



March 26, 2025

Dear Illinois Power Agency,

The Joint Solar Parties (JSP), comprised of the Solar Energy Industries Association (SEIA), the Coalition for Community Solar Access (CCSA) and the Illinois Solar Energy Association (ISEA), sincerely appreciate the IPA's hard work in developing the draft Renewable Energy Credit (REC) Pricing Model for the 2025-2026 Program Year. Thoughtful and accurate REC pricing is essential to ensuring Illinois' renewable energy market remains strong, and we value the opportunity to provide comments to help refine the model. The accuracy of the REC Model is essential for programmatic success; it is vital that the model strike a balance between overheating the marketplace and ensuring that the REC rates are sufficient to achieve programmatic goals. To that end, the JSP seek to highlight a number of proposed changes that do not quite reflect market realities and which could hinder statutory goals.

Statutory Compliance for REC Pricing Adjustments

First and foremost, the proposed REC rates in several categories do not comply with the statutory criteria for REC pricing adjustment. By statute, REC pricing adjustments "shall not deviate from the Commission's approved value by more than 10%" without Commission approval¹. However, the current proposed REC price reductions for every project category in the Group B Traditional Community Solar (TCS) category exceeds that statutory limit (from 10.5% to 15.9%). Similarly, proposed prices for several project size categories in the Distributed Generation, Community-Driven Community Solar and Solar for All Distributed Generation categories also exceed the 10% price change limitation. Notwithstanding the results of the REC model, the proposed rates should be revised to ensure any reduction comports with that statutory requirement.

Bill Credit Calculation

The draft REC Pricing Model does not appear to incorporate a number of necessary adjustments to community solar bill credit values, as reflected in the requirements set forth in the Final Order from the last Long-Term Renewable Resources Procurement Plan (LTRRPP) proceeding. The Final Order states a commitment by the IPA to update the bill credit value to approximate the Price to Compare by using "a mix of residential and commercial and industrial

¹20 ILCS 3855/1-75(c)(1)(M)

supply and transmission charges.”² Currently, the model continues to use the full retail rate for commercial customers instead of applying the mix of the Energy and Transmission values for residential customers and C&I customers, which, as noted in the LTRRPP, would better align with the Price to Compare. In the Net Metering tab, the annual expected net metering revenue for C&I (Row 50) for ComEd should sum rows 4 and 5 instead of pulling the total charge from row 13; the revenue for residential (Row 51) for ComEd should sum rows 16 and 17. Similarly, for Ameren, the annual expected net metering revenue for C&I (Row 52) should sum rows 28 and 29 instead of using the total charge from row 36; while the revenue for residential (Row 53) should sum the totals from Row 39 and 40.

Depreciation and Tax Credit Adjustments

The model retains an outdated assumption of 60% bonus depreciation in CREST Inputs cell P71, even though bonus depreciation dropped to 40% at the start of 2025 and will further decline to 20% in 2026. This assumption should be updated to reflect current tax law. Additionally, the model does not account for the reduced utilization factor of the Investment Tax Credit (ITC). Given that the community solar and DG market increasingly relies on ITC transfers, which currently trade at approximately 90-93 cents per credit, the model should reflect an ITC utilization factor of 90% rather than 100%.

Land Lease and Cost Assumptions

The land lease rates in the model (shown on the Program-Specific Assumptions tab; column D) do not seem to reflect current market conditions. The assumed lease rate for Community Solar sites, which is equivalent to approximately \$1,000 per acre based on a 5 MW system, is approximately one-third of current market rates across all solar segments in Illinois. IPA has collected several years of lease data in Part II applications, and more recently in the REC Pricing Model Cost Survey. The Final Order of the 2024 LTRRPP included a commitment by the IPA to review and update lease rates: “In recognition of the fact that it has been several years since [the lease rate] has been updated, the Agency commits to undertaking a survey in 2024 to review contractual lease rates and update the input to the REC Pricing Model as appropriate for the 2025-2026 Program Year.”³ Assuming data collected by the IPA is based on real-world examples, JSP encourages the IPA to revise the figures in the Model using that updated data.

Similarly, the costs for generation equipment, balance of plant and interconnection (CREST Inputs tab; cells G20-22) are underestimated. IPA has collected build cost data in the REC Pricing Model Cost Survey and JSP encourages the IPA to revise the figures in the Model using that updated data.

² See page 73 in the Final Order for the Petition for Approval of the IPA’s 2024 Long-Term Renewable Resources Procurement Plan (<https://www.icc.illinois.gov/docket/P2023-0714/documents/347306/files/606518.pdf>)

³ See page 69 in the Final Order for the Petition for Approval of the IPA’s 2024 Long-Term Renewable Resources Procurement Plan (<https://www.icc.illinois.gov/docket/P2023-0714/documents/347306/files/606518.pdf>)

Additionally, the figures used in the CREST Model for Community Solar assume a standardized, ground-mount system with trackers and an orientation facing due south. IPA has expressed a clear public policy goal of locating more Community Solar projects on rooftops (as evidenced by the three points available to those projects) and that policy has resulted in a growing number of rooftop-sited projects. But the Model does not accurately reflect these projects' costs. Notably, rooftop Community Solar projects have higher labor costs (due to more hours per kW and general location in more expensive labor markets) and lower production (because they do not use trackers and are not always oriented due south). The JSP appreciates the Agency for recognizing this fact in the most recent LTRRPP with the inclusion of a \$5/REC adder, but this does not reflect the cost reality. IPA has now collected build cost data for several rooftop Community Solar projects in the REC Pricing Model Cost Survey and JSP encourages the IPA to revise the figures in the Model using that updated data and provide a more accurate adder.

Interest Rate and Financing Adjustments

The interest rate on term debt (CREST Inputs tab; cell G53) appears outdated and does not account for the interest rate increases over the past several years. A note within the model refers to an "EDF Data Response;" if this refers to EDF Renewables (a very large multi-national energy major), it may not accurately represent the financial conditions faced by most developers participating in the Adjustable Block Program (ABP). Additionally, the construction debt rate in CREST Inputs tab; cell G47 is set too low. Since construction loans carry higher risk than term debt, the rate should be increased accordingly.

REC Pricing and Market Adjustments

The draft model introduces a new category for REC prices under Illinois Shines, specifically for IL Shines Low-Income projects. We would appreciate further clarification on how these new REC prices were derived and their expected impact on market participation. Additionally, the after-tax internal rate of return (IRR) in CREST Inputs cell G62 is set at the bare minimum. To better reflect the range of returns necessary to attract investment from a broader segment of the industry, we recommend increasing this rate by 2-5%.

Conclusion

We greatly appreciate the IPA's thoughtful approach to developing the REC pricing model and the opportunity to provide these comments. By making these adjustments, the IPA can ensure that the model more accurately reflects market realities and provides fair and effective pricing for the renewable energy industry in Illinois. We look forward to continued engagement and collaboration on this important process.

Respectfully submitted,

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