Geronimo Energy Response to IPA Request for Comments

On June 12, 2018, the Illinois Power Agency ("IPA") held a workshop to discuss the upcoming Forward Procurements scheduled to be conducted in 2018. Based upon the discussion at the workshop, the IPA has expressed interest in receiving additional feedback from stakeholders on the topics below. Geronimo Energy is a renewable energy developer, owner, and operator with 1,800 MW of successful experience and is currently active in the Illinois market with both utility-scale and distributed generation development assets in various stages of development and construction. Please find Geronimo Energy's responses to the IPA's request for comments below in blue.

Topic 1: Deadline for First REC Delivery

The IPA's Long-Term Renewable Resources Procurement Plan targets the 2020-2021 Delivery Year for first REC deliveries under the Forward Procurements but does not indicate a specific date. With no specific date statutorily mandated or referenced in the Plan, the upcoming Forward Procurements may feature flexibility regarding the deadline for the first REC delivery. At the workshop, some attendees stated that it may be appropriate for the contract to specify events that could delay the initial REC delivery date but that would not lead to contract termination.

1. Given the timing of the procurement events, what would constitute a workable deadline for the first REC delivery? Would a deadline for the first REC delivery of the end of the 2020-2021 delivery year (May 31, 2021) provide developers with sufficient time to build, interconnect, and energize projects?

The IPA should consider moving timelines out one year compared to the previous solicitation with the first REC delivery no later than May 31, 2022 to allow developers an appropriate amount of time to develop, build, interconnect, and energize projects.

2. What are the circumstances or events under which a delay in the initial REC delivery should not lead to contract termination? What would be appropriate notification deadlines to trigger a request for a delay?

Unanticipated delays related to interconnection should not lead to contract termination. Lack of interconnection progress as a result of the utility or Regional Transmission Operators could potentially delay initial REC delivery and this process is out of the control of the developer.

A developer should request a delay as soon as a developer is aware of the need for such a request, but no later than 60 days before the first REC delivery deadline. A reasonable time limit should also be applied for the IPA's response to such a request for delay. Upon receiving a developer request for delay, IPA should respond granting or denying within 30 days of such request.

3. Should the contract name interim milestones that have to be met prior to first REC delivery? If so, what would these interim milestones be and what is the timeline associated with them? What penalties should be assessed for failure to meet interim milestones?

We support the IPA's current approach. The most critical milestone is REC delivery and it is the developer's responsibility to meet all interim milestones to meet the REC delivery requirements.

Topic 2: Credit and Collateral Provisions

The contract under the Initial Forward Procurements tied the amount of post-bid collateral to the annual REC quantity and the bid price. At the workshop, some attendees held the view that an alternative approach, whereby the post-bid collateral requirements would not be tied to the annual REC quantity and/or the bid price, may be a better approach.

1. Is there an alternative approach to determining the amount of post-bid collateral that will provide adequate financial assurances? Should this alternative be based on a dollar amount per MW or a dollar amount per REC? If a dollar amount per MW or per REC is recommended, what is an appropriate basis for determining this amount? Please provide any sample documentation from a jurisdiction that uses the proposed approach, if available.

The IPA's current approach to determining the amount of post-bid collateral is acceptable. The IPA should consider the possibility of further reducing post-bid collateral as contract performance continues and the actual risk of loss decreases with each year.

2. Noting that the level of the pre-bid collateral is generally related to the amount of the post-bid collateral under the contract, should the approach suggested under 1 above have implications for the approach to be used when setting pre-bid collateral?

The IPA's current approach to determining the amount of pre-bid collateral is acceptable.

3. Should the amounts of pre-bid and/or post-bid collateral be the same for utility-scale wind, utility-scale solar, and brownfield site photovoltaic projects? If not, what factors should be considered in differentiating between the types of projects?

Amounts of pre-bid and/or post-bid collateral should be the same for all technologies.

Topic 3: Degradation of Solar Projects

At the workshop, some attendees noted that solar installations typically degrade at a rate of 0.5% per year; this could lead to oversizing projects so that under a fixed annual quantity contract, sufficient RECs would be generated in the later years of the 15-year contract.

1. Are the banking provisions used in the Initial Forward Procurement sufficient to address degradation of solar projects given that the Seller can bank RECs at the beginning of the contract to be delivered at the end? If not, please explain why not and explain what additional measures should be included in the contract to address this issue.

The answer to this question depends on the IPA's main priority. If the priority is to procure a fixed amount of RECs per year, developers will design their projects based on the assumption that they need to over-build the projects and bank RECs in early contract years and build up a reserve to cover shortfalls in later contract years. If the priority of the IPA is to procure the most cost-effective RECs available, the IPA should provide flexibility to allow for industry-standard solar degradation, thus allowing developers to appropriately optimize designs and eliminate costs associated with over-building.

The IPA should consider allowing developers to submit a 15-year schedule for REC deliveries which reflects industry-standard annual solar degradation. The banking provision should also be maintained in order to account for variances in production, as this is an appropriate and typical method to account for cases of over and under production.

Here is an example to demonstrate the effect over-building has on project cost: If a developer has a 100 MW solar site, they may apply a standard 1.3 AC/DC ratio and plan to build 130 MW DC in total. In order to produce sufficient RECs for the 15-year term taking degradation into account, the developer will need to overbuild the project. One way to overbuild a project is to increase the AC/DC ratio. In this example a 1.4 AC/DC ratio would be necessary, resulting in building 140 MW DC total. This is an increase of 7.7% in installed capacity and would result in an increase of 7% in terms of incremental Engineering, Procurement, and Construction (EPC) related project costs.

Topic 4: Assessment of Project Maturity

Attendees at the workshop were generally satisfied with the requirements for project maturity used in the Initial Forward Procurements (that approach was to assess current project maturity based on a project having obtained an Interconnection Agreement or, if unavailable, providing proof of site control). Sufficient project maturity is considered a prerequisite for project eligibility because it helps to demonstrate the viability of a project and its likelihood of successful development.

1. Is requiring proof of site control an appropriate milestone to assess project maturity and assess the likelihood that a project will be developed in the desired timeframe?

Yes. Site control is a key metric for determining project maturity and viability.

2. What proof of site control is appropriate? Should the standard be different among wind, solar, and brownfield site photovoltaic projects?

Proof of site control should be provided only through a signed lease agreement, purchase agreement, or evidence of title ownership. Yes, the standard should be different for wind vs. solar. Solar sites should demonstrate a high level of site control coverage at 90% or higher. Wind projects are sited differently and across large spans of area, it would be acceptable to require 50% site control of the necessary area.

3. Would an alternative milestone, such as a letter of intent from a lender to finance a portion of the capital cost of the project, provide greater assurances that the project will be developed in the desired timeframe? If so, in responding, please provide sample documents, requirements, or templates for another jurisdiction, if available.

No. It would not be realistic to obtain a LOI from lender during the pre-bid stage of a project, this should not be considered as an alternative milestone.

4. Is there another milestone in the project development process that is more appropriate to utilize for assessing project maturity?

In addition to site control, developers could provide proof of having submitted an Interconnection application to the corresponding utility or RTO. Because interconnection studies can sometimes take over a year, submitting an interconnection application is a key metric for determining project maturity and viability.

Topic 5: IEPA brownfield site eligibility requirements

The Illinois Commerce Commission's Order approving the IPA's Long-Term Renewable Resources Procurement Plan requires that a brownfield site photovoltaic project on a site regulated by the IEPA's Site Remediation Program must show that such site previously featured or currently features "actual blight or contamination prior to remediation." The IPA is seeking input on how best to apply this requirement.

1. Is there an appropriate and measurable requirement that can be used to demonstrate that a site within the IEPA's Site Remediation Program currently features or featured actual blight or contamination prior to remediation? Please describe the proposed standard as well as what evidence could be used to satisfy the standard.

No comments.