

**COMMENTS OF ENVIRONMENTAL DEFENSE FUND  
IN RESPONSE TO THE ILLINOIS POWER AGENCY'S  
UTILITY SCALE/BROWNFIELD SOLAR  
INITIAL FORWARD PROCUREMENT WORKSHOP**

Environmental Defense Fund (“EDF”) provides the following comments in response to the Illinois Power Agency’s (“IPA”) Initial Forward Procurements Request for Comments of May 11, 2017. EDF appreciates the opportunity to offer additional feedback following the May 10, 2017 Workshop, and commends the IPA for its diligent work educating stakeholders, considering stakeholder views, and designing the procurements required under the Future Energy Jobs Act (P.A. 99-0906) (“FEJA”).

EDF recognizes the importance of a successful utility scale/brownfield solar initial forward procurement under the FEJA for the IPA. The Illinois General Assembly designed the initial forward procurement to provide an immediate opportunity for renewable energy development upon the passage of the bill, while the development of the long-term renewable resources plan was underway. The success of this initial forward procurement will determine the timely execution of future procurement events for utility-scale wind and solar photovoltaic projects, and is essential to the implementation of the long-term renewable resources plan.

EDF believes the suggestions below are appropriate to achieve the expediency of the initial forward procurements. However, EDF may have different opinions for projects procured as part of the long-term renewable resources plan. Through the course of a well-developed plan that encourages local jobs and economic development, there may be an opportunity to create more flexible models to enable more diverse project teams and project structures to compete and secure

contracts. For the initial forward procurements, however, the IPA should focus on designing a process that ensures the winning bidders lead to projects that are built as soon as possible in order to ensure future procurements are not unintentionally delayed.

### **Topic 1: Site Control**

**Question 1: Site Control could be as simple as just submitting a site address, or as strict as demonstration of full site control (e.g., lease agreements with no option for site modification).**

**What would be an appropriate site control standard for the initial forward procurements and why? Also, in responding, please discuss how a more stringent requirement may impact the ability of new market participants/smaller firms to participate in the procurement.**

### **Response:**

In EDF's view, success for this initial procurement means not only the achievement of cost-effective renewable energy, but also assurance that the selected bids will lead to projects being developed and energized as soon as possible. In order to ensure winning bids begin delivering RECs in a timely fashion, EDF recommends that the IPA should seek, through its initial forward procurement, to minimize the probability that winning contracts are awarded to unlikely projects and speculative bids.

For this initial forward procurement, EDF suggests more stringent qualifications for bids are appropriate in order to ensure that every project that is awarded a contract is able to move forward and begin delivery of the annual specified REC's in the outlined timeframe. One way this can be done is by requiring a project to provide some proof of site control. EDF supports the views of other renewable companies responding to these questions and recommends a project be permitted to prove site control by providing proof of the legal right to build on the site being bid.

This can be in the form of a valid and exclusive option to land lease or purchase, or an executed land lease or purchase agreement. These documents provide the legal right to build the project.

EDF also supports the view of other renewable companies regarding a stricter policy around proof of the interconnection process. Representation that the bidder understands the interconnection rules and requirements is not sufficient to ensure a project is completed in time. EDF believes that a bidder should submit an interconnection application prior to submitting a bid. If an interconnection agreement has not been submitted, the bidder will agree to submit an interconnection agreement within 90 days of bid award to the local utility, or regional transmission operator. If possible, stronger weight should be given to projects that have completed an interconnection study or even have a signed interconnection agreement.

**Question 2: Would having the option of providing an additional performance guarantee in lieu of providing evidence of site control mitigate the risk of failure to develop the project in time to start REC deliveries?**

**Response:**

EDF believes that evidence of site control and interconnection effort is a stronger indicator of a project's likelihood to get built than simple, low-risk performance guarantees. As expressed previously, EDF expect the success of this initial forward procurement will determine the timely execution of future procurement events for utility-scale wind and solar photovoltaic projects. As such, the initial forward procurement is essential to the implementation of the long-term renewable resources plan. Reducing requirements on site control and/or interconnection increases the risk of speculative projects, which could have substantial impacts on the long-term plan.

## **Topic 2: REC Delivery Flexibility**

**Question 1: What circumstances (e.g., operational or performance risk) could lead to a project failing to deliver its annual delivery quantity and could be mitigated through allowing banking and/or replacement RECs?**

### **Response:**

EDF recognizes that a solar project's operational output degrades over time. The output in the 15<sup>th</sup> year of operation is significantly and materially different from the output in the first year. Thus, projects will likely bid at a level significantly below the project's production in the early years if no carryover is allowed. This would create an artificial price adder to all bids, which would be neither cost effective to the bidding entity nor produce the lowest REC bid prices. If the long-term renewable resources plan was in place at the time of procurement, renewable companies would likely be able to account for selling those additional RECs to separate IPA procurements. As those are currently not defined, it is unlikely that companies will account for those revenues in their bid price, since those opportunities or the development of an Illinois qualified REC spot market would only emerge later.

There could be several means to address this problem. To provide one example, the IPA could allow for a project to bank a percentage of excess REC's to use in the subsequent year. If this was allowed, and assuming a 0.5% annual degradation rate for solar panel production, a project would be able to bid its full REC output over 15 years into the procurement, instead of approximately 92%. As demonstrated in the table below, no more than 15% of a project's annual production would need to be carried over to a subsequent year to allow a project to bid into the procurement a fixed amount equal to its average annual output for 15 years. In fact, a 45-day banking during June and half of July could accomplish the same result most of the time, but not in

all situations. This would smooth out the REC delivery curve and lead to more cost-effective initial forward procurements. The table below illustrates this example.

<b>Year</b>	<b>RECs produced</b>	<b>REC's delivered to IPA</b>	<b>REC's carried over</b>	<b>% carried</b>
<b>1</b>	50,000	48,287	1,713	3%
<b>2</b>	49,750	48,287	3,175	6%
<b>3</b>	49,501	48,287	4,389	9%
<b>4</b>	49,254	48,287	5,356	11%
<b>5</b>	49,007	48,287	6,076	12%
<b>6</b>	48,762	48,287	6,551	13%
<b>7</b>	48,519	48,287	6,782	14%
<b>8</b>	48,276	48,287	6,771	14%
<b>9</b>	48,035	48,287	6,518	14%
<b>10</b>	47,794	48,287	6,025	13%
<b>11</b>	47,556	48,287	5,293	11%
<b>12</b>	47,318	48,287	4,324	9%
<b>13</b>	47,081	48,287	3,117	7%
<b>14</b>	46,846	48,287	1,676	4%
<b>15</b>	46,612	48,287	0	0%

EDF suggests it is not necessary or cost effective to create and run a separate spot market at this time for this sole purpose given the availability of this proposed minimal carryover solution. The IPA may well create or stimulate the creation of a separate spot market for Illinois solar photovoltaic or wind RECs through its long-term renewable resources plan, but that process will not be complete for the purposes of this discussion.

**Question 2: Should the ability to bank REC's be unlimited or should there be parameters (e.g., quantity, vintage, narrower eligibility of RECs)?**

**Response:**

For the purposes of the initial forward procurements, EDF believes that RECs transferred in a delivery year must be issued in the same or preceding delivery year. Projects should be allowed to carry forward a certain percentage of REC's each year to meet the 15-year average output as described above.

**Question 3: Should banking of RECs be allowed between multiple projects owned by an entity/affiliate with contracts under the Initial Forward Procurement?**

**Response:**

No. The Initial Forward Procurement bids are considered and awarded based on project REC annual delivery and price. Because of this, if year-to-year banking of RECs is allowed, EDF at this time believes that the banking of RECs should not be allowed between multiple projects owned by an entity/affiliate to meet the contract obligations. This may open the door to abuse or arbitrage between programs that would undermine the intent of the legislation. The entity bidding their project should accurately bid the 15-year average REC output for that project.

**Question 4: Taking into account statutory project qualification requirements, should the ability to provide eligible replacement RECs be otherwise unlimited or should there be additional parameters (e.g. quantity, vintage, narrower eligibility of RECs)?**

**Response:**

EDF believes the Illinois General Assembly was very explicit in its requirements for eligible projects to meet the Renewable Portfolio Standard. If the long-term renewable resources plan was in place at the time of the initial forward procurements, renewable companies would likely be able to account for selling those additional RECs to separate IPA procurements. The IPA may well create or stimulate the creation of a separate spot market for Illinois solar photovoltaic or wind RECs through its long-term renewable resources plan, but that process will not be complete for the purposes of this procurement.

EDF believes that for the purposes of the initial forward procurements, an ability to bank RECs for use in the subsequent delivery year, plus contract remedies as described below, will mitigate the uncertainty attempting to be addressed by this question's replacement REC hypothetical.

**Question 5: Under what circumstances should underperformance that cannot be remedied through banking and/or replacement lead to the termination of a contract? What alternative penalty provisions should be considered to address underperformance?**

**Response:**

EDF recognizes that the IPA has a statutory obligation to meet 1,000,000 Solar and Wind RECs through the initial forward procurement. However, EDF believes the IPA should not terminate the contract if the project fails to meet annual REC quantity three times over the 15-year

period. Instead, EDF recommends that, if a project fails to deliver the annual REC quantity for three years, the IPA should enforce a reasonable financial penalty and reopen and revise the contract, reducing the annual REC delivery amount to a level the project is able to consistently deliver through the remainder of the term. Once the contract delivery quantity has been reduced, the IPA should cure the REC shortfall through a replacement procurement or future procurements to meet the statutory goals.