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Questions for Feedback - Response to January 20, 2023 Request

1. On a scale of 1-10 (10 highest) how would you rate Illinois' present suitability as a host for developing large-scale wind or solar projects? If you did not rate Illinois a 9 or 10, what changes would you recommend making that would change that rating to a 9 or 10?

Due to recent legislative changes regarding the permitting of utility-scale wind and solar facilities in the state, we would rate Illinois as a 9, relative to surrounding states. The resource is relatively strong, the state has access to transmission (increasingly so with REAP and MISO LRTP efforts), and the local permitting process is now improved. Aligning relevant state agencies around the policy priorities of the state to encourage new renewable energy projects will be an ongoing and important task.

2. If the objective of the Indexed REC RFP is to incentivize development of renewables in Illinois and to decarbonize the electricity grid, is the current Indexed REC procurement framework effective in helping achieve that objective?

Generally, yes. The indexed REC framework remains more attractive than the previous fixed-price REC model. However, we believe improvements can be made to encourage greater participation relative to alternative offtakes. Specifically, we remain concerned about certain provisions of the REC contract and the continued "take it or leave it" approach to this contract. Alternative offtakers (e.g. corporate and industrial customers) have a strong desire to procure utility-scale projects in IL and have shown an increased willingness to contract earlier in the development process and share development and operational risk.

- a. Are there elements of Indexed REC processes used in other states, such as New York, that Illinois should consider adopting?
 - b. Are there other procurement or contract structure models worth considering that would be more effective for increasing renewable development and decarbonizing the electricity grid?
 - i. Again, we think the contract/procurement structure itself is favorable. We believe greater flexibility on the IPA's end will increase participation in future procurement events.
3. If you are a renewables developer, what are your key considerations when making a decision where to develop a project?
 - a. What are top 5 considerations that would incentivize you to develop a project in a particular state?

- i. To reach commercialization, a project needs to secure a viable resource (wind or solar), access transmission, secure site control, find a customer for the energy and capacity, and obtain building permits. We believe Illinois checks these boxes.
 - b. **What are top 5 considerations that would discourage you from developing a project in a particular state?**
 - i. Certain states/regions are not viable for certain technologies due to a low resource. An unstable permitting environment is a major risk factor that discourages project development. And, perhaps more than ever, access to transmission is paramount. States that participate in a wholesale market and/or allow multiple paths for offtake are also preferable.
 - c. **Which states feature the most effective models for supporting large-scale wind and solar projects? What lessons from other States would be beneficial for us to consider?**
 - i. NA
 - d. **Is the voluntary renewables market an attractive source of opportunity for developers? If so, please explain some of the key factors of those opportunities that make them preferable to the Indexed REC RFP.**
 - i. Absolutely. Not only is the voluntary renewables market attractive, it is preferable in many ways. We see continued demand from the voluntary renewables market, particularly in MISO. These customers have grown increasingly sophisticated and they recognize that the supply of utility-scale projects with a clear path to operation is constrained. Because of this, they are willing to lock in contracts/projects earlier in the development timeline and share in some aspect of development risk. This flexibility results in more favorable contract terms for the customer, whereas the IPA remains locked into unfavorable contract terms that necessarily inflate a project's strike price.
- 4. **In vertically-integrated states, developers of generation benefit from having unanticipated costs covered through changes in revenue received back by the project. The Illinois model features a fixed bid at a given point in time—generally at a very early stage in the project's development—with no ability for downstream modification or negotiation around that bid price or other contractual factors.**
 - a. **What changes could be made by the IPA or to Illinois law to provide more certainty to developers around the recovery of unanticipated costs or for otherwise handling unanticipated project development contingencies?**
 - i. Much of this can be achieved through greater flexibility in the establishment of a benchmark clearing price. Many of these contingencies are built into a project's bid price, but if the benchmark clearing price doesn't account for these risks, it will be set too low. We believe this is what has happened, particularly for utility-scale wind, in the past 2 procurements.

The IPA could also remedy this, in part, through the inclusion of an Inflation Adjustment Mechanism into future RFPs. NYSERDA has adopted this mechanism for their upcoming procurements, whereby a seller bids in a certain price, then closer to or at Financial Close of the project, the original bid price could be adjusted based on a published inflation index.

- b. Have any other restructured states been particularly successful in de-risking large-scale renewable energy development through their incentive contracts or programs? If so, which states, and what lessons can Illinois learn from those states?
 - i. See response above.
 - c. Are there helpful aspects of how private off-takers may handle development risks or unanticipated costs that could be mirrored for contracts featuring regulated utilities as Buyers?
 - i. There are several items that we typically seek to incorporate into a PPA contract with a corporate off-taker. The most important relates to Early Termination Rights and the associated calculation of payment in the event of a default. Many corporate off-takers are looking for opportunities to contract for projects early and, as a result, they are willing to negotiate specific no-fault, early termination rights for developers if the developer fails to receive a specific permit or certain transmission interconnection rights by a specific date. In those cases, neither party would have liability, financial or otherwise, to the other party associated with the termination. Relatedly, in the case of an event of termination for an event of default under the IPA contract, the termination payment is not a mark-to-market calculation, which will likely raise concerns from some financing counterparties. In addition, excused delays are often a major point of discussion in PPA negotiations, but to its credit, the IPA contract allows ample flexibility on start of REC delivery, which is helpful. Lastly, the IPA could consider a step-up approach to the security, where the initial security is lower but steps up at certain development milestones and Seller's liability pre-COD is correspondingly capped at an amount equal to Seller's security amounts.
5. If you have participated in one or the prior Indexed REC RFP, please provide feedback on your experience regarding the participation requirements, REC delivery contract requirements, procurement process, and timeline.
- a. Is there anything that you felt was done particularly well?
 - i. With the exception of the provisions mentioned previously, we are generally comfortable with these aspects of the IPA's procurements, hence our participation in the two most recent procurement events.
 - b. Is there anything that you felt could be improved?
 - i. To the extent allowable under state law, we would appreciate any information that the IPA can provide on the formulation of a benchmark clearing price for these technologies. We do not want to know the benchmark price in advance; rather, we believe an opportunity to offer third-party analysis, market reports, etc. will help inform the IPA's decision-making process and result in a more successful procurement event.
6. If you opted to not propose a project in a prior Indexed REC RFP, what factors were most important in the decision to not participate?
- a. Do you feel there was insufficient information or insufficient time to make an informed decision to participate in the procurement process? If so, please indicate the information that is missing as well as the amount of time that would be ideal to help you make a decision whether to participate or not in the procurement event.
 - i. No, this was not a factor. The IPA has provided ample information about its procurement events with adequate time to respond.

- b. **Were there competing opportunities elsewhere that were more attractive to you? Please explain.**
 - i. Yes, as previously expressed, the market for voluntary PPAs from corporate and industrial customers is robust. There are also regulated utilities in neighboring states with a need for renewable energy projects and out-of-state projects (e.g. a wind farm in Illinois) can participate.
- c. **Was there anything about the Indexed REC RFP that was unhelpful in facilitating your decision to develop a wind or solar project in Illinois? Please explain**
 - i. No. We believe that if we can successfully develop a project in Illinois, there will be multiple opportunities for offtake, including an indexed REC contract through the IPA.
- d. **Were there specific provisions from the REC delivery contract used in the Indexed REC procurements that presented a barrier to participation? Please explain.**
 - i. There are several components of the contract that we view as a unique risk. For some, this risk may be enough to discourage participation. Others may be willing to overcome this risk but it will impact their bid price.
- e. **Were there eligibility requirements that presented a barrier to participation? Please explain.**
 - i. No.
- f. **Were there barriers outside of the procurement process that impacted your decision to participate (i.e., interconnection delays)? Please explain.**
 - i. Permitting and transmission/interconnection risk are always a factor and risk in the timing of commercialization of renewable energy projects. But with a known procurement schedule (e.g. 1.75M Wind RECs each summer), a developer can time participation accordingly. Said another way, a project in DPP Phase 2 awaiting final study results, may choose to participate in a fall 2022 procurement event or they may choose to wait until the summer 2023 event with the hope that interconnection costs will be defined by that point.

7. Interconnection delays with both MISO and PJM have been widely acknowledged.

- a. **Did these delays impact your ability to bid in the Indexed REC RFP? If so, please explain.**
 - i. No, the one area of beneficial flexibility in the IPA contract is around the timeline of a project's commercialization. This flexibility will account for potential delays in the interconnection queue.
- b. **Do the recent PJM interconnection process reforms approved by FERC improve your outlook of the opportunity?**
 - i. We hope the PJM queue reform will accelerate the development process for renewable energy projects once the transition period ends. However, *during* this process, we anticipate further delays lasting until 2028. Sellers will find it difficult to offer PJM projects and commit to certain CODs until a more firm timeline of the transition period is published.
- c. **Do you feel that you have sufficient visibility into expected interconnection costs and timelines at the time of submitting a bid?**
 - i. Not necessarily, but each developer will view this risk differently and it will influence their approach to a bid. As previously mentioned, it is beneficial for the IPA to outline their plans for future procurements, to the extent possible, to allow prospective bidders to plan accordingly.

8. On a scale of 1 to 10, to what extent have county siting requirements provided a barrier to participation?

Yes, restrictive county zoning ordinances have unquestionably limited/reduced the supply of projects eligible to participate in the IPA's procurement events.

a. Do you feel that recently passed House Bill 4412 provides an adequate solution?

- i. Generally, yes. This legislation represents a step forward in providing certainty to the local permitting process. However, risk around implementation of the law remains and many of the benefits of this law won't be felt immediately.

b. Are there other barriers, such as endangered species and natural areas regulations, that provide a barrier to successfully siting projects?

- i. The state consultation process is intended to ensure state agencies and local governments consider the potential adverse effects of proposed actions on state endangered and threatened species and sites listed on the Illinois Natural Areas Inventory (INAI); however, consultation letters are often inconsistent from project to project, and have increasingly included recommendations that go beyond state law. Current recommendations range from setbacks from perennial streams where there are no known state listed species to setbacks from IDNR Conservation Restoration Easement Program areas which are not listed on the INAI and are not publicly available. These recommendations are provided in a formal consultation letter to the developer and appropriate local/state decision-makers (e.g., zoning administrator) to consider incorporating as conditions into permits. This can have a significant impact on the viability of projects, especially if the recommendations are beyond what is required by state law and the decision-makers take them at face value.

c. Has the Illinois Commerce Commission's Renewable Energy Access Plan development process been helpful in addressing siting concerns?

- i. It is beneficial in identifying that siting concerns are a long-term challenges to the state's procurement goals. But similar to HB4412, the benefits of transmission expansion and planning won't be felt immediately.

9. Supply chain issues, due to the pandemic and tariffs on the solar industry for example, have been widely acknowledged. Did these issues impact your participation in the procurement events? If so, please explain and include a description of any related costs and risks to renewables developers and what you think could be done to help.

- a. Unquestionably this is a major risk that has deterred participation, particularly for solar. General inflation, interest rate increases, and trade issues have culminated to increase overall cost of renewable energy projects, which is highlighted in many recent third-party market reports. While we all hope these factors will subside, the timeline is difficult to forecast. The most important thing the IPA could do is ensure the benchmark clearing price recognizes this reality.

10. Under the Illinois RPS, payments for RECs are subject to available funds anticipated to be collected pursuant to Section 1-75(c)(6) of the IPA Act and Section 16-108(k) of the Public Utilities Act, and the utility counterparty cannot advance payment that exceeds available funds. Section 16-108(k) of the Public Utilities Act, as amended by Public Act 102-0662, provides for unspent budget in a delivery year to roll-over to the following delivery year for a period of 5 years to improve the likelihood that funds are available for payment. However, stakeholders have previously expressed concerns about

the availability of funds in future years, particularly if energy prices are low (and thus resulting Indexed REC prices are high, creating an outsized RPS budget impact).

- a. Are there examples for how this issue is dealt with in other jurisdictions where there is a statutory budget constraint?
 - i. No comment.
- b. Is there additional information or analysis related to procurement budgets for Indexed RECs that would be helpful to be provided to prospective bidders?
 - i. No comment.

11. Wholesale electricity prices increased significantly in 2022 and energy markets have been experiencing significant volatility.

- a. Did either the current high energy prices or market volatility impact your decision to bid in the Spring 2022 Indexed REC RFP? Please explain.
 - i. No.
- b. Is the Indexed REC model better suited to periods of price stability or lower wholesale energy prices? Would a fixed price option be preferable during times of price volatility or high prices?
 - i. Although it is a factor in assessing the impact of utility-scale REC contracts to the overall budget, wholesale energy pricing does not have a significant bearing on our decision about whether to bid and at what price. A bundled contract (energy + RECs) is far preferable than the previous fixed-price option, but ultimately we believe the current indexed REC product is favorable, as it allows us to receive a set strike price, regardless of volatility in the wholesale market.

12. Understanding that a brownfield site photovoltaic project may not participate in the wholesale energy markets in the same way as utility-scale wind or utility-scale solar projects, is the Indexed REC payment mechanism a barrier to participation for brownfield site photovoltaic projects? Please explain.

- a. No opinion.

13. In the Indexed REC RFP, one of the main requirements is for the offeror to secure substantial control of the project site. If the RFP eligibility requirements are to be streamlined for the Indexed REC RFP, what would be the appropriate set of requirements? Are there requirements to be added or removed from the current RFP requirements?

- a. We are comfortable with the current requirements for site control. They should generally be aligned with MISO/PJM interconnection queue requirements.

14. If battery storage is to be co-located with the renewable project, should the battery be configured in any particular manner? If so, please also explain how this would impact the functioning of the Indexed REC pricing mechanism.

- a. No opinion?

15. What other suggestions do you have for how the State of Illinois can better support the development of utility-scale wind, utility-scale solar, and brownfield site photovoltaic projects? Are there barriers in Illinois law which should be reconsidered?

- a. To be sure, the state of Illinois has truly led the region and country in its push for renewable energy in recent years and our company has a substantial development pipeline as a result. In the near-term, improvements to the contract and benchmark price would be most impactful. Looking ahead, recent legislation to reform and improve the permitting process, coupled with the state's advocacy in support of transmission expansion (through the REAP and within RTO

stakeholder processes) and queue reform will dramatically increase the supply of projects that can participate in future procurements.