



**Post-Award Indexed REC Process Fifth  
Workshop: Proposed Solutions to Key  
Challenges**

**December 2, 2024 Workshop**

1. Introduction

- a. People (IPA, NERA, Others)
- b. Recap on Indexed REC and Workshop Process
  - i. Why is the IPA holding these workshops?

Chandrika Mital, IPA: The IPA procures energy to help IL meet its RPS goals. Post-COVID, the IPA received requests to modify contracts after execution due to fluctuating costs, where the economics of the project have become unfeasible to see it through to energization. Currently, the IPA does not have a formal process to renegotiate or modify executed contracts. We talked about holding these workshops in the 2024 Long-Term Plan (LTP). We want to make sure developers have a path to see these projects to fruition, hence these workshops.

- ii. What will the IPA do with the information shared during the workshop?

Chandrika: It will form the basis of the proposal submitted in a Compliance Filing with the Illinois Commerce Commission (ICC) in February 2025.

- iii. Option to submit confidential information or public feedback

Chandrika: There is the option to submit confidential feedback, we do realize that some of the information, specifically when it comes to economics of these projects, is very sensitive that a lot of developers do not feel comfortable sharing in a public platform. While we understand the need to protect your commercially sensitive data, we also need to have information shared with us whether confidentially or publicly to make that filing with the ICC, so we understand what the challenges are, so you do have an option to submit confidential information via email.

## 2. Workshop Logistics

### a. Workshop Format

Chandrika: IPA wants these workshops to be conversational so we can gather information for any process improvements. Today's workshop is the final one, we will post recording and notes of each workshop with a goal that a proposal will be included in a compliance filing with the ICC in February 2025.

## 3. Summary of key challenges heard over the past four workshops

Chandrika: Most of the challenges the IPA has heard fall into these "buckets." If we did miss challenges that do not fit in a bucket, please bring it forward so we can make sure we address it. Another avenue for bringing up concerns more geared towards contract/index REC challenges is when that procurement process starts. NERA puts out documents before that process starts and welcomes feedback. The IPA is proposing solutions (below) to some of these challenges, and while we are still in this workshop process, we would like to hear stakeholder feedback on these proposed solutions.

### a. Post-Award Inflation

There is usually inflation on a lot of project costs between contract award and the start of construction. A key solution is to bring in what some other states do and propose an inflation adjustment mechanism.

### b. Post-Award REC Quantity Adjustment due to

- i. Changes in land size
- ii. Changes in project size/REC quantities due to interconnection and transmission upgrades

One solution that the IPA is proposing is to potentially allow for a very strict contract change if a developer's project is facing either of these two challenges and they want to modify the amount of RECs they bid in.

### c. Post-Award Interconnection and Transmission Upgrade Cost Changes

The IPA has heard that it is not until later in the process, when they get interconnection agreements signed, that they know what the full cost will be. We could contemplate a bid adjustment (price change), or adjustment mechanism, and lastly, if we could think about

introducing advanced maturity requirements. So you need to have site control, interconnection. We are seeing more advanced maturity requirements in other states than what we have currently and want to explore that further.

d. REC Shortfall Amounts

We saw similar feedback on Index REC contracts. We did implement increased shortfall amounts, and Ben can speak to the flexibility we added.

e. RPS Budget

The IPA put together an RPS budget memo, and the Agency is committing to quarterly updates to the RPS so everyone is on the same page. We pulled in Anthony Star to give more information in our fourth workshop. I think it is better to keep this issue in RPS updates or the LTP. The changes are not necessarily something we can implement through this post award process.

4. Proposed Solutions to the key challenges

a. Optional Inflation Adjustment Mechanism

- Chandrika: IPA is leaning toward implementing an option inflation adjustment mechanism. We do not yet have a full understanding of what that may look like so we welcome feedback, but our closest comparison is what New York has for their land-based renewables. We saw in workshop #3 that NY has a generic technology agnostic formula, and a lot of you commented that the formula may not capture what you need it to capture.
- Elizabeth Wheeler, CGA: As for the optional inflation adjustment mechanism, CGA supports coming up with an inflation adjustment mechanism. There are workable formulas already available. New York has a more complicated but potentially adaptable formula for its offshore wind (OSW) adjustment that goes into more specifics about component prices and the inflation metrics and I was wondering if IPA has looked at using this with some tweaks for the IL process? Also, regarding the process overall, CGA has some concern about kicking the nailing down of the specific formula to beyond February 2025 when the ICC compliance filing is due. If there is a way to have a draft formula and comment opportunity on the formula for the February filing so the formula can be nailed down and it can be effective sooner?
- Chandrika: Regarding the first question, we have looked at the NY OSW formula, as we discussed in workshop #3. The OSW formulas were really advanced and potentially complicated for our application. The key challenge that we face, and we are talking to NY as

well, is that for land-based renewables, we need a formula that tackles both solar and wind so we don't get into a lot of nuances and keep it more simple. We are open to everything at this point. We are open to exploring two different formulas, maybe one for wind, one for solar, and have a specific component pricing or labor pricing and different weightings for these items. We're open to the formula, but we don't know if it's the best until we go into a deep dive of a generic formula compared to a more technology-specific formula. As for implementing or putting something into the compliance filing, what I'm hearing is the main reason we want to see that is because we want a solution quicker and we want the ability to provide feedback. In terms of having a solution quicker, the IPA agrees that this is a pain point and we want to work towards the same goal, but we want to balance that with this is something which is drastically changing our procurements, so we want to make sure we do the due diligence of fully weighing the pros and cons of implementing something like this, which will result in a lot of movement on our already limited RPS Budget. Until we do that deep dive, I don't know that this is something we can implement that quickly. But as far as feedback is concerned, we absolutely want this to be a transparent process and if we were to implement a mechanism like this, we would have some sort of feedback process on the formula and the process before moving forward. Based on this information, does having this by February still seem like something you want because given holiday schedules, I want to provide the opportunity for multiple stakeholder feedback sessions on the formula?

- Elizabeth: I guess just as quickly as possible.
- Chandrika: Yes, we understand that. We don't want this to feel like the last opportunity to provide feedback on the formula. This will absolutely be an involved process and we will engage stakeholders at every step of that development to ensure this is something that works for everyone.
- Chandrika: Any other feedback on the inflation adjustment mechanism?
- Billy Polymeros, Emeren: Agrees with everything Elizabeth laid out. The NYSERDA optional inflation adjustment mechanism is a little too simplistic and doesn't capture everything as a whole as needed. Chose not to opt in because equipment pricing is not being fully captured and at least the first formula is based on a very simple inflationary metric that does not really capture all of the changes with the supply chain and the ripple effect from COVID and everything.
- Chandrika: What I am hearing is developers are not opting in because the formula did not address the challenge developers hoped it would address.
- Billy: Yes.
- Chandrika: I want to address one key point and clarify that at this point, we don't think this will be a retroactive change. When this gets implemented, it will be for contracts in that procurement and going forward. The reason for not implementing retroactively is when we try to assess how the formula truly works and about the contracts that were already bid in without the option, for inflation adjustment, we think it may count as gaming and potential double-dipping as developers already built in some level of inflation in their existing bid

price without the option to opt into an inflation adjustment mechanism.

- Elizabeth: Has IPA given any thought to a bifurcated approach where existing contracts could have the opportunity to have a one-time adjustment based on inflation that maybe takes into account what you have said that inflation is already in bids? The worry is that we're already facing issues with getting existing contracts built, and if this is not available to existing contracts, there's a real possibility you will see a lot of these contracts stranded or not fully executed, thereby pushing development in IL further down the road.
- Chandrika: That's a good point, and we did think about it. It will come down to when it finally gets implemented and how many contracts are in that state. It would likely involve a lot of open-book discussions about margins incorporated in developer cycle for bid price, and then working backwards or have some sort of caps on the adjustment mechanism that gets implemented for everyone else. It will be potentially a one-off event for projects in that boat. There will be a lot of questions from stakeholders who are not in that boat. It seems ripe for disgruntled stakeholders. Once we see how many projects it would apply to, we can look at that, but I am not sure that investing the resources in that one-time adjustment would make sense given how many projects are in that boat and not knowing when this would be implemented.
- Elizabeth: A lot of our members are interested in pursuing this given the status of their existing contracts with the IPA. May be worth doing data analysis to see impacts on contracts that are in limbo to ultimately be abandoned and what it would take to come up with a fair solution everyone would be satisfied with.
- Chandrika: Coming up with a potential solution: potentially we could also look at those projects if they were, let's say, competitive in past procurements, they're a step ahead, they have a clear line of sight on their pricing now, and they may be able to rebid because our procurements happen so often. We could encourage them to rebid, with a lower collateral penalty, if the change in price is that significant for them. Again, I understand there are projects in limbo and whether there is a one-off process depends on the megawatts at stake, which determines whether it is worth it to invest the resources to hold a one-off process.

#### b. Post-Award Contract Term Change for REC Quantities

- Chandrika: Currently the IPA allows for a change in the size of the project, but the IPA does not allow changes to the number of RECs committed from that project and the price for the number of RECs committed. Stakeholders told us they want the ability to change the number of RECs they bid into the initial procurement. Many stakeholders see a change in land size post-contract, resulting in smaller project size and reduced REC generation. Many stakeholders also see challenges in interconnection costs and transmission upgrades. If those are too high, some developers reduce the project size, reducing the REC quantities they want to bid. We are open to exploring a contract change only for the REC quantities, where developers may be able to update the RECs they are bidding in, if it is due to those two factors (land size and interconnection costs). If there are any other changes or feedback on this solution, we are all ears.

- Elizabeth Wheeler: Our members support this change.
  - c. Possible Bid Adjustment / Rebidding / Advanced Maturity
- Chandrika: We have heard that developers have an estimate of their interconnection costs when they bid into IPA procurements, but by the time the interconnection agreement is executed, those costs may significantly change. Currently, there is no way to go back and alter your bid price because you have suddenly increased interconnection or transmission costs, so the only option is to absorb and terminate and rebid in the next procurement. Some of the solutions we discussed include allowing for a bid adjustment only based on interconnection and transmission, meaning we will have to ask for a lot more data during bidding about what developers' interconnection costs are and why. This is also ripe for a lot of questions about why the new bid price is the best price, so we could also consider rebidding in the next procurement which is only a few months away (because the IPA conducts two each year). Developers have better ideas of their costs, and we can discuss adjusting damages using the collateral they have already put in. Next, is the cleanest potential solution but there are pros and cons for requiring an advanced maturity for the projects that are bid into the procurements. Many other states do require potential projects to have an interconnection agreement, so developers have a good idea of those interconnection costs before they enter the procurement. Are transmission and interconnection upgrade costs truly a pain point? If so, what are your thoughts on these options?
- Alejandro Aixala, Invenergy: I have a few questions. When you talked about the rebidding, when is someone pulls out of a previously awarded contract and rebids, how would you avoid the potential for gaming? What penalty would be associated? The advanced maturity requirement may be a challenge because of what we are seeing with the interconnection process right now.
- Chandrika: For rebidding, it is not necessarily a rebidding for that particular round but encouraging stakeholders that are facing that challenge to bid into subsequent already scheduled procurement, which would be a fresh bid going in and there would potentially be penalties involved. I do understand estimating interconnection and transmission can be an art but the penalty would just be for not having the full line of sight that could be baked into the bid and then the developer needs to pull out. It would be more so considering a fresh bid into a new procurement.
- Alejandro: I think there would be reluctance among some developers to share the information they would need to in order to adjust for interconnection costs.
- Chandrika: Yes, agreed. It may be an opt in to providing the information.
- Alejandro: When developers are submitting their bid, would they have to provide this information at bid submission or after selected?
- Chandrika: At submission. So what I am thinking is you have two options. One would be to opt into an inflation adjustment mechanism, and one would be to opt into a potential bid adjustment or rebidding due to interconnection and transmission cost upgrades, and it

would be something you opt-in at the time of submitting your bid.

- Elizabeth: I am not sure that our members have talked about these specific proposals. The issue is a pain point, but I do not have specific feedback on your proposal.
- Chandrika: About advanced maturity requirements, would something similar to what other states have, requiring projects to be further along, be impossible to meet in IL? How tedious would it be to require a project to have an interconnection agreement to bid into the IPA procurement?
- Dawn Fischer, AMRESKO: We are generally in the brownfield category. We do wait until we are in one of the study phases and have an idea of the path forward before we participate.

#### d. Increased Shortfall Amount via Contract Feedback Process

- Chandrika: We heard that the REC shortfall amounts that were in procurements prior to the Fall 2024 Indexed REC contract (prior to the current procurement) were too stringent. Ben will discuss the changes we made for the Fall 2024 Indexed REC procurement.
- Ben Chee, NERA: There are a lot of flexibilities and accommodations made in the contracts over the years, which were made as a result of stakeholder feedback. Every time we have a procurement, we open these issues for comment and take feedback very seriously. Currently, when developers bid in, they name a bid price and a baseline quantity of RECs they are committing to deliver each year. For solar projects (both brownfield and utility scale), the IPA has expanded to include a bespoke degradation rate that developers can name for their solar projects. The REC Contract provides for 241 months of acceptable vintage period, which is 20 years plus an additional month of acceptable vintage for RECs to be eligible for payment. There is also no prohibition on size changes between what they developer proposed in the RFP and what they actually build, but we do ask you for a commitment to a certain REC quantity. There is also great latitude in project siting. The RFP asks for the site map to help us understand where the project will be sited, and the contract requires that at least 50% of the project must be sited within the map the developer provides. In terms of enhancements to accommodate shortfalls, what the IPA looks at is the quantity bid in. If a developer is short in the period after energization through the second full delivery year (i.e., the stub period before the first full delivery year and the first and second delivery years), any shortfalls are not counted against the developer. They are just considered for delivery and settlement purposes, there are no penalties tied to shortfalls during this period. The IPA has also expanded the terms of the quantity requirement. A developer would have to be short 5 years and exceed 2x the annual quantity (increased from the previous 1x in the previous IREC contract) before triggering an event of default. Under the contract, a developer may also make a manual transfer of RECs to cover shortfall. If a developer is still short, despite all of these accommodations, there is a process to submit a waiver request to the IPA. A waiver request to the IPA is made on a case-by-case basis if an event of default has been triggered. The waiver request is made for good cause. These examples are provided in the IREC contract, such as long-term weather patterns or serial defects. The IPA has also expanded the force

majeure provisions and material adverse provisions due to government action under the contract. We want you to know that we do take your feedback seriously and that this is not the only opportunity you have to share your concerns. The ongoing IREC contract process happens at least twice per year during the Indexed REC RFP process.

- Chandrika: I want to highlight what the 2x annual quantity requirement implies that, similar to the private, bilateral market, a developer could fall short 10-11% on RECs each year, which is higher than the performance guarantees that exist in private, bilateral contracts. We are trying to get as close as possible to realistic generation on developers' projects and to match what developers think they will be able to provide based on that realistic generation. Like Ben pointed out, there are a lot of flexibilities built in if developers face challenges outside of their control.

e. Updated via RPS Budget Memo and next Long-Term Plan

Chandrika: The IPA is acutely aware this impacts everyone, especially when financing projects. We are attempting to provide RPS budget updates quarterly. And we encourage folks to share feedback in the IPA's 2026 LTP, which the IPA will publish for stakeholder feedback in August 2025. We all understand that this is something we hope could be fixed legislatively given the caps that we have, and many states do not have these caps to ensure that contracts are paid out.

5. Questions Submitted in Advance of the Workshop

Chandrika: There were no questions submitted in advance of this workshop.

6. Next Steps After the Fifth Workshop

- a. Posting of Workshop Summary: [a recording and written notes will be published in the next week or so.](#)
- b. Draft Proposal to be developed in December - January
  - i. Draft proposal released for public comment by January 20, 2025
  - ii. Public comments due on draft proposal by February 3, 2025
  - iii. Final proposal to be included in a compliance filing with the ICC by February 19, 2025