Palmetto

March 26, 2025

Illinois Power Agency
160 North LaSalle Street
Chicago, Illinois 60601

RE: Request for Comments - Proposed 2025-2026 Renewable Energy Credit Pricing

On February 20, 2024, the Illinois Commerce Commission ("Commission") issued a Final Order[1] approving the 2024 Long-Term Renewable Resources Procurement Plan ("2024 Long-Term Plan"), as modified. Section 7.5.6 of the 2024 Long-Term Plan describes the shift to an annual capacity block structure, as previously approved by the Commission,[2] and establishes a process for the Illinois Power Agency ("Agency") to refresh, annually, the REC Pricing Model. On January 10, the Agency issued the 2025 REC Pricing Model Cost Input Survey. On March 7, the Agency released proposed REC prices for the 2025- 2026 Program Year and a request for feedback on those proposed REC prices.

Palmetto Solar, LLC ("Palmetto") appreciates the opportunity to supply comments to the Agency on these proposed REC prices. Palmetto is a national solar developer and third- party owner/ operator of residential PV and energy storage systems. Palmetto currently owns roughly 40,000 rooftop, residential solar systems across the U.S., including several thousand within Illinois. Palmetto utilizes private capital and federal and state incentives, including the Illinois Shines program ("Program"), to offer Illinois ratepayers a cost- competitive PPA product, marketed as the "LightReach" PPA. Palmetto has also operated as a Distributed Generation Installer[3] in Illinois since 2018.

Palmetto has reviewed the proposed REC prices for the Group A & B Small DG categories and offers the following comments in response.

Palmetto Urges the Agency to Set REC Prices in Compliance with Statute

220 ILCS 5/16-111.5(c)(1)(M) states:

> *"If necessary, the Agency may make prospective administrative adjustments to the Adjustable Block program design, such as making adjustments to purchase prices as necessary to achieve the goals of this subsection (c). Program modifications to any block price that do not deviate from the Commission's approved value by more than 10% shall take effect immediately and are not subject to Commission review and approval. Program modifications*

[1] Final Order, ICC Docket No. 23-0714 (June 10, 2024).
[2] Final Order, ICC Docket No. 22-0231 (July 14, 2022).
[3] DG ICC # 18-1181

<u>to any block price that deviate more than 10% from the Commission's approved value must be approved by the Commission as a long-term plan amendment under Section 16-111.5 of the Public Utilities Act.</u> The Agency shall consider stakeholder feedback when making adjustments to the Adjustable Block design and shall notify stakeholders in advance of any planned changes.”

As currently proposed, both Group A and Group B REC pricing for projects up to 25kW currently exceed the statutory 10% threshold and therefore would require Commission approval. **Palmetto strongly urges the Agency to set final REC pricing in compliance with statute.**

Draft REC Prices – Illinois Shines

Distributed Generation

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 10 kW	$73.71	$83.87	$60.90	$73.08	-17.4%	-12.9%	($12.81)	($10.79)
>10 - 25 kW	$63.53	$77.53	$54.20	$65.04	-14.7%	-16.1%	($9.33)	($12.50)

Table 1. Small Scale Draft REC Prices.[4]

<u>Palmetto Urges the Agency to Continue its Trend of REC Price Gradualism</u>

The REC Prices currently proposed for Group A & B of the Small DG category are some of the largest proposed decreases in the history of the Program and, if approved, would dampen deployment in the State and create additional market instability. **Palmetto strongly urges the Agency to continue its trend of REC price gradualism and set final 2025-2026 REC prices for the Small DG categories within 5% of current prices.**

The Program was originally established in statute as P.A. 099-0906, also known as the Future Energy Jobs Act (“FEJA”) which went into effect on June 1, 2017. The Program was designed “to provide a transparent schedule of prices and quantities to enable the photovoltaic market to scale up and for renewable energy credit prices to adjust at a predictable rate over time”.[5] To ensure predictability, PA 099-0906 required a “schedule of standard block prices” and a “series of steps” with defined capacity allocations. This structure was later implemented by the Commission and the approved Program was launched for public participation on January 30, 2019. On September 15, 2021, P.A. 102-0662, also known as the Climate and Equitable Jobs Act (“CEJA”) went into effect. Among many other changes, including charting Illinois on a course to 100% carbon free power by 2045, P.A. 102-0662 established a process to transition the Program from the declining block model to an annual block model. The Program re-opened on December 14, 2021 at REC prices 4% below the most recent open block.[6] Those REC prices remained

[4] Proposed Renewable Energy Credit Prices for the 2025-2026 Program Year at 3. (March 7, 2025)
[5] 220 ILCS 5/16-111.5(c)(1)(B)
[6] Program Guidebook at 20. (Dec. 10, 2021)

available until Program Year 2022- 2023 REC prices went into effect for newly batched projects beginning September 1, 2022.[7]

Since this time, the Agency has consistently opted for market stability when setting final REC prices, particularly for small residential projects. Between 2023- 2025, proposed changes in REC prices averaged -9.90% per year for Group A and -4.26% per year for Group B. Over this same time period, the Agency set final REC prices with an average change of only -2.64% per year for Group A and 2.42% per year for Group B. In no instance did the Agency set final REC prices to decrease YOY by more than 5%. However, we are now facing proposed YOY average reductions of more than 15% for both Group A and Group B.[8] While we commend the Agency for its past steady handedness, we are urging the Agency to maintain this approach when setting final 2025- 2026 REC prices.

Proposed Prices				Final Prices			
2023-2024	< 10kW $ (%)	> 10kW $ (%)	Avg. %	2023-2024	< 10kW $ (%)	> 10kW $ (%)	Avg. %
Group A	73.42 (-6.5)	59.41 (-10.5)	**-8.50%**	Group A	75.21 (-4.2)	64.71 (-2.5)	**-3.37%**
Group B	84.07 (2.2)	70.72 (-1.6)	**0.28%**	Group B	83.75 (1.8)	76.27 (6.1)	**3.94%**
2024-2025	< 10kW $ (%)	> 10kW $ (%)	**Avg. %**	2024-2025	< 10kW $ (%)	> 10kW $ (%)	**Avg. %**
Group A	67.11 (-10.8)	57.07 (-11.8)	**-11.3%**	Group A	73.71	63.53	**-1.91%**
Group B	80.13 (-4.3)	66.12 (-13.3)	**-8.8%**	Group B	83.87	77.53	**0.90%**

Table 1. Proposed vs. Final REC Prices 2023 - 2025

Palmetto Urges the Agency to Prioritize Market Growth & Stability

The current annual block pricing model presents inherent risks for participants, developers, investors and other market stakeholders. While statute sets limitations on the scale of annual REC pricing reductions that the Agency can set without Commission approval,[9] frequent revisions to REC pricing creates consistent, recurring opportunities for the market to be disrupted. Large annual REC pricing reductions can put state energy goals in jeopardy, disrupt project economics, manufacture urgency resulting in application spikes and lower consumer and investor confidence. **Palmetto strongly urges the Agency to prioritize market growth and stability when setting final 2025- 2026 REC prices.**

P.A. 102-0662 charts Illinois on a path to some of the most aggressive carbon reduction and renewable deployment goals in the country. Achieving such ambitious targets will require, at a minimum, fostering a stable, long- term environment that investors can feel comfortable deploying the necessary capital in. While there are many external factors that can impact market stability, including federal elections and

[7] See Docket No. 22-0231, Final Order dated July 14, 2022 at 42
[8] Proposed Renewable Energy Credit Prices for the 2025-2026 Program Year at 3. (March 7, 2025)
[9] 220 ILCS 5/16-111.5(c)(1)(M)

legislation, interest rates, tariffs and a State net metering transition among many other things, there are market levers that are squarely controllable by the Agency. Palmetto encourages the Agency to not pull a lever that creates additional, near- term market disruption while industry is already grappling with the current and pending impacts of these external factors, which have and are continuing to negatively impact businesses large and small across our sector.

Significant annual reductions in REC pricing can also undermine project economics for systems that have been installed or are nearing installation but are not submitted and batched by the time the soft close period concludes or the end of the Program Year. Palmetto has thousands of projects seeking TPO financing in various stages of development at any given time. The competitive solar rates that Palmetto is able to offer Illinois customers depends, in part, on procurement of the Program incentive at the REC rates currently in effect. Our pricing is designed to withstand some annual variability, however annual decreases in REC pricing that greatly exceed historic annual reductions set by the Agency may subject Palmetto to unanticipated financial losses. These losses could make it harder for us to deploy future capital in the State and, along with reduced REC pricing, will place upward pressure on the solar rates we can offer, therefore making it more expensive for Illinois residents to deploy rooftop solar.

Palmetto would also suspect that releasing significantly reduced REC pricing on April 18th will result in a rush of small DG applications through the soft close period, if triggered, or the end of the Program Year. We have observed several application spikes in the past that have had negative consequences on the efficiency of Program applications processing, which can take a significant amount of time for the Program Administrator to restore. Application spikes can also result in triggering the waitlist process which can result in further market and customer uncertainty. While application volumes may increase naturally as Program capacity or the end of the Program Year nears, these spikes will be more mild if REC pricing reductions are less severe.

We greatly appreciate the opportunity to provide feedback to the Agency on the proposed 2025-2026 REC prices and look forward to continuing to support the growth of the Illinois solar and storage markets through the Illinois Shines Program.

Respectfully submitted,

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