CLEAN GRID ALLIANCE

Clean Grid Alliance's Response to Illinois Power Agency's Request for Stakeholder Feedback on Utility Scale and Brownfield Site Photovoltaic Procurements

December 3, 2021

On November 12, 2021 the Illinois Power Agency posted eight documents seeking stakeholder feedback on certain topics in preparation for publishing its updated Long-Term Renewable Resources Procurement Plan on January 13, 2022, in compliance with P.A. 102-0662. Enclosed are Clean Grid Alliance's response to certain questions presented by the IPA regarding Utility Scale and Brownfield Site Photovoltaic Procurements.

CGA's comments respond to the following questions: 1 through 8.

GENERAL RESPONSE:

CGA reserves the right to change its position in response to comments made by others, and its lack of a response to a question should not be interpreted as not having a position on that topic, or waiving its right to comment in future workshops or litigation on the matter.

ADDRESS
570 Asbury Street, Suite 201, St. Paul, MN 55104

OFFICE
651.644.3400

WEB
CleanGridAlliance.org

RESPONSE

Utility-Scale Procurements

General Questions

1. Are annual procurements sufficient, or should procurements be more frequent? If procurements are conducted annually, is there a time of year that would be best to hold them?

ANSWER:
Section 1-75(c)(1)(C)(i) of the IPA Act states that procurement of RECs from "new projects" is to increase "ratably" from 2021 to 45,000,000 RECs by May 31, 2031. This language is broad, granting the IPA flexibility in utility-scale procurement frequency. Projects in the RTO queues typically look for an off-take contract within the next five years, and therefore are looking for regular procurement opportunities. To increase the likelihood of obtaining a contract within the window, CGA recommends that IPA conduct semi-annual competitive REC procurements. Semi-annual procurements would provide more frequent opportunities for the projects in the queue to land a contract. Procurement intervals can be adjusted over time in response to changes in market factors.

The dates for submission of RFP proposals and bids should take into consideration release of queue results by MISO and PJM, to the extent that is possible.

2. What would be the most effective way to create that optimization? For example, the approach used for prioritizing RECs from Illinois and adjacent states prior to the enactment of the Future Energy Jobs Act could be used. In that approach, bid evaluation would first select projects (subject to the application of the confidential price benchmark) from those areas, then if volumes to be procured remain, would select bids from projects in other areas. Another approach could be to have different eligibility requirements for projects located in these areas. Another approach still could weight price versus other requirements.

ANSWER:

Energy Transition Community areas include fossil fuel or nuclear power plants that have retired within the past 6 years, or coal mines that have closed or whose operations have declined over the past 6 years. While developing projects in Energy Transition Community Areas is an exciting opportunity for utility-scale renewable resource developers, there are details that are still unclear about this proposal that requires some due diligence. CGA members have questions about the scope of the "area", locations of all of these qualifying areas, the extent that tie-lines can be used, the amount of wind and solar resources that could be built in these zones, and how these areas unique characteristics may affect the capital cost of a project. Some of these questions will be

answered as the Department of Commerce and Economic Opportunity develops the grants pursuant to section 10-20 of CEJA. To the extent the IPA can share information about or maps of the ETC areas, that would hasten development in these areas.

The RPS budget is the *a priori* constraint to achieving the goals set forth in CEJA; therefore, optimizing development in these areas needs to be considered in conjunction with the long term viability of the RPS Budget. The IPA should, therefore, continue to prioritize minimum priced projects and allow ETC projects to compete. CGA has three options for the IPA to consider. The first proposal would likely place the least strain on the RPS Budget. Each successive proposal in the list below is likely to place greater strain on the RPS Budget than the preceding proposal. CGA's proposals are: [1] allow projects in ETC areas to compete in the REC procurements and establish a carve-out of a certain MW amount or percentage of awarded RECs to be awarded to projects in ETC areas in the event projects in ETC areas do not yield competitive bids; [2] hold a separate procurement that is only for projects in ETC areas; or [3] allow projects in ETC areas to compete in the REC procurements and provide them an adder/handicap that reduces their REC bid by a certain amount.

3. Should the Agency introduce an equitable eligible contractor scoring preference into bid evaluation? If so, what approaches should the Agency consider for scoring bids on the basis of price, EEC utilization, and possibly also the Energy Transition Community Grant preference outlined in the question above?

ANSWER:

This is nearly impossible to implement for competitive procurements. Bidders for these contracts typically use sub-contractors to comply with the equitable eligible contractor criteria, and most, if not all CGA members, do not know what contractor or sub-contractors they will use for a project at the time it submits its bid in an IPA competitive procurement. Therefore, they can make no firm commitments to EEC requirements, beyond what is in the Compliance Plan they submit, at the time they submit their bid.

4. How should the Agency balance seeking to receive RECs as quickly as possible to meet aggressive RPS targets, and adjusting procurement volumes to account for project attrition, with allowing developers needed time for project development? Should midstream milestones or increases in collateral requirements be considered as a means to ensure that selected projects are indeed on track for development? What lessons can be taken away from development delays extending from the COVID-19 pandemic?

ANSWER:

Conducting semi-annual procurements, as noted in response to question #1 above, will help maintain queue levels through 2031.

If midstream milestones or collateral requirements are to be used, they should be used to monitor project attrition, and not used to identify project failure. Some milestones that could be used are: completion of milestones in a RTO's queue (i.e., completion of system impact studies or internal RTO milestones), site control, status of project in local permitting approval process, or collateral requirements. Collateral requirements should be set at the time of contract execution and apply to all of the bid winners. The only milestone that should terminate an IPA contract should be failure to meet the Commercial Operation Date, and even that should have flexibility of 6-12 months in exchange for additional collateral or payment of liquidated damages.

Subsequent Forward Procurements (conducted prior to the approval of the updated Long-Term Plan)

5. Since the 55% from solar includes RECs from the ABP, and the subsequent forward procurement will not procure RECs from the ABP, how should the IPA approach establishing its utility-scale solar and brownfield site photovoltaic project procurement targets for the subsequent forward procurements?

ANSWER:

Depending on how the RPS ramp is read (section 1-75(c)(1)(C)), the target percentage for 2022-2023 is either 19% or 20.5% of the retail load in Illinois. Table 3-12 of the withdrawn LTRRPP has the RPS target percentage for 2022-2023 being 20.5% with a REC target volume of 24,656,697. Using that volume, the IPA will need to procure approximately 17 million RECs for delivery in delivery year 2022-2023.

The IPA should hold a competitive procurement in the Spring for wind, solar, and brownfield projects at the percentages outlined in section 1-75(c)(1)(C) for 10 million RECs. The 10 million REC target for the 2021 delivery year is a statutory-floor. Section 1-75(c)(1)(G)(iv) directs the IPA to also open distributed generation programs – which should total approximately 1,375,000 RECs. This leaves approximately 5.6 million RECs to be procured or contracted for in 2022.

Question #6 – Background:

Section 1-75(c)(1)(C)(iii) of the IPA Act (as modified by Public Act 102-0662) provides an additional requirement for the subsequent forward procurements as follows:

> For purposes of calculating whether the Agency has procured enough new wind and solar renewable energy credits required by this subparagraph (C), renewable energy facilities that have a multi-year renewable energy credit delivery contract with the utility through at least delivery year 2030 shall be considered new, however no renewable energy credits from contracts entered into before June 1, 2021 shall be used to calculate whether the Agency has procured the correct proportion of new wind and new solar contracts described in this subparagraph (C) for delivery year 2021 and thereafter.

6. Should the IPA take into consideration previously procured RECs for utility-scale wind and utility-scale solar, which meet the requirement of "new wind project" and "new solar project", in establishing the subsequent forward procurement targets? Or is "proportion" intended to refer only to the ratio between new wind and new solar contracts? In the alternative, should the IPA make a complete reset of the competitive procurements targets and attempt to procure the full 10,000,000 REC target (which could result in unmet procurement targets or insufficiently competitive procurement events)? Please provide analysis supporting your position

ANSWER:

The first half of the section 1-75(c)(1)(C)(iii) (quoted above) is intended to describe the RECs used for compliance with the 45 million REC target. That universe of RECs includes RECs that are part of delivery contracts that continue through delivery year 2030-2031.

The language following the "however", in the text quoted above, addresses the ratios to be used in subsequent forward procurements to occur in delivery year 2021 and thereafter.

			solar							
	Annual RECs to be Procured	Wind	utility scale solar	Brownfield	small	large	community	schools	community driven projects	EEC
Market %		45.000%	25.850%	1.650%	5.500%	5.500%	8.250%	4.125%	1.375%	2.750%
DY										
'21-'22	100	45	25.85	1.65	5.5	5.5	8.25	4.125	1.375	2.75
'22-'23	120	54	31.02	1.98	6.6	6.6	9.9	4.95	1.65	3.3
'23-'24	140	63	36.19	2.31	7.7	7.7	11.55	5.775	1.925	3.85

Indexed REC Price Procurements

7. With both MISO and PJM using 5-minute real-time settlements, is a five-minute settlement period practical for the IPA to use, considering that the IPA would also have to request that bidders submit their strike prices in 5-minute periods? If a 5-minute period is not practical, what period would you consider a reasonable settlement period?

ANSWER:

The IPA should require bidders to provide one bid/strike price to apply through the life of the project.

Payments are to be settled monthly. (§1-75(c)(1)(G)(v)(2)). Therefore, for each monthly settlement period, the settlement payment would be the sum of revenue calculated for every 5 minute interval in that month. The revenue is the difference between the strike price and the Index price (defined in §1-10 of the IPA Act) for the 5 minute interval multiplied by the megawatt-hours generated by the project in such interval. (§1-75(c)(1)(G)(v)(1)).

8. What types of price collars (floor and ceiling) should the IPA consider, to ensure that Indexed REC prices remain predictable and affordable?

ANSWER:

Section 1-75(c)(1)(G)(v)(4) uses the word 'may', therefore, the IPA has the option to use a price collar relative to the indexed REC procurements. CGA recommends that the IPA not use collars because it increases the number of uncontrolled variables of a project that increases the risk that a project will be unprofitable, would drive up bid prices to compensate for uncontrolled variables, and adversely impacts a developers ability to obtain project financing. The use of price collars in IPA procurements makes the IPA contracts far more risky than a virtual power purchase agreement with a corporate or industrial customer. It will likely encourage utility-scale developers to seek those contracts, and reduce the pool of potential bidders in IPA competitive procurements.

Respectfully submitted for your consideration

Sean R. Brady

Senior Counsel and Regional Policy Manager – East
Clean Grid Alliance
P.O. Box 4072
Wheaton, IL 60189

312-867-0609 (o)
651-968-6240 (c)