



November 13, 2017

Mario Bohorquez  
Planning and Procurement Bureau Chief  
Illinois Power Agency

Dear Mr. Bohorquez:

On behalf of Direct Energy and its affiliated companies ("Direct Energy"), I am submitting the following comments to the Illinois Power Agency's ("IPA") draft Long-Term Renewable Resources Procurement Plan ("Plan"). Direct Energy is a leading energy and energy services company. We make energy work harder for our over four million home and business customers across North America, by giving our customers choice, simplicity, and innovation where energy, data, and technology meet. We also deliver distributed energy solutions to over 500 customers in North America, including demand response, solar and CHP. Market changes are critical to Direct Energy as we help our customers navigate the energy landscape so they can make smarter decisions, be more efficient, reduce their energy use, and save money.

Direct Energy appreciates the commitment to sensible long-term planning in Illinois, and to growing the deployment of solar generation in a customer-friendly manner. For example, the administratively-determined price structure of the Adjustable Block Program gives some degree of forward price certainty, which simplifies investment decisions both for solar customers and their vendors, and so maximizes market participation. Direct Energy has successfully participated in similarly-designed programs, such as NYSERDA's NY-Sun in New York, and will make suggestions for improvement in three areas:

- **Tariffs on Foreign Photovoltaic Modules and Cells:** The Plan notes that the Section 202 trade case is ongoing, and the result of that may materially impact solar costs and therefore the viability of chosen REC prices. Direct Energy suggests that an adder could be used to automatically adjust for the impact of the trade case, such as: "REC prices will increase by 10% for each 10¢ per watt duty ultimately imposed (if any) on foreign-manufactured solar panel modules as a result of the 9/22/2017 US International Trade Commission injury finding."
- **Size category adjustment adders:** The Plan proposes REC prices to reflect the higher per-kW costs of residential and community solar, and meet the policy intentions of the Public Act, such as encouraging projects in "diverse locations". There are also 'size category adjustment adders' within the 'Large' category, to reflect the "significant economies of scale for larger systems," with a 50kW system earning \$28.50 more per REC than a 550kW system. Based on our experience delivering solar systems to commercial customers in this size range, we believe that the proposed adders over-adjust for the economies of scale for larger projects. Larger projects have additional permitting, interconnection and other costs, so do not face the smooth and considerable reduction in unit costs that the proposed adders would infer. We



suggest that the proposed adders will over-incentivize smaller 'Large' projects, with concomitant reduction the amount (kWs) of solar deployed in Illinois per dollar of REC payments. Despite the efforts of the Plan to clearly define what is and is not considered a single project, the adder structure may also provide a perverse incentive to 'chunk' larger projects into multiple smaller projects, with economically wasteful duplication of metering and other costs. We recommend that a smaller delta between such projects would be appropriate, by raising the base REC prices for 'Large' projects and reducing the size category adjustment adder.

- Final 25% commitment: The Public Act sets out the allocation of 75% of applicable RECs, with the remaining 25% to be allocated by the IPA in the Plan. The Plan intends, at least initially, to evenly allocate the remaining 25% across the three categories. Direct Energy suggests that, once initial bids have been submitted and market demand can be judged, the impact of the Plan on deployment of solar in Illinois be maximized by allocating the remaining 25% to the project category(ies) which deliver the greatest amount of solar generation for the lowest cost. This, combined with the existing carve-outs for residential, community and 'large' projects, would balance the various aims of the Public Act and the Plan to cost-effectively grow solar generation in Illinois, while ensuring diversity of customer-class and geography.

Direct Energy appreciates the opportunity to provide input to this process, and respectfully requests that the IPA consider the comments included herein as it considers further revision to the Plan.

Very truly yours,

*Robert L. Gibbs*

Robert L. Gibbs  
Director – Corporate & Regulatory Affairs  
Direct Energy

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