CHAPTER 3: REC Portfolio, RPS Goals, Targets, and Budgets and Program REC Pricing

Topic 1

Response.to.Model.Input.Questions.7_9

The Joint Solar Parties do not have specific proposed changes to the IPA's questions about modeling. The Joint Solar Parties appreciate the granular questions, but believe for the intended target audiences—from developers attempting to make investment decisions to financing parties looking at risk—will all have their own individual assumptions. The Joint Solar Parties thus recommend the IPA make available the spreadsheet model the IPA uses with formulas intact so that any party interested in rerunning the model with their own assumptions will have an ability to do so.

The Joint Solar Parties recognize that at some point, the model may be used to request relief under Section 1-75(c)(1)(E-5) of the IPA Act. In that case, however, the Joint Solar Parties expect in only limited cases will the forward-looking assumptions (rather than historic actuals) impact whether further procurements must be reduced or paused. In such cases, the Joint Solar Parties intend to work with the IPA on ensuring that the IPA is modeling on then-current market trends.

Responses.to.Big.Picture.Questions

1. While no budget shortfall is currently forecasted for the 2026 Long-Term Plan period (the 2026-2027 and 2027-2028 program years), the Agency 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 oversubscribed under Illinois Shines, have higher cost to REC production ratios, or are simply bid in greater volumes). In order to ramp up to achieve the 45%:55% wind/hydro to solar target over time, for Indexed RECs, the share of capacity procured between utility-scale solar and utility-scale wind projects is projected to be weighted toward utility-scale wind, at 60-70% through 2029, then projected to adjust to 54% wind from 2030 onward. (Note: the solar target is split between utility-scale projects procured through the Indexed REC procurements and those secured through the Illinois Shines – thus, broadly, the current aggregate wind to solar split remains at 45:55 per the original statutory requirements).
    a. Should the Agency consider changing the 45%:55% wind/hydro-to-solar split? If yes, to what percentages and why?

JSP RESPONSE: Yes, the Agency should propose a change to the split. The ABP remains full or oversubscribed in most categories while there remains a substantial shortfall on wind RECs. As long as the wind/hydro REC targets are not being fully met in the previous year, the following year the excess RECs should be filled by solar—including from the ABP.

    i. Should there be a separate target for hydropower projects as opposed to currently being included in a combined target with wind projects? If yes, why?
    b. Should the split be focused on all projects (Indexed REC and Illinois Shines) or only certain types of projects, and why?

JSP RESPONSE: The focus should be on projects that are more likely to qualify for the investment tax credit, which means more mature projects that can commence construction sooner and finish construction within the allotted statutory timeframes. Many—though of course not all—of such projects are likely to be distributed solar projects that would participate in the ABP, where even less mature projects are more likely to hit the necessary timeframes.

c. Should a change to the target percentages be consistent for all program years, or instead change based upon the results of an Indexed REC procurement and/or participation (over/under-subscription) in an Illinois Shines category? Why?

JSP RESPONSE: The results should be responsive to the application of projects meeting the criteria explained above. During some time periods, that might skew more heavily to the ABP; at other times it may include relatively more utility-scale.

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?

JSP RESPONSE: The Joint Solar Parties note that even the smaller ABP projects that do receive an ITC are likely to be more competitive with larger (including utility-scale) projects that are not expected to receive the ITC or PTC. The weighting should not be predetermined as much as the IPA should operate under a goal of as bringing online as many projects as possible receiving the ITC as possible to stay on track to meet CEJA targets.

2. Continuing from the previous question, the split between solar projects procured via the Indexed REC procurements versus those secured through the Illinois Shines is relatively stable throughout the forecast period, as defined by the statute.
   a. Should the Agency consider changing the solar carve-outs between utility-scale and Illinois Shines?

JSP RESPONSE: The Joint Solar Parties do not wish to take opportunities away from any solar project but note that solar tends to have the shortest path from initial development to PTO, has the least complex construction, and has a steady pipeline of smaller (distributed) resources that can respond to IPA decisions and still meet the criteria for receiving the ITC. The goal should remain maximizing projects that receive the ITC (or PTC), and utilize these shorter timelines to stay on track with RPS goals directed through CEJA.

b. If yes, what should they be changed to and based upon what statistics and drivers? Please provide support for your recommendation(s).

JSP RESPONSE: Applications that demonstrate an ability due to maturity of being placed in service by the applicable deadline to receive the ITC or PTC. The IPA could ask specific questions on the Part I application for the ABP and bidding documents for indexed REC procurements about maturity and expected placed-in-service date (and whether an ITC is expected). A competitive bid could bid based on an assumption of ITC/PTC or no ITC/PTC.

3. Currently the Agency's RPS Budget Forecast projects a budget shortfall during the 2028-2029 program year. However, if the forecast changes due to market and/or

procurement changes and a shortfall were to be forecasted earlier (e.g., during the 2026-2027 or 2027-2028 program years), the Agency could consider implementing a process to adjust its procurements to extend the budget and maximize the number of projects contracted to provide RECs and support progress toward achieving the Illinois RPS and clean energy targets.

a. 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?

JSP RESPONSE: No. Procurements and programs should continue unless or until there is an actual projected shortfall in the immediate year. Otherwise, while the shortfall date will be estimated in good faith, changes beyond the control of the IPA (such as projects being delayed in or unable to energize) may lead to additional time compared to assumptions.

b. If yes, which projects should be reduced or suspended (e.g., utility-scale wind, utility- scale solar, Illinois Shines or Illinois Solar for All ("ILSFA") projects, etc.)? How should the Agency consider the reduction or suspension of utility-scale renewable projects versus those of the programs?

JSP RESPONSE: In the immediate term, the IPA should prioritize projects demonstrating an ability to meet the deadline to receive the ITC (or PTC). Once additional projects that have not met a specific milestone (such as construction commencing within a year of the effective date) will no longer be able to do so (for instance because it is more than one year following the effective date), the IPA should reconsider and take stakeholder input on how to prioritize.

4. Under a constrained RPS budget, are stakeholders open to a project/program triage mechanism to optimize the remainder of the budget and maximize the potential contracting of RECs?

JSP RESPONSE: Yes, to a point. The priority should be to *obtain* RECs to meet CEJA's top-line goals, and within that goal projects should be prioritized that are likely to be eligible for ITC or PTC. What should *not* be prioritized is a category that is theoretically going to be cheaper RECs but for which projects are not applying or bidding in sufficient numbers.

a. Should the Agency consider changing the Indexed REC procurement allocation between solar and wind (currently 55/45 respectively)?
b. Should the Agency consider changing the solar carve outs between utility-scale and Illinois Shines?

JSP RESPONSE: Please see response to Question 4 above.

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

REC Pricing Model Questions

The Joint Solar Parties do not have specific responses to the questions. The Joint Solar Parties have provided extensive feedback in the past on the structure and value for many of the inputs—some of the comments have been implemented, while many have not. Other than a new lease tax that is effective in 2025 and may impose additional costs on some business models, the Joint Solar Parties have little new to add in the micro.

In the macro, however, the federal reconciliation bill—signed into law on July 4, 2025—is substantially altering the overall structure of the industry. Many of its impacts are still unknown, especially in light of an executive order directing the U.S. Department of Treasury to reconsider the definition of commencement of construction and modifying tariffs. In addition, guidance and enforcement of the foreign entities of concern ("FEOC") provisions remains largely unknown. These changes are expected to far eclipse modifications to IRR by program type or updating labor costs, but the Joint Solar Parties are not yet in a position to provide a full quantification.

The Joint Solar Parties recommend that the IPA continue to track federal changes and work with industry to adjust quickly to the changing economic landscape.

Response to Big Picture Questions

1. The Agency has identified large swings in participation for certain Illinois Shines and ILSFA project categories. For example, Illinois Shines DG projects often go to waitlists, while the Public Schools category has been underperforming. Similarly, the ILSFA non-profit/public facilities subprogram typically meets its target while the residential 5+ unit category projects are underperforming (and the 1–4-unit subprogram had underperformed in earlier program years).

JSP RESPONSE: Respectfully, while REC prices are almost certainly playing a role in program uptake, other factors are likely driving participation such as regulatory risk and soft costs associated with particular programs. For instance, while Solar for All has substantial REC prices and the Joint Solar Parties appreciate the value of protections for low-income customers, the additional cost and risk from the layers of additional complication are apparently not seen as worthwhile by many in the market. In addition, restrictions (such as use of public school-owned land for the Public School block and subcategories that in some cases are too small for even a single 5 MWac system) within some of the underperforming programs may be dampening participation.

As is demonstrated by applications far exceeding available capacity in some programs, there is not an unwillingness of developers to apply and be patient for the reward of the REC Contract. However, those waitlists make those blocks with substantial excess capacity even more glaring.

In order to increase participation in those blocks, the IPA should work with the Joint Solar Parties and other stakeholders on reducing soft costs. In many cases, this will entail removing program requirements that may have some positive effects because those positive effects are exceeded by the direct costs, risks, or losses they impose on program participants.

This exercise is doubly important in light of the eventual elimination of the ITC. Loss of the ITC will create a gaping hole in owner/operator *pro formas* (financial models showing the timing of expenditures and revenues). While of course REC prices could be commensurately increased, that will have an impact on the number of RECs that can be purchased for the same RPS budget. A better approach would be to have some increase in REC prices paired with a reduction in direct costs, soft costs, risks, and losses caused by ABP and SFA terms and conditions. Those programmatic changes will frequently not have a direct cost (and thus not a direct impact on the RPS budget).

The Joint Solar Parties have been working on and will continue to work towards identifying program changes to reduce soft costs while still protecting consumers. The Joint Solar Parties believe this work is critical to ongoing ABP success and stand ready, willing, and able to work with

the IPA and other stakeholders to make changes that meaningfully reduce soft costs and thus take pressure off potential REC price increases.

a. What are the key factors related to REC prices that are contributing to under-participation in Illinois Shines and/or ILSFA categories/subprograms? What is the weight that REC Prices for a given category or subprogram affects participation versus other factors beyond REC prices? Please provide details and examples.
b. What key factors related to REC prices are contributing to the over-participation (waitlisted projects) in Illinois Shines and/or ILSFA? What is the weight of REC Prices as the factor that may be negatively impacting category participation versus other factors beyond REC prices? Please provide details and examples.