



201 California Street, Suite 630, San Francisco, CA 94111
www.srectrade.com | 415.763.7732

SENT VIA ELECTRONIC SUBMISSION

February 28, 2022

RE: Illinois Long-Term Renewable Resource Procurement Plan

Dear Mr. Star,

SRECTrade, Inc. (“SRECTrade”) welcomes the opportunity to offer comments on the recently released draft 2022 Long-Term Renewable Resource Procurement Plan (“2022 Long-Term Plan”). SRECTrade offers comments in relation to the Adjustable Block Program (ABP) proposals contained in the 2022 Long-Term Plan. SRECTrade’s comments address the following matters:

- a. REC Pricing and Capacity Buckets
- b. Scoring mechanism and project selection
- c. Prioritization of the redistribution of uncontracted capacity
- d. Project classification and co-location

REC Pricing and Capacity Buckets

The 2022 Long-Term Plan proposes a menu of REC prices for the individual categories that comprise the ABP. SRECTrade seeks an understanding of the rationale that underlies the differences in incentives offered for capacity bins that reflect similar project sizes among the ABP categories - distributed generation (large), public schools, traditional and community-driven community solar. SRECTrade is aware that these categories have similar responsibilities and obligations for compliance with the Prevailing Wage Act (PWA) as well as the fulfillment of reporting requirements under the PWA on demographic, labor force and training commitments. SRECTrade is interested in hearing whether there are additional costs that projects of similar capacity size in different ABP categories face and what are those specific costs and commitments that result in the price differentials observed among the ABP categories for similar capacity sizes within a group, Group A versus Group B.

When price differentials exist among similarly sized assets using the same technology, differences in fixed costs will not account for price differences observed across the ABP categories though resource commitments to the project’s development may result in differences in variable costs among project developers particularly where geographic location differences introduce additional costs for site preparation and development. If the Illinois Power Agency (IPA) is interested in providing incentives for the cost-efficient development of renewable energy projects, when project developers face similar project risks and compliance commitments within a common capacity bin among the ABP categories and those capacity bins belong to the same group, Group A or Group B, then market participants seeking to build projects of a similar capacity size should be indifferent among the ABP categories that have similar regulatory commitments. The current incentive structure as presented by the IPA requires further explanation that accounts for the price differentials observed. In particular, the IPA needs to explain the economic rationale for the price differentials incorporated within the structured capacity bins across the ABP categories



201 California Street, Suite 630, San Francisco, CA 94111
www.srectrade.com | 415.763.7732

where the capacity bins account for the same project size. Do the price differentials reflect corporate financing differences and its associated risks and rewards given assumptions within the REC pricing model of reasonable rates of return for projects developed under different financing structures?

Scoring Mechanism and Project Selection

Within the 2022 Long-Term Plan, the IPA proposes a scoring mechanism for the traditional community solar category of the ABP. The scoring mechanism is intended to shift from reliance on a random selection process when this ABP category is oversubscribed on the first day of block opening. The scoring mechanism relies on a list of criteria used to score projects based on the points assigned to each listed criterion. The idea of using the scoring mechanism is attractive when linked to explicit objectives which are absent from the IPA's proposal. A clear enunciation of the objectives that underlie the priority ranking criteria will help tremendously with the points assignment to the criteria and even an improved listing of criteria if avoidance of implicit bias against the scoring mechanism is a desired characteristic of the IPA's proposed mechanism. For example, the current proposal shows indifference between the criteria that address agriculturally-sensitive provisions, equity eligible contractors, geographic diversity, and waitlisted projects as of December 31, 2020, which conveys the message that the IPA is indifferent among these criteria yet the 2022 Long-Term Plan explicitly states that consistent with the legislation of Public Act 102-0662 there is a commitment to increasing the capacity allocation for equity eligible contractors. Consequently, mixed messaging is communicated between the scoring mechanism and the legislative intent of Public Act 102-0662 and can undermine participation in the traditional community solar category of the ABP if left unresolved.

SRECTrade recommends that the IPA align the scoring criteria with the intent of the legislation reflected by Act 102-0662 and apply a point assignment score that reflects the intent of the law.

Prioritization of the Redistribution of Uncontracted Capacity

The 2022 Long-Term Plan contains the description of a priority ranking structure to be applied to uncontracted capacity when there are ABP categories with capacity allocations that remain unused. The idea proposed by the IPA seeks to award the right to such unused capacity to the Equity Eligible Contractors category of the ABP followed by distributed generation (small) and waitlisted community-driven community solar, respectively. Thereafter, any remaining uncontracted capacity is equally distributed among the three categories listed.

First, over-subscription of any capacity bin within any category is an indication of inappropriately sized capacity bins relative to the monetary incentive offered among the individual capacity bins in the ABP category. Persistence of such a feature in the procurement solicitation will undermine the development of robust competition for project selection within the ABP category and a resort to a priority ranking mechanism to clear the waitlist becomes a predictable outcome that project



201 California Street, Suite 630, San Francisco, CA 94111
www.srectrade.com | 415.763.7732

developers will exploit. Therefore, the IPA should strive to construct capacity bins within the individual ABP categories that capture not only economies of scale benefits but modular sizing of projects in a manner that encourages robust competition among participants.

SRECTrade recommends that the small and large, distributed generation categories be given priority to claim the uncontracted capacity with a higher percentage allocated to the EEC in each category thereby satisfying the intent of the Public Act 102-0662 for increased EEC participation and retaining the effective presence of small and large distributed generation whether provided by EECs or non-EECs within the REC marketplace.

Project Classification and Co-location

Co-location can be presented in varying flavors from the aggregation of multiple owners sharing a common project site to the multi-use variant where project sites may involve both residential and small commercial activity. While their aggregation facilitates the exploitation of scale economies, there may be corporate financing loopholes that are exploited given the underlying corporate financing structure assumed for such arrangements within the REC Pricing Model.

While SRECTrade is sympathetic to the definition adopted within the 2022 Long-Term Plan, we recognize that the definition elaborated also provides mitigation for anti-competitive behavior through asset ownership that exceeds 20% of the capacity in a geographic location. However, the aggregation of mixed-use facilities (that is, where small commercial and residential use are aggregated) assumes that such parties subscribe to the same rate class which may not necessarily be the case. As a result, such aggregation leads to the distortion of benefits to be delivered among the subscribers to the aggregation when the rate classes differ. Any indifference among customer use will eventually undermine the ratemaking principles that result in the tariffs approved by the regulatory commission and dilute the benefits of RECs being delivered to residential retail customers thereby eventually reducing residential participation in the ABP.

SRECTrade recommends aggregations should only be permissible among subscribers who are members of the same rate class.

Further, for arrangements that involve affiliates or separate entities combined to form a single project where each entity is a separate legal entity, SRECTrade recommends the enforcement of a minimum size for each subscriber's share in the project such that separation of the activity and metering is achieved, and transparent reporting is accomplished under the Prevailing Wage Act.

Also, SRECTrade wishes to acknowledge a common mixed-use scenario which results in lower than appropriate REC pricing. In rural areas, it is common for small and large commercial projects to be sited on the same parcel of land neighboring a residential home with the same owner. As a result of the current co-location rules the residential solar installation receives the lower, commercial REC pricing. It is clear however that the cost structure for the residential project is not comparable to the commercial system despite being located on the same site. SRECTrade



201 California Street, Suite 630, San Francisco, CA 94111
www.srectrade.com | 415.763.7732

recommends allowing residential classified projects an exemption from the typical co-location block price determination rules.

Please let us know whether any further clarification regarding our comments is required.

Respectfully,

Beverly Brereton

SRECTrade, Inc.