

2019 Long-Term Renewable Resources Procurement Plan Update

Request for Comments

July 3, 2019

The Illinois Power Agency (“IPA” or “Agency”) is issuing this Request for Comments to solicit stakeholder feedback as the Agency prepares to release a draft updated Long-Term Renewable Resources Procurement Plan (“Plan”) this summer. This Request for Comments covers topics discussed at the June 20 and 26, 2019 stakeholder workshops held by the Agency, which included discussions on meeting the Renewable Portfolio Standard targets and goals, the Illinois Solar for All Program, and the Adjustable Block Program.

Based on those workshops and initial feedback received, the Agency is specifically interested in gathering information on the questions listed below, but stakeholders are welcome to provide comments on any topics discussed at the workshops (see presentations¹ for issues raised at the workshops) or otherwise connected to the development of the updated Plan. There are numerous questions below, and stakeholders should feel free to provide answers only on those questions specifically of interest to them.

Once the Agency has released the draft Plan update this summer (expected to be in mid-August), there will also be an opportunity for stakeholders to provide comments on that draft Plan. The Agency will revise the draft Plan to account for those comments and file it to initiate a docketed proceeding (expected to be in late September) for approval of the Plan by the Illinois Commerce Commission. That proceeding will also provide an opportunity for stakeholder input through formal intervention and filings.

How to Respond

Please submit responses to this Request for Comments by July 22, 2019 by e-mail to IPA.contactus@illinois.gov. Responses will be posted on the Illinois Power Agency website, with respondent names included.

The IPA understands that certain information, particularly financial information about projects or business models, could be helpful to the IPA in evaluating Plan revisions. Parties may designate portions of their responses as confidential; if so doing, please provide both a public and redacted version, along with a request for confidential treatment. You may only designate portions of your comments as confidential, not the entire document.

¹ Presentations from the workshops are available on the IPA’s website, www.illinois.gov/IPA.

Questions

A. June 20, Morning Session: Overview of the Renewable Portfolio Standard (“RPS”) and the Long-Term Renewable Resources Procurement Plan; RPS Budgets; Utility-Scale Procurements

1. **Budget.** At the workshop, the Agency presented a high-level overview of the RPS budget, current obligations, and future year spending estimates (see slides 16-22). Please comment on the reasonableness or accuracy of the assumptions, data, and preliminary conclusions of the Agency’s budgeting model as shown in the referenced slides. Please also comment on the usefulness of the mode of presentation of data on slides 21 and 22. Please provide any alternate modeling/presentation approach you feel the Agency should consider.
2. **Utility-held Alternative Compliance Payments.** The Agency is proposing to clarify how utility-held Alternative Compliance Payments (see Section 3.19 of current Plan) are allocated to provide additional budget flexibility by allowing those funds to be used in conjunction with the annual Renewable Resources Budgets (collected from ratepayers through the utilities’ RPS riders). This flexibility would include fulfilling existing contractual commitments as well as allowing the Agency to conduct new procurements and release additional capacity for the Adjustable Block Program (to the extent funds are available).
 - a. Please comment on if this approach is appropriate, and if there are prioritizations that should be considered for the utility-held Alternative Compliance Payments.
 - b. Given the variability in year to year RPS rider collections, as well as in expected obligations (as annual REC payment levels may vary depending on competitive procurement outcomes, the size and nature of systems participating within a given category, etc.), some amount of ACPs may need to be held in reserve to manage these fluctuations—thus ensuring that program capacity is maximized and all obligations can be fully met. Please comment on the propriety of this approach as well as what amount should be kept in reserve to manage such fluctuations.
3. **Adjacent state criteria.** Chapter 4 of the current Plan describes the approach to applying the statutorily mandated public interest criteria found in Section 1-75(c)(1)(I) of the IPA Act to the eligibility of RECs from projects located in states adjacent to Illinois. The approach includes a rubric for scoring those criteria as well as the minimum required score to be eligible. The Agency believes the current approach does not need to be updated. Please comment on if you believe there should be changes made to the approach, what those changes would be, and why those changes would better meet the statutory intent compared to the current approach.
4. **Meeting annual RPS percentage goals.** As discussed at the June 20, 2019 morning workshop, the annual RPS percentage goals found in Section 1-75(c)(1)(B) of the IPA Act will not be met under current contractual commitments and currently approved future procurements. In approving the current Plan, the Illinois Commerce Commission did not approve the Agency’s proposed “spot procurements” (i.e., annual competitive procurements of RECs from statutorily eligible facilities, whether existing or new, through

one-year delivery contracts), to attempt to meet the annual RPS percentage goals. Instead, the Commission prioritized allocating available funds to the development of new renewable resources.

- a. Should the Agency revisit this prioritization and attempt to meet annual RPS percentage goals?
 - b. If so, should the Agency consider multi-year spot procurements, should there be additional criteria for such RECs (e.g., vintage/age of project, technology type), or some other approach?²
5. **Contingency procurements.** If a competitive procurement conducted by the Agency fails to meet its targeted procurement quantity, or if the Agency learns that projects awarded contracts from previously conducted procurements are not going to be completed (and thus will not be delivering anticipated RECs) what process should the Agency use to conduct additional procurements prior to the next update of the Plan? Should there be minimum procurement quantity requirements? Should there be an expedited review/approval of the new procurement by the ICC, or instead should the latitude to conduct the second procurement at the Agency's discretion? Are there other criteria to consider before considering contingency procurements?
6. **Contracts and credit/collateral requirements for competitive procurements.**³
- a. The REC contracts used in the Agency's competitive renewable energy resources procurements generally consist of three parts: a cover sheet, modifications to a Master REC Agreement, and the Master REC Agreement itself. Can this structure be updated and simplified while retaining the appropriate contractual requirements to ensure projects deliver procured RECs to the utilities? If so, what simplifications would be most useful?
 - b. Procurements also feature credit/collateral requirements to ensure project viability and the delivery of RECs over the life of the contracts. Are those credit/collateral requirements set at appropriate levels?
 - c. For projects unable to proceed toward energization, contract termination has also been the subject of some ambiguity. Are there contractual provisions that should be introduced to better and more clearly account for projects that fail to be completed? If so, what provisions should be introduced?
7. **Project application requirements.** Are the project application requirements that were used for the Forward Procurements conducted under the initial Plan appropriate? In particular, what level of site control and RTO interconnection status should be required? Given that contracts are only for RECs, should applicant projects also have to demonstrate a plan for energy offtake? Are there other requirements that should be considered to ensure that proposed projects have sufficient development maturity and a high likelihood of successful completion?

² The IPA is also issuing a separate Request for Information related to a potential competitive procurement of RECs from new, non-wind/solar renewable energy generation as specified in Section 5.8.3 of the current Plan.

³ A separate question below addresses contracts and credit requirements for the Adjustable Block Program.

B. June 20, Afternoon Session: Illinois Solar for All

1. **Funding levels.** The initial Plan allocated \$20 million per year from the Renewable Energy Resources Fund or “RERF” (which has roughly \$150 million available prior to the 2018-2019 program year) in addition to the roughly \$11 million per year allocated by law from utility Renewable Resources Budgets. Should this level of annual RERF funding be reduced, maintained, or increased (which, while it would accommodate program expansion, would also result in the transition to only having funds from the utility budgets—approximately \$10 million per year, by statute—occurring sooner)?
2. **Net metering in multifamily buildings.** At the June 20 workshop, stakeholders raised the concern that the provisions of Section 16-107.5(l)(1)(B) of the Public Utilities Act, which allows for individual units in a multifamily building to have net metering for a shared system on the building, might not economically work in practice as a way for benefits of a project to flow to residents. Are there other approaches that the Agency could consider for ensuring residents of multifamily buildings benefit from projects?
3. **Non-profit/Public Facility REC pricing.** The current REC pricing for non-profit and public facilities is based on the Adjustable Block Program REC pricing model but with the assumption that projects won’t benefit from the investment tax credit or accelerated depreciation. This has resulted in REC prices significantly higher than in the Adjustable Block Program, and the Agency has observed a substantial number of non-profits and public facilities have applied to the Adjustable Block Program, suggesting that those lower REC prices can make projects financially viable. Should the Agency determine a new approach for REC pricing for non-profits and public facilities? If so, what different factors should be considered in adjusting prices from the base Adjustable Block Program REC prices? Alternatively, should project eligibility criteria for this sub-program be tightened to better match the assumptions made by the REC pricing model (e.g., only projects that are not receiving tax benefits would be eligible)?
4. **Anchor tenants.** A low-income community solar project may have a single anchor tenant which currently must be identified at the time of project application and may be later changed. Another approach to interpreting the statutory idea of an anchor tenant would be to have the anchor tenant not just be identified at the time of project application, but also serve as the host of the community solar project. This could help to ensure that low-income community solar projects are more closely tied to their community by being located in the same area as the intended subscribers. Would this be an appropriate refinement of the definition of anchor tenant? What other approaches could be taken to help ensure that ILSFA community solar projects demonstrate strong community involvement, engagement, or support?
5. **Project application windows versus open enrollment.** In order to manage expected initial interest in the Illinois Solar for All Program, the program opened with an initial application window for the funding allocated for the 2018/19 program year and a subsequent window planned later in calendar year 2019 for the 2019/20 program year. If annual sub-program funding is available after the review of projects that apply during an

application window, applications are then taken on a first-come/first-served basis until funds for the program year are exhausted (and if that does not occur by the end of the program year, the unused sub-program funds are rolled over into the subsequent program year funds). While this model helps manage high interest and allows the Agency to prioritize projects based on objective criteria, it may provide a challenge to Approved Vendors for managing ongoing project development pipelines (especially in the Low-income Distributed Generation sub-program). How could this process be refined?

6. **Job training requirements.** In addition to a requirement that 33% of Distributed Generation projects utilize job trainees, the initial Plan also included the requirement that Approved Vendors utilize job trainees for 10% of hours across all the Approved Vendor's projects in all sub-programs in the vendor's first year of participation, 20% in year two, and 33% in year three. At the June 20 workshop, stakeholders expressed concern with the year three requirement and how it may not accurately reflect a solar company's desire to have employees with longer employment histories. Is this concern valid (given that it only applies to Solar for All projects), and if so, what would be reasonable adjustments to the job training requirements that still reflect the legislative impetus to have Solar for All be a way to create ongoing and sustainable jobs for underserved communities?

C. June 26, Morning Session: Adjustable Block Program structure; REC Pricing Model; Distributed Generation

1. **Geographic Diversity.** Does the current grouping of projects into either Group A or Group B (Group A for projects located in the service territories of Ameren Illinois, Mt. Carmel, MidAmerican, and rural electric cooperatives and municipal utilities located in MISO; Group B for projects located in the service territories of ComEd, and rural electric cooperatives and municipal utilities located in PJM) ensure sufficient geographic diversity of distributed generation projects? (Question D.1 below addresses community solar projects.) Should the Agency consider other geographic considerations, and if so, should the Agency limit the acceptance of projects from specific areas to help ensure the availability of capacity for projects in underserved areas?
2. **Batch Structure:** Currently, projects are submitted in batches generally of at least 100 kW in size (and no greater than 2 MW in size), with qualifying batches submitted to the Illinois Commerce Commission for approval and appended onto a master REC delivery contract upon execution. Should the batch application process be eliminated or modified? If so, how? For example, should batches only be required for small DG projects, or only for projects under 25kW?
3. **REC Pricing.** The IPA's current block structure calls for REC prices to decline by 4% upon the opening of a new block of available program capacity. Should the IPA maintain current REC prices and this 4% decline between each block? Alternatively, should the revised Plan update the REC Pricing Model developed for the initial Plan and refresh REC prices altogether? If you recommend updating the REC Pricing Model, which are the key inputs/assumptions to update? Please see Appendices D (Renewable Energy Credit Pricing Model Description) and E (Specific pricing models, particularly tabs CREST Inputs, Input Assumptions, and Net Metering Credits) available at: <https://www2.illinois.gov/sites/ipa/Pages/2018-Long-Term-Renewable-Appendices.aspx> for details of the model adopted for the initial Plan.
4. **Project Application Requirements.** The Agency is interested in additional feedback on its project application requirements. For instance, should there be any additional flexibility to the requirement for a signed interconnection agreement as a demonstration of project maturity, or flexibility to what is submitted for shading studies? How can the Agency best clarify the requirement for the scope of non-ministerial permits? Are there other approaches to project maturity that should be considered?
5. **Contract structure.** The REC contracts used for the Adjustable Block Program (and the Illinois Solar for All Program) consists of three parts: a cover sheet, modifications to a Master REC Agreement, and the Master REC Agreement itself. Can this structure be updated and simplified while retaining the appropriate contractual requirements to ensure

projects are first developed, then deliver their obligated RECs during and after the time that payments for those RECs are made? If so, what simplifications would be most useful?

6. **Credit and collateral.** Credit/collateral requirements are to both ensure projects are developed and to ensure the delivery of RECs over the life of the contracts, particularly after the payment(s) for RECs have been made. Should there be changes to the required collateral level (5% of contract value), timing of collateral posting, and types of credit instruments that can be used (currently cash or a letter of credit)? Can the process for measuring performance and drawing on collateral be improved?
7. **Contract non-execution/collateral non-payment.** Once a batch has been approved by the Illinois Commerce Commission, how should the updated Plan define the obligations of the Approved Vendor for executing the resulting contract or product order and posting required collateral? What penalties should apply for non-execution? Should some interim collateral apply to the period before execution and/or the posting of full collateral under the contract? Alternatively, should an exit payment be allowed prior to execution or prior to posting full collateral? If so, at what level? Are there circumstances for which exceptions should be made allowing for non-execution or project removal without program or contractual consequences? If so, under what circumstances?

D. June 26, Afternoon Session: Community Solar, Consumer Protections

1. **Waitlist.** Should the IPA continue to maintain the current Adjustable Block Program community solar waitlist approach, or make changes to (1) how projects are selected for existing blocks if currently approved projects drop out of development, or (2) how projects are selected if the Agency is able to open new blocks of capacity? For either, or both of these cases, what policy factors should be considered when making changes? For example: increasing project size diversity, geographic diversity, demographic diversity, or Approved Vendor diversity; increasing community engagement or involvement in community solar projects; or adoption of pollinator-friendly habitats or other more environmentally beneficial development. What can the Agency adjust to accommodate new project applications in light of the long waitlists?
2. **Small subscriber adder.** Given the nearly universal commitments to at least 50% small subscribers made by the initial community solar project applications, how should the Agency consider updating its approach to the small subscriber adder to ensure a diversity of subscriber types? Should the Agency update its small subscriber adder in line with the recently adopted Minnesota small subscriber adder (which is approximately half the adder of the current Adjustable Block Program small subscriber adder for ABP project subscription levels over 75%)? What data points besides the Minnesota adder should the Agency consider in updating the small subscriber adder?
3. **Approved Vendor model.** Approved Vendors are not necessarily the entity interfacing with customers, but serve as the contract counter-party to the utility buying the RECs and are accountable for the behavior of subcontractors and designees. What can be done to clarify those relationships to customers? Do the current marketing guidelines sufficiently ensure the correct and appropriate behavior of their designees and other partners (such as installers or lead generators)? How should the Agency balance discipline against non-compliant actors (such as suspension from program participation) against ensuring that participating customers expecting that their projects receive payments for RECs are not harmed?
4. **Illinois Shines.** Illinois Shines was established to highlight the value of solar development for participating projects (whose environmental attributes are otherwise transferred through the sale of RECs) while creating a trusted, government-affiliated brand that customers can use to verify the trustworthiness of marketers' claims. Is Illinois Shines providing an effective way to accomplish these goals? What additional educational content/information should the Agency consider providing to the public through Illinois Shines, and how can the Illinois Shines brand/website be expanded/improved?
5. **Disclosure forms.** How can the disclosure forms (and process) be streamlined to be more consumer friendly while still maintaining their essential purpose of providing essential program information to customers? How can the complexity of varying net metering

credits (e.g., default service compared to many different ARES levels) and the resulting impact on customer value from solar be best conveyed? Are the simpler disclosure forms for over 25 kW projects providing the appropriate program information?

6. **Consumer protection requirements.** Are the Agency's published consumer protection requirements, installation contract requirements, community solar contract requirements, standard consumer brochures, and other published conditions properly allowing Approved Vendors to market and price competitively while protecting consumers? Should anything be revisited? What issues can be expected with community solar subscription marketing?