Illinois Power Agency
105 W Madison Street
Chicago, IL 60602

September 29, 2023

Advanced Energy United response to request for comment on the Illinois Power Agency's Draft 2024 Long Term Renewable Resources Procurement Plan

Introduction

Advanced Energy United (United) respectfully submits the following comments in response to the Illinois Power Agency's (IPA's or Agency's) Draft 2024 Long-Term Renewable Resources Procurement Plan (Draft LTRRPP or Draft Plan) and appreciates the opportunity to provide input.

Advanced Energy United is a national clean energy trade association representing businesses across the various sectors of the advanced energy industry, including large-scale renewable developers, distributed generation developers, and corporations with decarbonization targets. The Advanced Energy Buyers Group (AEBG), facilitated by Advanced Energy United, represents large corporate buyers of advanced energy, including those operating in Illinois with interest in participating in the self-direct program. These companies are among the 76% of the Fortune 100 companies and 60% of the Fortune 500 companies that have established renewable and/or decarbonization targets. AEBG members share a common interest in expanding the use of advanced energy, including renewable energy (both on-site and large-scale), demand-side resources, and energy storage.

We commend the IPA for taking proactive steps to receive and respond to stakeholder feedback over the course of implementing the 2022 LTRRPP and in the stages of developing this draft Plan. United has engaged in the development of the IPA's 2022 LTRRPP and has responded to requests for feedback on elements of the Draft LTRRPP, largely focused on the Self-Direct RPS Compliance Program. Our comments on this plan focus on the following elements chapters and issues:

- Chapter 6: Self Direct Renewable Portfolio Standard Compliance Program
    - 6.5.1: Self Direct Bill Crediting
    - 6.6: Self-Direct Program Size and Selection
- Chapter 7: Illinois Shines (Adjustable Block Program)
    - 7.3.1.1 Group A Oversubscription Challenges (Request for Feedback on Proposed Solutions)

Summary of Recommendations

The comments below make recommendations to improve program participation in the Self-Direct Compliance Program and respond to the IPA's request for feedback on proposals to address the issue of oversubscription in the IL Shines Group A blocks.

The Self-Direct Program, designed to help meet the state's renewable targets and recognize renewable development by voluntary buyers, has underperformed in its first program year largely due to an insufficient bill credit and small program size. United recommends that the Agency raise the bill credit as appropriate and increase the program size to spur greater participation.

The Agency proposes several potential solutions within its authority to address the oversubscription and incentive gap in IL Shines Group A blocks. United provides recommendations that specifically address the Group A Small DG blocks within this plan, given the unique challenges oversubscription poses to Small DG vendors. Specifically, United suggests pulling forward future funds to increase the program size of Group A Small DG, altering the split in capacity between Group A and Group B to reflect proposed and approved Part I applications, discontinuing netting of waitlisted capacity, opening year two of the program for a more continuous market, setting an amount of pull forward funds for discretionary capacity, and establishing a minimum floor REC prices for Group A Small DG projects.

Chapter 6: Self Direct Renewable Portfolio Compliance Program

United's comments on this Draft Plan mirror those shared with the Agency during the development of the 2022 LTRRPP and determination of an appropriate program size in 2023. We urge the Agency to reassess its bill credit methodology and establish a bill credit that incentivizes, and does not disincentivize, self-directed procurement. We also urge the Agency to establish a larger program size than the 4 million RECs proposed in this Draft Plan for the 2024-25 delivery year, given the size of the voluntary buyers market, the interest in the program, the need for greater participation in this program, and the minimal risk in increasing the program size. The insufficient bill credit and small program size are deterring participation in the program.

6.5.1: Self-Direct Bill Crediting

As the Agency notes, the just two applicants have been approved for the Self-Direct 2023-24 delivery year and are expected to retire between 500,000 and 1,000,000 RECs this year, short of the 3 million REC program size. As currently constructed, the bill credit only provides ~.00031 cents per kWh credit in Ameren and ComEd territories. This equates to a credit of ~6% of the total Renewable Energy Adjustment surcharge, which does not justify the administrative costs and instead disincentivizes participation for many potential participants. Advanced Energy United urges the Commission to reassess its methodology as appropriate to incentivize participation in the program.

6.6: Self-Direct Program Size and Selection

The Self-Direct Program allows the state to recognize the renewable commitments and purchases of voluntary buyers, which will go faster and farther than the state's RPS and bring new renewable generation online, helping the state meet its targets. The program serves to prevent double procurement of RECs for voluntary buyers, reducing the number of utility-scale RECs the IPA must procure. In turn, this reduces the cost of compliance with the RPS for all ratepayers, lowering the cost of RECs, and contributing to lower electricity costs. If adequately enabled, the Self-Direct Program will attract private capital to renewable energy projects in the state.

To enable the program to realize these intended benefits, the program should be sized to provide potential participants with certainty that their renewable contracts will be approved (assuming all other applicability requirements are met) and the cap won't be hit. The program size also needs to be large enough for existing program participants to grow their load and associated renewable energy generation in the state.

In the program's first year, just two customers participated, and as the IPA notes in this Draft Plan, the amount of RECs that participants plan to retire for the 2023-24 delivery year (between 500,000 and 1 million RECs) is short of the current 3 million REC program size. Members of Advanced Energy United's AEBG contend that the small size of the program is one of the key deterrents of participation, particularly by customers with larger loads, due to the uncertainty that their contracts would be approved.

We appreciate the challenge of determining an appropriate program size for the 2024-25 delivery year, and are pleased to see the Agency's proposal to increase the program size. However, in United's view, the program size is still unnecessarily limited. Instead, the program size should be larger to reflect growing interest in corporate renewable energy commitments, the certainty needed to facilitate planning by prospective participants, and input from prospective and existing participants, in addition to a market-size analysis.

Setting a program size that may been viewed as too small by prospective participants deters participation and therefore carries more risk than an over-sized program. As United stated in our previous comments, a program with excess capacity will not harm achievement of the state's RPS goals—utilities are not yet close to meeting 40% of large customers' load with renewable energy, so a larger program size will not diminish the need for large-scale RPS procurements, at least in the near term. Instead, this will allow and encourage current and future participants to expand in the state, supporting economic development and renewable energy development. While we are encouraged by the proposed increase in the program size, we urge the Agency to increase the capacity further to fairly reflect the growth potential in private projects in the state, address the concerns from voluntary buyers that a small program size could hinder participation, and consider the outsized benefit to ratepayers, renewable development broadly, and to the RPS and REC market.

Chapter 7: Illinois Shines, Small Distributed Generation

7.3.1.1 Group A Oversubscription Challenges – Small DG

Advanced Energy United recognizes the challenge facing the IPA to work within its authority and maintain a consistent level of work for vendors and contractors while limiting the impact on the RPS budget from solutions to addressing oversubscription. We appreciate the Agency's efforts to convene and solicit stakeholder input and propose solutions to addressing the oversubscription and incentive gap in Group A.

As the IPA is well aware, addressing the oversubscription of Small DG blocks is a time-sensitive issue given the uncertainty it creates for residential solar companies, particularly smaller providers, in developing projects and retaining employees. This is a particularly unique challenge for Small DG considering their shorter development timelines, the timeline for submitting projects to the IL Shines program, a sales approach that relies on providing certainty of incentives to customers, and less revenue generated per project. Large DG projects, on the other hand, have longer development timelines and fewer projects which generate greater revenue, so Large DG developers are not as heavily impacted by incentive gaps. Therefore, our recommendations focus on addressing the issue through accommodations that specifically support the Small DG sector. We support several of the Agency's proposals to address oversubscription and recommend additional solutions and changes to those proposals within the Agency's authority.

Oversubscription exacerbates boom-bust cycles for Small DG vendors, where developers scramble to secure sales during the period of the year when the block is open, staffing accordingly, then having to weigh the pros and cons between retention of employees and their financial wellbeing, versus the need to reduce business costs and the challenges of ramp-up again when the block re-opens.

Advanced Energy United recommends:

- Increasing the Group A Small DG program size specifically by bringing forward additional capacity from future years;
- At the discretion of the Agency, altering the split in capacity between Group A and B, as there is unclaimed capacity in Group B;
- Discontinuing netting of waitlisted capacity;
- Opening the 2025-26 block for Small DG in 2024 to create a more continuous market for eligible projects;
- Setting aside a specific amount of discretionary capacity from those funds pulled forward, and;
- Establishing at minimum a floor on waitlist REC prices for Group A Small DG projects.

Increase Group A Small DG Program Size

The Agency should pull forward REC incentives from Group A Small DG from future years to be made available for 2024-25 and 2025-26 program blocks (those funds would then not be available during the years from which they were pulled). The IPA should have flexibility to use this approach to mitigate oversubscription and the resulting waitlists. Moreover, the IPA should lift waitlist netting and instead address a previous block's waitlist utilizing a portion of funds pulled forward. As the IPA suggests, discontinuing waitlist netting will provide vendors with greater certainty of the next block's capacity.

United believes this would have a minimal impact on the RPS budget shortfall projections, as REC requirements from Group A are a relatively small portion of the RPS requirements. Additionally, as the Agency notes, large-scale wind procurements, among other REC procurements, are not having projected budget impacts, lowering the risk of overall budget impacts from pulling funds forward from future Small DG Group A blocks.

PA 102-0662 does not appear to prevent the IPA from opening the 2025-26 block during the 2024-25 program year to create a more continuous market. United recommends the Agency consider doing so while complying with Section 1-75(c)(1)(k) of PA 102-0662 provisions related to transparent and predictable REC prices and amounts for blocks. This would support a more continuous work for contractors and allow vendors to pitch projects to customers with greater certainty of incentives.

Adjusting Capacity Allocation Between Group A and Group B

United supports the IPA's proposal to adjust the 70-30 split between Group A and Group B capacity as needed, for example as the Agency sees Group A filling quickly, it has the ability to adjust the split during a program year to an even 50-50 split for the current and future cycles. A more even split is consistent with proposed and approved Part I applications.

Conclusion

Advanced Energy United hopes that the IPA considers these recommendations in the 2024 Draft LTRRPP submitted to the Illinois Commerce Commission for approval and looks forward to engaging in development and implementation of the Plan.

Regards,
Samarth Medakkar, Policy Principal
Advanced Energy United