

October 14, 2014

**Illinois Sierra Club comments on
IPA Draft Supplemental Photovoltaic Procurement Plan**

Summary

Sierra Club strongly supports the utilization of the Renewable Energy Resources Fund (“RERF”) for its intended purposes - to achieve compliance with Illinois’ Renewable Portfolio Standard goals and bring the associated benefits to consumers and the environment. We strongly support this proposed \$30 million Supplemental Photovoltaic Procurement as a significant first step toward the regular use of RERF dollars for these purposes, and applaud the Illinois Power Agency (“IPA”) for their careful planning and seeking stakeholder input to develop this plan.

In that spirit, we offer the following comments on the IPA’s Draft Supplemental Photovoltaic Procurement Plan. To address the specifics of the draft plan and IPA’s requests for feedback, we provide comments on: 1) the inclusion of new distributed generation resources, 2) IPA’s definition of “new” resources, 3) procurement size categories, 4) promoting more equitable access.

New distributed generation resources

Sierra Club supports IPA’s plan to use its \$30 million supplemental procurement budget to purchase Renewable Energy Credits (“RECs”) from new distributed generation (“DG”) resources. As IPA notes in the draft plan, given the size of the supplemental procurement’s budget, it is best suited to encourage the maximum development of smaller-scale solar DG resources. We appreciate that IPA recognizes the benefits of developing new solar DG resources in Illinois, including creating new jobs, in-state economic development, promoting price stability, and helping meet Illinois’ clean energy goals through future years’ Renewable Portfolio Standard (“RPS”) compliance.

To further these goals, Sierra Club offers the following revisions to IPA’s draft plan to maximize this opportunity for Illinois’ clean energy future. First, IPA’s current definition of “new” resources could have an unintended consequence of discouraging solar DG development in Illinois before June 2015. IPA proposes to define “new” resources as systems energized on or after the bid date for the first supplemental procurement (June 2015), and on or after the bid date of the preceding procurement for the November 2015 and March 2016 events. This “new” resources definition promotes the exact “boom-and-bust” development cycles that IPA states it is trying to avoid in the draft plan. Many potential solar DG owners may delay their investment until June 2015 given this eligibility requirement. In addition, a firm date of June 2015 or later may conflict with the eligibility deadlines for DCEO’s solar grant and rebate programs; some potential solar DG owners may have to forgo participating in the IPA’s supplemental procurement events to access these state incentives.

As a solution, Sierra Club proposes that the IPA alter its definition of “new” resources to systems energized within 18 months of the procurement date. This definition gives developers the flexibility to begin developing solar DG resources today, or to energize new systems up to 18 months after the procurement date. This longer development

window also reflects the stakeholder comments IPA received in its August 2014 workshop; stakeholders noted that an 18-month timeframe creates the flexibility needed to develop high-quality solar DG resources in Illinois.

Procurement size categories

In the draft plan, IPA proposes two size categories for DG resources: under 25 kW, and 25 kW-2 MW. However, IPA also indirectly imposes a third size category; in its initial June 2015 procurement, only resources between 1 kW and 500 kW can participate. Sierra Club believes this proposal may be confusing to potential program participants. Failing to provide a third size category may also incentivize potential solar owners to unnecessarily resize their medium-sized DG systems; this could result in a much smaller pool of medium-to-large DG resources for Illinois to use in future years' RPS compliance.

As a solution, we propose that IPA create three size categories to be used in all of its supplemental procurements: under 25 kW, 25 kW-500 kW, and 500 kW-2 MW. This will more accurately reflect Illinois' DG pricing structures, create a more transparent signal to solar DG developers, and ensure that larger DG systems are not unnecessarily cut down to meet these thresholds.

Promoting more equitable access

Finally, IPA noted input from multiple stakeholders on the need to promote broader and more equitable participation in this supplemental procurement, particularly to ensure lower-income and underserved communities can access the benefits of clean energy. Sierra Club offers three revisions to this draft plan to promote broader and more equitable participation:

1. **Minimum bid size.** IPA proposes a minimum bid size of 500 RECs to participate in the supplemental procurement, equivalent to 100 kW of solar. Sierra Club believes this minimum bid size should be lowered to facilitate broader participation in this procurement; we propose lowering the minimum bid requirement to 250 RECs (roughly 50 kW of solar).
2. **Deposit requirements.** IPA proposes a \$10/REC deposit for identified DG systems, and \$25/REC for speculative DG systems. Given the IPA's proposed bid size requirements, currently participants would have to pay a minimum of \$5,000 upfront to participate in this process. A clear way to provide broader participation in this IPA procurement is to lower this initial deposit requirement; Sierra Club proposes reducing deposit requirements to \$5/REC for identified systems, and \$10/REC for speculative systems. Coupled with the bid size adjustments outlined above, this would allow participation with a minimum \$1,250 upfront deposit, a much more reasonable fee for Illinois solar owners.
3. **Prepaid RECs.** In its draft plan, IPA does not provide a prepayment option for RECs. As Sierra Club and numerous other stakeholders have noted, the majority of Illinois' existing solar incentives only provide benefits after the system is built (e.g. rebates, tax credits). Also, Illinois' grant program is only available to larger solar systems with over \$100,000 in total cost. The higher upfront costs of solar

can be particularly burdensome to lower-income communities, and are one of the greatest barriers to more equitable participation in Illinois' clean energy programs. A clear way for IPA to promote broader and more equitable participation in this supplemental solar DG procurement is to provide a REC prepayment option. Even allowing a portion of RECs to be prepaid may be the step communities need to make a clean energy investment. If IPA has not already taken steps to fully develop a prepayment option (and it is not feasible to include in this draft plan), we encourage IPA to hold a workshop on this topic.

We certainly understand IPA's goal of designing a procurement most likely to attract qualified and reliable counterparties, and agree that is an important outcome of this plan. The suggestions above are offered in order to encourage a balance between that outcome and also providing a significant boost to the broad, equitable development of solar DG in Illinois.

Finally, Sierra Club requests clarification on two aspects of the IPA's draft supplemental procurement plan. First, IPA notes a list of prequalified aggregators will be posted on the procurement administrator's website. We request that IPA provide additional detail on the prequalification process for aggregators in its revised plan. In particular, we request clarification on 1) whether aggregators would still be able to participate in the supplemental procurements if they are not able to participate in the initial pre-qualification period, and 2) whether sub-aggregation will be allowed. Sierra Club believes posting a list of prequalified aggregators is one potentially promising way to promote more robust participation in the supplemental procurements. Second, in its 2015 regular procurement plan IPA proposed using a single aggregator for systems under 25 kW; however, for its supplemental procurement plan, IPA appears to propose using multiple aggregators for this under-25 kW size category. We request that IPA provide additional detail on its reasoning for using multiple aggregators vs. a single aggregator for the supplemental procurements.

Sierra Club appreciates the opportunity to review and comment on the IPA Draft Supplemental Photovoltaic Procurement Plan, and recommends that it be submitted to the ICC incorporating the recommendations made herein.

Respectfully submitted,

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