



Illinois Solar Energy Association

Illinois Power Agency Staff,

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On behalf of the Illinois Solar Energy Association (ISEA) and our members, we would like to thank the Illinois Power Agency for the opportunity to comment on the 2017 Procurement Plan, specifically as it relates to solar energy and the DG Procurement.

Support of Speculative RECs

ISEA supports the inclusion of speculative RECs in the 2017 Procurement Plan using Hourly ACP funding for systems <25kW in size. Following the success of the previous Supplemental PV Procurements, ISEA is encouraged about the amount of solar development, industry growth, and new job creation that will occur from this opportunity. Speculative projects participation in the Supplemental PV Procurement not only ensured that the Illinois Power Agency reached its goal of purchasing \$30M in SRECs, but also allowed Illinois solar installation companies to hire and grow their businesses knowing that identified financial resources could be passed on to new as well as future residential and small commercial customers. This certainty has proven to be critical given the absence of the Illinois DCEO Solar and Wind Energy Rebate Program and ongoing state budget issues that continue to threaten rebate program funding and disbursement. As summarized below, the \$30M Supplemental PV Procurement plan successfully allowed for the purchase of both speculative (forecast) and Identified RECs:

Auction Event	Quantity Forecast RECs	Average Forecast \$/REC	Quantity Identified REC	Average Identified \$/REC
June 2015	16,245	\$168.00/REC	2,296	\$172.76/REC
November 2015	11,135	\$209.68/REC	4,934	\$185.63/REC
March 2016	36,074	\$235.05/REC	8,238	\$213.17/REC

ISEA business members anticipate a growing demand for DG resources for residential and small commercial projects with the vast majority of REC inventory being auctioned to forecasted projects. The speculative RECs won during the March 2016 SPV Procurement must be identified by December 2016 per program rules before expiring, these RECs represent the only current state financial incentive for Illinois solar installation companies to offer prospective customers. There is significant concern that recent Illinois solar industry growth will be stalled without the inclusion of speculative bidding in the next Solar DG Procurement. Inclusion of this opportunity in the 2017 Procurement Plan will ensure a stable funding source in 2017 and allow the existing solar industry to continue to grow solar projects and jobs in the state.

The lack of identified state incentives in 2017 threatens the growth of the Illinois solar industry and will likely cause a significant reduction in solar installations resulting in layoffs and business closures among the established solar companies. Pending solutions such as the passage of a new state RPS, are not expected to be realized until at least the fall of 2017.



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According to The Solar Foundation's 2015 Job Census report, the Illinois solar industry lost approximately 300 jobs that year. ISEA anticipates that subsequent job numbers will show improvement due to SPV but is concerned continued growth will not occur until Illinois establishes clear, stable incentives. The inclusion of speculative RECs will be a clear indicator that Illinois is serious about building a robust solar industry.

To date, solar adoption in Illinois remains extremely low at under 1% grid penetration with approximately only approximately 800 solar arrays installed statewide. Past DG Procurements have been unsuccessful in driving the desired RPS growth as the fundamental structure, execution and timing is cost prohibitive and administratively restrictive. Prior to committing to installing solar, consumers need to be able to evaluate holistic economics of their investment and are unlikely to participate in a complicated and uncertain incentive structure. Developers are forced to time their development cycle with the arrival of a procurement event, which is difficult for small commercial and residential systems. Speculative RECs allow for a swift, efficient and easy entry to market for consumers and developers alike, driving down the costs of solar and increasing the state renewable portfolio achievements.

ISEA concurs with the IPA's concerns about the limited results of past DG Procurements and agrees that the inclusion of speculative RECs will yield improved outcomes. Conversely, the omission of Speculative RECs in this plan will have negative impacts on industry growth and risk progress achieved in 2016. The Illinois Solar Energy Association and the established Illinois solar industry highly recommends that speculative bids are allowed as outlined in the proposed 2017 DG Procurement Plan.

Expand Speculative Opportunities beyond 25kW

ISEA requests the IPA expand speculative RECs to include small commercial systems in the <25kW to 200kW range for the same reasons stated above for speculative systems <25kW.

Developers and Aggregators report significant barriers in developing these projects during previous DG and SPV procurements due to the time consuming, burdensome process and costly investment that potential customers incur in order to confidently quantify their investment opportunity. Therefore many projects are quickly non-starters, limiting market potential. This market segment represents significant potential for small businesses to invest in solar given the roof sizes of many municipal business districts. A pilot program in the 2017 would provide meaningful data to Procurement Managers. This data could then be used to guide the direction of future Illinois Solar Renewable Portfolio programs.

Schedule Procurement for Early 2017

As previously stated, the RECs from the most recent speculative REC procurement in March 2016 are set to expire in December 2016. These RECs represent the only current opportunity for solar companies to offer financial incentives to prospective customers. In order to avoid a lag in market momentum, potentially resulting in job loss and diminished installation results, ISEA requests that the IPA hosts a DG Procurement as early as possible in 2017. The rules and guidelines could mirror those from the March 2016 event or a similar process, thus expediting the auction earlier in 2017. The solar industry and REC Aggregators are familiar and confident with this process, ensuring a swift and successful procurement event.



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Divide Procurement into Multiple Events

ISEA requests the IPA distribute the identified \$40M in multiple DG procurement events. This will allow for a systematic opportunity for the market to grow and adapt to the new incentive structure, just as the previous three SPV Procurements were held strategically to avoid a boom/bust market as has been experienced in other states. Although the timing between these auctions was inadequate to identify all speculative RECS bid, the staggered release allowed for a robust and relatively balanced portfolio of both <25kW and >25kW projects. Additionally, this structure allowed developers to forecast market potential and raise the capital required to fund speculative REC bid deposits. The Illinois Solar Industry Association identifies the benefits of multiple procurements as follows:

- Provide an opportunity for new solar companies to enter the market mid-procurement year. Hosting a single event could cause an unintended competitive advantage to existing businesses and preclude new businesses from opening, resulting in delays of up to a year for new ventures. A second event would create an opportunity for new companies to procure speculative RECs and/or develop project plans for identified systems.
- Remove potential market barriers for existing businesses by dividing the capital investment for their REC investment into two smaller levels. To date, most installers and developers in the state are small establishments with limited access to surplus capital. The 2017 Procurement Plan will offer an opportunity for these businesses to make the necessary investments that will carry them through the next fiscal year. Depending on an individual company's capacity to sell and install, the bid deposit could be significant, limiting growth if unable to raise the required capital. A second procurement event will assist cash flow and allow businesses to strategically plan growth for the upcoming year based on their ongoing success and provide the confidence needed to forecast expansion, including hiring additional staff as warranted.
- Maximize new projects and opportunities to be developed over the course of the 2017-2018 procurement year. As the industry grows and matures, ISEA and solar developers will educate an increasing number of homeowners and business owners about solar opportunities. A second procurement event will allow those new interests in solar to be developed quickly and further advance solar penetration in Illinois. A solar sales cycle can be long even for smaller systems and many prospective solar customers may not be prepared initially for an early auction. Additional procurement events would provide the time needed to nurture and mature these opportunities for inclusion in the auction, ensuring greater success of this large procurement budget. Without this provision, projects would wait at least a year and many prospects are likely to lose interest and momentum resulting in lost opportunities. Most developers have an ongoing pipeline of prospects but the limited nature of DG Procurement in Illinois inherently creates a start/stop market. Creating ongoing opportunities to enter the REC market will allow new prospects to feed into the calendar in a timely way that will result in greater penetration and installed projects.
- Create a stronger foundation and infrastructure of solar businesses in preparation of the proposed RPS legislation. The success of the RPS is predicated upon the development of a strong and robust infrastructure of experienced installation companies and the network of services needed to meet growing demand. Improvements to the DG Procurement process is a vital step in further preparing the Illinois industry to respond to the growing installation capacity goals and clean power targets.



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- Carve-out a stronger likelihood to achieve the stated DG Procurement goal of securing a 50/50 balance between under 25kW and over 25kW categories. If the full \$40M is auctioned in a single procurement, it may be challenging to achieve the 50% for the <25kW category, skewing the full procurement toward larger installations. This will not yield the desired job growth and economic stimulation intended through the 50/50 split. Offering more than one procurement event will allow for greater opportunity for success in achieving diversity between market segments.

Create Additional Category in >25kW to 2,000kW Market

As noted in the Supplemental PV Procurement auctions, many state incentive programs across the US have been successful in maximizing residential and large commercial scale market but not the 25kW to 500kW market. The inclusion of a separate benchmark and relative goals would ensure diversity within this larger solar category and create greater opportunities for the development and implementation of mid to larger companies to participate. This will result in greater job creation and further expansion as solar adoption and education increase throughout the state.

The November 2015 and March 2016 Supplemental PV auctions showed positive interest and results and should be carried forward to the 2017 DG procurement plan.

Fees and Bonding

ISEA continues to request further dialog and flexibility regarding the supplier fee for the procurement. The upfront bonding and fees to participate in the procurement have a significant impact on the aggregators, installers, developers, and system owners involved. In order to set up contracts, a bid plan, and projected payback it is very important for the supplier fee to be as low as possible and set early in the process. In 2015 and 2016 the supplier fee was increased just days before the bid, after all contracts and LOI's were due from system owners. This created confusion and complications in the bidding process. Setting supplier fees early in the bid request will build certainty and confidence with potential system owners. This enables the maximum number of systems to participate in the procurement.

ISEA recognizes and supports the IPA's lower bid deposit of \$4 per REC. The supplier fee coupled with the 10% bond payable to the contracted utility has created a strong driver for winning systems to complete construction and deliver RECS. Additional bonding requirements would not supply any additional motivation to winning systems to fulfill their contracts, but greatly increases the cash requirements for bidders, potentially limiting the number of bids submitted for consideration. This additional cash outlay is particularly difficult to small as well as developing businesses.

Create Uniform Contracts between ComEd and Ameren Markets

The current IPA contracts are different for systems located in the ComEd and Ameren markets. This causes an undue burden on Aggregators adding administrative cost to the procurement process. Aggregators have cited this as a significant reason they are no longer interested in participating in IL DG procurements. Additionally, the administrative requirements are time consuming and complex and should be streamlined by the procurement administrator to ensure the cost effective execution of the REC program.

Thank you again for the opportunity to comment on the 2017 IPA Draft Procurement Plan. ISEA supports the inclusion of Speculative RECs and requests the expansion beyond the 25kW benchmark to include small commercial projects. ISEA requests that the procurement be held early in the year and in multiple events in order to capitalize on growing consumer education and interest. Administrative and financial barriers to market



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participation should be simplified, creating an avenue to broader participation by aggregators, developers and system owners.

The 2017 Draft Procurement Plan will drive results for not only the upcoming year but toward longstanding, as yet unmet, RPS goals. ISEA looks forward to further dialog regarding possible improvements to the planning process and thanks the Illinois Power Agency for the many innovations already included and their ongoing commitment toward creating a stronger renewable energy market in Illinois.

Respectfully submitted on behalf of the Illinois Solar Energy Association,

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