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Ameren Illinois Company d/b/a Ameren Illinois' Response to the Illinois Power Agency's 2021 Long-Term Renewable Resources Procurement Plan Update Request for Comments #3: Community Solar and REC Pricing

Ameren Illinois Company d/b/a Ameren Illinois (Ameren Illinois) respectfully submits these responses to the Illinois Power Agency's (IPA) Request for Comments #3 in response to its 2021 Long Term Renewable Resources Procurement Plan Update workshop process. Our comments pertain to 1) the use of signed interconnection agreements as part of the application package for RECs, 2) the anecdotally sourced utility subscription management issues identified on slide 13 and 3) recommendations for future pricing of RECs.

Response #1: Use of Signed Interconnection Agreements as Part of the Application Package for RECs

In response to a direct question during Workshop #3, the IPA stated that it is again planning to require that developers provide signed interconnection agreements (IA) as part of their documentation when applying for REC awards. The Agency indicated that it needs some assurance of a project's "maturity" (presumably in attempt to distinguish between purely speculative projects and those that are likely feasible due to some level of research and preparation) and it believes that a signed IA is the best tool to assess maturity.

While Ameren Illinois appreciates the Agency's need to focus its limited resources on projects with a likelihood of completion, the Company's experience with the Adjustable Block Program thus far clearly shows that the above approach is ineffective in identifying developable projects. The history of distributed generation (DG) development, at least in Ameren Illinois' territory, clearly shows that large Remotely Located Generation and Behind the Meter projects are mature or viable only after they know whether they will receive incentives like REC awards. Requiring developers and utilities to enter into a signed IA, which signifies a commitment from both parties to begin expending resources to support the DG's interconnection, literally requires a commitment by developers to build their projects before they know whether the key project financing stream is available to support their project.

Additionally, depending on how early the Agency opens the application window to receive applications, and the amount of time it takes to review and ultimately award project RECs, months can elapse between a developer securing a signed IA and then learning whether they can proceed with the project. In the intervening period, utilities can receive subsequent applications for interconnection for the same circuit, and must develop contingent cost estimates for those projects that dangle until the initial developer receives a decision from the Agency. In the interim, costs for materials and equipment can fluctuate for a variety of reasons (e.g., Executive Orders related to supply-chain sourcing of critical infrastructure, supply shortages in steel, etc.) and new loads can emerge on the circuit that change the amount and type of previously identified facilities needed to interconnect.

The negative consequences of this approach continue to play out in confusion and interconnection cost uncertainty for developers, queue management challenges for utilities, potential perceptions of inconsistency in utilities' administration of the Illinois interconnection rules (particularly Part 466 of the Illinois Administrative Code) and skepticism or animosity of communities who rezoned properties in anticipation of developers building community solar facilities that never proceeded because they were not awarded RECs. Simply repeating the same process and hoping for a different or better result is both unrealistic and a disservice to all of the stakeholders in the DG development process.

In the initial implementation of the LTRRP post-FEJA, Ameren Illinois implemented exceptions to its interconnection process to accommodate the IPA's REC application requirements. Ameren Illinois recognized the extremely tight timeframe the IPA had post-FEJA to implement the legislation's requirements and was willing to make that accommodation in light of that dynamic. However, it also recognized that the Agency would not be under similar time constraints for future iterations of its Plan, and informed the IPA it would not engage in similar distortions to support future iterations of the Plan or any other IPA programs. During the Agency's initial development of community solar lottery rules Ameren Illinois communicated to the staffs of both the IPA and the Illinois Commerce Commission that implemented exceptions would only apply during the initial implementation of the LTRRP plan post-FEJA. Therefore, Ameren Illinois takes this opportunity to remind the IPA that exceptions to the interconnection process will not be applied going forward. It would seem the requirement does little to ensure bids are "mature", but they do impose unnecessary costs on developers for unneeded interconnection engineering work as developers overload the interconnection queue with more sites than are needed in the hope of being awarded one or more projects.

As an alternative to requiring signed IAs as part of the application for REC awards, Ameren Illinois recommends that the Agency adopt the processes it employed in its very successful Solar REC (SREC) program from 2015, with some modifications.

- Allow developers to bid on/apply for RECs on both the price and volume of RECs that they'll deliver from projects, allowing for different initial delivery dates to reflect construction schedules. The Company's comments on REC pricing are included elsewhere in the document.
- At a defined time following the awarding of the RECs, require that developers submit copies of signed interconnection agreements that represent the volume of RECs that they were awarded.
 - The IA submission date could be tied to an interval before the initial REC delivery date – say 12 months prior for a behind the meter installation, and 18 months prior to a community solar facility.
- Any RECs that can't be tied to a signed IA will be returned to the IPA for redistribution to any waitlisted applicants, or for re-allocation to a different category of projects.
- Preferential ranking in subsequent REC award programs would be provided to any developers who never forfeit RECs back to the Agency.
 - The preference could be applied to projects funded in just the current and subsequent LTRRP, so as not to permanently penalize developers.

The SREC experience clearly demonstrates that under this approach, developers will find projects and complete their interconnections in order to fulfill their REC delivery commitments in a timely manner. Using this approach enables developers to better manage their procurement and staffing needs since they will have their key project financing in-hand before they commit to vendors and employees. Additionally, this approach will also provide assurance to communities that rezoning will result in actual DG projects being developed within their boundaries. And the preferential ranking of

developers for subsequent REC awards results in developers self-identifying their ability to deliver RECs as contracted, which allows the IPA to remove itself from trying to guess which projects are "mature."

Response #2: The Anecdotally Sourced Utility Subscription Management Issues Identified on Slide 13 are Non-Existent for Ameren Illinois

The Agency noted in the workshop that the concerns shown on slide 13 were based on "anecdotal" information, but nonetheless identified them as issues that would potentially need to be addressed in the LTRRP update. Ameren Illinois urges the Agency to avoid asking stakeholders and the Commission to focus their attention on non-substantiated anecdotal statements. Based on similarly-sourced and unsubstantiated concerns expressed in the Agency's 2019 LTRRP update (Docket No. 19-0995), the Illinois Commerce Commission launched a comprehensive review of the Part 466 and 467 interconnection rules (Docket No. 20-0700). It was only after the rule-making proceeding was launched, which included 13 workshops conducted both before and during multiple rounds of comments and briefs and discovery exchanged by multiple parties, did the interveners admit that despite their anecdotal assertions in the LTRRP update, they could not identify a single interconnection project that had been harmed or cancelled as a result of the existing interconnection rules.

A similar dynamic appears to be at play with the issues shown on slide 13 and the specific issues Agency staff identified as requiring their consideration for potential action as part of the current plan update. None of the issues identified exist insofar as Ameren Illinois' net metering/subscription management practices are concerned. Addressing the specific issues as they appear on the slide and as characterized by Agency staff during the workshop:

- **"Utilities" (plural) limit the amount of capacity allocated to any one subscriber to community solar facilities, and developers are unaware of the specific limitations until after the registration process.**
 - Ameren Illinois does not limit subscription size beyond the 40% limit contained in the Public Utilities Act (PUA) for single customers or affiliated entities, nor does it apply any limits to the size of generators installed at behind the meter projects beyond those identified in the PUA.
 - The only issue Ameren Illinois has encountered related to subscription capacity was an attempt by a developer's agent to allocate >40% of the capacity of a single community solar facility to a group of affiliated customers.
 - When Ameren Illinois reached out to the developer's agent, they indicated that they were unaware of the limitation, and they expressed appreciation for the manner in which Ameren Illinois addressed the issue with them.
- **There are delays/uncertainty regarding the speed with which the output of a community solar subscription is applied to a subscriber's account.**
 - Ameren Illinois starts applying credits to a subscriber's account on the same day a subscriber is registered by its developer.
- **There are delays in communicating when a subscription isn't successful, due to reasons like an account having been finalized or some issue like having the wrong account number for a potential subscriber.**
 - Ameren Illinois communicates any enrollment issues in real-time when a developer enters subscriber enrollment information.

- Additionally, the circumstances identified above are the result of errors by the developer, not the utility.

Ameren Illinois appreciates the Agency's need to solicit the input of all stakeholders in the DG and net metering processes. It also appreciates the Agency's need to appropriately consider every recommendation and concern offered by those stakeholders. Ameren Illinois recommends that when presented with anecdotal information or objective data that suggests a shortcoming on the part of Ameren Illinois, the Agency reach out to Ameren Illinois to gain a comprehensive perspective before it makes an assessment whether the information warrants consideration in the LTRRPP update.

Response #3: Future Pricing for Renewable Energy Credits (RECs)

IPA Questions 2 and 8:

2. Should REC prices continue to be set using a REC pricing model based on the CREST model which is a cost-based approach, or should a different approach to REC pricing be considered? If a different approach is recommended, please explain how the approach in detail, and if available provide examples of its use from other jurisdictions. Note that the Agency does not believe that it has the statutory authority to conduct competitive procurements as part of the Adjustable Block Program
8. For the Adjustable Block Program and/or the Illinois Solar for All Program, should the Agency consider specific mechanisms or triggers for REC Price changes, in particular, if there are market indicators that REC prices are higher than needed to encourage consumer uptake of solar? Or lower than needed? How should the Agency determine whether those triggers have been hit, and how should the Agency balance the need for transparency and stability with efforts at reflecting a more precise REC price?

Ameren Illinois' Response Specific to Adjustable Block Program

Consistent with its comments in Docket No. 19-0995, Ameren Illinois believes the primary contributor to the current funding shortfall is higher than necessary REC prices for the Large DG and Community Solar contracts, as evidenced by the scale of the over subscription in both of these REC categories. Ameren Illinois believes, based on past experiences, it is necessary to lower the prices for both categories going forward. These lower prices will continue to provide a significant stimulus to both DG and Community Solar development. However, in addition to focusing on the model and methodology to set the prices, Ameren Illinois requests the IPA review the language under FEJA again in order to take full advantage of mechanisms that ensure customer paid funds are procuring RECs in an efficient manner.

For example, the Future Energy Jobs Act has the following stipulation pertaining to the Adjustable Block Program:

The Adjustable Block program shall be designed to provide a transparent schedule of prices and quantities to enable the photovoltaic market to scale up and for renewable energy credit prices to adjust at a predictable rate over time. *The prices set by the Adjustable Block program can be reflected as a set value or as the product of a formula. (20 ILCS 3855/1-75(c)(1)(K))(emphasis added)*

During events of over subscription, the prices for the Adjustable Block Program have not previously captured the benefits afforded by the phrase "as the product of a formula". It is Ameren Illinois' contention that the IPA could publish prices equal to a set value minus yet to be determined

price reductions necessary to ensure that the quantity of MWs in each block equals the MWs of applications from suppliers. Or alternatively, the IPA could publish prices equal to a set value minus a series of predetermined percent price reductions which are tied to the quantity of over subscription. Under this scenario, the percent price reduction would increase as the level of oversubscription increases. The IPA already allows price increases to the base price (e.g. based on the percent of small subscribers for community solar), so a reciprocal approach of reducing prices during over subscription is warranted. Doing so would obtain more renewable resources in Illinois relative to the dollars spend, thus making more efficient use of customer paid renewable funds.

In summary, Ameren Illinois continues to advocate the lowering of REC prices for large DG and community solar. Perhaps more importantly, the Company believes FEJA authorizes the IPA to implement a formula approach to REC prices. This could be designed in a manner to ensure future oversubscriptions are eliminated or greatly reduced. The benefit of this includes more efficient use of customer paid renewable funds, increases in the quantity of renewables in our service territory and a reduction in administrative costs associated with the oversubscription process.