Comments of the Joint NGOs on the Draft 2022 Long-Term Plan

Introduction

The Environmental Law and Policy Center (ELPC), Natural Resources Defense Council (NRDC), and Vote Solar, commenting jointly as the Joint Non-Governmental Organizations or Joint NGOs, appreciate the opportunity to provide comments to the Illinois Power Agency (IPA or Agency) in response to the release of its draft 2022 Long-Term Renewable Resources Procurement Plan (LTRRPP or Plan). The Joint NGOs were active stakeholders in the development of the previous Plan and various implementation processes flowing out of that Plan. We also are or have been parties to a number of different regulatory dockets in front of the Illinois Commerce Commission (ICC or Commission) touching on issues relating to the deployment of renewables and other distributed energy resources. All our organizations have a strong stake in the expansion of clean energy in Illinois, the growth of distributed energy resources, and the success of Illinois' Renewable Portfolio Standard (RPS).

The IPA has been tasked with no small duty in its responsibility to draft an updated Renewables Plan following the passage of Public Act ("P.A.") 102-0662, also known as the Climate and Equitable Jobs Act or "CEJA," in the fall of 2021. CEJA majorly revamped multiple aspects of RPS programs and procurements, in addition to rejuvenating the RPS budget. While the Joint NGOs have tried to comment comprehensively on this draft Plan and the many issues raised herein, we will spend the most time and attention on two areas where we believe the Plan needs further changes or detail to fully deliver on CEJA's promise.

First, the Plan must look beyond pure modeling, to market signals in setting REC prices. Setting proper REC prices is at the heart of spurring the renewables deployment needed for Illinois to meet its carbon-free electricity goals. The Agency must set prices high enough to spur development and effectively incent equity goals, but spend down budget at a measured enough pace to not run out of funds before we reach our goals. The draft Plan's overreliance on modeling alone is a mistake that will likely lead to both under-deployment in some categories and over-spending in others, ultimately hampering Illinois' ability to meet our renewables goals.

Second, we focus on filling in the blanks in the Agency's proposal around Community-Driven Community Solar, an exciting new program under the new legislation. While this program is a small piece of the broader renewables and equity puzzle, it is one we have put significant thought into and we hope the IPA and Illinois's program can benefit from our experience and work.

Finally, solar access and equitable renewable deployment were key focuses of CEJA and are critical goals for all of our organizations. However, in lieu of spending extensive time on those topics in these comments, we will be working with partners in the Illinois Solar for All Working Group and Clean Jobs Coalition to advance the ball on those issues.

Chapter 3 - REC Portfolio, RPS Goals, Targets, & Budgets

The Joint NGOs generally support the IPA's proposed budgeting approach. That approach balances planning to meet new build targets and, eventually, goals with reserving some future budgetary flexibility to insure against the unknown (e.g. through reserving utility-held Alternative Compliance Payments). This budgeting approach is appropriate in this first planning period following the passage of CEJA, when so much about the on-the-ground reality of spending remains unknown.

One narrow point, the Joint NGOs applaud the Agency's proposal to post the tables and figures contained in Chapter 3 on its website on a quarterly basis. As RPS programs and procurements grow and more and more businesses and organizations have a stake in its success, transparent, authoritative information on progress as well as challenges in RPS implementation will become even more important than it is today.

With this in mind, we offer the suggestions that:

1) In addition to PDFs, the IPA make data available in Excel or another tabular format, to increase ease of use; and
2) The IPA remain open to adding additional tables and/or figures to quarterly reporting in the event they become relevant.

No changes appear to be needed to the draft Plan to implement these suggestions, but should the IPA wish to enshrine them in the Plan, modifying the language on page 63 as follows would be an option:

> The Tables and Figures contained in this chapter will be updated by the Agency on a quarterly basis after the approval of this 2022 Long-Term Plan and will be published on the Agency's website, in both PDF and Excel format. Additional tables or figures may be added to the publication from time to time, at the Agency's discretion. As Plan approval by the Illinois Commerce Commission is expected in July 2022, the Agency expects the first update to be published by October 2022.

Chapter 4 - REC Eligibility

In Chapter 4 of its Plan, the Agency seeks feedback on the eligibility requirements for RECs associated with electricity transmitted across qualifying high voltage direct current ("HVDC")

transmission lines. With regard to projects described in subsection (b-5) of Section 8-406 of the Public Utilities Act, the Plan suggests that it must apply the public interests criteria scoring at point of delivery not at the point of generation. Plan at 102, 103. The Joint NGOs believe the public interest qualifications should be applied at generation. First, there is no change in Section 1-75(c)(1)(I) that says public interest criteria should be applied at the delivery point. Second, applying public interest criteria at generation better aligns with the intent of the law and the public interest criteria application elsewhere, which for example consider improved air quality. Third, this change also better aligns with a revision in Section 1-75(c)(1)(J) enacted through P.A. 102-0662, which forbids qualifying generation that is carried over an HVDC to have its cost recovered by state-regulated rates. Id. This demonstrates the legislature was concerned with the generation itself, not the point of delivery. Finally, in addition to being consistent with the Act, applying public interest criteria at generation will be easier to integrate with the source-specific competitive procurement process, a problem the Plan raises. Plan at 103. For these reasons, JNGOs recommend that the Plan reflect that public interest criteria of resources that travel over a HDVC be applied at generation through the following edits to section 4.5:

> ~~As that electricity must be transmitted to "a delivery point . . . located in this State or a state adjacent to Illinois," the IPA's first-blush interpretation is that this delivery point should be treated as the location of the generating facility in public interest criteria scoring, but the Agency is interested in feedback from stakeholders on the propriety of this approach.~~ In keeping with the intent of the Act, this Chapter's public interest criteria will be applied at the point of generation.

Alternatively, the IPA could decide for now that it does not need to address HVDC REC qualification. The Plan recognizes that there are no HVDCs lines that would qualify for RECs currently. Plan at 102. Until one is built, there is no need to propose eligibility requirements. The only line proposed, SOO Green HVDC Link, as the Plan notes in footnote 196, estimates it will not begin construction until 2023 and become operational until 2026. Because long-term renewable resources procurement plans are revised every two years, there will be another revision before a line is in use. Thus, the IPA could refrain from determining the requirements for HVDCs to qualify for RECs until the IPA knows a line may qualify and thus has more information to inform qualifications.

Chapter 5 - Competitive Procurement

Project Labor Agreements

Section 1-75(c)(1)(Q)(2) of the IPA Act requires that general contractors building all new utility-scale solar, utility-scale wind, and brownfield projects must enter into project labor agreements (PLAs). The IPA is seeking feedback on whether a PLA must be filed with a bid

application for eligibility purposes. The Agency proposes as an alternative that the contractor could submit a PLA "perhaps six months to one year" after the bid application. The PLA should be submitted prior to construction of the project. In general, the JNGOs support the use of bid eligibility criteria to ensure that bid applications are viable projects, requiring PLAs does not provide similar information about project viability. As such, we recommend that the language reflect simply the requirement that the PLA be provided to the IPA Director prior to construction, as required by statute.

Suggested Redline of paragraph 3 of Chapter 5.4.3:

> In addition, Section 1-75(c)(1)(Q)(2) also provides that for REC procurements from new utility-scale wind, utility-scale solar, and brownfield site photovoltaic projects, such projects must be "built by general contractors that must enter into a project labor agreement," as defined by the Project Labor Agreements Act, "prior to construction." That project labor agreement must be filed with the Director of the IPA prior to construction~~; for purposes of this draft Plan, the Agency is interested in feedback about whether a project labor agreement must be filed with a bid application for eligibility purposes, or perhaps six months to one year thereafter (with a winning bidder then losing its posted collateral should it fail to provide an acceptable project labor agreement).~~ At minimum, the project labor agreement must provide "the names, addresses, and occupations of the owner of the plant and the individuals representing the labor organization employees participating in the project labor agreement consistent with the Project Labor Agreements Act." As a project labor agreement is a private agreement between a project developer and a labor organization entered into with both parties' acquiescence, and as the IPA Act does not direct the Agency to develop qualitative project labor agreement standards, the Agency does not believe that it can or should develop minimum project labor agreement terms for that agreement to satisfy Section 1-75(c)(1)(Q)(2)'s requirements.

Energy Transition Grant Communities

The Agency proposes to optimize procurements from projects located in Energy Transition Community grant communities in line with new requirements in Section 1-75(c)(1)(P) of the IPA Act by procuring as many RECs as possible from these communities, so long as those RECs still meet the confidential price benchmark. The Joint NGOs agree with the Agency's presumed reasoning that, in directing the IPA to "optimize" procurement from these communities, the legislature intended to direct the economic development benefits of utility-scale renewable development to these communities and that, as such, more economic development is generally better. At the same time, "optimize" is not equivalent to "maximize," suggesting the legislature intended the IPA to consider more than just developing as much renewable energy in these communities as possible. In order to "optimize" procurement from these communities, the Agency should also consider three additional factors.

First, the Agency should consider REC price and its relationship to long-term RPS budgeting needs. Using the confidential benchmark is a reasonable initial approach to optimizing price for this first planning period. However, the IPA should also commit to discussing in its next Plan the pricing it could have achieved in these procurements had it used a purely low-cost approach to selecting bidders and, potentially, revisiting the use of the benchmark to optimize for price if that cost differential is significant.

Second, the Agency should consider the development pressure an unlimited incentive to site projects in these communities could create. While more economic development may be theoretically better, if too many MW of would-be development flock to too few acres of land, that is a recipe not only for higher REC prices but also unhappy communities and declining support for renewables. The Agency should take active steps to avoid this outcome. One solution to this issue could be for the Agency to collaborate with DCEO to "right-size" the portion of the procurement for which bids from qualified communities will receive prioritization. Ideally, DCEO would be able to pull in community input and plans.

Third, the Agency should consider whether the "beneficial bid price adjustment" concept would provide a better tool for prioritizing these projects than by automatically selecting any project in these areas, regardless of bid price and other project characteristics. Under the Agency's proposed mechanism, developers of eligible projects would have no incentive to pursue equitable hiring and contracting actions above the minimum equity standards. Developers would know that their bid will automatically be selected, so they solely have to focus on reducing bid cost to ensure they clear the benchmark. Instead, we recommend that the Agency uses the "beneficial price adder" concept explored in the Draft Plan to incentivise significant equity commitments among competitive bidders, including those in Energy Transition Grant Communities. Our proposal is to create an additional "beneficial bid price adjustment" of 5%[1] for projects that are located in Energy Transition Grant Communities.

We believe that this approach achieves two goals. First, this will drive development activity towards the target communities while also prioritizing equitable hiring and subcontracting commitments. Second, it may result in lower bid prices than the Agency's proposed system. In the Agency's proposal, the bidder only needs to beat the benchmark price. In our proposal, the bidder would need to come within 5% of other bids in order to be selected.

While our suggested redline to page 115, below, will utilize this solution, the Joint NGOs would also be open to alternative approaches.

[1] The JNGOs lack the data needed to know whether 5% is the appropriate bid price adjustment and defer to the Agency about the size of the adjustment. We urge the Agency to maintain flexibility between Plans to allow for changes to the bid price adjustment as the market reveals additional data.

To "optimize" procurement from those areas, the Agency proposes that bids received through competitive procurements for proposed projects located in Energy Transition Community Grant communities receive a beneficial bid price adjustment of 5% ~~that meet price benchmarks and otherwise qualify would be selected first, regardless of price, prior to selecting other bids~~ for a portion of procurement targets. The Agency reserves the right to adjust the beneficial price adjustment between RFPs, as needed, to balance cost-competitiveness of RECs with prioritization of Equity Transition Community Grant communities. The final portion of procurement targets that will be eligible for the beneficial bid price adjustment will be determined by the IPA in concert with DCEO and may be set at 100%. In setting this portion, the Agency will aim to maximize economic development while avoiding the creation of undue development pressure. Additionally, the Agency commits to revisiting this approach to optimizing procurement from Energy Transition Community Grant communities in its next Plan revision along with providing an assessment of the would-be price differential had the Agency simply procured the lowest cost RECs available.

Indexed RECs - Application of the Price Curve

Section 1-75(c)(1)(G)(v)(4) of the IPA Act gives the IPA authority to consider instituting a price collar on REC prices paid under the indexed renewable energy procurements that would establish floor and ceiling REC prices applicable to indexed REC contract prices. The purpose of giving the Agency this tool was to enhance the predictability to the budgeting process.

The Agency notes that a price collar would reduce both upside and downside exposure to bidders and requested feedback on the price collar concept and whether the introduction of a price collar would reduce risks for bidders and thus result in lower expected bid prices.

The JNGOs do not have feedback on this at this time, but will be very interested in feedback from other parties on that question. In particular, we urge the IPA to seek information from developers on likely financial structures and opportunities that developers will pursue with projects that will be bid into the indexed REC procurements.
In the absence of establishing a price collar to reduce bid prices, we now turn to the Agency's assertion that it has the tools necessary to manage year to year budget fluctuations. Leaving aside the upside potential to the budget (that energy prices rise well above expected levels thus lowering or even going negative on the indexed REC prices that would be paid), there could be some risk to the budget of excessive spending if energy prices were well below expected levels. Given that wholesale electricity prices have been slowly rising again after nearly a decade of level or declining prices, there does seem to be some margin for downside price risk. Thus, it may be prudent for the IPA to reconsider whether to institute some sort of indexed REC price cap.

The question would be whether, given the fact that the statute allows institution of a price collar, the band around expected prices would be symmetrical. The JNGOs would suggest instituting an annual indexed REC price cap pegged to the applicable annual average wholesale price. The price cap should be set at such a level to allow upside opportunities to be realized, but not windfall profits in the event of extraordinary market conditions.

Chapter 6 - Self-Direct Program

The Agency's proposal around the new Self-Direct Program appears to be a reasonable approach to implementing a complex but potentially valuable program created by CEJA. The one improvement we suggest for this chapter is for the Agency to more actively plan for public reporting around the Self-Direct Program, beyond the data currently proposed for the Agency's compliance filing. This reporting would be in the same spirit as the reporting the Agency is already planning around RPS budgets, targets, and goals - in order to provide transparent, authoritative data on progress toward RPS goals.

The below redline to Section 6.5.1.3 of the Plan contains the specific data that is most important to share. The redline suggests that reporting could occur through the Agency's annual compliance filing, but the Joint NGOs are open to other approaches. Regardless of how reporting is implemented, reports should be made available on the Agency's website to facilitate access (i.e. in addition to through the ICC's website, if the Agency opts to report through its annual compliance filing).

> The first question is in what proceeding the Agency should provide its compliance filing. The Agency believes that the proceeding featuring the most recently approved Long-Term Plan should be the proceeding in which a compliance filing is made. Thus, for 2023, the Agency will submit its self-direct crediting calculation within the proceeding used to approve this Long-Term Plan. The Agency will also make its annual self-direct compliance filing available on its website.
> …
> For the substance of the compliance filing, the Agency will include, at minimum, the following: anticipated costs of utility-scale REC delivery contracts by delivery year in which that contract was entered into, including the anticipated volumes of REC deliveries from those projects separated by renewable resource type and aggregated assumptions about price (mindful of the confidentiality of individual bid prices) and a narrative explanation of how and why those calculations were made, as well as the self-direct credit applicable to customers based on year of successful application expressed as a per kilowatt-hour value. In an effort to provide greater transparency around the Self-Direct Program, the Agency will also quantify and list participating companies/organizations and provide information on the number of participating projects, their resource types, size, year built, and approximate location.

Chapter 7 - Adjustable Block Program (excluding REC pricing)

We will first comment on general issues related to the Adjustable Block Program portion of the plan, before focusing in on community-driven and traditional community solar issues, as well as the public schools category.

General Adjustable Block Program Issues

In addition to suggestions to correct the proposed approach around ABP REC pricing, the JNGOs offer the following comments and suggestions on other sections of the ABP chapter of the Plan:

1) **7.3.4 Opening of 2022 Delivery Year Blocks & Subsequent Annual Block Openings**

The Joint NGOs appreciate the Agency's dilemma when it comes to the potential gap between the initially reopened blocks and the blocks that will be released for the 2022 delivery year after this draft Plan is approved. We understand that the complexity involved in keeping blocks open through the transition from the 2021 to 2022 delivery year could outweigh the benefit. Nonetheless, we remain concerned about the potential for a gap, particularly in the event that the IPA is unable to open blocks for the 2022 delivery year by the planned for August 1 date.

To at least partially address this risk, the Joint NGOs recommend that the Agency seek ICC approval to re-reopen blocks that had remaining unallocated capacity from the 2021 reopening under the same terms in conditions as those 2021 blocks in the event that the 2022 block opening timeline gets pushed back beyond August 1. Some projects could then continue to apply and be accepted into the Adjustable Block Program, utilizing the reopening capacity, until such time as the IPA is prepared to open the 2022 blocks.

2) **7.3.5 Uncontracted Capacity at the Close of a Delivery Year**

The Agency's proposed approach around the reallocation of uncontracted capacity is reasonable. The Joint NGOs would also support an approach to uncontracted capacity that *does not* reallocate capacity from the newly created Equity Eligible Contractor (EEC) category right away, allowing the programs from which EECs will be graduating time to scale up and start working on solar projects.

Community Driven Community Solar (CDCS)

The Joint NGOs have a longstanding stake in the advancement and success of non-traditional and, particularly, more community-connected and urban community solar projects. We have commented on this issue extensively in the past, including in our comments in advance of the

development of this draft Plan. We appreciate the challenge the Agency faces in developing a coherent and specific plan for running this category of the Adjustable Block Program and offer a number of suggestions below to try and support the Agency's effort herein.

In an attempt to be more helpful to the Agency, the Joint NGOs have focused our efforts with regard to the CDCS section of the Plan around developing an extensive redline, rather than extensive comments. Much of the language we suggest for the Plan is explained therein and/or has been the subject of past JNGO comments to the IPA or IPA proposals. However, we will draw the Agency's attention to a handful of issues not covered by the redline or for which the redline may not be self-explanatory.

1) The below redline suggests the creation of an application review board to help evaluate projects. The JNGOs are not necessarily advocating for such a board over other methods of project evaluation, but wanted to provide a concrete option as the Agency currently has no plan for evaluation. The idea for this review board came in part from a recent settlement in DTE territory in Michigan which involved the creation of a low-income offsite shared solar pilot and the creation of a Low-Income Solar Council to help guide the pilot's implementation.

   If a review board is created, how the board is selected will be an important consideration. Methods for board selection could range from the Agency choosing representatives for each position, to a competitive application process, or even a vote. Regardless of method, we support a board selection process that ensures the inclusion of representative grassroots and environmental justice organizations. The JNGOs do not recommend one particular method of board selection over another at this time and recommend that the Agency seeks further stakeholder feedback on this topic.

2) The below redline would use the Census Bureau's Urbanized Areas definition to aid the Agency in advancing projects that "increase the diversity of locations of community solar projects in Illinois, including by locating in urban areas and population centers," in concert with Section 1-75(c)(1)(K)(v) of the IPA Act. The JNGOs note that that definition is in the process of being updated based on the 2020 Census data and so the Agency would have to navigate the transition from old to new data in using these definitions.

3) Finally, while we do not have a suggested redline on this topic, the JNGOs are broadly concerned about the cash flow challenges that could be faced by CDCS projects. We suspect that gaining access to pre-development funds will be key to communities self-organizing projects. We thus urge the Agency to both coordinate this category with some of the inclusive financing tools created by P.A. 102-0662 and think creatively about

tools to advance capital from prospective REC contracts to these projects. Furthermore, we recommend the Agency tread lightly when it comes to clawbacks for CDCS projects, so as not to create program requirements that inadvertently stifle community-organized project development.

Ultimately, we appreciate the commitment the Agency has already made in its draft Plan to flexibility, learning while doing, and qualitative evaluation when it comes to this ABP category. We agree with the Agency's statement on p. 159 of the draft Plan that "the first few years of the category should be viewed as an opportunity to learn how communities choose to organize and develop projects," and endorse the Agency's intent to continue evolving the CDCS program through its future Plans.

With this in mind, we offer the following redline to pages 157-159 of the Agency's draft Plan. In addition to using red to indicate language that has been added or struck, in this redline we use green to indicate language that has been moved around within the excerpt.

> Section 1-75(c)(1)(K)(v) of the IPA Act, as amended by Public Act 102-0662, provides that the Agency shall develop selection criteria for projects participating in this category. Primary selection criteria include:
>
> 1) community ownership or community wealth-building
> 2) additional direct and indirect community benefit, beyond project participation as a subscriber, including, but not limited to, economic, environmental, social, cultural, and physical benefits
> 3) meaningful involvement in project organization and development by community members or nonprofit organizations or public entities located in or serving the community
> 4) engagement in project operations and management by nonprofit organizations, public entities, or community members; and
> 5) whether a project is developed in response to a site-specific RFP developed by community members or a nonprofit organization or public entity located in or serving the community.
>
> The Agency received stakeholder feedback indicating that this last criterion (5), development in response to a site-specific RFP should be considered as one way to demonstrate meaningful involvement in project development as opposed to its own criteria. This makes sense and, at least for the initial implementation of the Community-Driven Community Solar category, the Agency adopts this recommendation.
>
> Sufficient demonstration of any of the first four individual primary selection criteria will be worth up to four (4) points each in the scoring system.

Section 1-75(c)(1)(K)(v) of the IPA Act, as amended by Public Act 102-0662, also detailed the following additional selection criteria the Agency "may also" use to prioritize CDCS projects that:

6) are developed in collaboration with or to provide complementary opportunities for the Clean Jobs Workforce Network Program, the Illinois Climate Works Preapprenticeship Program, the Returning Residents Clean Jobs Training Program, the Clean Energy Contractor Incubator Program, or the Clean Energy Primes Contractor Accelerator Program
7) increase the diversity of locations of community solar projects in Illinois, including by locating in urban areas and population centers
8) are located in Equity Investment Eligible Communities
9) are not greenfield projects
10) serve only local subscribers
11) have a nameplate capacity that does not exceed 500 kW
12) are developed by an equity eligible contractor; or
13) otherwise meaningfully advance the goals of providing more direct and tangible connection and benefits to the communities which they serve or in which they operate and increasing the variety of community solar locations, models, and options in Illinois.

Related to Item (7), the diversity of locations of community solar projects in Illinois is already promoted through project selection for the Traditional Community Solar category. The IPA does not believe additional promotion of diverse locations is needed within this Community-Driven category at this time. However, the Traditional Community Solar category does not prioritize urban projects, so the Agency will award points for urban community solar projects under this Community-Driven category. Items (7) and (8) will also be grouped together for the purpose of scoring, so as to not over-prioritize a given project based on its location alone (without any further action taken to benefit communities or diversify the community solar program).

Related to Item (12) the Agency does not believe that this criterion requires separate scoring at this time, as projects developed by an Approved Vendor which is an equity eligible contractor will be able to submit community solar projects to meet the block capacity specifically allocated to projects from equity eligible contractors. And related to Item (13) the primary selection criteria already prioritize projects that "meaningfully advance the goals of providing more direct and tangible connection and benefits to the communities which they serve or in which they operate" so this item will only award points to projects which would otherwise increase community solar program diversity.

Sufficient demonstration of any of the individual secondary selection criteria the Agency has opted to use will be worth up to two (2) points each in the scoring system.

Taken together, these criteria and point values result in the following rubric:

Criteria	Definitions/Qualifiers	Max. Points
Primary		
Community ownership or wealth-building		4
Additional direct or indirect community benefit, beyond subscription		4
Meaningful involvement in project organization and development	Includes projects via a site-specific RFP developed by the community served	4
Engagement in project operations/management		4
Additional		
Developed in collaboration with or provides opportunities to qualified DCEO programs		2
Located in urban area/Equity Eligible Community	Urbanized area (from Census Bureau)	2
Not a greenfield project	Neither takes farmland out of production nor converts wild and natural areas	2
Serves only local subscribers*	Same county or, if county population <50,000, adjacent counties	2
Nameplate capacity <500 kW*		2
Otherwise increases the variety of community solar locations, models, and options in Illinois		2

*Projects may receive no more than 2 points total for the criteria around serving local subscribers and small projects.

Demonstration of any ~~of these primary~~ selection criteria should be accomplished through a detailed written narrative description that includes firm commitments and evidence as to how any benefits, resources, and wealth-building will flow to the community that will host the Community-Driven Community Solar project. Evidence of any/all additional selection criteria that are applicable to the applicant's Community-Driven Community Solar project should be outlined as comprehensively as possible in this narrative. As definitions for each of these criteria are not yet firm, projects should explain in their narrative *why* the actions they detail should qualify them for each criterion. Additionally, any community engagement activities and planned community ownership should be documented in a detailed way in this narrative. In order to facilitate application into the program and review of project applications, the ABP Program Administrator will develop a standard application form and/or section of the portal to standardize and guide would-be projects to submission[i]. ~~**In comments on this Draft Plan, the Agency seeks feedback on how best to accomplish these evaluations.**~~

In order to evaluate project applications, the Agency may utilize an application review board consisting of at least:

- 2 IPA staff members or, in the alternative, 1 IPA and 1 ICC staff member

- 1 representative affiliated with the community solar industry
- 1 representative from a non-profit that is not a trade group working on community solar issues
- 1-2 representatives from a grassroots/environmental justice organization in Ameren territory[ii]
- 1-2 representatives from a grassroots/environmental justice organization in ComEd territory[ii]

In the event that representatives from grassroots/environmental justice organizations are volunteers, rather than paid staff members of the organizations they represent, those individuals will be compensated for their time using the program administration budget.

The IPA would develop a clear process for members of the review board to review project applications and score projects. For instance, members might review individual applications, preliminarily score each criteria for each application, meet to discuss all applications reviewed, submit final scores for each criteria for each application to the IPA (scores may change based on discussion), and then the IPA could average the scores of different review board members to develop a final score for each criteria for each project.

Furthermore, such a review board could be used to help ~~**Additionally, the Agency seeks feedback on how to**~~ **define or demonstrate various terms** and qualifiers for both the primary and additional selection criteria. ~~**noted in the primary selection criteria including: community ownership or community wealth- building, direct and indirect community benefits, and community engagement.**~~ The Agency ~~notes that it~~ requested feedback on how to define ~~these~~ terms in both the request for comments put forth in advance of the~~is~~ Draft Plan and in the Draft Plan itself, but did not receive ~~substantive~~ enough feedback to comprehensively define criteria ~~help focus these terms and/or concepts~~**.** Thus, these initial two years of the community-driven community solar ABP category will be used almost as a pilot period for the Agency to learn more about the kinds of projects that might appropriately meet the various criteria, enabling the Agency to firm up these criteria, relevant definitions, and qualifiers in future plans.

~~Section 1-75(c)(1)(K)(v) of the IPA Act, as amended by Public Act 102-0662, also detailed the following additional selection criteria to prioritize CDCS projects that:~~

- ~~are developed in collaboration with or to provide complementary opportunities for the Clean Jobs Workforce Network Program, the Illinois Climate Works Preapprenticeship Program, the Returning Residents Clean Jobs Training Program, the Clean Energy Contractor Incubator Program, or the Clean Energy Primes Contractor Accelerator Program~~
- ~~increase the diversity of locations of community solar projects in Illinois, including by locating in urban areas and population centers~~
- ~~are located in Equity Investment Eligible Communities~~

- ~~are not greenfield projects~~
- ~~serve only local subscribers~~
- ~~have a nameplate capacity that does not exceed 500 kW~~
- ~~are developed by an equity eligible contractor; or~~
- ~~otherwise meaningfully advance the goals of providing more direct and tangible connection and benefits to the communities which they serve or in which they operate and increasing the variety of community solar locations, models, and options in Illinois.~~

~~Sufficient demonstration of any of the individual secondary selection criteria will be worth up to two (2) points each in the scoring system.~~

~~Demonstration of any of these additional selection criteria should be accomplished through a detailed written narrative description separate from the narrative provided for the primary selection criteria outlined directly above.~~ ~~Evidence of any/all additional selection criteria that are applicable to the applicant's Community-Driven Community Solar project should be outlined as comprehensively as possible in this narrative.~~ ~~In comments on this Draft Plan, the Agency seeks feedback on how best to accomplish these evaluations.~~

---

[i] One example of a community solar application form is that used elsewhere is this form from New Jersey's Community solar Energy 2020 Pilot Program: https://njcleanenergy.com/files/file/CommunitySolar/FY21/8C%20Community%20Solar%20Energy%20Pilot%20Program%20Year%202%20Application%20Form%202020-10-01_fillable%20PDF%20application%20form.pdf

[ii] The Agency will seek one urban and one rural grassroots/environmental justice organization representative from each major utility territory in order to raise up the voices of community members in the selection process. However, recognizing that this board will be far from the only priority of Illinois environmental justice organizations, the board may move forward with only one representative from each territory.

Public Schools Category of the ABP

The Joint NGOs offer two general comments on the Public Schools subprogram of the ABP. First, we request that the Agency provide clarifying guidance around what type of community solar projects qualify for the Public Schools category. Second, we request that the Agency include language that connects the Public Schools category of the ABP to the Carbon-Free Schools Assessment program outlined in 220 ILCS 5/8-402.2.

1. We recommend that the Agency add language to the Plan that specifies what characteristics a community solar project would need to qualify for the Public Schools category. The current ambiguity raises questions that could cloud development in this new program. Would a project located on land owned by a Public School qualify, even if only a small share of the subscriptions were provided to that school? Would a project

only be able to have school facilities as subscribers? Only school facilities and the families of students? Would subscribing school facilities only be eligible if they are in the same school district?

While the Joint NGOs wish we had an answer to all of these questions, they would probably best be addressed through a stakeholder process, however this would delay the opening of this block. The Joint NGOs are not opposed to such a delay, but nor do we endorse one. In the absence of such a stakeholder process, we do recommend the IPA provide clear guidelines.

2. We recommend that the Agency add mention of the potential synergy between the Carbon Free Schools Assessment and the new Public Schools category. Ideally, weatherization and energy efficiency will occur before a school district pursues solar energy. To incentivise this sequence, we recommend that the Agency prioritizes projects that have undergone a Carbon-Free Schools Assessment if and when it turns to a first-come first-serve basis procurement (i.e. if funding remains after 180 days).

> For each delivery year, if any of the above allocations are not filled within 180 days, projects located at a public school will be accepted on a first come, first serve basis regardless of Tier, Environmental Justice Community location, or project size. If a waitlist of projects has formed in one or more of the above allocations, prioritization will be given to projects that have completed their carbon-free schools assessment described in 220 ILCS 5/8-402.2.

Traditional Community Solar

The Joint NGOs offer two major and one minor comments as it relates to the Traditional Community Solar category of the Adjustable Block Program.

1) **We support the Agency's proposed project selection approach as one of several tools to manage community solar REC contract demand and urge the Agency to also prioritize non-greenfield community solar projects that are not brownfields.**

There are several ways the Agency could prioritize non-greenfield community solar projects, including to convert the brownfield point category to non-greenfield or to add separate points for other types of non-greenfield community solar (e.g. community solar on rooftops and carports), among others. While the Joint NGOs do not have a strong opinion as to the best way to implement this recommendation, the Agency could amend the list of project selection criteria on page 155 as follows as one option:

1. Projects that neither take agricultural land out of use nor convert wild/natural area (2 points)
2. Projects that, in addition to qualifying for the above, are sited on brownfields. (~~3~~1 point~~s~~)

More broadly, project selection should be just one of several tools the Agency uses to manage interest in this ABP category. It is quite plausible that even using the project selection criteria, clusters of projects at or near the same score will still emerge, requiring further management. While project readiness could help provide this management, it is worth noting that the practice of using interconnection agreements as a major element of the project readiness determination creates problems. Reliance on a signed interconnection agreement contributed to problems that arose with the initial blocks, where interconnection queues became hopelessly clogged. While actually collecting interconnection deposits likely will alleviate some of these issues, we are concerned that the problems seen with the initial blocks will continue to arise, albeit to a lesser degree, with the reliance on signed interconnection agreements.

Fundamentally, we wish to emphasize that project selection and/or project readiness should not be the only tool the Agency should use to control a hypothetical rush on the program. Rather, as will be discussed further below, the Agency should lower its REC prices to tamp down demand when necessary.

2) **The Agency should monitor utility interconnection queues and use its statutorily conferred discretion to adjust down community solar REC prices in the event a rush on the category appears to be building.**

There is already strong evidence that there continues to be substantially more interest in the community solar category of the ABP than there is capacity available in the proposed plan. As of February 28, the Group A CS Waitlist has 695 MW and the Group B CS Waitlist has 606 MW, more than the capacity proposed for CS through the Plan. Furthermore, that does not include other projects in development that will be submitted. While it is hard to know the overlap between interconnection queues and waitlist projects, we will note that by comparing the current ComEd interconnection queue with the list of CS projects approved but not yet energized from the initial blocks we estimate there are approximately 130 new CS projects representing about 413 MW of capacity.

RPS stakeholders, our organizations included, failed to effectively anticipate the rush on the CS program that characterized the initial implementation of this program. It would have been unreasonable to expect the IPA to be able to mitigate a rush nobody anticipated. However, we know what to watch for this time and that rush appears to be building. In this environment, and in the aftermath of the mess that was the rush on the first community solar blocks, it is

incumbent upon the IPA to use all the tools in its toolbelt, including lowering REC prices, to mitigate that rush. With this in mind, we suggest the following edits to page 168 of the draft Plan.

> Examples of such circumstances would include changes to federal legislation that impact the Investment Tax Credit, new tariffs on imported panels and modules, signs of a rush starting to emerge on a specific ABP project category, or significant changes to net metering credits or the smart inverter rebate (however smart inverter rebates will not change prior to December 2024, which is outside the time period covered by this 2022 Long-Term Plan). If the Agency becomes aware of a circumstance that would warrant consideration of a mid-year REC price adjustment, it will strive to conduct modeling of REC price changes and conduct a stakeholder feedback process before making any changes.

3) **Finally, the Agency should monitor the rollout of community solar in the post-P.A. 102-0662 era to ensure further REC price adjustments are not needed to balance the interest of large and small subscribers as well as behind-the-meter and community solar projects.**

It is possible that the major changes to community solar crediting driven by P.A. 102-0662 could have unforeseen implications to the value proposition of community solar for small versus large subscribers and/or to the value proposition of behind the meter versus community solar for large subscribers. Both these possibilities are worth monitoring over the coming two year period so that the Agency can make as informed choices as possible when updating its REC pricing approach in the next Plan update. To that end, the Joint NGOs recommend the Agency amend page 175 of its Plan as follows:

> Community solar projects face additional costs and feature reduced eligibility for direct energy related revenues than distributed generation systems. On the revenue side, subscribers to such projects were ~~are~~ eligible ~~only~~ for energy-only net metering prior to the passage of P.A. 102-0662, but are now eligible for higher crediting rates. This has changed the value proposition of community solar, particularly for large customers. ~~,~~ ~~while o~~On the cost side, there is the cost of acquiring, maintaining, and managing subscribers. The prices for community solar RECs compared to distributed generation projects as shown above in Table 7-4 reflect those differences. However, in order to ensure the IPA fully understands the implications of new, higher community solar crediting rates for small versus large customers and for the tradeoff between behind-the-meter and community solar subscriptions for large customers, the IPA will track uptake across various ABP categories and may propose changes to its community

solar REC pricing in its next Plan update to balance the interests of these various customer types.

Chapter 7.5 - ABP REC Pricing Model

In the Background to 7.5, the Agency notes that there have been significant changes to the program resulting from the enactment of CEJA (Public Act 102-0662). The Agency concludes "[T]he concept of 4% declines between blocks no longer fits the program design and the Agency instead proposes, as described below, to conduct an annual update to REC prices."

The JNGOs support the transition to an annual update. In addition, the JNGOs continue to encourage the IPA to adopt a more market-based approach to pricing RECs beginning with the 2023-2024 annual REC pricing update, as discussed below.

The IPA, market participants, customers, and other stakeholders have observed very different market dynamics in the three categories of distributed generation that were included in the initial blocks of the program opened in 2019. Even among the three categories in the initial blocks, there was a divergence in maturity and market demand for the various types of RECs. Now, with the passage of CEJA and the introduction of three new categories of distributed generation, it will be necessary to adapt to the conditions and to be mindful of desired and realized adoption rates among the various categories and to tie the pricing to achieving statutory goals for each block.

Model and Inputs

The Agency is interested in soliciting feedback from stakeholders on the model and its inputs, and indicated that it expects to update the inputs based on feedback prior to final approval of the 2022 Plan.

For pricing the initial blocks, the IPA relied almost exclusively on a REC pricing model based on the National Renewable Energy Laboratory's CREST model. That model has been updated (and improved for usability) with a number of changes in assumptions and costs as the industry has evolved. These are described in Chapter 7.5.2 modeling update and in *Appendix D: REC Pricing Model Description*.

The JNGOs appreciate the improvements to the REC pricing model in this plan update. However, as discussed above, we caution against over-reliance on the model and urge the IPA to be responsive to market signals as we move from scheduled price reductions between blocks to an annual block format. This is discussed in greater detail below.

REC Pricing for Public Schools

The REC pricing for public schools projects was calculated using the same assumptions as the traditional community solar blocks, except for the term difference."

> *Community-driven Solar prices were modeled using the same assumptions as ABP community solar aside from the REC contract duration, which was set to 15 years for community-driven solar.* (Appendix D, pg 16)

Our (perhaps unrealistic) hope would be that the dominant model for public schools will be behind-the-meter systems that are much more similar to the Large DG category than the Traditional Community Solar category.

The JNGO recommend that the REC prices for the Public Schools have two different pricing schemes - one behind-the-meter projects and one for community solar - and that the behind-the-meter sub-category REC prices be recalculated using the same assumptions as the Large DG category (with the exception of the statutory differences in REC term and delivery schedule).

Size Category Adjustments

As a result of CEJA, the Small DG category has a new maximum size of 25 kW. The Agency proposes to have separate price levels for less than 10 kW and 10-25 kW projects. It also requests information on whether there should instead be a separate set of prices for residential and house of worship projects in addition to or instead of having a separate price levels based only on installed capacity. The rationale for this differentiation would be that residential and houses of worship are not required to abide by the prevailing wage requirements for installation. Thus, in the model that the IPA proposes, the modeling for the <10 kW price level did not include the prevailing wage requirement while the modeling for 10-25 kW price level does include prevailing wage. Given that most residential projects are below 10 kW, this provides a reasonable proxy for residential, but we are not aware of any data on average size of a house of worship. However, in the interest of administrative efficiency and our expectation that the universe of houses of worship not subject to prevailing wage that would benefit from a slightly higher priced REC that was modeled based on prevailing wage is relatively small, the JNGO recommend that only two price levels is appropriate and reasonable.

The IPA also requested feedback on whether there was a need to adjust the size thresholds in the Large DG category. The JNGOs believe that the price levels proposed in the Plan are appropriate.

Residential Adders in Community Solar REC Pricing

The IPA is seeking feedback on the adders for community solar REC pricing in light of the evolving market for subscription management. The Agency suggests adjustments to the residential subscription adder in both the level of the adder and the thresholds at which the adder is applied. The JNGOs support the proposal of the IPA from the withdrawn draft Second Revised Plan to set the residential adder $14.82/REC where residential subscriptions are 50% or more.

Section 7.5.7 - Updating Annual REC Prices

The IPA seeks input on the annual REC pricing mechanism and the setting of the REC prices for the 2023-2024 delivery year:

> *For the 2022-2023 delivery year, REC prices will be as approved by the Commission through the Commission's approval [of] the 2022 Long-Term Plan. For the 2023-2024 delivery year, the Agency proposes to begin the updating of the REC pricing model in January of 2023 with the release of a draft new set of REC prices for stakeholder feedback.* ***The Agency will consider that feedback and finalize REC prices by May 1, 2023. The Agency is interested in stakeholder feedback on this approach for updating REC prices for the 2023‑2024 delivery year, or if alternatives should be considered such as maintaining a pre‑set price change between delivery years.***

The JNGOs support the timing of the annual REC re-pricing. It balances between not setting the prices too far in advance with providing some certainty prior to the opening of the annual blocks. In addition, as discussed above the JNGOs believe that reconsidering REC prices annually provides an opportunity for the IPA to consider market signals in setting REC prices. With the exception of possibly overpricing the RECs for the initial blocks of the community solar blocks (based on the significant excess of projects to capacity in the applications for the initial blocks of CS capacity), the REC pricing model served its purpose.

REC pricing proposed by the IPA for the 22-23 delivery years is proposed in the Plan based on the application of the REC pricing model once again. Given that there has been a gap in availability for the Large DG and Small DG categories since they were closed months ago, and that there are three new categories of DG for which there is no applicable market data, the JNGO are comfortable with the application of the REC pricing model for the Large DG, Small DG and new DG categories.

With respect to the pricing of RECs for what is now called Traditional Community Solar, we continue to maintain that the oversupply of interest in its initial blocks indicated that the combination of RECs and adders for residential customers was higher than necessary to achieve

the policy goal, which is to procure RECs to meet statutory goals as cost-effectively as possible. As amended, the applicable goal in subsection (K) requires the IPA to balance REC prices and capacity to meet the goals of subsection (c):

> *For each category for each delivery year block group the Agency shall determine the amount of generation capacity in each block, and the purchase price for each block, provided that the purchase price provided and the total amount of generation in all blocks for all categories shall be sufficient to meet the goals in this subsection (c).*

The presumption that the REC prices should be cost-based and set at such a level to result in a presumed return on investment is not statutory required, and the IPA should move toward a framework in which REC prices are informed by market signals.

In addition to the concerns of overpricing of RECs for traditional community solar projects, we anticipate the possibility that REC prices for other categories of DG in the ABP may be too low to stimulate adoption at levels consistent with the overall REC procurement goals.

Thus for annual updates beginning with the 2023-2024 delivery year, the JNGOs suggest that the IPA introduce additional steps to the REC price-setting process that adapt to market signals. Generally, the process we recommend would use

- Cost modeling - consistent with the existing REC price modeling based on the CREST model with updated assumptions
- Review of market signals - IPA to make a determination based on data collected historically since the opening of the initial blocks of the ABP, the blocks opened in December 2021, and the initial data on the opening of the 2022-2023 delivery year blocks whether uptake has been sufficient to stimulate the levels of adoption required to meet REC procurement goals for each category.
- For each category in which applications exceeded the available capacity in the instant year at the time of the REC prices are being considered, the IPA shall consider reducing the REC price in the subsequent year.
- For each category in which applications for a category remain open, the IPA shall consider leaving in place or increasing the REC prices for the subsequent year.

In this process, the REC price modeling both sets the baseline for subsequent years' pricing but would also be used in the DG adoption modeling to set prices that incentivize desired adoption levels.

In the interim, the IPA should conduct an inquiry into an appropriate distributed generation adoption model that could inform adjustments to REC prices in subsequent years if needed. We recommend that the IPA consider at least the following models:

- DG adoption model proposed by Eric Williams, Rexon Carvalho, Eric Hittinger, and Matthew Ronnenberg in the journal Renewable Energy in December 2019.[2] The model relies on a robust relationship between the net present value ("NPV") cost per kilowatt for a customer to install solar and the likelihood of adoption. The Williams et al model can be adapted to determine the REC price required to incent the next block of distributed solar uptake by customers.
- NRELs Distributed Generation Market Demand (dGen) model simulates customer adoption of distributed energy resources for residential, commercial, and industrial entities in the United States or other countries through 2050.[3]

We are confident that these models can be adapted for the Large DG, Small DG, and EEC categories, but their applicability to the community solar categories would require further investigation.

Chapter 8 - Illinois Solar for All

As always, our organizations continue to participate in the Solar for All Working Group to varying degrees and largely reserve our recommendations for that space. However, there are a two areas left out of the Working Group's comments on which we would urge the Agency to take action:

1) **The IPA should lower REC prices for Non-Profit and Public Facility projects able to take the investment tax credit (ITC), in lieu of requiring 65% savings for participants of those projects.**

The Solar for All Program has a clear, administratively set requirement for participants to realize at least 50% of the energy savings. The Joint NGOs strongly support this requirement and are always excited to see projects that offer even more savings. However, there is no policy reason to require an otherwise-random subset of Non-Profit and Public Facility (NPPF) participants to receive higher savings. Furthermore, maintaining the higher REC prices to support these savings has serious costs which the IPA should seek to avoid: fewer overall projects and fewer customers benefitting. It also creates a challenging point of comparison for schools and multi-family projects that might have previously qualified for the NPPF program but do not under the current proposed Plan.

Differential REC prices rather than differential savings requirements is a more appropriate approach to solving for the challenges created by some NPPF projects taking the ITC and some

[2] Eric Williams, Rexon Carvalho, Eric Hittinger, and Matthew Ronnenberg., *Empirical development of parsimonious model/or international diffusion of residential solar*, 150 Renewable Energy 570, 570- 577 (2020) ("Williams et al." or the "Williams model").
[3] https://www.nrel.gov/analysis/dgen/

not. In talking with approved vendors about this issue, it has become clear that some fear that the implementation of lowering REC prices for NPPF ITC projects in lieu of requiring 65% savings would lead to a drop in REC prices commensurate with the ITC (currently 26%). And that such a drop would be too drastic for the market to bear. The Joint NGOs do not share developers' understanding of how modeling a project taking the ITC but requiring only 50% savings would lower REC prices, but nonetheless caution the IPA against making too drastic a cut to NPPF REC prices for projects taking the ITC, in implementing this suggestion.

2) **The IPA should consider adding energy sovereignty to project selection for the Nonprofit/Public Facility and Community Solar Subprograms.**

Project selection has worked extremely well in the Solar for All space to advance projects displaying certain characteristics. In addition to the carveout proposed in the Solar for All Working Group comments, the Agency should consider using project selection to advance energy sovereignty in these two subprograms.

Conclusion

The Joint NGOs appreciate the Agency's review and consideration of these comments. Please feel free to reach out directly to our organizations with any questions. We look forward to continuing to work with the Agency to make the RPS programs and procurements a success.