

# New Procurement Mechanism Public Workshop 1

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Energy+Environmental Economics

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# Agenda

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- + **New Procurement Mechanism Background & Key Considerations**
- + **Initial Stakeholder Commentary & IPA Discussion**
- + **Additional Stakeholder Questions & Next Steps**

# Disclaimer

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*These slides and their contents are intended for informational and discussion purposes only and do not represent a legal interpretation or statement of policy by the IPA, its Staff, or their consultants.*

*Content presented and any views or opinions expressed during the webinar do not represent a legal interpretation, statement of policy, or statement of fact by the IPA, its Staff, or their consultants.*

*The objective of this webinar is to provide information and elicit participation from a variety of stakeholders to inform the Agency on the potential use(s) of the Long-Term Clean Energy Procurement mechanism.*

# Stakeholder Session Guidelines

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**+ This session will be sequenced as follows:**

1. Background and key considerations for the new procurement mechanism defined by CRGA
2. Overview of stakeholder comments received to-date and framing for stakeholder discussion
3. Introduction of additional stakeholder questions
4. Open discussion for stakeholder questions and comments

**+ Throughout the presentation, participants may raise their hand if they have clarifying questions or comments directly related to what is being actively presented and you will be called upon, OR you are welcome to add questions in the chat at any time.**

**+ We will pose questions to the audience for discussion at various points throughout the presentation. Please raise your hand to be called upon or use the chat function.**

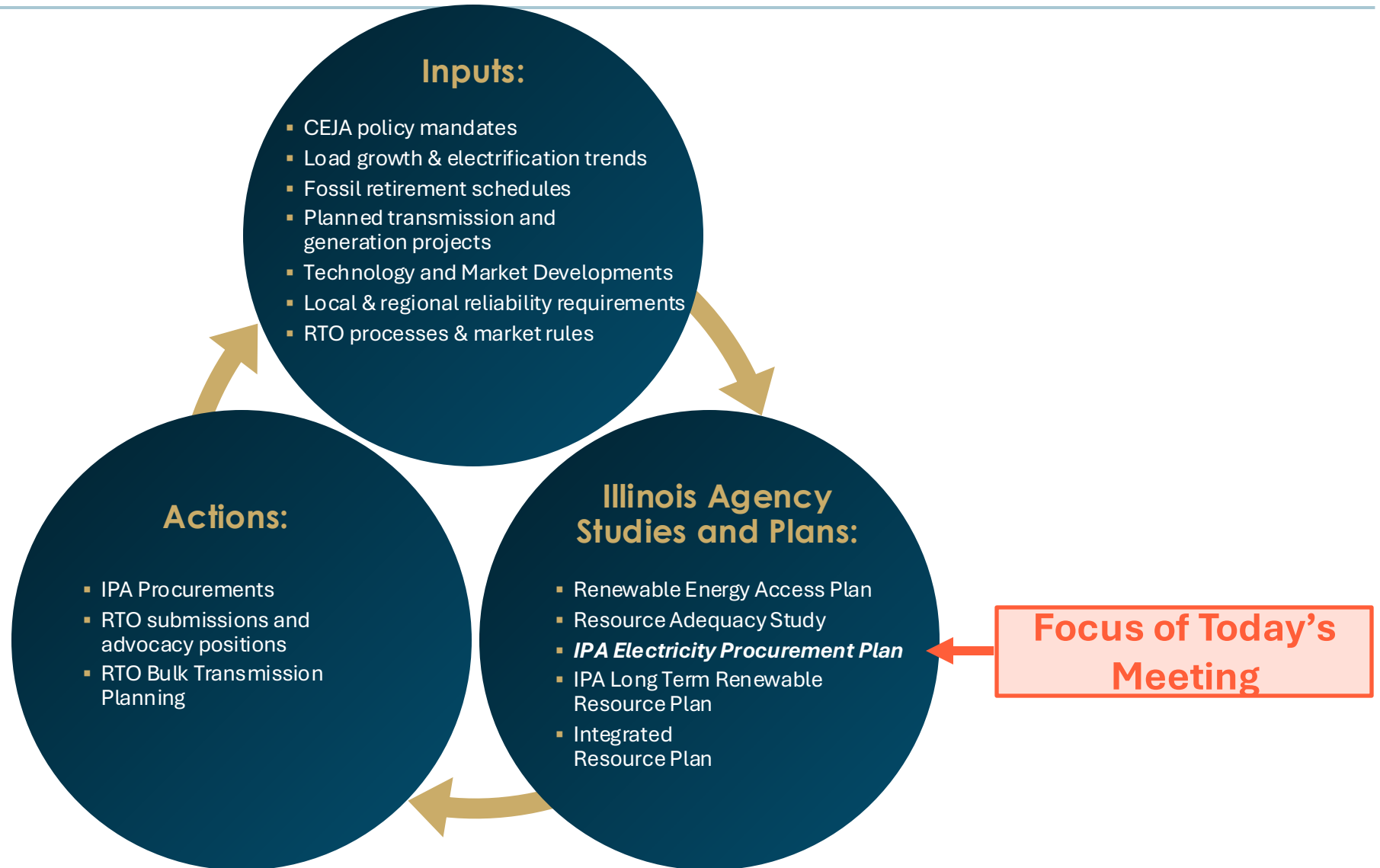
**+ Please hold broader discussion questions or comments until the end of the presentation.**

- We will take questions in order.
- To ensure all participants have an opportunity to contribute, we will first cycle through one question per participant before returning to additional questions.



# **New Procurement Mechanism Background & Key Considerations**

# Landscape of Energy Studies & Processes in Illinois



# Legislation Initiating the New Procurement Mechanism

## *Intentions & Opportunities*

### Summary of Language from CRGA - details the mechanism (See exact text in Appendix):

*Beginning with the procurement plan for the delivery year commencing on June 1, 2027, in recognition of a potential need to facilitate additional supply to address resource adequacy challenges... upon an **identification of need** ... **in the resource adequacy report** ... as updated by the **integrated resource planning process** ... the procurement plan shall also include the procurement of **energy, capacity, environmental attributes, resource adequacy attributes, or some combination thereof** ... intended to serve **all retail customers**.*

- + This new procurement mechanism presents an opportunity to facilitate deployment of new resources to support the needs of the State's electric grid
- + The mechanism will act as another tool in the toolbox that can be deployed when it is deemed useful
- + This creates an important need to further define the use-cases and guidelines for use of the mechanism, following the statute which states that the Agency may include further details of the procurement process in its 2027 Electricity Procurement Plan

# Legislation Initiating the New Procurement Mechanism

## Key Clarifications

**Summary of Language from CRGA - details the mechanism (See exact text in Appendix):**

*Beginning with the procurement plan for the delivery year commencing on June 1, 2027, in recognition of a potential need to facilitate additional supply to address resource adequacy challenges... upon an **identification of need** ... **in the resource adequacy report** ... as updated by the **integrated resource planning process** ... the procurement plan shall also include the procurement of **energy, capacity, environmental attributes, resource adequacy attributes, or some combination thereof** ... intended to serve **all retail customers**.*

### Important clarifications:

- 1. Consideration of this mechanism is a component of the IPA's Electricity Procurement Plan update and litigative proceeding before the ICC, and not a component of the IRP or RA Study/Mitigation Plan.**
- 2. This mechanism is informed by the RA Study (issued December 15, 2026) and prospectively by the Mitigation Plan and IRP (*IRP expected November 2026*)**
- 3. This mechanism may not need to be utilized—it's meant to solve an identified need (not a requirement)**
- 4. While the definition and use of this mechanism will be included in the Electricity Procurement Plan, it is distinctly different and separate from procurement for default service**
- 5. Contract awards are intended to utilize structures that ensure stable, reliable, and competitively neutral allocations of costs and responsibilities through collections from all retail customers or all LSEs**

# Legislation Initiating the New Procurement Mechanism

## Current Status

### Summary of Language from CRGA - details the mechanism (See exact text in Appendix):

*Beginning with the procurement plan for the delivery year commencing on June 1, 2027, in recognition of a potential need to facilitate additional supply to address resource adequacy challenges... upon an **identification of need** ... **in the resource adequacy report** ... as updated by the **integrated resource planning process** ... the procurement plan shall also include the procurement of **energy, capacity, environmental attributes, resource adequacy attributes, or some combination thereof** ... intended to serve **all retail customers**.*

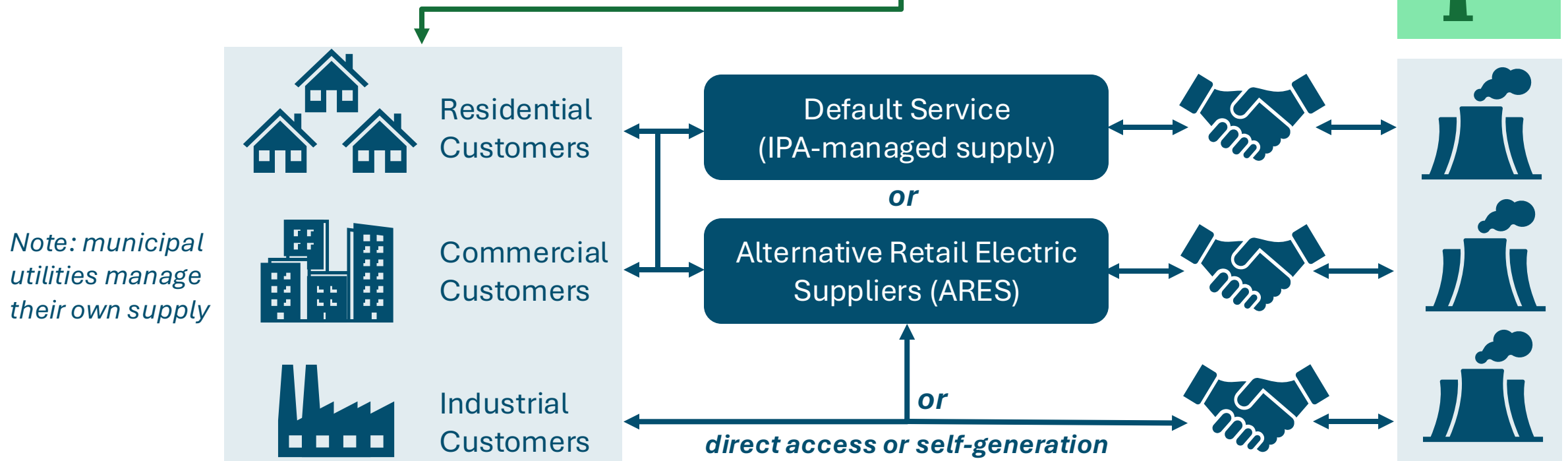
- 1. Was there an identification of need in the RA Report? ... *A risk of RA shortfall was identified.***
- 2. Is the IRP process completed and/or does it provide insights for consideration? ... *No, the IRP is to be filed in November 2026 and litigated into 2027.***
- 3. Is a procurement of these products/attributes advisable? ... *To be determined and discussed***



**While the IRP is not yet complete, the statutory language provides an opportunity to utilize this mechanism resulting from the RA Study. The IPA needs to: 1) identify potential resource adequacy gaps from reports, 2) determine if a procurement should be conducted & why, and 3) define guidelines for future use.**

# Considerations for the Role of Central Procurement in Illinois

- + Illinois retail suppliers are generally responsible for managing their own supply costs through owned generation, contracts, or market purchases, while IPA buys RECs on behalf of all non-exempt customers to meet state RPS targets.
- + Any centrally-procured resources would affect IPA (default service) and ARES resource positions and supply costs



# Key Considerations for Using the New Procurement Mechanism

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## Critical questions to guide the design and use of this mechanism:

- + Is there a gap in the market that is not being addressed by another plan or process, potentially validating the use of this procurement mechanism?*
- + Could this procurement appropriately mitigate any resource adequacy challenge identified?*
- + Does this procurement benefit Illinois customers?*
- + Is the cost of the procurement justifiable, understanding that these costs will be allocated in a competitively neutral manner?*

# Remaining Gaps to Address in Detail beyond the Legislative Text

## Need Determination

- In 2027 EPP cycle, how is need determined while the inaugural IRP and Mitigation Plan are still in process?
- In future cycles, how should an identified need translate to a procurement target given the intentional deregulated market structure?

## Targeted Products

- Eligible products include energy, capacity, environmental attributes, RA attributes, or a combination...  
...since the statute is tied to resource adequacy, should the RA attribute always be a required component?
- Given the LTRRPP procures environmental attributes on behalf of all customers to meet policy goals, how should this interact with this new process?

## Contracting

- Contracting in statute is described to be “long-term:” what is the appropriate contract term and why?
- If entering long-term contracts on behalf of all retail customers, how should this interact with existing resources contracted by the ARES and IPA?

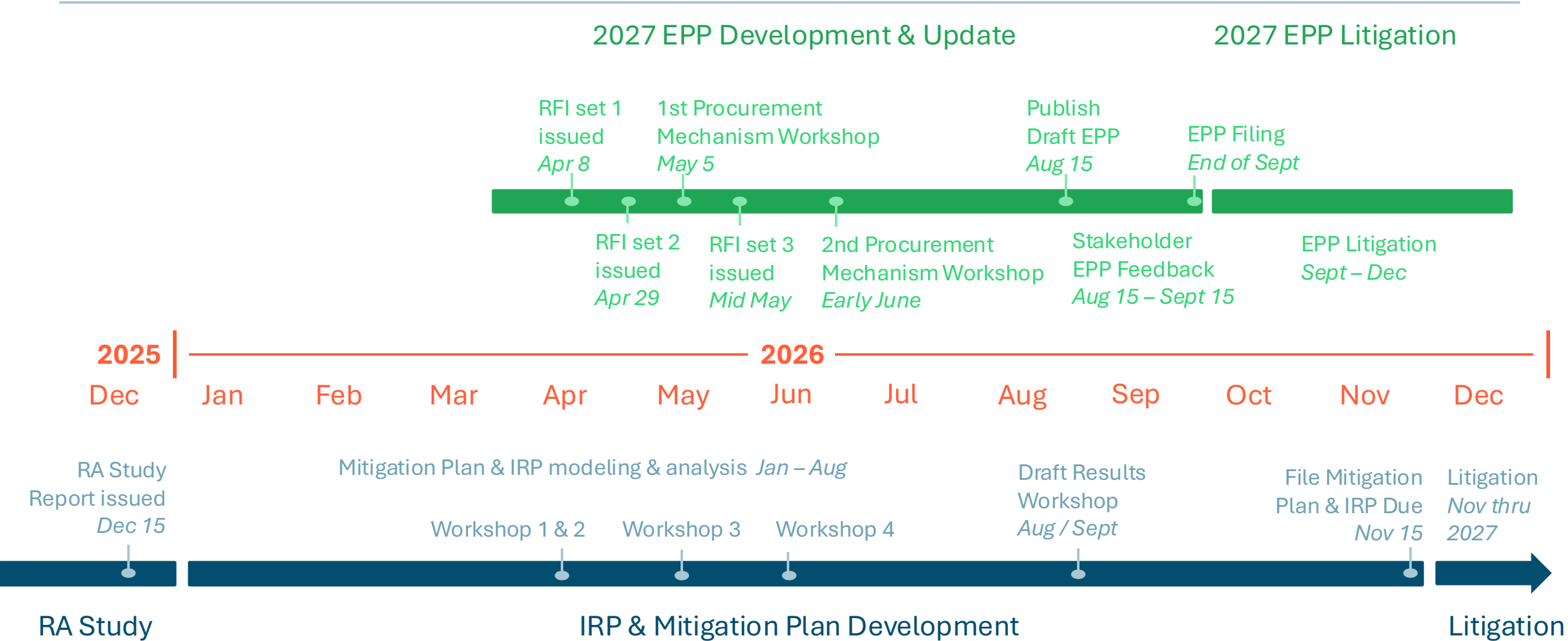
## Procurement Process

- Given the timing of the filing and how far along the IRP and mitigation plan process is, what should be included in the 2027 EPP?
- How should future iterations of the EPP interact with the IRP process?

## Cost Allocation

- CRGA states the cost allocation for procurements under this mechanism shall be competitively neutral: how should this be defined and conducted in practice with respect to existing supply arrangements?
- How should procurements be balanced between customers in each RTO market?

# The Development Timelines of the IRP and Mitigation Plan Occur Alongside the 2027 EPP



# Two Parallel Tracks for EPP

## Regular Annual EPP Updates Track

- + Begin mapping out the 2027 EPP updates and drafting
- + Following procurement events, update the energy and capacity positions
- + Continue to make written report updates
- + Upon receipt of updated utility data, conduct analysis & make chapter updates
- + Finalize language in report and publish

Apr

May

Jun

Jul

Aug

## New Procurement Mechanism Track

- + Collect stakeholder comments via RFI re: procurement mechanism expectations
- + Develop initial concept for the new procurement mechanism
- + Host stakeholder workshop to provide information & collect additional feedback
- + Further refine the new procurement mechanism considerations
- + Hold second workshop with stakeholders with expanded discussion on potential products through this mechanism
- + Write new EPP chapter considering the new procurement mechanism

Additional activities post-filing



# Initial Stakeholder Commentary & IPA Discussion

# Approach to RFI Questions & Discussion

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- + On April 8, 2026, the IPA issued an announcement for this workshop on the long-term clean energy procurement framework which was accompanied by a “request for comments” to questions to proactively gather stakeholder input to support content and discussion during the workshop**
  
- + The questions were intentionally broad and exploratory, designed to frame key issues and guide early-stage discussion and concept development**
  
- + In this portion of the workshop focused on these questions, we’re going to go through each individually as follows:**
  1. Read the question
  2. Summarize key comments, recommendations, and take-aways from stakeholders
  3. Provide brief IPA comments
  4. Open discussion on the topic - seek live input

# RFI Questions Issued

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- + What do stakeholders see as the purpose of this procurement mechanism in the context of the other IPA procurement mechanisms (i.e. the EPP, LTRP, and upcoming energy storage procurement plan)?
- + What gaps exist in the existing IPA procurement mechanisms or competitive market structures that this procurement mechanism will address?
- + What resources (including specific technologies and characteristics such as fuels or emissions) or products (energy, capacity, renewable energy credits (RECs), etc.) should be targeted within this procurement mechanism and why?
- + What contract lengths should be considered for the targeted resources or products and why?

# Overall Themes from Stakeholder Comment

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- + Responses were broadly aligned that this procurement mechanism should focus on addressing resource adequacy needs as well as Illinois clean energy goals
- + Responses were broadly aligned that this mechanism should be considered as additive (not duplicative) of other procurement processes and should be aligned with the IRP and other state plans
- + Multiple respondents assert that MISO and PJM capacity markets provide insufficient long-term revenue signals to finance new clean generation projects and express concerns for Illinois resource adequacy
- + Multiple respondents propose that procurement of “bundled” products (energy, capacity, and environmental attributes) from new resources can deliver better costs and value for Illinois customers compared with separate “unbundled” procurements
- + Respondents note that longer term contracts (~20 years) were appropriate for supporting new resource development under this mechanism
- + ARES (through the ICEA) propose that any procurements and cost allocations from this mechanism account for and reflect resource commitments already in place for their customers, and assert that ARES should not be direct counterparties to contracts signed under this mechanism

# Question 1: Purpose of Procurement Mechanism

*What do stakeholders see as the purpose of this procurement mechanism in the context of the other IPA procurement mechanisms (i.e. the EPP, LTRP, and upcoming energy storage procurement plan)?*

## + Broad agreement in stakeholder responses that...

- core purpose of the mechanism is addressing resource adequacy shortfall
- this mechanism complements, rather than replaces, existing IPA programs
- this mechanism may be used to support clean energy development by providing revenue certainty to new projects
- use of the procurement mechanism should be informed by ongoing IRP/RA Mitigation Plan process

## + Common themes noted by respondents include...

- resource adequacy is a critical issue which warrants policy-driven interventions/action
- current capacity markets don't provide sufficient long-term investment signals for new resources
- long-term contracts reduce risk for developers and are critical for new resource development
- Illinois state goals in CEJA and CRGA should be supported and considered in the use of this mechanism

## + ICEA proposed that procurements by ARES for self-compliance should be considered in cost allocation

## Question 2: Gaps in Current Process

*What gaps exist in the existing IPA procurement mechanisms or competitive market structures that this procurement mechanism will address?*

### + Respondents noted the following issues that this procurement mechanism could address:

- Capacity markets in PJM and MISO are volatile, and capacity revenues are insufficient in price level and stability to support investment in new resources
- Current REC procurements by IPA do not include capacity or energy attributes, and bundled procurements could offer better pricing for Illinois customers and better revenue stability for developers
- Current procurements by IPA and other Illinois suppliers and wholesale capacity and energy market revenues do not offer sufficient compensation and/or revenue certainty for clean energy resources which also have high reliability value (“clean, firm resources”)

### + ARES (through the ICEA) propose that any procurements conducted under this mechanism take into account existing supply resources from ARES in the determination of need and cost allocation

### + Invenergy and SOO Green assert that clean energy resources which could be delivered through HVDC transmission that are not currently supported by IPA procurements

# Question 3: Targeted Resources or Products

*What resources (including specific technologies and characteristics such as fuels or emissions) or products (energy, capacity, renewable energy credits (RECs), etc.) should be targeted within this procurement mechanism and why?*

- + Strong consensus among respondents on limiting eligibility to new, non-emitting resources that qualify as accredited capacity in PJM/MISO**
  - Bundled products (energy + capacity + RECs) are broadly supported in stakeholder responses
  - Multiple stakeholders stress flexibility over pre-determined technology splits for procurement targets
- + Common themes noted by respondents include...**
  - Renewables and storage should be a core focus of procurements, with some respondents pointing to scale and 3 to 5-year development timelines to support this rationale
  - Hybrid or co-located resources are also strongly supported
  - Performance-based criteria for resource products/attributes preferred over strict technology rules
- + Some respondents also proposed the inclusion of traditional generation sources, gas with CCS, nuclear generation, transmission, and DERs under this mechanism**

# Question 4: Contract Lengths

*What contract lengths should be considered for the targeted resources or products and why?*

## + Broad consensus across responses for a contract term of around 20 years

- 20 years was the most widely cited term among respondents, who pointed to precedents in Illinois programs (LTRRPP, community solar, indexed storage credits) and programs in other U.S. states and regions
- Respondents proposed ranges of 15-30 years, with longer terms (20-30) favored by developers (CGA, Invenergy) and shorter terms (15-20 years) favored by policy-focused groups (UCS/Vote Solar)

## + Common themes noted by respondents include...

- Shorter term contracts were thought to increase risk for developers and increase contract costs for customers
- Respondents propose that contract lengths enable full cost recovery for resources, balance risks between buyer and seller, and use competitively neutral cost allocation structures

## + Other responses noted some specific topics:

- ICEA's main concern is to keep ARES out of direct counterparty roles on any contracts signed through this procurement mechanism
- SOO Green favors asset-specific terms to be determined case-by-case
- ComEd prefers a portfolio of mixed contract terms to maximize market competition and manage portfolio risk
- UCS/Vote Solar recommended staggering of contracts to reduce maturity risk of resources



# Additional Stakeholder Questions & Next Steps

# Approach to Next Set of Questions & Discussion

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- + On April 30, 2026, the IPA issued an announcement communicating: (1) the presentation materials for this first workshop on the new procurement mechanism were posted, (2) stakeholder responses from the first "request for comments" were posted, and (3) a second "request for comments" was issued, seeking to gather additional stakeholder input.
- + On the next slide, we will review the questions, which were meant to go one level deeper into considerations of the new procurement mechanism
- + We invite initial discussion of these questions during this stakeholder session; however, this set of questions remains open for feedback: written comments requested by 5 p.m. Central on May 14, 2026

# Next Set of Questions to Stakeholders

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- + What guidelines should govern the design and use of this new procurement mechanism to balance the priorities and needs identified by the state agencies with the ongoing functioning of the regional markets (including the PJM and MISO capacity markets) and Illinois's competitive retail market structure?**
- + How should the need or procurement target of eligible resources or products be determined (i.e. stemming from need identified in IRP process or mitigation plan)?**
- + How frequently should these procurements be conducted and what would trigger and justify a procurement event?**
- + How should the resources or products be evaluated in isolation and against one another to meet the need or procurement target described above? Respondents may consider differences in resource type, cost, contract length, or commercial operation date.**
- + Should there be any cost caps or other guardrails on the procurements to protect Illinois customers from increased rates? If so, please describe.**

# Next Steps in Process

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- + Responses to second set of stakeholder questions due by May 14, 2026 at 5 p.m. Central
- + Workshop #2 is scheduled for June 4, 2026
  - Registration for the next workshop will be opened next week
  - IPA is targeting the issuance of workshop materials approximately 1 week prior to the workshop



# Thank You

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# Appendix

# Legislation Initiating the New Clean Capacity Procurement Mechanism

## Language from CRGA that details the mechanism:

- *Beginning with the procurement plan for the delivery year commencing on June 1, 2027, in recognition of the potential need to facilitate additional supply to address any resource adequacy challenges through a stable and competitively neutral cost allocation mechanism, upon an identification of need by the Commission in the resource adequacy report prepared pursuant to subsection (o) of Section 9.15 of the Environmental Protection Act, and as such need is updated by the integrated resource planning process outlined in subsection (b), the procurement plan shall also include the procurement of energy, capacity, environmental attributes, resource adequacy attributes, or some combination thereof intended to serve all retail customers.*
- *Any procurements proposed under this subsection (b-10) shall feature long-term contracts, shall be structured to facilitate new and additive supply resources, and shall be sized to ensure that the substantial majority of any load-serving entity's supply portfolio is not composed of contracts awarded under this subsection (b-10).*
- *Any procurement should consider the value of higher capacity resources that aid in resource adequacy. The Agency shall propose contract structures that do not create contractual obligations on utilities that are not contingent on full and timely cost recovery, that avoid negative financial impacts on the utilities, and that are implemented through contracts that are agreed upon by the utilities.*

# Legislation Initiating the New Clean Capacity Procurement Mechanism (Continued)

- *Facilities eligible for long-term contracts under this subsection (b-10) must be new clean energy resources, as defined in Section 1-10 of the Illinois Power Agency Act, including clean generation associated high voltage direct current transmission facilities, and must qualify as an accredited capacity resource within the service areas of PJM Interconnection, LLC, or Midcontinent Independent System Operator, Inc. For purposes of this subsection (b-10), "new" means energized on or after the effective date of this amendatory Act of the 104th General Assembly*
- *Contracts may take the form of a sourcing agreement, power purchase agreement, or other instrument as determined by the Commission in approving the plan, and may feature fixed or variable pricing structures, including utilization of a contract for differences in pricing structure. Contracts may feature both electric utilities and alternative retail electric suppliers as counterparties. In approving the contract structure utilized for any contract awards made pursuant to this subsection (b-10), the Commission shall prioritize structures that ensure stable, reliable, and competitively neutral allocations of costs and responsibilities.*
- *Purchases made under contracts awarded through this subsection (b-10) shall be funded in a competitively neutral manner as determined by the Commission in approving the plan. To meet contract obligations, the Commission may order collections from all retail customers or from all load-serving entities, including alternative retail electric suppliers as defined in Section 16-102 of this Act, as a means of ensuring a fair and competitively neutral allocation of contract costs. In establishing collections, the Agency may propose and the Commission may approve adjustments for load-serving entities that have contracts entered into before the effective date of this amendatory Act of the 104th General Assembly for energy, capacity, or environmental attributes to ensure customers are not double-billed for the same service.*
- *The Agency may propose and the Commission may approve additional terms, conditions, and requirements applicable to this procurement process through development and approval of the Agency's annual electricity procurement plan.*
- *The manner and form for developing contracts, qualifying potential counterparties, and awarding contracts shall be proposed as part of the annual electricity procurement plan described in this subsection (b-10). However, to the extent practicable, the proposed approach for contract development and award should endeavor to follow the provisions of subsections (c) and (e) through (i) of this Section.*
- *As further outlined in Section 16-115A, compliance with any procurement process proposed under this subsection (b-10) shall be considered a condition of service for alternative retail electric suppliers.*

# Links to Other Ongoing Initiatives

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1. IPA RA Planning Hub: <https://ipa.illinois.gov/electricity-procurement/ra-planning.html>
2. ICC IRP webpage: <https://www.icc.illinois.gov/informal-processes/Integrated-Resource-Plan>
3. IPA EPP page: <https://ipa.illinois.gov/electricity-procurement/electricity-procurement-plan.html>
4. IPA Long-Term Plan: <https://ipa.illinois.gov/renewable-resources/long-term-plan.html>
5. IPA Energy Storage: <https://ipa.illinois.gov/renewable-resources/energy-storage.html>
6. IPA Stakeholder Engagement RE: 2026 Long-Term Clean Energy Procurement process: <https://ipa.illinois.gov/renewable-resources/stakeholder-engagement.html>