NEW LEAF ENERGY'S COMMENTS ON THE DRAFT 2024 LONG-TERM RENEWABLE RESOURCES PROCUREMENT PLAN

September 29, 2023

Introduction

New Leaf Energy, Inc. (NLE) appreciates the effort and consideration the Illinois Power Agency has given to developing the 2024 Long-Term Renewable Resources Procurement Plan. NLE participated in the development of comments submitted by the Joint Solar Parties (JSP) and Clean Grid Alliance (CGA) and is aligned with the viewpoints provided in each of those sets of comments. However, NLE wishes to submit these separate comments broadly highlighting one issue already presented in the JSP comments and making one further recommendation not included in the JSP or CGA comments.

Chapter 3: REC Portfolio, RPS Goals, Targets, and Budgets

NLE wishes to emphasize the comments provided by the JSP regarding Chapter 3, specifically those calling out the IPA's analysis in this Draft Plan in Table 3-13 that shows an RPS budget shortfall under base case modeling by Delivery Year 2029-2030.

Further, NLE echoes the JSP comments urging the IPA to make comment within this Plan on the relationship between any potential future shortfall projected in the RPS budget and Section 75(c)(1)(L)(viii) of the IPA Act, which limits utility obligations to make payments on REC Contracts to funds utilities have collected through the RPS rider from ratepayers. While making changes to Section 75(c)(1)(L)(viii) is of course not possible through this Plan revision, that provision looms as a consistent threat to the State's clean energy goals and the renewable energy industry maintaining the certainty necessary to finance and build projects. NLE agrees with the JSP comments that it will take a coordinated stakeholder effort inclusive of the Agency to develop a long-term sustainable solution.

Additionally, NLE encourages the Agency to balance decision making within this Plan to minimize impacts to the RPS Budget whenever possible, right-sizing solutions to meet the clean energy goals of the State. The RPS Budget is intended to cover REC contracts for a myriad of different technologies at varying contract lengths. Financers of renewable energy projects are already taking into consideration the ability of the utilities to meet their contractual obligations, and that is being reflected in expected returns. Any additional RPS Budget impacts will increase that pressure.

We have three specific comments supplementing what is included within the JSP comments on this issue:

- First, NLE sympathizes with market participants developing projects for categories in the ABP that have been exhausted or are nearing exhaustion for the current Program Year, such as the Small DG category. Categories that NLE participates in, including Traditional Community Solar, are also exhausted for the current Program Year, but we understand that the best solution for one category may not be the best for another. We support the solution for Small DG capacity proposed by the JSP, and we urge the Agency to implement a fix that appropriately sizes Small DG capacity with what is necessary to prevent the detrimental effects to the Small DG market segment described within the JSP comments. Providing an oversized solution to the problem would put incredible pressure on existing and future projects with long-term REC delivery contracts.

- Second, NLE believes the Agency should consider in the future an approach to REC prices taken by New York, where baseline REC prices compensate a baseline project and adders are used to encourage specialty projects that may achieve other policy goals of the state. The adders could be limited to a finite pool of money, which, once exhausted, is gone. In our view, this approach has worked well in New York to balance goals for clean energy development with other policy priorities.

- Third, in a similar vein, we urge the Agency to consider right-sizing the REC price specifically for projects that are paired with a storage component and that participate in the ABP at a higher DC capacity of 200% of the AC capacity of the system, which is a newly proposed limit by the Agency in this Draft Plan on page 200. We applaud the Agency's proposal of a higher Inverter Load Ratio for these systems to help maximize the value that a storage component can provide to the grid. We also note that a higher Inverter Load Ratio will mean more production and value to the project. Although adding storage does also add cost to the project, there are several ongoing investigations and regulatory proceedings that may result in additional compensation for projects paired with storage (including the Value of, and Compensation for, DERs Investigation at the ICC and the Multi-Year Integrated Grid Plans for ComEd and Ameren also at the ICC). If proposals within those proceedings are successful in adequately compensating storage, then the Agency should adjust the REC price accordingly. If the REC is not right-sized, projects paired with storage could be overcompensated for their RECs, and more of the RPS Budget would be needlessly spent. We recommend that the Agency maintain awareness of those proceedings and consider adjustments to REC prices for such projects in the future if necessary.

<u>Section 5.5.3 Non-Photovoltaic Community Renewable Generation</u>

NLE encourages the Agency to revisit a periodic Community Renewable Generation Program Forward Procurement. As the Agency noted in the Draft Plan, such a procurement was conducted in December 2019 and did not yield any selected bids. Section 1-75(c)(1)(N) of the IPA Act states that through Plan updates, the Agency "may consider whether community renewable generation projects utilizing technologies other than photovoltaics should be supported through State-administered incentive funding, and may issue requests for information to gauge market demand." NLE believes it is a valuable endeavor for the Agency to now re-gauge market demand for non-photovoltaic community renewable generation development.

Of specific note, the passage of the Inflation Reduction Act in 2022 stabilizes the value of the base Production Tax Credit and extends it to additional technologies. To the extent such projects are being developed in contemplation of this new federal incentive, it would be beneficial for the Agency to offer a procurement that could capture RECs generated from such projects. This potential competitive procurement for Non-Photovoltaic Community Renewable Generation projects could be a tool at the Agency's disposal to help ameliorate the REC Shortfall described in Chapter 3 of this Draft Plan and, in particular, it could help chip away at the wind deficit in a cost effective manner.

Conclusion

NLE thanks the Agency for its continued efforts to manage renewable procurements and programs for the State of Illinois and we appreciate the opportunity to submit the above comments.

Sincerely,

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