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To: Illinois Power Agency (IPA)
Attn: IPA Director of Renewable Energy Finance, Chandrika Mital
Date: January 31st, 2025

RE: Emeren US, LLC – Feedback on Draft Proposal Adjusting the Indexed REC Procurement Process

Emeren US, LLC f/k/a ReneSola Power Holdings, LLC (Emeren) is a developer of both solar and battery storage projects. Emeren has a development pipeline of almost 3 GW of both community and utility scale projects across the United States. Emeren's Wilmington Solar project was awarded an IPA REC contract in the first IPA REC solicitation in the Spring of 2022.

1. **Introduction**

Emeren recognizes the critical role that the IPA plays in meeting the state's clean energy goals. Emeren appreciates the time and effort the IPA took over the last few months in the post contract workshop process. These comments are in response to the IPA Draft Proposal for Adjusting the Indexed REC Procurement Process Stakeholder Feedback Request published on January 17th, 2025 (the draft proposal).

2. **The Draft Proposal does not Address a Key Workshop Goal**

It is worth revisiting a key issue that instigated the convening of the post contract adjustment stakeholder process. As a result of an unprecedented and unforeseen force majeure event - the COVID pandemic - there were severe disruptions to supply chains and high inflation that created a step change in renewable energy costs and PPA prices. The step-change in renewable energy costs and PPA prices across the entire country are well documented. Commercially reasonable solutions have been implemented in all markets to adjust PPA prices retroactively for projects with executed PPAs affected by the pandemic cost shift. These solutions have included individual project renegotiations as well as programmatic approaches. The cost and price shift is well understood by the IPA through its own Index REC bid results beginning in the Fall 2022 solicitations. The average winning bid price of the first IPA procurement in the Spring of 2022 was $52.43/MWh. The following three solicitations' average winning bids reflect the step-change in costs and prices: $72.59/MWh in the Fall 2022, $69.83/MWh in the Summer 2023, and $74.10/MWh in the Fall 2023. Developers that bid Index REC prices in good faith based on then current cost expectations in the Spring 2022 and earlier solicitations will not be able to build otherwise viable projects, removing a significant tranche of projects that could help the state achieve its renewable energy targets. The draft proposal, with its focus on going forward adjustments, does not address a

fundamental issue the stakeholder process was convened to address.

3. **Penalizing Developers Hurts Ratepayers**

By not addressing the issues of historical projects, the draft proposal penalizes developers, but more importantly Illinois ratepayers. Developers who bid projects and executed REC agreements in good faith will not be able to build these "underwater" but otherwise viable projects. Developers will face penalties through the loss of their development security and be suspended for two years from participation in future solicitations. These provisions, presumably enacted to prevent gaming by bad actors, also penalize good faith actors subject to well established force majeure conditions. Removing a tranche of viable projects and developers from the bidding pool going forward reduces competition and could increase prices.

4. **Acknowledge the Challenges of Formula-Based Retroactive Adjustments or Individual Renegotiations for the IPA**

During the workshop process, various options were discussed for individual project REC agreement renegotiations or formula-based adjustments. Individual project PPA price renegotiations have been the predominate and successful solution to address pandemic related cost increases throughout the country for utility, public and private sector electricity PPAs. Formulas developed by independent third parties using established indices would be another reasonable solution. While we believe these are viable approaches, we acknowledge the challenges that the IPA could have in implementing them. We believe there is a simpler approach.

5. **Re-bidding is a Simple and Fair Solution**

The concept of allowing a one-time opportunity for historical projects affected by pandemic related cost increases to terminate REC contracts without penalty and re-bid into a 2025 or future procurement was discussed in the workshops. We strongly urge the IPA to include this approach in its final proposal. It is easy to enact, fair to ratepayers and developers, and was successfully implemented by NYSERDA as its solution to the exact same issue faced in New York.

NYSERDA manages an Index REC program in New York, where they have seen a very similar trend in terms of their average winning Index REC strike price: $54.84/MWh in their 2020 solicitation, then $63.08/MWh in 2021, and up to $80.96/MWh in 2022. As discussed throughout the workshop process and mentioned in section A of the appendix of the proposal, in 2024 NYSERDA allowed “an accelerated rebidding process to backfill the portfolio following contract terminations”. The re-bidding process retained the competitiveness of the procurement process while allowing developers to update pricing in the higher cost post-COVID climate we find ourselves in today. Furthermore, “the accelerated re-bidding process prioritized competition, simplified bid requirements, incorporated inflation indexing, included labor protections, and

featured collaboration with the industry to optimize the accelerated procurement timing". Although the bid requirements were simplified, they were also adjusted in a way that favored key development milestones and more mature projects, which reduces the risk of project cancellations.

Our recommendation would be for the IPA to propose to the ICC a one-time opportunity for previously awarded projects to terminate their current REC contracts without penalties and re-bid into one of the 2025 or future IPA Index REC Procurements.. The one-time re-bid would retain the competitive nature of the IPA procurements, while allowing developers to adjust their project pricing to meet current prices. While the inflation adjustment mechanism is a good solution to preventing this from happening again in the future, the reality is that the projects most affected by inflation were the ones who were previously awarded. Adapting to the current economic conditions is crucial to ensure the success of these projects and for Illinois to meet its renewable energy goals.

6. **Proposed Inflation Adjustment Mechanism (Section C1)**

For future projects, Emeren supports the idea of a one-time inflation adjustment mechanism, along with the adjustment being optional and not a requirement for bidders. Emeren also supports the idea of adopting three separate formulas; one for utility-scale solar & brownfield photovoltaic projects, one for wind, and one for hydro. Each technology is very different and is affected differently by inflation and price changes. Emeren's support of the inflation adjustment mechanism is contingent on the ability for it to accurately reflect how inflation affects the renewable industry. It is important that the IPA and the ICC work closely with market experts while adopting these formulas. Emeren also suggests that the IPA considers incorporating capital expenditure trends and interconnection costs when creating the utility solar inflation adjustment formula. And Emeren also believes it is crucial that the IPA maintains transparency during the development of said formulas.