IPA Request for Comments – Distributed Generation
Ameren Illinois Company Informal Response
July 21, 2014

Question 1:

For DG between 25 kW and 2 MW in nameplate capacity, should the IPA consider holding procurements for more than one size range category? Are there other attributes that should be considered (e.g., net metering eligibility, community solar projects, residential/non-residential) in determining procurement categories?

Regarding the procurement of different sized DG, Ameren Illinois takes no position at this time. However, it is noteworthy that any solar-fueled DG <2MW is eligible for net metering, regardless of whether the customer wants to be compensated under net metering. As such, Ameren Illinois is not aware of any restrictions should the IPA wish to pursue a size differentiated procurement.

Ameren Illinois assumes the term "community solar projects" would include merchant solar generation and such generation may not be behind the customer meter. Ameren Illinois takes no position on the issue at this time. However, if the IPA desires to allow merchant generation, the IPA should design its procurement in a manner that makes clear that RECs do not have to be behind the meter or as an alternative, be silent on the matter where such silence would not preclude merchant solar generation.

Question 2:

How should the IPA define a distributed generation system? Is size of a system defined at the inverter, at the meter, or in some other way?

Ameren Illinois is of the opinion that the Illinois Commerce Commission (ICC) defined the term in its order in Docket 12-0544 on pages 121-122:

> "Distributed generation is defined as a device that is powered by a renewable resource; connected at the distribution system level of an electric utility, ARES, municipal utility or rural electric cooperative; located on the customer side of the customer's meter; used primarily to offset that customer's electricity load and limited in nameplate capacity to no more than 2,000 kilowatts."

Ameren Illinois is also of the opinion that the IPA should use the methodology contained in Parts 466.60 a) and 466.60 b) of the Illinois Administrative Code to calculate the size of the DG system. This methodology has been employed in Illinois since 2008 and uses the total generator nameplate capacity behind the point of interconnection as the basis for determining the size of a DG system. Using any other methodology could create confusion since other tracking metrics such as inverter size or meter size are not available.

Should the IPA determine that they wish to include only behind the meter generation, the IPA should state that a distributed generation facility has to be located behind the meter of a load delivery point. An example pertaining to Illinois would be a generator billed under a utility's ICC-jurisdictional Delivery Service tariffs. This would prevent any merchant generators from qualifying for consideration as a distributed generator, and then subsequently selecting Schedule 20 service which prevents utilities from receiving delivery service revenues to pay for maintaining the costs of the interconnection and distribution facilities upstream of the interconnection.

Question 3:

If the IPA holds separate procurements for new and existing systems, how should those terms be defined? For example, is a system under development but not in operation at the time of the procurement new or existing? If RECs procured from new systems are anticipated to be of higher value than those from existing systems, what can the IPA consider that will prevent the procurement process from having a short-term impact on project development?

Ameren Illinois has no opinion at this time. One option is to define an "Existing System" as a DG facility that has completed its Witness Test or has had its Witness Test waived by the interconnecting utility. Witness Tests are the last step in the DG interconnection process, and involve either an on-site review or documentation review by the interconnecting utility to verify that the DG facility complies with applicable technical standards for parallel generation interconnection and operation.

Question 4:

How long and what flexibility should the IPA allow for new systems to commence operation after the procurement event?

Ameren Illinois believes this a contractual issue. One option would be for the contract to state that the new systems will be fully operational by the time RECs need to be delivered and where the contract would also contain penalty provisions should REC delivery not meet minimum requirements as stated in the contract. For example, under the long term renewable contracts between Ameren Illinois and various suppliers, the contract contains provisions whereby the suppliers will provide no charge RECs for periods where the quantity of delivered RECs falls short of the minimum quantities specified in the contract. The contract also contains provisions that allow suppliers to over deliver RECs for a period (up to a maximum limit) which in turn acts to reduce the quantity to be delivered for the future contractual periods.

Question 5:

What are the advantages and disadvantages of REC contracts of five year terms and those of a longer duration? Please be specific by market segment/size, and between new and existing systems.

Longer term contracts may offer a certain degree of price stability which acts as a hedge for future RPS requirements. Such contracts also have the potential to entice new construction of generation. Some of the trade-offs include the potential for default under the contract or a scenario where the price specified in the contract becomes "out of the money".

Question 6:

What are the trade-offs between contract terms for new systems that pay for RECs as they are delivered versus contract terms that would allow for some upfront payment upon the system going into operation, but with commensurate enhanced credit requirements and clawback provisions?

Ameren Illinois takes no position on contract terms associated with the IPAs management of Renewable Energy Resource Funds (RERF). However, to the extent that Ameren Illinois would be expected to enter into future contracts for eligible retail load, any prepayment of RECs in advance of delivery or operation would represent a significant departure from current practice. Ameren Illinois would need to further review ways to mitigate risk under such a scenario; however one option could be some form of letter of credit or other financial surety that would be triggered in the event of default.

Question 7:

What elements may be necessary to include in clawback provisions to ensure that Agency, ratepayer, and stakeholder interests are properly protected?

See comments under Question 6.

Question 8:

What are the perceived risks that developers, property owners, lending institutions, utilities, utility ratepayers, and other stakeholders may be exposed to as a consequence of the IPA entering into REC procurement contracts with terms of more than 5 years?

Some of the issues include locking in a price which may be significantly higher (or lower) than the future market, risk of default, regulatory change, legislative change, changes in output of generation over time, force majeure events, etc.

Question 9:

9. What credit requirements may be appropriate for aggregators and other counterparties (i.e., self-aggregating system owners)? Should these requirements vary based on REC portfolio size and system size? If so, how?

Ameren Illinois has no specific recommendations at this time but recognizes the importance of credit terms that may be included in any future contract associated with DG RECs for eligible

retail load. Such terms must protect the utility and its customers while being reasonable to the suppliers.

Question 10:

Are there timing considerations other than those related to DCEO rebates, state and federal tax incentives that the IPA should consider?

It is our opinion that any contracts should have firm requirements for REC delivery without any contingencies for incentives or financing. Otherwise, customers would bear the burden of risk should the contracts have contingencies associated with incentives and/or financing.

Question 11:

If aggregators are allowed to bid speculatively (e.g., not all projects in their aggregation identified at the time of bidding), what would be a reasonable length of time for aggregators to be given to provide evidence of viable projects, and what provisions should be considered to reallocate quantities of RECs to other aggregators if an aggregator is not able to verify progress on project development?

Ameren Illinois takes no position on such a proposal under the IPAs management of RERF. However, Ameren Illinois would have concerns about such a proposal under any future procurement of RECs for eligible retail load since the risk of speculative bidding would be borne by customers should such projects not materialize.

Question 12:

What additional provisions, if any, should be included to allow entities to be their own aggregator?

Ameren Illinois has no opinion at this time but may provide feedback in the future.

Question 13:

Given the framework of the Illinois RPS and provisions of the new Section 1-56(i), what models from other states should the IPA consider? Are there aspects of other state's models that the IPA should be aware of to avoid, and why?

Ameren Illinois has no opinion at this time but may provide feedback in the future.

Question 14:

Should the IPA consider tracking RECs using systems other than PJM-GATS and MRETs?

Ameren Illinois believes that PJM-GATS and MRETs are proven systems to track RECs. Some other systems which allow Inter-Registry transfers could also be acceptable. Using unproven systems may add complexity and reduce the integrity of the REC tracking process and therefore doing so is not recommended.

Question 15:

Are there policies and procedures for tracking DG RECs (e.g., system certification) that need updating under current MRETs and PJM-GATs frameworks?

It is noteworthy that MRETs recently updated their processes to better address the needs of small generators. If not already complete, the IPA and other stakeholders should undertake a review of these new processes to ensure a thorough understanding. Ameren Illinois has performed a preliminary review of the MRETs' processes and notes that MRETs defines DG as units less than 1 MW, which therefore appears to preclude units between 1 MW and 2 MW from being aggregated in MRETs. If this interpretation is correct, the implication is that PJM-GATS may have advantages over MRETs specific to small generators. That is because PJM-GATS allows for registration of RECs anywhere in Illinois and they define DG as less than 2 MW which matches Illinois law. Further, PJM-GATS allows for the use of production estimates for solar less than 10 kW if state rules allow and allows the use of inverter readings for units greater than 10 kW if state rules allow. Ameren Illinois does not intend to make an endorsement of one system over the other, but rather points out what it believes are differences that should be reviewed and considered by the IPA and other interested parties.

Ameren Illinois notes that the language in PA98-0672, which authorizes the SREC procurement, appears to require that participating DG owners have the ability to measure the output of their DG device. From page 7, lines 22-25:

> "An individual distributed renewable energy generation device owner shall have the ability to measure the output of his or her distributed renewable energy generation device."

Earlier discussions regarding DG procurements included discussion about the lack of generation metering on smaller DG facilities; e.g. Ameren Illinois' requirement that metering be installed only on parallel generation with nameplate capacities of $\geq$1MW. Although we are not offering a legal opinion, one could interpret this provision in the law as requiring DG owners to have generation metering installed as a condition of participation, which may preclude a substantial number of DG facilities from eligibility for the program.

Question 16:

Participants in our June 12th workshop included project developers, solar installers, both local and national businesses, utilities, trade associations, environmental organizations, consumer advocacy groups, and state agencies. Are there additional entities (or categories of entities) that should be engaged in this process?

The IPA may wish to engage customers with existing solar generators unless it’s determined that the procurement will not include RECs from existing installations.