



## MEMORANDUM

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**To:** Illinois Power Agency

**From:** Central Road Energy LLC

**Date:** November 22, 2023

**Subject:** Response to Request for Comments on REC Price Model Cost Inputs

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Central Road Energy appreciates the opportunity to comment on the approach the Illinois Power Agency (IPA) plans to implement cost data collection on projects participating in the Illinois Shines and Illinois Solar for All programs.

Central Road Energy is the largest Renewable Energy Credit (REC) aggregator working in the Illinois Solar for All (ILSfA) program. Through Program Year 6, we manage just under \$40MM of ILSfA REC contracts and just over 40% of the REC contracts (by dollar amount) awarded in the Non-Profit/Public Facilities (NP/PF) subprogram. Our clients run the gamut from small two-person developers to large national firms. Consequently, our comments are focused on the ILSfA program and the impact of the proposed data collection on the program, our clients, and us.

The NREL guidance provided with the CREST model,<sup>1</sup> emphasize that the CREST model is a tool meant to help establish cost-based incentives, where cost-based policies may be performance- or capacity-based and are sized relative to the cost to install and operate a particular subcategory of renewable energy assets. However, the objectives of the ILSfA program do not include any cost-based requirements but rather, are predominately, if not solely, goal oriented. As enumerated in 20 ILCS 3855/1-56 (b)(2) of the of the IPA Act, these goals include:

- bringing photovoltaics to Illinois' income eligible communities in a manner that maximizes the development of new photovoltaic generating facilities,
- creating and growing a long-term, income eligible solar marketplace throughout Illinois,
- Ensuring that projects are located across all of Illinois, including both urban and rural communities, and not concentrated in a few communities or exclude particular income eligible or environmental justice communities
- minimizing administrative costs.
- maximizing efficiencies and synergies available through coordination with similar initiatives, including the Illinois Shines program, energy efficiency programs, job training programs, and community action agencies.

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<sup>1</sup> <chrome-extension://efaidnbmninnibpcajpcgicfindmkaj/https://www.nrel.gov/docs/fy11osti/51093.pdf>



With this in mind, at best, the CREST model should only be used to establish “baseline” ILSfA REC prices. These baseline prices should be adjusted based on an evaluation of the results of the subprogram as they pertain to the ILSfA program goals. The Agency should consider the following when setting REC prices:

- Is the income eligible solar market growing?
- Is the subprogram getting applications for, and awarding REC contracts to, a variety of project sizes at locations throughout the state?
- How many companies have applied for Approved Vendor or Approved Vendor Designee status? What are the demographics of the participating companies? Which are actively participating in the subprograms? Which have dropped out?
- Are MWBEs and Small and Emerging Business Entities entering and successfully participating in the subprogram year-over-year?
- Are eligible trainee goals being met?

While not specified in the legislation, the program stakeholders and IPA have included additional goals for the program such as energy sovereignty. The success of these initiatives should also be considered when setting REC prices.

Project selection scoring protocols were once useful for helping the program achieve program goals. This is no longer the case as the scoring protocols have not truly been utilized for any of the subprograms since PY5 and prior to that it was only in the NP/PF and Community Solar (CS) subprograms.<sup>2</sup> For example, a misunderstanding about the ITC when the REC price was originally established for the NP/PF Subprogram resulted in this subprogram being a resounding success when it came to program goals. Those errant REC prices successfully drove project size, location, energy cost savings, energy sovereignty, and MWBE participation towards program goals. Because the level of competition was high, developers knew they needed to pass on savings to the customer (including ownership), enlist MWBE participation, and develop smaller projects in the locations directed by the selection criteria if they wanted to win a NP/PF REC contract.

Compare that to the current realities of the NP/PF subprogram. 71% of the PY7 budget is unclaimed five months after window opening. This follows PY6, which had just over \$200k of budget left over at the end of that program year. The REC prices need to take into account the realities the subprograms are experiencing and the challenges faced by developers in these markets. The low hanging fruit has been harvested and projects are getting tougher to develop.

Conversely, the implementation of the Energy Sovereignty adder (in combination with the IRA’s Direct Pay) has been a success with significantly more projects committing to turning over solar

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<sup>2</sup> One project may need to be downsized for PY7 as there were \$2.13MM dollars over the CS subprogram budget in requested REC contracts for the six projects submitted. In PY1, 37 CS projects requested \$133.5MM of RECs with only \$23.16MM budgeted for the subprogram.



array ownership to the ILSfA client. We think it may be appropriate to begin the discussion around implementing adders that would help fulfill program goals.

As a baseline number for ILSfA REC prices that should be adjusted rather than a final REC price, we question the value of the effort required by industry, the IPA, and the administrator to collect and process the information that the IPA is currently considering requesting. For us and our clients, the proposed data to be tracked and collected introduces significant administrative burdens, especially for small and emerging businesses that lack the resources to track and report to the level of detail being requested by this proposal. An already burdensome application process becomes even more burdensome. This information will need to be submitted resulting in a more complicated and time-consuming Part 2 application. The submitted information will need to be reviewed and approved by administrators typically unfamiliar with this level of financial detail further delaying what is already a frustratingly slow REC payment timeline. For the ILSfA program, this effort runs counter to the legislatively established “minimize administrative costs” goal.

We also question whether the currently suggested approach will create a “more Illinois specific” REC price, especially as the level of granularity being considered. It’s incredibly difficult (and ripe for abuse) to allocate indirect costs to specific projects that result in fair and reasonable overhead costs. How does a company determine their overhead costs? Over what time period? How do you address the efficiencies that are gained by company size on things like overhead costs? Should the overhead costs reported by a poorly operated, struggling installer be given equal weight to a well-run, successful shop? How does the administrator determine if a reported overhead cost is reasonable and therefore appropriate for use in the model? This same argument can be made for almost every category of cost that the IPA is contemplating requesting.

Costs from companies that primarily work on large projects are by their very nature different than those that work on small projects. How will the IPA sort the data from the program participants to ensure that costs associated with large projects are not ending up in the costs associated with small projects? That is, the costs for a company that does 50 large projects and 5 small projects are fundamentally different from a company that builds all small projects. Whose numbers will be used to inform the CREST model?

We feel that the IPA can use Illinois-specific data to align REC prices with the Illinois market without the burden of the reporting being contemplated. Illinois-specific costs can be less obtrusively determined by using published numbers and numbers supplied by other third parties. For example, labor rates can be adjusted to be more Illinois-specific using readily available US Bureau of Labor Statistics data. In fact, prevailing wage costs are available on a county-by-county basis. Furthermore, the utilities could aggregate and provide data on interconnection costs.

We ask that the IPA not implement these requests for data in the ILSfA program. The cost-based REC prices provided by the CREST model should be treated as a baseline for establishing ILSfA REC prices. Consideration of program success as defined legislatively and by the program



combined with input from program stakeholders should be the determinants of the final ILSfA REC prices. If ILSfA REC prices are determined this way, data collection at the level of granularity suggested is not necessary and is, in fact, counterproductive to the goals of the program. For ILSfA, we feel strongly that the juice is not worth the squeeze.