

## **REC Pricing Model**

### **Request for Stakeholder Feedback**

**November 12, 2021**

#### **Background**

On September 15, 2021, Governor Pritzker signed the Climate and Equitable Jobs Act ([Public Act 102-0662](#)) into law. This Act includes significant changes to the Illinois renewable portfolio standard, with the requirement a new Long-Term Renewable Resources Procurement Plan be published no later than 120 days after the effective date of the Act.

The Illinois Power Agency (“IPA” or “Agency”) is seeking feedback on certain topics in preparation for publishing its updated Long-Term Renewable Resources Procurement Plan on January 13, 2022 in compliance with P.A. 102-0662. This feedback may be utilized by the Agency to help form the content of that draft Plan, with stakeholders having additional opportunities for comment after that draft Plan is published.

The Agency is seeking feedback on the updated REC pricing model released as part of the now-withdrawn draft [Second Revised Long-Term Plan](#) on August 16, 2021, in addition to feedback on specific items related to new provisions of Public Act 102-0662.<sup>1</sup> The updated REC Pricing Model is described in Section 6.4 of that Plan and in more detail in Appendices D (Model Description) and E (REC Pricing Model Spreadsheets). The appendices can be found at: <https://www2.illinois.gov/sites/ipa/Pages/Second-Revised-LTRRPP-Appendices.aspx>.

**Responses to this Request for Stakeholder Feedback should be submitted to the IPA by December 3, 2021. Written responses should be emailed to [IPA.Contactus@illinois.gov](mailto:IPA.Contactus@illinois.gov) with the subject “Responder’s Name – Response to REC Pricing Model Comment Request.”**

In general, responses will be made public and published on the [Illinois Power Agency](#) website. Should a commenter seek to designate any portion of its response as confidential and proprietary, that commenter should provide both public and redacted versions of its comments. Independent of that designation, the IPA reserves the right to provide its own redactions if the Agency determines that a response contains confidential information that should not be disclosed.

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<sup>1</sup> The Agency released a draft Second Revised Long-Term Plan for public comment on August 16, 2021. Comments were to have been due on September 29, 2021. With the enactment of Public Act 102-0662, that Plan was withdrawn, and a new revised Long-Term Plan is being developed to incorporate new provisions of that Act with a release date for public comment of January 13, 2021.

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## Stakeholder Feedback Questions

In Section 6.4 of the now-withdrawn Second Revised Long-Term Plan, the Agency specifically sought feedback on the following topics related to the REC Pricing Model:

1. The Agency updated a number of inputs including the level of the federal Investment Tax Credit, updated costs from a national cost benchmarking study, AC/DC ratios based on applications received, current net metering values, and community solar interconnection costs. The Agency would appreciate feedback on those updated input assumptions.
2. The updated REC Pricing Model used updated capacity factors that varied by project type and group, and were based on an analysis of project applications received by date. Are these capacity factors appropriate?
3. Due to the lack of data from existing applications for smaller sized community solar projects, data from distributed generation project capacity factors were used as a proxy for the likelihood of these projects to be roof mounted and thus less likely to use trackers. Is this a reasonable proxy for smaller community-driven community solar projects?
4. The Agency updated interconnection costs for community solar projects based on a survey of community solar projects currently accepted in the program. Are these updated costs accurate?
5. The Agency was also interested in feedback on inputs that were not updated including those related to financing structure (e.g., debt ratios and project financing interest rates), internal rates of return, and O&M costs.

For more details on those feedback topics see pages 143-8 of the withdrawn draft Second Revised Long-Term Plan.

With the enactment of Public Act 102-0662, the Agency is also interested in feedback on the following topics:

6. With the increase in Small DG to up to 25 kW, should there be a single Small DG price for each Group, or should there be size categories like there are for Large DG and community solar (e.g., an up to 10 kW price and a over 10 kW to 25 kW price)?
7. With the expansion of maximum project size to 5 MW, what additional price categories should be added for projects over 2 MW? Is one category for 2 MW to 5 MW projects sufficient?
8. Should changes to the Illinois net metering statute inform the REC pricing model's assumptions for revenues that a project receives from net metering? If so, how should the model address those changes?
9. The Agency previously issued a request for stakeholder feedback on the cost of compliance with prevailing wage requirements as part of the Adjustable Block opening process.<sup>2</sup> Are there other significant cost adjustments that should be considered that were not reflected?
10. What additional cost considerations should be included for public schools, community-driven community solar, and EEC projects? Should any of these be adders rather than adjustments to the base REC price (e.g., an adder for rooftop community driven community solar projects)?

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<sup>2</sup> See: <https://illinoisabp.com/wp-content/uploads/2021/10/Large-DG-REC-Price-Feedback-14-Oct-2021-Final.pdf>.

11. Community Solar REC prices currently include an adder for small subscriber commitments with the highest adder for projects with over 50% small subscribers. With a 50% minimum commitment for small subscribers not a statutory provision, should the small subscriber adder be removed and instead subscriber management costs be factored into baseline community solar prices?
12. What price adjustments should be offered for community-driven community solar projects to cover potentially less economically efficient approaches to subscriber acquisition, subscriber management, project location, and other criteria for project selection?
13. How will the option for utility-billing for community solar subscription fees impact subscriber management costs?