



**CLEAN GRID ALLIANCE's RESPONSE
TO ILLINOIS POWER AGENCY QUESTIONS
REGARDING THE INDEXED REC PROCUREMENT AND RELATED MATTERS
** PUBLIC ****

Clean Grid Alliance appreciates the opportunity to respond to questions posed by the Illinois Power Agency as it seeks to understand bidders perspectives on the Indexed REC market and procurement events held in 2022. Clean Grid Alliance submits these comments with the intent of helping the IPA increase participation in future procurements.

Clean Grid Alliance's comments address questions 6, 8, 9, and 10 that the IPA has posed in its January 20, 2023 Request for Stakeholder Feedback.

Clean Grid Alliance ("CGA") reserves the right to change its position in response to comments made by others or new information presented in the First or Second Draft REC Contracts. CGA's lack of a response to a question should not be interpreted as not having a position on that topic, or waiving its right to comment in future workshops or litigation on the matter.

Prepared and submitted on behalf of Clean Grid Alliance by

Sean R. Brady

Director, Legal and Regulatory Advocacy

Clean Grid Alliance
570 Asbury Street
Suite 201
St. Paul, MN 55104

651-644-3400

Clean Grid Alliance
P.O. Box 4072
Wheaton, IL 60189-4072

312-867-0609
651-968-6240

February 3, 2023

Delivering Midwest Renewable Energy

ADDRESS

570 Asbury Street, Suite 201, St. Paul, MN 55104

OFFICE

651.644.3400

WEB

CleanGridAlliance.org



CGA FEEDBACK

QUESTION 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.
- b. Were there competing opportunities elsewhere that were more attractive to you? Please explain.
- 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
- d. Were there specific provisions from the REC delivery contract used in the Indexed REC procurements that presented a barrier to participation? Please explain.
- e. Were there eligibility requirements that presented a barrier to participation? Please explain.
- f. Were there barriers outside of the procurement process that impacted your decision to participate (i.e., interconnection delays)? Please explain.

RESPONSE

Question 6.b.:

Utility-scale developers have the ability to enter into contracts with corporate or industrial electric customers in Illinois. For a range of reasons, those contracts do compete with IPA procurements for utility-scale wind and solar projects – ability to negotiate with C&I customers, ability to customize generation facility output/offer to meet C&I customer’s electric demands, ability to manage energy/REC delivery so a wind/solar facility can have multiple off-takers, etc.

Question 6.c.:

There are a number of changes that could be made to the contract to reduce risk related to Seller performance/delivery or risk related to shortfall of funds in the RPS Budget:

- a. Change the Annual Quantity Shortfall so the default threshold is the failure to deliver at least 80% of the Annual Quantity over three years;
- b. Allow RECs in excess of the Annual Quantity to be used to redress shortfalls of prior years;
- c. Allow a Seller to choose between either (i) continuing delivery of RECs and have payment for those RECs deferred to the next Delivery Year, or (ii) stop delivery of RECs and resume REC delivery at start of new Delivery Year (without triggering a default or breach) when Illinois has sufficient funds;
- d. Require Buyers to provide Performance Assurance that would cover a budget shortfall, if a shortfall were to occur.

Another aspect of the Indexed REC contract that is unhelpful is the lack of transparency around the confidential benchmarks developed by the Procurement Administrator to eliminate bids. The market has been affected by a number of remarkable external factors – wildly varying inflation rate over the past two years, labor shortages, supply chain delays or stoppage, local permitting processes, RTO generation interconnection issues, etc. All of these factors impact a project’s bid price. It is unclear to developers that the confidential benchmark developed by the procurement administrator reasonably reflects all of the external factors and state law factors affecting bid prices. A benchmark mechanism is not needed if there is a sufficiently competitive RFP, though CGA acknowledges that the statute does not grant the IPA or ICC discretion to not use the confidential benchmark. What is not prohibited under the statute, however, is disclosure of a list of factors the procurement administrator intends to use in developing a confidential benchmark. Actual numbers do not need to be revealed nor do the sources of data, just the concepts that are to be considered – for example, labor cost increase due to inflation and demand for projects exceeding available labor pool. What would also be helpful is the ability for developers to comment on the list to ensure the confidential benchmark price reasonably captures the concepts bidders have to account for in their bids.

Question 6.f.:

The current and ongoing development and implementation of the Minimum Equity Standard (1-75(c)(1)(P)) and the Equity Accountability System (1-75(c-10)), and the yet to be created MES waiver process (see 2022 LTRRPP at 10.1.3.1.) create sufficient market uncertainty to impact bid prices, but not necessarily pose a barrier to participation. The IPA has discretion in establishing the incremental MES targets from 2023 to 2030, at which time the “statewide average” is to be 30% (1-75(c-10)). Given the current labor shortage and that the HUBs and training curricula to be taught by those HUBs are still under development, the IPA should continue to keep the MES low, while continuing to monitor DCEO’s implementation of the workforce development training programs and the supply of EEPs and EECs it creates. (see 2022 LTRRPP at 10.1.1.)

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

- a. Do you feel that recently passed House Bill 4412 provides an adequate solution?
- b. Are there other barriers, such as endangered species and natural areas regulations, that provide a barrier to successfully siting projects?
- c. Has the Illinois Commerce Commission's Renewable Energy Access Plan development process been helpful in addressing siting concerns?

RESPONSE

Question 8.a.:

HB 4122 will improve certainty in siting wind and solar projects in Illinois, but it is only one of a number of changes needed to improve the Illinois market and its access the lowest potential REC prices. See response to questions 6.c., 6.f., and 8.c. for other changes that are needed to help Illinois to achieve lowest potential REC prices through the Indexed REC product.

Question 8.c.:

The primary purpose of the REAP is to improve wind and solar resources access to transmission in the state of Illinois and to improve Illinois' electrical interconnection with its neighboring states. It is too early in the REAP process to determine its effectiveness. Success of the REAP will be measured by transmission lines being approved by MISO and PJM, and by PJM adapting its transmission planning and interconnection business practices to the operating characteristics of a regional generation portfolio that has a significant amount of renewable resources.

The REAP will not directly impact county-level siting requirements, because the REAP is not intended to establish any form of siting approval. The REAP, however, should educate legislators about Illinois' wind and solar energy potential and how to best utilize those resources.

QUESTION 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.

RESPONSE

CGA did not participate in the 2022 procurement events, however, its members did. Supply chain issues affected bid prices, and to the extent if affected participation in the competitive REC procurement events its effect was seen as a short-term impact that will be resolved and in some instances could be mitigated.

QUESTION 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).

- b. Is there additional information or analysis related to procurement budgets for Indexed RECs that would be helpful to be provided to prospective bidders?

RESPONSE

Question 10.b.:

** _____

_____ **