

Illinois Power Agency
105 West Madison Street
Chicago, IL 60602

Advanced Energy Economy and Advanced Energy Buyers Group Comments in Response to the Illinois Power Agency’s Draft Long-Term Renewable Resource Procurement Plan

Introduction

Advanced Energy Economy (AEE) and the Advanced Energy Buyers Group (AEBG) appreciate the opportunity to respond to the Illinois Power Agency’s (IPA or Agency) Long-term Renewable Resource Procurement Plan (the draft plan). AEE and AEBG were active in securing passage of the Climate and Equitable Jobs Act (“CEJA”) and have been engaged in the development of the new draft plan through the informal comment period. AEE is a national clean energy trade association representing businesses across many different sectors of the clean energy economy. AEE also facilitates the Advanced Energy Buyers Group, which represents large corporate buyers of advanced energy, including those operating in Illinois, interested in engaging with the plan’s proposed self-direct program. These companies are among the 76% of Fortune 100 companies and 60% of Fortune 500 companies that have established renewable and/or climate targets.¹ AEBG members share a common interest in expanding our use of advanced energy, including renewable energy like wind, solar, geothermal, and hydropower; demand-side resources like energy efficiency, demand response, and energy storage; and onsite generation from solar.

The self-direct program is an opportunity for large buyers in the state to support the IPA in achieving a clean electricity system on an accelerated timeframe. The program can also reduce the risk and costs associated with meeting the State’s Renewable Portfolio Standard goals of achieving 40% renewable electricity generation by 2030, 50% by 2040, and 100% by 2045.

¹ World Wildlife Fund, *Power Forward 4.0: A Progress Report of the Fortune 500’s Transition to a Net-Zero Economy* (2021), available at <https://www.worldwildlife.org/stories/fortune-500-companies-are-acting-on-the-climate-crisis-but-is-it-enough#:~:text=Sixty%20percent%20of%20Fortune%20500,to%20a%20new%20WWF%20report>, at 3.

Voluntary renewable energy commitments have already played an important role in Illinois and have facilitated approximately one-third of the roughly 5,000 MW of total wind and solar energy procured in Illinois. In addition, most voluntary buyers have public commitments to move significantly faster toward 100% clean energy than the state's renewable portfolio standard, and in some cases to drive emission reductions beyond their own operations, for example, by targeting their supply chain emissions or seeking to achieve historical carbon neutrality across their lifetime operations. Illinois is already considered a leading state for conducting voluntary renewable energy transactions and maintaining a healthy voluntary renewable energy market.² A well-designed self-direct program can further accelerate voluntary renewable energy transactions and bolster the renewable energy marketplace to help meet the state's intermediate and long-term RPS targets.

To maximize the potential benefits of the self-direct program, as the IPA finalizes the plan, we believe it is critical to keep these guiding principles in mind:

- Maximizing self-direct program participation is in the best interest of the State and will support a robust, competitive clean energy industry in Illinois.
- The IPA should aspire to provide as much market certainty as possible for prospective large energy buyers.
- The IPA should strive to minimize program complexity to increase participation.

Thank you again for taking the time to review these comments, and please contact Caitlin Marquis and Robert Haggart if you have any questions.

Sincerely,

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² 2020 Retail Industry Leaders Association Index <https://www.rila.org/focus-areas/sustainability-environment/corporate-clean-energy-procurement-index-2020>.

Summary of Comments

The comments below address multiple aspects of section 6 of the draft plan specifically focusing on customer eligibility, delivery quantity requirements, crediting and accounting, program size, and confidentiality of application materials. These comments aim to change the current language provided in the draft plan to better reflect the principles stated above. Changes to current language in the plan can be found via ~~strike throughs~~ that remove current language and underlined red text that represents new language.

Detailed Comments

6.2 Self-Direct Customer Eligibility

Consistent with our original comments responding to Staff questions about the program, AEE and AEBG support language in the draft plan that “the customer must be of at least a threshold size: 10,000 kilowatts of peak demand, which the Agency believes should be interpreted as non-coincident peak demand and evaluated based on customer billing information.”³⁴ We agree that this interpretation of non-coincident peak demand aligns with the intention of legislation. Using this definition for peak demand will increase the pool of potential applicants and allow for a more robust self-direct program.

6.3.1 “New” Projects

AEE and AEBG support the Agency’s interpretation of “new utility-scale wind projects or new utility-scale solar projects” to mean those projects energized after June 1, 2017. This interpretation allows the program to have a high level of participation from the program’s outset at the beginning of 2023, as it removes barriers for eligible customers seeking to enroll in the program immediately. AEE and AEBG also believe that the IPA’s interpretation of “new” projects should also include existing eligible utility-scale wind and solar projects in the state that

³ Advanced Energy Economy, 2022 Revised Long-Term Plan Self-Direct Stakeholder Comments, https://www2.illinois.gov/sites/ipa/Documents/AEE_Self_Direct_Comments_IL_IPA.pdf

⁴ Illinois Power Agency, Draft Long-Term Renewable Resource Procurement Plan p. 127

currently aren't powered. Repowering these projects would extend their useful life and add to the current proposed and existing projects that qualify for the program.

6.4.2 Delivery Quantity Requirement

AEE and AEBG request that the Agency clarify that it does not intend the 40% threshold (i.e., the requirement that a customer retire eligible renewable energy credits (RECs) equivalent to at least 40% of that customer's annual electricity usage) to also serve as a ceiling. Specifically, we ask that the Agency make clear that customers are eligible to enroll a greater percentage of their load in the self-direct program. The example provided in the draft plan could be read to mean that a customer cannot participate above this 40% minimum level. Specifically, the draft plan says, "... if a customer used 10,000 megawatt-hours in the previous delivery year, then the contracted delivery quantity must be at least 4,000 RECs. A customer can receive and retire additional RECs from that same facility, *although no additional credit is provided beyond the applicable published self-direct credit amount.*"⁵ Our assumption is that IPA intended this to mean that a customer is limited to receiving credit for whatever amount has been approved as part of the self-direct program, which happens to be equal to 40% of the customer's electricity use in this example. Thus, if the customer in this example used 10,000 MWh and has a contracted delivery quantity of 6,000 RECs, they would be credited for the full 6,000 RECs if approved to do so but would not be credited above 6,000 RECs. AEE and AEBG believe this clarification is consistent with the legislative language. Clarifying that customers can participate above this 40% threshold will allow customers to pursue renewable energy procurement above and beyond the RPS requirements, helping to achieve the goal of the self-direct program to accelerate deployment of renewable energy and achievement of the state's RPS goals.

6.5 Self-Direct Crediting and Accounting

AEE and AEBG acknowledge the process of developing an effective crediting and accounting system is difficult and appreciate the time Staff has taken to develop this initial framework.

⁵ Draft plan p. 130

Below we have provided recommendations for staff to consider as it establishes a crediting system that provides large energy buyers with a simple and consistent credit model over the length of a project contract to provide a simpler and more transparent crediting model for customers.

6.5.1.1 Self-Direct Bill Crediting: Interpretive Issues

In the report, the Agency leaves an open question for stakeholders asking whether crediting calculations should be based on the cost of utility-scale RPS contracts entered directly after the date of a customer's successful participation, or only beginning with the delivery year thereafter. Specifically, IPA Staff ask "if the customer begins self-direct program participation in the 2023 delivery year, (will) utility-scale wind and solar contracts entered into within that delivery year "count" for that customer's self-direct RPS credit calculation?"⁶ AEE and AEBG argue that contracts entered within that delivery year should count for that customer's self-direct RPS credit calculation for that year. In this example, utility-scale wind and solar contracts entered into in 2023 would count toward the customer's self-direct credit. As customers enter the self-direct program, they should be credited for all utility-scale wind and solar contracts entered into after they began participation in the program, rather than waiting until after a year of participation for the Agency to provide the customer with credit for such projects.

AEE and AEBG also believe that instead of resetting the value of all bill credits for the program for each year of a customer's participation, the Agency should calculate a single bill credit amount each year that will remain static for the entire term of the customer's self-direct contracts entered into in that delivery year, based on anticipated prices for utility-scale RECs. The IPA would still update this credit on an annual basis for new customers and/or new contracts. However, by providing a set credit for the term of a self-direct customer's contract, this approach would provide much-needed certainty that will facilitate broader participation in the self-direct program.

⁶ Draft plan p. 132

Additionally, AEE and AEBG recommend that the Agency encourage the ICC to hold a technical conference on bill crediting to allow ICC Staff and stakeholders to engage on how to interpret anticipated costs of REC deliveries and other interpretive and logistical issues associated with the self-direct bill credit. The methods by which Staff choose to identify these costs could vary significantly; a technical conference would provide a forum for Staff and stakeholders to identify a standardized method by which Staff can apply the formula highlighted on p. 133 of the draft plan.

6.5.1.2 Self-Direct Bill Crediting Example

In the provided bill crediting example, IPA Staff state that “... credited amounts concern a) utility-scale RPS contracts entered into beginning with the 2023 delivery year and from that point forward, and b) anticipated REC procurement costs associated with those contracts for the upcoming delivery year. Thus, the 2023 delivery year would likely not yet feature costs—but instead will feature procurement activities resulting in contracts that will eventually produce costs—and any self-direct crediting for the 2024 delivery year would be dependent on whether there are “anticipated costs” from those 2023 delivery year contracts for the upcoming 2024 delivery year.”⁷ A self-direct program that will deliver no value to participating customers for the first year, and possibly longer, risks failing to attract initial participants. Self-direct customers, meanwhile, may already be incurring significant costs associated with eligible self-direct projects, given that self-direct applicants can incorporate projects energized after June 1, 2017, or later. As a result, applicants can retire RECs from projects already energized before the program commences in the 2023 delivery year. Applicants would therefore not receive credits for up to a year’s worth of retired RECs. AEE and AEBG believe that the IPA must provide credit for all the eligible RECs program participants retire, which will be accomplished if the IPA adopts our recommendation above to adopt a uniform bill credit for the entire term of a customer’s eligible self-direct contract.

Alternately, we encourage the IPA to credit RECs retired in delivery year 2023 using known REC prices and actual costs for projects from the 2022 delivery year. In footnote 240, Staff

⁷ Draft plan p. 133

identify a similar process as stated above to reconcile a prior year's actual expenses.⁸ While we agree with Staff's reasoning for not choosing this approach for the entirety of the program, we believe that it would be an appropriate approach for the first year of the program. As stated above, Staff could use actual expenses and REC prices from the 2022 delivery year to compensate program participants for their contributions in delivery year 2023.

6.6.1 Establishing Program Size

In response to Staff's questions regarding the self-direct program released in December, TechNet submitted detailed comments responding to Staff's question "How should the IPA handle this requirement for establishing program size?" In their response, TechNet provided an extrapolation using publicly available studies provided by the National Renewable Energy Lab, the Clean Energy Buyers Association, and Columbia University that demonstrates that the state of Illinois that demonstrate a growth potential of an additional 2-3 GW of project capacity in addition to the 1.65 GW of capacity that has already been procured by large energy buyers in the state.⁹ This does not take into account any potential out-of-state resources that can comply. Relying on these publicly available and reputable estimates, AEE and AEBG recommend that the Agency set a program cap of 4 GW for its first year to minimize the risk of a waitlist and allow all prospective buyers to join the program without the risk that they will not receive full credit for their renewable energy purchases. Thus, we recommend the IPA change the language of the report to include the additions in red below:

⁸ Draft plan p. 133

⁹ National Renewable Energy Laboratory: Status and Trends in the Voluntary Market (2020 data) Available at: <https://www.nrel.gov/analysis/greenpower.html>.

Clean Energy Buyers Alliance Letter to the Midwest Governor's Association about Corporate Renewable Energy Demand. Available at: <https://cebusers.org/blog/rebas-letter-to-the-midwesterngovernors-association-about-corporate-renewable-energy-demand/>.

Columbia University: The Role of Corporate Renewable Power Purchase Agreements in Supporting US Wind and Solar Deployment Available at: <https://www.energypolicy.columbia.edu/research/report/rolecorporate-renewable-power-purchase-agreements-supporting-us-wind-andsolar-deployment>

Advanced Energy Economy, Adding It All Up for Voluntary Buyers of Renewable Energy: <https://blog.aee.net/adding-it-all-up-for-voluntary-buyers-of-renewable-energy>

“6.6.2. Establishing Program Size

The Agency plans to evaluate the studies and the data available from the sources discussed above, including updates to the studies and data, to produce an annual report which will include an assessment of the large C&I customer renewable energy market and estimates of the number of RECs expected to be available from eligible C&I customers each year. Analysis included in the report will also consider any applications from the prior year that could not be supported under that year’s program size. That report will be made available by early January of each year—with the first such report to be published in January 2023—and followed by a brief stakeholder comment process. After the conclusion of that comment process, the Agency plans to announce the program size for the upcoming year delivery by February 1 of that calendar year. That program size will be published by RECs, as envisioned under the law (“The Agency shall annually determine the amount of utility-scale renewable energy credits it will include each year...”), but illustrative examples of installed capacity needed to meet those REC totals by technology will also be provided. Based on current data and feedback from large energy buyers, the IPA will establish a program size of 4 GW of capacity when it commences in 2023.”

Establishing a large cap for the program in 2023 provides certainty for potential self-direct customers that their renewable energy contracts will be approved for participation in the program if they meet the applicable program requirements, which will ensure that the program attracts interest from prospective participants. Given that the Agency may adjust the program size on an annual basis, AEE and AEBG believe that the Agency should size the program to prevent oversubscription and then adjust the size of the program in subsequent years based on initial demand in 2023. The Agency should continue to evaluate availability on an annual basis to ensure that the program continues to allow for growth in participation.

While AEE and AEBG believe that 4 GW is a reasonable program size, we also note that there is no downside to sizing the program such that there is excess availability. Oversizing the self-direct program will not harm the eventual achievement of the state’s RPS goals, while undersizing the program may harm participation and undermine the self-direct program as a tool to support the rapid transition to a cleaner electricity grid in Illinois. Customers subscribing to the self-direct program are committing to meet at least 40% of their electricity usage from renewable energy from day one of the program. In contrast, these customers are otherwise receiving 14.3%

of their electricity from renewable energy currently under the state's RPS.¹⁰ If the program is oversized in early years, this will not diminish the need for utility-scale RPS procurement in the near-term to meet the RPS goals, and the program can be continually adjusted over time as actual customer participation and enrolment requests are available. However, if it is under-sized initially, customers are likely to determine that they will receive little or no credit, and may decide not to pursue the program altogether, setting the program up to fail before it has begun.

While AEE and AEBG strongly support setting a clear program size upfront to provide clarity to voluntary buyers and encourage the success of the self-direct program, should the Agency determine it must seek further information from perspective buyers to gather data to accurately size the program, AEE and AEBG recommend changes to the Agency's current language to consider a Request for Information process for potentially interested self-direct customers. We recommend substituting the language below to establish a polling program:

~~“The Agency is also considering a Request for Information process through which potentially interested self-direct customers could identify themselves to the Agency to help inform market size. The Agency is concerned, however, that attempting to solicit interest from individual retail customers (with which the Agency does not normally interact) may not prove fruitful and is interested in thoughts on how to most successfully engage potentially interested retail customers in feedback on this draft Plan.~~

The Agency will establish a public polling program for potential self-direct customers to identify themselves. The Agency will work with trade associations, Alternative Retail Energy Suppliers, and other key stakeholders that represent potential self-direct program customers to distribute the poll and allow potential self-direct customers to identify themselves. The Agency will also procure a list of large private customers that submitted applications to the Illinois Commerce Commission to opt out of energy efficiency programs prescribed in Public Act 102-0662 as well as those customers that are participating in the program. Through the use of this poll and energy efficiency program information, the Agency will identify a program size in 2023. In subsequent years, the Agency will adjust the program size based on additional applicants.”

¹⁰ U.S Energy Information Agency, Net Generation by Fuel Source, November 2021

A polling program that informally asks potential large energy buyers if they would be interested in joining the program minimizes time and administrative costs for the Agency and large energy buyers to assist in determining a program size. However, relying on a polling program risks missing potential customer demand and under-sizing the program. Given the data that our comments have provided above for a program size of 4 GW, AEE believes this to be an optional addition that the IPA could pursue should the Agency see it necessary to acquire more data in establishing the program size for 2023.

6.7 Self-Direct Program Application Process

To ensure confidentiality in the application process, AEE and AEBG recommend the following change below to ensure all sensitive documents required in the application process receive appropriate confidential treatment:

~~“For confidential, competitively sensitive information essential to determining whether the project, customer, or contract qualifies for the program, the Agency commits to maintaining the confidentiality of that information.”~~ The Agency will treat all customer application materials as confidential, as application materials will include sensitive and proprietary information related to renewable energy contracts, individual customer electricity usage, and other information found on utility bills. The Agency will also provide a detailed plan as to how it will protect confidential customer information, including how it will restrict access to this data for non-essential employees and protect customer information from Freedom of Information Act requests.”

AEE and AEBG believe this language change prevents any unnecessary leak of sensitive or proprietary information owned by the applicant.

Conclusion

AEE and AEBG appreciate the time IPA Staff have devoted to establishing a comprehensive self-direct program. We believe that a successful program will continue to promote the growth of renewable energy in the state and allow Illinois to make significant gains toward meeting its

intermediate and long-term RPS goals. AEE and AEBG look forward to continuing to engage with the IPA and ICC on this issue as the program is finalized later this year.