Invenergy's Response to IPA's Second Request for Comments on a Long-Term Clean Energy Procurement

Invenergy appreciates the opportunity to provide responses to the Illinois Power Agency's ("IPA" or "Agency") second request for comments on the development of a long-term clean energy procurement framework. As a company founded and headquartered in Illinois, and the nation's largest privately held developer, owner and operator of clean energy solutions, Invenergy is committed to supporting the state's goals and accelerating cleaner, more reliable, affordable energy.

Question 1: 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?

Invenergy Response:

The goals for the Long-Term Clean Energy Procurement ("LTCEP") should adhere to the statutory framework provided under the Clean and Reliable Grid Act ("CRGA"), namely that such a procurement "facilitate additional supply to address resource adequacy challenges through a stable and competitively neutral cost allocation mechanism."[1] By supplementing existing procurement processes, the LTCEP adds a meaningful and additional tool for the IPA to achieve the objective above. The LTCEP should be primarily guided by the need to incentivize the building of new clean capacity resources to meet growing demand, as existing procurement mechanisms and RTO markets have been unable to keep pace with the unprecedented projected load growth.

The most cost-effective way for the state to incentivize new clean capacity is through long-term contracts with resources providing fungible capacity products. Long-term fixed price contracts can provide a known and stable price for Illinois ratepayers as electric bills continue to increase. Furthermore, the design and use should also consider how the LTCEP serves as a critical hedge against future capacity price variations, shortfalls, and increasing uncertainty in the RTO markets. As Illinois increases capacity procurements, it both reduces the clearing prices for the MISO and PJM auctions and reduces the overall amount of ZRCs or UCAP that Illinois utilities need to obtain.

Question 2: 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)?

Invenergy Response:

The need for a procurement has appropriately been identified by the 2025 Resource Adequacy Study ("RA Study") published on December 15, 20125, in accordance with the legislative

[1] Public Act 104-0458

language in P.A. 104-0458. Additional, future procurement findings of need should and are likely to be documented through Illinois' integrated resource planning ("IRP") process.

In developing a procurement target, the Agency should consider an initial procurement target that establishes this new tool while providing enough flexibility to adjust in future years and maintain existing frameworks. Again, the statutory framework states, "any procurements [...] 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."[2] The resource adequacy study demonstrated:

> The state can successfully navigate both near-term reliability risks and longer-term decarbonization goals through a diversified resource strategy. . . This strategy also involves adding more short-duration battery storage and other flexible technologies to meet peak reliability needs, **as well as developing new clean firm capacity resources to replace the reliability contribution** provided by fossil generators in the long-term future, including long-duration storage and other emerging zero-emission technologies. The RA Study's analysis reinforces that **substantial new capacity from renewable, storage, and clean firm resources will be needed** even if Illinois retains a portion of its existing thermal fleet.[3]

The Agency has previously adopted new tools and revised targets in response to a need for capacity hedging—adopting a financial capacity product in the 2025 Electricity Procurement Plan, considering multi-year, all-season capacity products, and adjusting the ratio of bilateral procurements vs. PRA resources. The LTCEP can provide another avenue for which to meet objectives and as such should be sized as an initial forward procurement, somewhere between 10-15% of resource adequacy obligations.

The state should not wait until the initial IRP process is finalized before starting the LTCEP. The IRP process is a comprehensive assessment of Illinois' energy needs and ensuring system reliability over a longer-term horizon. While the IRP will serve as a critical tool, it is unlikely that the initial plan will be in effect in time to promote the procurement of resources needed to meet the 2030 shortfalls identified in the RA Study. Given the IRP is a new process, it will likely be subject to judicious regulatory review and potential litigation that could result in delaying approval of the plan and any proposed procurements. Illinois cannot wait for the IRP alone to address these near-term capacity shortfalls. Fortunately, LTCEP can provide an additional tool to address this emerging need.

Question 3: How frequently should these procurements be conducted and what would trigger and justify a procurement event?

Invenergy Response:

An initial LTCEP in the 2027 Electric Procurement Plan (EPP) is justified given the 2030 identification of need from the RA Study. We would propose a minimum of one procurement

[2] *Id*.
[3] 2025 Resource Adequacy Study, at xx (Dec. 15, 2025) (emphasis added).

a year, considering when resources can come online and resource adequacy obligations estimated in a delivery year. The Agency should hold additional procurements if procurement targets are not met and based on resource adequacy needs and identified solutions set forth in the ICC's initial IRP and subsequent IRPs.

Question 4: 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
Invenergy Response:

Certain terms should be fixed to both enable effective consideration of offers and limit risks to Illinois customers. These include requiring fixed price contracts and requiring all resources to commit to uniform contract length and a defined range for project Commercial Operation Date ("COD").

Given the need for capacity to meet resource adequacy requirements, we recommend that accredited capacity be used as either a screening tool or as a key criterion to optimize the procurement. Importantly, the Agency should ensure that assumptions reflect the locational attributes of the resources considered. In particular, accredited capacity values can vary considerably within the PJM/MISO footprint depending on the specifics of the resource, therefore, using class averages or other generic estimates of accredited capacity could significantly skew the outcome of any analysis. Below, we propose an approach for consideration:

Net cost = Contract Cost − Energy Value − Capacity Value − REC Value

The Agency can rank offers by the lowest net cost, either on a total-dollar basis or on a normalized basis by either **$/MWh of expected energy or $/MW-year of accredited capacity**

Component	**Description**
Contract Cost	Present value of PPA payments
Energy Value	Present value of inframarginal rents, i.e., modeled hourly generation × (forecast hourly market price – operating cost)
Capacity Value	Present value of accredited MW × forecast RTO capacity price or avoided capacity cost.
REC Value	Present value of expected RECs × REC market value or assumed clean-energy value.

Question 5: Should there be any cost caps or other guardrails on the procurements to protect Illinois customers from increased rates? If so, please describe.

Invenergy Response:

Invenergy would recommend establishing cost caps or floors at this point and would discourage the use of price adjustments at the time of bidding as adopted for REC contracts. It is important to note that long-term clean capacity contracts will protect Illinois customers from increased rates, offering fixed prices that counter the volatility of existing capacity markets and steadily rising energy and capacity costs. For any LTCEP to be successful, certainty for project developers to finance a contract is essential. As noted by CRGA, any procurements proposed, "shall be structured to facilitate new and additive supply resources."

To protect consumers, selected bidders should be required to take capacity performance risk, in line with corresponding PJM or MISO capacity market regulations. A separate approach would be to adjust the capacity accreditation to account for variations between the time of the procurement and delivery of zonal resource credits, adjusting the number of ZRCs based on the operational asset's first three years average accredited capacity.

Additionally, IPA has experience balancing policy goals, market realities, and consumer protections for other long-term contracts and could consider pathways for renegotiation and adjustment as necessary. In recent years, the IPA successfully introduced a mechanism to revise the Indexed REC contracts to address economic and development challenges faced by renewable projects. This Indexed REC contract adjustment process, which involved considerable stakeholder input, provides an example of how the Agency can work within an existing procurement framework to address changing market and economic conditions to protect ratepayers while meeting the State's clean energy and economic development goals.