



Distributed Generation Workshop

June 12, 2014

Agenda

- Review 2012 workshop and 2013 IPA Procurement Plan DG recommendations
- Discuss recent DG developments in other states applicable to Illinois
- Overview and discussion of DG provisions of HB2427



2012 Process

- Two workshops
 - February 24, 2012
 - April 2, 2012
 - Presentations and related documents available on IPA website under “Archived Events”
- 2013 Procurement Plan included a proposed DG program structure but did not recommend an actual procurement
- Proposed structure focused on a model of a procurement for the utility RPS more than a procurement using the Renewable Energy Resources Fund



2012 Workshop Summary

- General parameters for the Illinois DG program are laid out in PA 97-0616.
- **No desire to regulate or certify aggregators**, as the ICC does with agents, brokers or consultants (ABCs), so long as they meet the financial/credit worthiness/technical qualifications of the REC procurement process.
- A **ten-year term** seems preferable from a **project developer/aggregator/end use customer** standpoint.
- A **five-year term** is economically viable but requires **higher payments over the shorter time frame** in order to ensure projects will be economically viable.
- **Electric commodity value is realized through net metering**, where the generator is essentially paid retail rates, as opposed to wholesale market value, for generation.



2012 Workshop Summary, cont.

- **Keep transactions costs low.**
 - a) Self-certification of REC output, subject to audit and verification, seems preferable to GATS, M-RETS or NARR registries. However, there are questions on how the ICC or utilities can reliably obtain verification.
 - b) Parties agreed that it was permissible to measure REC output at the inverter rather than a utility-grade meter.
 - c) If (a) and (b) are accepted, there would be no need for aggregator to assume Meter Data Management Agent (MDMA) responsibility with the RTO.
 - d) An entity like SREC Trade (a commercial company) that requires a homeowner data report each month may facilitate a transparent market.
 - e) Structure the arrangement to permit the use of a simple, straightforward and standard contract between the homeowner/business and the aggregator. Include condition that a homeowner/business may only sell a REC, or a portion of a REC, once.
 - f) Allow for some flexibility in delivery to minimize need for collateral.
 - g) Base 1 MW minimum on aggregation group on nameplate for simplicity.



2012 Workshop Summary, cont.

- **Keep the process and procurement program transparent.**
 - Require aggregators to register with the IPA. IPA to list approved aggregators on the IPA website, much like ARES are listed on the ICC website. Will help system owners to find an aggregator. No IPA endorsement of any particular aggregator.
 - Participants suggested that the IPA post standard customer/aggregator contract forms on the IPA website.



2012 Workshop Summary, cont.

- There is a distinction in costs between the <25 kW segment and the 25 kW-2 MW segment, as well as distinct procurement targets, so that **two separate procurement categories may be appropriate.**
- Allow the under 25 kW systems to be price takers based on adjusted results for competitive bids from larger systems.
 - This would permit homeowners to know the price upfront.
 - Getting the scalar or multiplier right is key.



2012 Workshop Summary, cont.

- Experience with project financing by developers in other states suggests that while leasing equipment to a homeowner rather than selling it to him/her may make more sense, a PPA model that accomplishes the same cash flow is preferable from a tax standpoint. **Developers do not want to become an ARES.** This may require revisiting ARES rules, or creating an exception for PPAs associated with DG financing structures.
- **Clarify the legal responsibilities associated with an aggregator.** Provide that the utilities execute contracts with aggregators and the aggregators execute contracts with homeowners/businesses. It is unclear whether an aggregator is a broker (in a common usage sense, rather than an ABC regulated pursuant to Section 16-115D of the Public Utilities Act).
- The length of the contract between the homeowner and the aggregator may not match up to the contract between the aggregator and the utility.
- **Solicit interest from a wide range of third party organizations to be aggregators. May require aggressive outreach.**



2013 Procurement Plan

Proposed Ameren and ComEd Distributed Renewable Resource Generation Program

Product Categories	Two products: Individual Generators < 25 KW Individual Generators > 25 KW, < 2 MW
Minimum Bid Size	1 MW aggregated nameplate capacity
Contract Term	5 years
Pricing Mechanism ≥ 25 KW	Pay as bid competitive procurement, fixed price for 5-year term.
Pricing Mechanism < 25 KW	Standard offer based on competitive procurement adjusted by a scalar to be separately determined for the Ameren and ComEd service areas to account for cost differences in the service areas.
Ameren Scalar	1.25 (based on Procurement Administrator calculations)
ComEd Scalar	1.25 (based on Procurement Administrator calculations)
Delivery Term Start Date	Offer bidders a choice of June 1, October 1, January 1, or March 1 in the initial delivery year to facilitate new build schedules or initial aggregation efforts. Contract extends for 5 years from the Start Date.



Bid Information Required for ≥ 25 KW generator portfolio

Total MWh quantity of RECs offered for the Contract Term (same value each year for 5 years)

Fixed price for the 5-year strip of RECs

Type of generator (wind, PV, etc.)

For purposes of being able to cleanly compare competing bids, each bid must be for an aggregation of same type generators

Expected generator device sizes in the aggregation (nameplate capacity in kW-AC and kW-DC)

Status of the generation underlying the aggregated portfolio as of the application date: in-service, under construction, speculative

Certification that each eligible DG device will be interconnected behind a retail customer meter and generating RECs by the delivery term start date. (Need not provide specific generator information at the time of bid, but must provide specific detail on the individual aggregated generators by the delivery term start date)

Certification that generator installers comply with any applicable ICC Rules.

Pay a non-Refundable Application fee of \$5/kW of nameplate capacity on the aggregated bid.



Bid and Contract Process

Bid Process

- Initial application submitted without price bids by a given Application Date. Reviewed for completeness and compliance with the RFP.
- Application Fee due by the Application Date.
- Price bids accepted by a specific Bid Date.
- Select winners from among those bids that do not exceed confidential benchmarks approved by the ICC prior to the Bid Date.
- Execute contracts. Winning bidders pay performance guarantees as appropriate.

Contract Process

- Aggregator aggregates DG generators into minimum of 1 MW aggregated nameplate capacity and enters into contracts with each generator.
- Aggregators enter into contracts with utilities to supply RECS from a minimum of 1 MW aggregated nameplate capacity pursuant to standard contracts developed by procurement administrator for the program.



Guarantees/REC Certification

<p>Performance guarantees</p>	<ul style="list-style-type: none"> • No later than the Delivery Term Start Date, assess a Performance Assurance Deposit for 1% of the value of RECs over the lifetime of the contract. May be cash, bond or letter of credit. Reduce the amount of Performance Assurance held by the contracting utility every two years, in proportion to the remaining length of the contract. • If the aggregator fails to supply at least 90% of contracted RECs over a 3-year rolling average during the contract term, the utility may terminate the contract and require the applicant to forfeit the remaining Performance Assurance.
<p>Certification of underlying RECs</p>	<ul style="list-style-type: none"> • 90 days before the Delivery Term Start Date provide a firm list of underlying generators/projects to supply the winning bid, including retail customer name, service address, utility account number, type of DG system, DG nameplate capacity. • Certification by the project owner that the aggregator is authorized to sell that project's RECs into the DG program on its behalf. • Unless self-certified and subject to periodic audit by an entity to be determined, aggregator must choose to track RECs through PJM-EIS , M-RETS or a commercial REC trading entity such as SREC Trade. • Aggregator may substitute Illinois DG RECs of same type obtained through PJM-EIS, M-RETS or other commercial trading entity for RECs generated within the aggregation if doing so will allow the aggregation to avoid performance default, upon approval of the contracting utility



Standard Offer Process

Standard Offer Process

- Price will be published based on the competitive procurement results and the approved utility scalar. Will only be offered to aggregated groups of at least 1 MW nameplate capacity.
- Aggregator of <25 kw units must register with the IPA, which will maintain list of registered suppliers on its web site.
- IPA to conduct an aggregator registration rulemaking to determine registration and REC formulaic determination.
- Amount of RECs determined based on formulaic determination.
- Aggregators of generators that are <25 kw will be allowed to avail themselves of the standard offer on a first come-first served basis until such time as the budget or rate cap limits prevent additional participation.

Registration of Aggregators

- Winning Aggregators Register with IPA, so that they may be listed on the IPA web site.
- Registration requirements to be developed in an IPA Aggregator Registration process to be determined.



Key Issues

From 2012 to 2014

- Spending from the Renewable Energy Resources Fund
 - IPA as counterparty rather than utilities
- Definition and creation of aggregators
- Length/structure of contracts
- Other provisions of HB2427 including mix of products to be procured