ILLINOIS POWER AGENCY

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# IPA Draft Proposal for Adjusting the Indexed REC Procurement Process
## Stakeholder Feedback Request

January 17, 2025

Introduction and Background

In its Final Order approving the Illinois Power Agency's ("Agency" or "IPA") 2024 Long-Term Renewable Resources Procurement Plan ("Long-Term Plan") in February 2024, the Illinois Commerce Commission ("Commission" or "ICC") adopted the IPA's proposed post-award workshop process described in Section 5.4.8 of the IPA's 2024 Long-Term Plan.[1] The IPA proposed the workshops to discuss challenges and potential solutions to these challenges faced by renewable energy project developers with projects that have been selected in the Agency's renewable energy credit ("REC") procurement events, stemming from recent volatile market conditions and changing project economics. The Commission's approval of the IPA's proposed workshop process provided that the IPA's workshops must conclude with a compliance filing within one calendar year after the Commission approved the 2024 Long-Term Plan.

**Accordingly, the IPA will submit a compliance filing to the Commission by February 19, 2025, proposing improvements to its Indexed REC procurement process, as described below. The IPA seeks stakeholder feedback on these proposed improvements to its Indexed REC process by February 3, 2025. The IPA will then consider stakeholder feedback for inclusion in the compliance filing submitted to the Commission by February 19, 2025.**

Current Process and Proposal

### a. The IPA's Current Indexed REC Procurement Process

In Section 5.4.8 of the IPA's 2024 Long-Term Plan, the Agency explained that its current process for REC procurements calls for project developers to bid a fixed strike price into the procurement, based on bidders' estimated project costs at the time of bid submission. Generally, bids are submitted in IPA procurements before many project development steps have been completed and prior to the start of construction. If a developer's bid is selected, the developer must contractually commit to the awarded strike price regardless of changing project costs resulting from evolving market conditions, such as supply chain constraints or time delays, component cost adjustments, interest rate increases, interconnection cost changes, interconnection and permitting delays, and other related

[1] Final Order, ICC Docket No. 23-0714 at 16 (Feb. 20, 2024).



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variables, between when the contract is awarded and start of construction, which can range from a few months to several years.

Due to recent volatile market conditions, some projects selected through the Agency's Indexed REC procurement events have seen the costs of project development and construction increase substantially post-contract award, risking projects economics relative to the contracted strike price. These market challenges may cause winning bidders to have to choose either building an uneconomic project or to terminating the Indexed REC contract and potentially begin the entire process anew. To address these challenges from volatile market conditions and changing project economics, the Agency proposes implementing a one-time post-award inflation adjustment mechanism described below for utility-scale solar, brownfield site photovoltaic, utility-scale wind, and hydropower projects participating in its Indexed REC procurements. The Agency also proposes post-award REC quantity contract term changes described below.

**b. Summary of Workshop Feedback**

The IPA conducted research for information on how other states have responded to renewable energy projects experiencing economic challenges and had discussions with five northeastern states where renewable energy projects have faced economic challenges (as described in the attached Appendix). The IPA then shared the information through a series of five workshops held approximately once per month from July through December of 2024. Key feedback topics heard over the course of the workshops were the need for an inflation adjustment mechanism, the need for the developers to be able to modify the REC quantities contracted post-award, and the need to eliminate revenue uncertainty for developers due to the RPS budget constraints.[2] The workshop participants were supportive of the IPA implementing an inflation adjustment mechanism in its Indexed REC contracts. Workshop participants also supported having the choice to opt in to an inflation adjustment mechanism and favored technology-specific adjustment mechanisms with an adjustment date being tied to project-specific milestones, such as at financial close, at the end of permitting, or start of construction.

Additionally, workshop participants shared with the IPA that they are interested in greater flexibility for a seller to change the annual quantity of RECs under an awarded Indexed REC contract following significant project changes, such as changes to the land area

[2] House Bill 587 ("HB 587"), which passed in the Illinois General Assembly on January 7, 2025, currently is awaiting action by the Governor, and includes language to address RPS budget constraints. If enacted, sellers under existing Indexed REC contracts will be entitled to full, prompt, and uninterrupted payments.

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being considered for the project, increased interconnection costs, and increased transmission upgrade costs. Based on the feedback received from workshop participants, the IPA proposes improvements, as described below for stakeholder feedback, to its Indexed REC procurement process.

### c. Proposed Improvements to the IPA's Indexed REC Procurement Process

The Agency has two proposed improvements to the Indexed REC procurement process, each of which is outlined below. First, the Agency proposes to develop an inflation adjustment mechanism which bidders may elect to adopt during the procurement process. Second, the Agency proposes a mechanism by which sellers can initiate a one-time change to REC delivery obligations under the Indexed REC contract. The Agency proposes to implement changes to the procurement process and contract requirements for its future procurements starting with the Summer 2025 Indexed REC procurement event.

1. Proposed Inflation Adjustment Mechanism

Based upon the feedback received during the five workshops, the Agency understands that stakeholders are interested in the IPA implementing a post-award inflation adjustment mechanism formula for utility-scale solar and utility-scale wind projects participating in its Indexed REC procurements rather than allowing for an open-book Indexed REC contract renegotiation process. The IPA will develop an inflation adjustment mechanism, which will be an opt-in, one-time price adjustment mechanism available to utility-scale solar, brownfield site photovoltaic, utility-scale wind, and hydropower Indexed REC contracts. The inflation adjustment mechanism will account for, but will not be limited to, changes to project costs, due to inflation occurring between the time that the developer bids into the IPA's competitive procurement event and the start of construction, that impact project economics and overall viability.

After the Agency submits its compliance filing outlining the proposed inflation adjustment mechanism to the Commission, the IPA plans to develop an inflation adjustment mechanism that is technology specific by adopting three separate formulae — first for utility-scale solar and brownfield site photovoltaic projects, second for utility-scale wind, and third for hydropower projects. The Agency will conduct a stakeholder-inclusive analysis to develop its proposed inflation adjustment mechanism and develop key parameters for implementing the formulae, such as an inflation adjustment date when the formula will be applied to a bid that opts into the mechanism, pricing caps for the inflation adjustment formula to cap the maximum increase or decrease to a bid, clearly defined project development milestones, timeline for lookback for the indices prior to application of the inflation adjustment formula, and other such nuances.



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The Agency will make the proposed formulae available for public comment and the Agency will host a public workshop to discuss the proposed formulae and address stakeholder comments. The IPA proposes that an inflation adjustment mechanism would be a one-time adjustment to the Indexed REC contract's strike price, and that there would not be a contract renegotiation process. The inflation adjustment would not be implemented retroactively and instead, the Agency proposed that the inflation adjustment will be available for contracts in the IPA's future competitive procurement events starting with Summer 2025 Indexed REC procurement event.

Proposed Timeline for Implementing an Inflation Adjustment Mechanism:

| | |
|---|---|
| Draft Proposal for Adjusting the Indexed REC Procurement Process Available for Public Comment | January 17, 2025 |
| Draft Proposal Public Comments Due | February 3, 2025 |
| Compliance Filing with Illinois Commerce Commission | February 19, 2025 |
| Proposed Inflation Adjustment Mechanism Formula and Draft Indexed REC Contract for IPA's Summer 2025 Indexed REC RFP Available for Public Review | April 16, 2025 |
| Proposed Inflation Adjustment Mechanism Formula and draft Indexed REC Contract Public Workshop | April 30, 2025 |
| Proposed Inflation Adjustment Mechanism Formula and Draft Indexed REC Contract Public Comments Due | May 7, 2025 |
| Final Indexed REC Contract and Inflation Adjustment Mechanism Formula posted for IPA's Summer 2025 Indexed REC RFP | End of May 2025 |

Finally, the IPA proposes that at bid submission, utility-scale solar, brownfield site photovoltaic, hydropower, and utility-scale wind project developers would have the option to opt into the inflation adjustment mechanism. For bids in which the bidders opt into the inflation adjustment mechanism, the bidder's strike price would be adjusted one-time to account for market changes between the bid proposal submission date and the adjustment date related to the bid, governed by the technology specific inflation adjusted formula and the indices in that formula. Under this proposal, the IPA will evaluate the most appropriate approach for implementing optionality during bid evaluation and project selection.

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2. Proposed Change to Delivery Obligations Section of the Indexed REC Contract

Based upon the feedback received during the IPA's five workshops, stakeholders are interested in the IPA implementing greater flexibility for a seller to reduce the annual quantity of RECs under an awarded Indexed REC contract. The IPA proposes that this post-award REC quantity contract term change for utility-scale solar, brownfield site photovoltaic, hydropower, and utility-scale wind projects could only be triggered by significant actual nameplate capacity size reduction due to one of the following three project development categories – land area being considered for the project, interconnection costs, and transmission upgrade costs. The Agency proposes to allow sellers to seek a one-time approval from the IPA to reduce the annual quantity of RECs under the agreement after executing the contract and prior to project energization. The proposed REC contract quantity adjustment request must occur within six months of the event giving rise to such request and prior to project energization. For a seller to request this contract change, the IPA proposes that the seller will be required to formally submit such a request to the IPA in writing within six months of the event giving rise to the request and prior to the date of first operation of the project to update the REC quantities that were bid and approved by the ICC at the time of the procurement event. The seller would also be required to furnish documents to show that the update being sought is stemming from significant changes in one of the three key development categories provided for above. No other contract changes other than the annual quantity of RECs will be entertained through this process. The post-award REC quantity contract term change would not be implemented retroactively and instead the IPA proposes that it will be available for contracts in the IPA's future competitive procurement events starting with Summer 2025 Indexed REC procurement event.

Stakeholder Feedback Process

**How to Respond:**

Please provide feedback via email to the IPA's Director of Renewable Energy Finance, Chandrika Mital, at chandrika.mital@Illinois.gov with the subject "[Responder's Name] – Feedback on Draft Proposal Adjusting the Indexed REC Procurement Process" by February 3, 2025. Emailed feedback will generally be made public and will be published on the Agency's website at: [https://ipa.illinois.gov/renewable-resources/stakeholder-engagement/downstream-negotiation-for-indexed-rec-contracts.html](https://ipa.illinois.gov/renewable-resources/stakeholder-engagement/downstream-negotiation-for-indexed-rec-contracts.html).

Should a stakeholder seek to designate any portion of its feedback as confidential, that stakeholder should provide both public and redacted versions, and the Agency will only post the redacted version. Independent of that designation, if the IPA determines that feedback contains confidential information which should not be disclosed in connection with

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a competitive procurement event, it reserves the right to provide its own redactions.[3] The Agency will protect confidential information under Section 1-120 of the IPA Act.[4]

[3] Stakeholders may submit information via a secure transfer website if they are concerned about transmitting confidential or sensitive information by email. Please email IPA.ContactUs@Illinois.gov to request access.
[4] 20 ILCS 3855/1-120.



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**APPENDIX**

Background of the IPA's Workshops

The IPA conducted a series of five workshops between July-December 2024 seeking stakeholder feedback on potential post-award contract changes, including post-award REC quantity contract term changes and whether stakeholders favor an open book post-award Indexed REC contract renegotiation or prefer a one-time inflation adjustment mechanism, that could be included in the compliance filing that the Agency will file with the ICC by February 19, 2025.

a. The IPA's Preparation for the Workshops

The IPA researched other states that also faced changing large-scale renewable energy project economics as a challenge to their REC procurements and reached out to five northeastern states, New York, Massachusetts, Connecticut, Rhode Island, and New Jersey, where some land-based and mostly offshore wind projects have recently seen changing economic conditions since executing REC contracts, similar to changing project economics that renewable energy project developers in Illinois have faced. As a result, the five states also considered whether to allow the renewable energy project developers to renegotiate their REC contracts or whether to develop a process for the renewable energy project developers to cancel and rebid their REC contracts using an inflation adjustment mechanism formula in the updated bids. Additionally, New York, like Illinois, has land-based renewable energy projects that have also faced economic challenges.

The IPA met with the New York State Energy Research and Development Authority ("NYSERDA") in May 2024 to discuss economic challenges faced by renewable energy projects in New York and to hear NYSERDA's approach for responding to such challenges. NYSERDA shared that its competitive REC procurements generally do not permit material changes to be made to contract terms following awards. NYSERDA has experienced offshore wind projects and land-based renewable energy projects terminating their contracts due to changing market conditions. Therefore, NYSERDA has implemented offshore wind and land-based renewable REC contract procurement reforms, including an accelerated rebidding process to backfill the portfolio following the contract terminations.[5] The accelerated rebidding process prioritized competition, simplified bid requirements, incorporated inflation indexing, included labor protections, and featured collaboration with the industry

[5] New 10-Point Renewable Energy Action Plan Announced to Expand the Renewable Energy Industry and Support High-Quality Jobs Clean Jobs in New York State - NYSERDA; https://portal.nyserda.ny.gov/servlet/servlet.FileDownload?file=00P8z000003cmKBEAY



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to optimize the accelerated procurement timing in coordination with ongoing transmission planning initiatives. Further, NYSERDA's procurements employ inflation adjustment mechanisms, which NYSERDA introduced into its procurements in 2022. NYSERDA uses different inflation adjustment mechanisms for offshore wind projects and land-based renewable projects. Land-based developers that bid in NYSERDA's REC solicitations are provided the option to either use or not use the inflation adjustment mechanism in their bids, whereas the inflation adjustment mechanism was required for offshore wind developers bidding into NYSERDA's most recent procurement.

The IPA met with the Massachusetts Department of Energy Resources ("DOER") on May 29, 2024, to discuss challenges that Massachusetts faces with renewable energy project terminations. The IPA learned that the Massachusetts electric distribution companies' ("EDCs") contracts do not allow for post-execution re-negotiation. However, Massachusetts has had multiple offshore wind contracts terminated by the EDCs in recent years due to project viability. These terminations have spurred the implementation of a process that allows all potential offshore wind projects, previously terminated or new, to bid into the competitive procurement with an opt-in indexing adjustment tethered to several market variables associated with offshore wind projects, such as changes in overall consumer price index ("CPI"), labor costs, materials costs, and interest rates, which Massachusetts introduced during its 2023-2024 procurement year.[6] Bidders are required to submit a fixed (non-indexed) bid; however, they are also permitted to submit a second, energy indexed price bid. The inflation indexed adjustment is a one-time adjustment solely to the bid price (and no other aspects of the proposal) that occurs one year following the final contact approval (the adjustment date) to increase or decrease the indexed price bid by up to 15 percent. The inflation indexed adjustment is calculated through a formula set by the State, which utilizes weighted market variables (as described above). This RFP was conducted as part of a coordinated multi-state solicitation between Massachusetts, Connecticut, and Rhode Island for offshore wind projects with similar inflation index adjustment mechanisms in place.[7]

The IPA met with the Connecticut Department of Energy and Environmental Protection ("DEEP") on June 6, 2024. DEEP shared that while some previously awarded renewable energy projects in the State have seen economic challenges, the State currently

[6] The reforms that Massachusetts has implemented to allow contract rebidding are specific to offshore wind projects because Massachusetts has a feed-in tariff for solar energy projects through its Solar Massachusetts Renewable Target ("SMART") Program and the State currently has no contracted land-based wind projects.
[7] https://portal.ct.gov/deep/news-releases/news-releases---2024/deep-receives-proposals-under-multistate-offshore-wind-rfp



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does not allow for post-award renegotiation in their competitive procurements. DEEP explained that some project developers have terminated their contracts as a result of economic challenges experienced post-contract award. In an effort to address economic uncertainty prospectively, DEEP introduced an option for bidders to use an inflation indexing adjustment mechanism in its 2023 request for proposals ("RFP") for new offshore wind facilities; however, this options was solely available to offshore wind projects.[8] Like Massachusetts, Connecticut provided offshore wind bidders with an option to submit a fixed price bid or an energy indexed price bid, which would be subject to a one-time inflation indexing adjustment that would take place on a specified adjustment date. If a bidder elected to submit an energy indexed price bid, the bidder was also required to propose at least one price that was not an indexed price bid but was consistent to the index bid price in all other aspects. For each project, bidders may include up to two indexed price bid alternatives, with the first indexed price bid adjustment date occurring one year following the date on which a final decision from Connecticut's Procurement Manager approving the long-term contracts resulting from this solicitation is issued. The bidder may optionally propose a second indexed price bid with an indexing adjustment date occurring at the time of the selected project's anticipated financial close. As part of a second indexed price bid, the bidder must specify the anticipated financial close date for the project. The potential inflation indexing adjustment would be applied to increase or decrease the indexed bid price by up to 15 percent based on changes in a set of macroeconomic and commodity indices used in an inflation indexing adjustment mechanism formula specified in DEEP's RFP. Connecticut and Massachusetts employed an identical formula for the inflation indexed adjustment mechanism in multi-state RFP held in March 2024.

The IPA met with the Rhode Island Public Utilities Commission on June 25, 2024, and learned that Rhode Island currently does not allow for post-award negotiation in the State's procurements. However, to address economic challenges for offshore wind projects, Rhode Island introduced an inflation indexing adjustment mechanism in the State's 2023 RFP for offshore wind procurements.[9] Bidders must submit a fixed price bid (in $/MWh and $/REC) and have an option to submit an alternative price tethered to a CPI instrument. Under this alternative pricing mechanism, bidders submit a price for energy and RECs at the time of contract execution, allowing that price to increase or decrease by a specific CPI (up to 16 percent maximum change) until the Financial Closing Date ("FCD") of the project. The FCD is typically when the financiers have completed their due diligence for the project and have

[8]https://www.dpuc.state.ct.us/DEEPEnergy.nsf/c6c6d525f7cdd1168525797d0047c5bf/5f3d7ee5480fdbb085258a5500500d7c/$FILE/Final%20RFP%20(2023%20OSW)_Revised%20V3.pdf
[9] https://ricleanenergyrfp.com/2023-osw-rfp/2023-osw-rfp-documents/



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executed contracts with the renewable developer to fund the project. The smaller of the two prices (CPI-adjusted price, or price adjusted by 16 percent) is selected to be the final price at project energization, also known as, Commercial Operation Date ("COD").

The IPA met with the New Jersey Board of Public Utilities on August 18, 2024, and learned that New Jersey currently does not allow for post-award negotiation for land-based renewable energy projects and has not implemented an inflation adjustment mechanism into its procurements for land-based renewable energy projects. However, offshore wind developers have been met with both economic and market-based challenges leading to the termination of contracts. In response, New Jersey has implemented offshore wind procurement reforms which enable offshore wind project developers to terminate their contract and rebid using an inflation adjustment mechanism that New Jersey introduced in 2023.[10] An inflation adjustment will be applied to increase or decrease the fixed bid price by up to 15 percent based on the change in the macroeconomic and commodity indices and based on using the inflation adjustment mechanism specified. The submitted project price will be adjusted for inflation on the date that is three years before the proposed COD for the first phase of the project (the inflation adjustment date), as submitted in the project application.

b. Structure of the IPA's Workshop Process

The IPA conducted a series of five workshops held approximately once per month from July through December of 2024. Prior to each workshop, the Agency shared the agenda for the upcoming workshop and requested proactive stakeholder feedback on questions and discussion topics that should be included in the content of the upcoming workshop not already defined in the draft agenda. Following each workshop, the Agency posted a summary of the workshop on its website, including a video recording of the workshop, written notes of the workshop discussion, materials presented during the workshop, attendee list and written feedback to any stakeholder questions or comments submitted prior to the workshop.[11]

The first workshop was held virtually on July 29, 2024, and had approximately 60 attendees ranging from the IPA staff, IPA's Procurement Administrator staff, some officials from other state agencies and other organizations operating in the energy sector. The

[10] https://bpuoffshorewind.nj.gov/fourth-solicitation/solicitation-documents/Final-Solicitation-Guidance-Document.pdf

[11] https://ipa.illinois.gov/renewable-resources/stakeholder-engagement/downstream-negotiation-for-indexed-rec-contracts.html



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workshop explored pain points that renewable energy project developers experience with the IPA's current Indexed REC process, which lacks the ability to negotiate Indexed REC contracts post-award. The workshop asked participants to share feedback on what cost challenges were being experienced by the industry, including specific cost categories that may be considered triggers for requesting post-award contract changes (if they were to be allowed), whether there should be minimum cost thresholds for initiating negotiation, and what non-cost challenges, such as supply chain challenges or force majeure events, project developers would like to see more flexibility around in the Indexed REC contracts. Workshop participants encouraged the IPA to look at NYSERDA's post-award process, including the use of inflation indices to protect project developers from market volatility from the time they sign the REC contract until the project is operational.

Workshop participants also expressed concerns regarding the current structure of the IPA's Indexed REC contract that allows utilities to stop making payments on the contract when they run into RPS budget challenges (these concerns are addressed through language in HB 587, which passed in the Illinois General Assembly on January 7, 2025, and currently is awaiting action by the Governor). Participants shared that the risk of delayed payments due to potential RPS budget shortfalls creates risks for developers trying to finance the projects. The IPA discussed recent changes made to the Indexed REC contract structure during the Fall 2024 Indexed REC RFP to increase flexibility in the contract before triggering an event of default.

The second workshop was held virtually on August 26, 2024, and had approximately 55 attendees ranging from the IPA staff, IPA's Procurement Administrator staff, Illinois Commerce Commission staff, some officials from other state agencies and other organizations operating in the energy sector. The workshop explored what specific Indexed REC contract terms (beyond the contract price) should or should not be negotiable post-award for contracts awarded in the IPA's future competitive procurement events. The Agency asked workshop participants what specific circumstances make rebidding preferable to a post-award contract change. If workshop participants preferred post-award contract price changes, the Agency asked what drivers should be considered for requesting a change to the strike price and whether there should be a floor or a ceiling to strike price changes. The Agency clarified that the strike price floor would require meeting a specific threshold, such as project costs being exceeded a specified amount of the contract price before post-award contract changes are allowed; whereas the strike price ceiling would be the maximum amount of adjustment in price that would be allowed in a renegotiation capped at a certain percentage of the initial bid price.

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One workshop participant from the renewable energy industry commented that a primary concern is the terms and conditions that are unique to Indexed REC contracts that cause concern with financing parties. The participant said that they support some level of post-award price negotiation as long as there are very specific parameters in place to prevent gaming in the IPA's competitive procurement events, such as situations where a bidder may underbid because they know they can renegotiate a higher contract price during renegotiations.

The Agency also asked workshop participants if specific costs categories, such as component costs, labor costs, interest rates, and interconnection costs, should be the only cost categories that can trigger a change in strike price in an open book renegotiation format. Additionally, if the Agency were to consider an open book renegotiation, should the commercially sensitive component cost information be shared by each developer seeking renegotiation or if publicly established data sources for cost inputs should be considered. Workshop participants commented that the National Renewable Energy Laboratory ("NREL") and Bloomberg provide good data sources, and that some states index strike prices to different inflation indices.

A participant from NYSERDA shared that the indices used in New York's competitive procurements vary depending on if the contract is for a land-based renewable project or an offshore wind project. For example, offshore wind bids have much longer development windows from bid to construction and are indexed by default. The participant commented that NYSERDA has also used public indices related to the producer price index ("PPI") or other indices that can be used to adjust strike prices between the time that the developer bids the project and when the project construction commences. Further, the participant from NYSERDA shared that land-based (wind and solar) procurements in New York have an option to submit a bid with or without the PPI index.

Other workshop participants supported the idea of allowing renewable energy project developers that bid in the IPA's competitive procurements be provided the option to opt in to an inflation adjustment mechanism. Participants stated that having this optionality may make their renewable energy projects more appealing to their financing partners, especially as project economics change during the course of the project development lifecycle.

The Agency also asked workshop participants whether there should be a minimum increase in project costs that should be a trigger for requesting a change in strike price. Multiple participants from the renewable energy industry shared that a relatively low

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threshold, such as a 3-5 percent project cost increase, would allow bidders in the IPA's competitive procurement events to give their best bids, and that a higher thresholder, such as 10-20 percent, would mean that developers will be baking larger buffers into their project economics and ultimately lead to Illinois retail electric customers overpaying.

Next, the Agency asked workshop participants whether canceling a current Indexed REC contract and rebidding in a future IPA procurement event would be optimal over renegotiating a current Indexed REC contract. One workshop participant from the renewable energy industry commented that certain circumstances may cause rebidding to be more efficient.

The third workshop was held virtually on September 30, 2024, and had approximately 45 attendees similar in profile to the second workshop. The workshop began by providing an overview of Illinois' RPS Budget structure, current and planned RPS expenditures, and explored the five other states' (Connecticut, Massachusetts, New Jersey, New York, and Rhode Island) REC procurement processes, options for contract rebidding, and inflation adjustment mechanisms that were explained to the IPA when meeting with each of the states between May-August 2024 (described under Preparation for Workshops section above).

Due to the similarities of the indexed payment mechanism and other procurement elements in New York and Illinois, the workshop paid particularly close attention to NYSERDA's post-award inflation adjustment approach. NYSERDA shared that its inflation adjustment formula appears to generally work for renewable energy project bidders and their financing parties. However, NYSERDA has received feedback that its current technology-agnostic formula used for land-based renewable energy projects could be improved by making it technology specific, providing adjustments for project cost changes specific to the utility-scale solar industry or specific to the utility-scale wind industry, and revisiting the actual adjustment date for inflation adjustment.

One workshop participant shared that they have participated in NYSERDA's REC procurement events and found that New York's process was both beneficial to renewable energy project developers and New York ratepayers because bidders are rebidding projects against the current market rates and against other projects. The participant also commented that including advanced maturity requirements for post-award negotiation is reasonable because more mature projects will have the closest outlook on pricing and have less risk of price changes. Overall, due to concerns around the ability to maintain the integrity of the initial competitive procurement, workshop participants were supportive of the IPA's



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Indexed REC contracts including an inflation adjustment mechanism, as adopted by several other states, rather than the IPA implementing an open-book style Indexed REC contract renegotiation process.

The fourth workshop was held virtually on October 21, 2024, and had approximately 30 attendees similar in profile to the previous workshops. The workshop dug deeper into the overarching theme from the third workshop which found that workshop participants favored an inflation adjustment mechanism as compared to renegotiating Indexed REC contracts to solve challenges due to changing project economics. One participant from the renewable industry emphasized that the details of a proposed inflation adjustment formula, including the inflation adjustment date and indices used in the formula, are critical.

The Agency asked workshop participants which indices best capture the dynamics of the renewable energy markets. No participant provided feedback on which specific indices should be used. However, multiple renewable energy project developer participants commented that they would like room for project-level adjustments because there are certain dynamics, such as interconnection costs, transmission upgrades, material supply costs, labor costs, and trade-related issues such as tariffs, that are unique to their projects and these dynamics may not be known when bidders submit their bid price in the IPA's competitive procurement events.

The Agency also asked participants to comment on what percentage should be used in an inflation adjustment mechanism formula if the process allowed for a post-award change, and whether there should be a cap on the percentage used as a result of changed project economics. For example, if the market has shifted so significantly that there is a drastic change in market prices (i.e., triggering more than a 15 percent change in project price) at what point does it make more sense to cancel the contract and allow for Indexed REC contract rebidding because there may be changes in the overall renewable energy market? One participant commented that they do not think there should be a cap on the percentage to which projects should be allowed to adjust using an inflation adjustment mechanism.

Additionally, the Agency asked workshop participants if they thought using an inflation adjustment included in bids should be optional for the bidder, such as is allowed in land-based renewable procurements in New York or should be applied by default as seen in all other states for offshore wind contracts. The participants preferred to have the option to choose to use the inflation adjustment mechanism as opposed to the mechanism being applied by default.

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The Agency also asked for feedback regarding when the bid adjustment formula should be applied given the variation observed in the other states research, with some states applying the adjustment at the start of project construction, while others apply the adjustment at a predefined period, such as one year from REC contract execution. Workshop participants supported the adjustment date to be tied to project-specific milestones such as at financial close, or at the end of permitting or start of construction (i.e., shovel in ground), rather than an arbitrary calendar period. A primary need from this discussion is if the adjustment date is tied to a project-specific milestone such as "start of construction," the milestone must have a clearly established definition that is well-understood by developers that bid into the IPA's competitive procurements.

Finally, the Agency asked participants for recommendations on how to best account for tariffs in an inflation adjustment formula. Participants did not provide any clear suggestions on the topic. The Agency then asked participants what their recommendations are for tracking regional cost information within Illinois so that the costs are properly reflected in any proposed inflation adjustment mechanism formula. One workshop participant recommended using the Bureau of Labor Statistics data which has some regional statistics which could prove valuable but was unsure whether the information is state-level or purely regional and did not know what level of granularity was available.

The fifth and last workshop was held virtually on December 2, 2024, and had approximately 40 attendees similar in profile to other workshops. The workshop focused on summarizing the previous four workshop discussions including industry challenges that were discussed over the course of the workshops, as well as the Agency-proposed solutions to those challenges, so that workshop participants' recommendations were properly reflected in the proposal the IPA submits in its compliance filing with the Commission. The Agency explained that it would draft a proposal that would be available for public comment by January 20, 2025. The proposal will remain open for public comment until February 3, 2025, after which the Agency would finalize the proposal to be included in a compliance filing with the Commission on February 19, 2025.



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