Illinois Power Agency (IPA) Long-Term Clean Energy Procurement Framework Workshop and Stakeholder Questions – Advanced Energy United Comments Due 04/28

1. **What do stakeholders see as the purpose of this procurement mechanism in the context of the other IPA procurement mechanisms (i.e. the IPA's Electricity Procurement Plan, Long-Term Renewable Resources Procurement Plan, and forthcoming Energy Storage Procurement Plan)?**
   The purpose of this procurement mechanism is to procure resources that are identified within the results the Resource Adequacy (RA) Mitigation Plan and/or the Integrated Resource Planning (IRP) Workshop. United notes that the RA Mitigation Plan Workshop and the IRP Workshop have been combined into one holistic Workshop process due to the overlapping workloads and focus of the two. The State Agencies hosted the first two RA/IRP Workshop meetings during the week of April 6 focused on developing/refining scenarios, technologies, and cost assumptions that will be used in the modeling for the RA Mitigation Plan and IRP. Ultimately, the end goal of an IRP is to identify an optimal (or "preferred") portfolio of diverse resources that can be utilized over a long-term period (20-25 years) that will meet the energy needs of customers and accomplish Illinois' clean energy goals in an affordable, reliable, and sustainable manner. This "preferred portfolio" will identify the capacity, the type, and the timing of energy resources that will be required to meet Illinois' energy goals and needs. A key difference between this procurement mechanism and other IPA procurement mechanisms, is that this procurement mechanism is primarily focused on meeting long-term resource needs across a variety of different future scenarios. The IPA's other existing procurement mechanisms do not go to the same extent to model Illinois' resource needs far into the future or across different possible future scenarios.

2. **What gaps exist in the current IPA procurement mechanisms, or in the competitive market structures, that this procurement mechanism could address in part or in full?**
   As mentioned above, the current IPA procurement mechanisms are not informed by a robust, wide-reaching, and long-term IRP process that the Long-Term Clean Energy Procurement mechanism will be informed by. This is advantageous for the instant procurement mechanism because it will be able to accurately account for

Illinois energy needs through the lens of a comprehensive model that considers a wide range of needs. The IPA's other procurement mechanisms do not have as robust of a forecasting and modeling framework and are sometimes guided predominantly by policy rather than long-term forecasted energy needs (in the instance of the energy storage procurement and the long-term renewable resource procurement plan).

Additionally, the IPA's other procurement mechanisms lack the opportunity for developers and Independent Power Producers (IPP) to sell bundled energy, capacity, and environmental attribute products. To the extent allowed by law, the ability for developers and IPPs to sell these products fully bundled would incentivize clean energy development in the state while enabling developers and IPPs to provide more competitive pricing to utilities, benefiting them and their ratepayers. In addition to fully bundled products, the new procurement mechanism should consider allowing power purchase agreements that are financially settled at the project busbar, as opposed to the relevant market hub. This would allow for better project financing terms due to less basis risk (i.e. risk caused by the difference between the nodal price and the hub price due to congestion/distance), which can provide further economic benefits for utilities and ratepayers.

3. **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?**
   As stated above, the resources that should be targeted by this procurement should directly align with the "preferred portfolio" that is identified within the IRP process. Initially the IRP process, based on recent IRP workshop presentations, has identified the following supply-side resource areas to consider within the IRP framework: utility-scale solar PV, lithium-ion batteries, onshore wind, natural gas combustion, nuclear, advanced nuclear, and long-duration storage. This is a useful initial list of resources to consider when understanding the technologies that should be targeted by this procurement mechanism. Some additional considerations include targeting behind-the-meter (BTM) and front-of-the-meter

(FTM) solar and storage resources, as well as differentiating a broader range of various types of storage resources (i.e. short-duration storage under 10 hours, inter-day storage 10-24 hours, and multi-day storage over 24 hours). Furthermore, Virtual Power Plant resources should be eligible to be targeted with this procurement mechanism. Virtual Power Plant resources can be modeled the same way as supply-side resources by using a Market Potential Study and organizing VPP technologies into selectable bundles that can be chosen by a capacity expansion model. As considered in this question, this procurement should target energy, capacity, and RECs from selected resources. Overall, the prioritized resources and products should not be carbon emitting in order to avoid delaying or setting back Illinois' clean energy goals.

Finally, beyond the specific resources or products that should be targeted in this procurement, the IPA should also consider the importance of resource flexibility when selecting resources in individual procurements. The recent uncertainty regarding the availability of federal permits required for some renewable energy projects emphasizes the need for resource flexibility when considering the best path forward to meeting Illinois's clean energy goals. The IRP should consider the long-term effects of the current federal permitting backlog when determining the preferred resource plan and should prioritize meeting the clean energy goals over maintaining specific resource splits between certain clean energy resources, as reflected in the recent rule changes to the IPA's REC procurement mechanism allowing for undersubscribed categories to be filled by excess RECs in other categories.

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

   Generally, contract lengths should be long enough to cover the long-term goal of the IRP study that is associated with this procurement mechanism. The IPA should therefore consider allowing 15 to 30 year contracts, in order to supply enough energy for the portion of time that the IRP is studying. A 15-30 contract term will help provide financing certainty to developers, and is also generally in-line with the current contracts that the IPA executes within the Long-Term Renewable Resource Procurement Plan.