--*Mary Wisniewski*

By knowing when prices will be high, consumers can cut power use until the price drops, and thus save money. For instance, during a heat wave, when afternoon prices inevitably spike, a customer might delay running the dryer.

"This is a very good opportunity for empowering customers," said Lynne Kiesling, director for the Center for Applied Energy Research and professor of economics at Northwestern University. "You don't have to pay the auction price, and just take the plain vanilla service that goes with it."

Both the auction price for electricity and the new, real-time program will start this January, after a nine-year freeze expires on Commonwealth Edison electricity rates.

Residential electric prices set following the auction, supervised by the Illinois Commerce Commission, could be 20 percent to 40 percent higher than current prices, according to the Citizens Utility Board, a consumer advocacy group. Once that price is set at the auction, it stays the same all day, all year.

"Real-time" prices fluctuate depending on the national market for electricity, such as at the Intercontinental Exchange, an electronic energy market, and the Palo Verde switchyard in Arizona, home of the largest U.S. nuclear power plant.

Prices at those and other sources are influenced by such factors as weather and availability capacity at power plants.

The effectiveness of real-time pricing will depend on how much a customer changes behavior in response to changes in price.

CUB Executive Director David Kolata pays real-time prices for his own home through a three-year pilot program run by the Community Energy Cooperative in conjunction with ComEd. "It's an attractive option for customers who can vary their energy use," he said.

Kolata said real-time pricing isn't for everybody -- people who are home all day may not be able to vary power use as much as someone who works outside the home.

But if 5 percent to 10 percent of customers choose the real-time option, it can have a good effect on electricity prices for everyone, because it will cut peak usage, Kolata said.

Waiting until rates are cheaper is not a new idea. Consumers are used to waiting until evening to make long-distance calls, noted George Gross, professor of electrical and computer engineering at the University of Illinois at Urbana-Champaign.

"There's tremendous volatility in the electricity market," said Gross, who welcomes the real-time option. He said one of the problems with the 2000-2001 California electricity market was that "there was absolutely no linkage between the actual price of electricity and what people paid."

More than 1,400 households are in the Community Energy Cooperative pilot hourly pricing program, the first of its kind in the country. "We found that people like it. They don't find it hard to participate, and it's a good deal for them over time," according to Anthony Star, assistant manager.

Results vary from year to year, depending on the price of power. Star said consumers have saved about 7 percent on their electricity bills over the life of the program.

Customers in the pilot program check the next day's expected prices on the Internet. If prices spike, the cooperative sends e-mails or calls participants, so they can adjust their usage.

Prices are often higher in the summer, particularly in the afternoon. Weekend, evening and morning prices are generally lower.

The Illinois Commerce Commission still has to work out the details of how to implement the real-time option statewide. Those details include who will pay for the special digital meters needed to keep track of hourly pricing, and how quickly the program can expand, said Arlene Juracek, vice president of energy acquisition for ComEd.

Interest in the program will depend on what price comes out of the auction, said Robert Lieberman, an ICC commissioner and former head of the energy cooperative. Included in the auction price is a "risk premium" -- the supplier's charge for taking the risk to supply power at a set price for a long-term contract. If the auction price is high, more people will want to try real-time pricing, Lieberman said.

Advances in technology can help make hourly pricing easier. For example, wireless technology allows people to turn off their air conditioners away from home.

Another innovation offered through the cooperative is a light bulb with a built-in pager that changes color when energy prices get high, alerting the customer that it's time to dial back usage, Star said.

"It's a glanceable technology, like a clock," he said.

Technology like "smart appliances" that can be programmed to respond to price changes will make hourly pricing more attractive, which will in turn make technology more available, Kiesling said.

"This is really exciting," Kiesling said. "We can start thinking about our appliances taking orders from us."

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