STATE OF ILLINOIS
ILLINOIS POWER AGENCY

COMMONWEALTH EDISON COMPANY'S COMMENTS IN RESPONSE TO THE ILLINOIS POWER AGENCY'S "STAKEHOLDER FEEDBACK REQUEST FOR THE 2026 LONG-TERM PLAN CHAPTER 3: REC PORTFOLIO, RPS GOALS, TARGETS AND BUDGETS AND PROGRAM REC PRICING" ISSUED ON JUNE 25, 2025

July 10, 2025

Commonwealth Edison Company ("ComEd") submits these Comments in response to the Illinois Power Agency's ("IPA" or "Agency") "Stakeholder Feedback Request for the 2026 Long-Term Plan Chapter 3: REC Portfolio, RPS Goals, Targets, and Budgets and Program REC Pricing" issued on June 25, 2025 (the "Request").[1]

ComEd appreciates that the Agency's Request includes the opportunity to respond to any of the subjects presented by the IPA or "comment on as many of the… items as they would like and… provide comments beyond the scope of the specific questions."[2] ComEd is submitting these Comments to specific questions contained in Topics #1 and #2.

<u>Topic #1: REC Portfolio and RPS Budget Forecast</u>

RPS Budget Forecast Model "Big Picture" Questions

Question 1.d: **Should any consideration on the cost-to-REC production ratio be considered (i.e., emphasis in procuring more projects that produce more RECs at the least cost, thus acquiring more RECs under the RPS Budget)? If yes, what weighting should be considered?**

The IPA has percentage-based targets for procurements of annually delivered Renewable Energy Credits ("RECs") to meet Illinois Renewable Portfolio Standard ("RPS") goals, currently 45% from new wind/hydro and 55% from new solar. As modified by P.A. 103-1066, Section 1-75(c)(1)(C)(i), the IPA may propose adjustments to those percentage-based targets based on developer interest, market conditions, budget considerations, resource adequacy needs, or other factors (along with ensuring full and interrupted payment to sellers under existing REC contracts, and a process for the IPA to follow in the case of a budget shortfall). If the IPA determines in a delivery year that expenditures would exceed collections and previously collected and held funds, the IPA will notify the Illinois Commerce Commission ("ICC") and suspend or reduce programs and procurements. That suspension or reduction would not occur until the end of the program year that the determination is made, and the IPA would conduct an annual review until the shortfall is resolved. This process is designed to allow for ongoing program and procurement activity and to provide significant notice to stakeholders before suspension or reductions are implemented. While no budget shortfall is currently forecasted for the 2026 Long-Term Plan period (the 2026-2027 and 2027-2028 program years), the IPA may propose changes to the wind and solar split to seek additional RECs from highly performing renewable energy resource types (*e.g.*, those that are

[1] The Request may be found here: 20250625-stakeholder-questions-rps-budget-rec-price-25jun2025.pdf
[2] *Id.*, at 1.

oversubscribed under Illinois Shines, have higher cost to REC production ratios, or are simply bid in greater volumes).[3]

ComEd believes the cost-to-REC production ratio - essentially a cost-effectiveness metric - should be a key factor in procurement decisions under the Illinois RPS, especially considering the new flexibilities introduced by P.A. 103-1066. The IPA is now authorized to adjust the wind/hydro and solar REC procurement targets based on the aforementioned factors and implement the budget shortfall protocols if program expenditures exceed collections.[4] Such consideration of cost-effectiveness is not without precedent, as the IPA has introduced similar mechanisms for Indexed RECs including the Inflation Adjustment Mechanism to stabilize project economics and the Annual Quantity Adjustment Mechanism to align REC deliveries with actual production.[5]

Given the potential for budget shortfalls and the need to maximize REC acquisition within a fixed budget, prioritizing projects that deliver more RECs per dollar spent is both prudent and strategic. Consideration of cost effectiveness in this context will serve to maximize the environmental impact per dollar, improve RPS compliance efficiency, and reduce the risk of program suspension due to overspending. ComEd defers to the Agency on the criteria to be used in evaluating the appropriate cost-to-REC production ratio but suggests appropriate factors to be utilized may include cost-per-REC, diversity of technologies, and project viability and timelines.

Question 2.a: Should the Agency consider changing the solar carve-outs between utility-scale and Illinois Shines?

ComEd understands the split between solar projects procured via the Indexed REC procurements versus those secured through the Illinois Shines is stable throughout the forecast period and defined by the statute. However, the Agency should consider adjusting as needed the solar carve-outs between utility-scale solar procured via Indexed REC procurements and distributed generation via Illinois Shines, especially given the evolving market dynamics and the statutory flexibility introduced by P.A. 103-1066.

Market demand and participation trends will continue to be the key consideration in any adjustment of the carve-outs. For example, utility-scale solar typically offers lower costs per REC, making it attractive from a budget efficiency standpoint, and utility-scale projects contribute more significantly to grid-scale resource adequacy. Conversely, if Illinois Shines projects are consistently oversubscribed or if utility-scale solar is underperforming or facing development delays, it may indicate demand sufficient to justify a larger carve-out. However, recent anecdotal experience suggests the costs of Illinois Shines projects coupled with the current and expected REC prices are becoming a significant factor, and ComEd is subject to an increased risk in making required front-loaded payments on these contracts. In the end, the Agency should exercise its discretion to achieve a balanced approach ensuring program efficiency, grid reliability, and achieving the maximum RPS benefits.

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[3] *Id*., at 4.
[4] *Id.*
[5] The Summer 2025 Indexed REC RFP Rules and Indexed REC Contract may be found here: https://www.ipa-energyrfp.com/indexed-renewables/final-materials/

Question 3a: In the event of an imminent forecast RPS budget shortfall, should the Agency consider adjusting project targets to extend the RPS budget and delay the shortfall?

ComEd understands that, in the event of an imminent RPS budget shortfall, the IPA may consider adjusting project targets to extend the budget and delay or mitigate the shortfall. This approach aligns with the Agency's new statutory flexibility in P.A. 103-1066 and supports program continuity while ensuring fiscal responsibility in the context of RPS. However, like the IPA, ComEd has concerns with potential issues in a situation in which ComEd is required to advance funds to cover REC payments in the event of a shortfall, and particularly if the recoverability of those advanced payments in a shortfall scenario is in question. Actions taken by the IPA to prioritize projects, scale back higher per-REC price program categories, or delay procurements should be considered in the context of the consequences to customers, developers, and utilities.

<u>Topic #2: REC Pricing and the REC Pricing Model</u>

REC Pricing Model Input Questions

Question 13: Are there any additional REC Pricing Model input and/or methodological changes that the Agency should consider? Please provide details including references to supporting data or documentation where appropriate.

ComEd has previously responded to the IPA's Request for Stakeholder Feedback for 2026 Long-Term Plan Development issued on May 19, 2025, and as part of that response cited the then-pending Investment Tax Credit ("ITC") policy changes at the federal level as adding a significant level of additional uncertainty to the level of clean energy incentives that will remain available to participants in Illinois' renewable programs. ComEd noted that, as the IPA's RPS Budget Model assumes certain levels of federal support, the proposed changes to the ITC were critically important for the IPA to consider and may require the IPA to recalibrate budget forecasts, REC pricing assumptions, and procurement volumes going forward.[6]

Since ComEd's previous comments were filed, the bill containing major changes to federal clean energy tax incentives, particularly to the ITC and Production Tax Credit ("PTC") established under previous legislation, has been signed into law.[7] Changes include an accelerated phasing-out of the ITC for solar and other clean energy technologies and the PTC for clean electricity, with equally significant implications for Illinois RPS programs and REC pricing. In fact, eligibility for ITCs and PTCs for wind and solar projects are advanced, making solar and wind projects that enter service after 2027 no longer eligible for the credits unless they start construction began before July 4, 2026. Other technologies eligible for clean electricity ITCs and PTCs (like hydropower, nuclear, geothermal, and energy storage) will face phase-outs for projects starting construction after 2033, with credits eliminated after 2035. A related tax credit for using U.S.-made components in solar and wind facilities also ends for projects that enter service after 2027, and credits for EVs and

[6] Commonwealth Edison Company Comments in Response to the IPA's Request for Stakeholder Feedback for 2026 Long-Term Plan Development (June 11, 2025).
[7] H.R. 1, 119th Congress (2025–2026), Public Law No: 119-21.

clean hydrogen are even further accelerated.[8] Further, in response to the composition of the final bill, on July 7, 2025, President Trump signed an Executive Order effectively ending subsidies for wind and solar energy, labeling them "unreliable and overly dependent on foreign-controlled supply chains." The order directs the Treasury Department to revoke certain clean energy tax credits, tighten eligibility rules, and implement stricter restrictions on foreign entities of concern - all within 45 days.[9]

As the Illinois Shines program sets REC prices based not only on project economics, market demand, and equity goals, but also on federal and state incentives like the ITC, this development brings to the forefront of policy discussions the urgent need to evaluate whether - and how - state-level mechanisms can effectively compensate for the financial gap created by the rollback of federal support. With the ITC no longer available for many projects, developers may now require higher REC prices to maintain project viability, placing an increased strain on the IPA's REC budget. By some estimates Illinois Shines REC prices may need to more than double to sustain the viability of the program. Consequently, as previously suggested by ComEd, Illinois will need to recalibrate its REC Pricing Model, procurement targets, and budget forecasts to reflect the loss of federal support.

ComEd appreciates the IPA's consideration of the above Comments and looks forward to the comments of other stakeholders.

[8] *Id*.

[9] The Executive Order may be found here: https://www.whitehouse.gov/presidential-actions/2025/07/ending-market-distorting-subsidies-for-unreliable-foreign%E2%80%91controlled-energy-sources/