

## **Clean Grid Alliance Response to IPA Request for Stakeholder Feedback for 2026 Long-Term Plan May 19, 2025**

### **General feedback**

As detailed in the Illinois Power Agency's (IPA) most recent Renewable Portfolio Standard REC and Budget Forecast Update (February 2025), Illinois's effort to meet renewable energy targets set by state law is falling short. While CGA recognizes that significant legislative changes are needed to provide a long-term fix to the budgetary constraints that IPA faces in procurements, there are steps that the IPA can take to facilitate increased participation by clean energy developers in IPA's bid processes. Increased participation will not only assist Illinois in making better progress toward its Renewable Portfolio Standard (RPS), but will also facilitate more competitiveness, driving costs down for ratepayers and giving Illinois's limited budget a longer reach.

Although the IPA made significant improvements to the process with the Summer 2025 iteration of its indexed-REC contract by incorporating an inflation-based strike-price adjustment mechanism and a one-time delivery obligation adjustment, there is still room for improvement. Renewable energy developers are navigating incredibly volatile markets, tariffs that are affecting the supply chain that are unpredictable and change quickly, and significant uncertainty about federal tax incentives that have been key to supporting new renewable energy development. Given the many moving pieces that developers are facing, increased flexibility within IPA's procurement process is critical to increasing participation.

Meanwhile, developers remain concerned that certain aspects of the indexed-REC contract threaten their ability to finance projects. Specifically, developers, and importantly, their financiers, require assurance that contracts will be paid for the duration of the contract term at a price that results in reasonable profitability. To that end, CGA encourages the IPA to build in as much flexibility to this process as possible, in order to ensure that projects are financeable and to reduce attrition so that Illinois may continue to progress toward meeting its RPS.

### **Consider a one-time extension for the Summer 2025 procurement event.**

Given the market uncertainties outlined above related to federal tax policy and tariffs, CGA has concerns that the IPA may not see the levels of participation required for a successful Summer 2025 procurement event. Even if there is a successful bidding event, either prices will reflect a no tax credit/high tariff scenario or pricing will reflect status quo and projects will be forced to terminate in the event that tax credits are rescinded and/or import tariffs are expanded. Because the Indexed REC Contract terms have been finalized, while CGA believes some of these issues could have been dealt with in contractual language, the sole remedy for loss of tax credits (tariffs are not addressed) is termination with refund of collateral. A procurement of this structure under current conditions does not benefit ratepayers, the IPA, or bidders.

CGA encourages the IPA to consider extending the timelines in the current procurement in order to allow certain federal tax policy to settle so that bidders can confidently participate. CGA suggests the following adjustments to the IPA's proposed timeline for the Summer 2025 procurement:

- Extend Part 1 application deadline by 2-3 weeks.
- Extend Part 2 application deadline by additional 2-3 weeks
- Final bid date can be the earlier of:
  - 2-3 weeks after full passage of tax bill
  - September 1.

This timing will not, generally speaking, impact delivery of first RECs under the respective Indexed REC Contracts for winning bidders but is intended to facilitate bidding at a time where CGA hopes there will be more clarity at the federal level and thus a greater likelihood of project delivery.

### **Response to IPA questions**

#### **Chapter 4 feedback**

Q1: Are there any challenges with the current methodology for project eligibility and scoring that requires further consideration or alteration? If so, please provide those recommendations. (For example, are there scoring changes that could be made that would more closely or precisely align the criteria with the policy goals cited above?)

CGA response:

For geographic criteria for neighboring state projects, CGA believes that instead of tying geographic criteria to one location within the state of Illinois, projects should be rated based on distance from the Illinois state border. This will open up projects in neighboring states that are currently disqualified due to their distance from Morris, IL, and has the additional advantage that projects near the border may draw from nearby equity-eligible communities within Illinois to meet workforce criteria and the MES. In the experience of CGA member companies, based on scores relying on marginal emission and wind rose data, by using distance from Morris, IL, some neighboring states during some procurements have been completely unable to meet the 60-point threshold. While Illinois projects will always remain at an advantage because each automatically qualifies for public interest criteria, the *de facto* ban on projects from certain states during certain procurements increases the difficulty of meeting CEJA goals.

## **Chapter 5 feedback**

### **Topic 1: Enactment of Public Act 103-1066**

Q2: In the past, participants have sought to include a provision in utility-scale and brownfield photovoltaic REC Contracts to require Buyer-side collateral due to non-payment risks. Does the enactment of P.A. 103-1066 obviate the desire for Buyer-side collateral?

CGA response: A Buyer-side collateral may be beneficial if the unspent utility funds are depleted more quickly than expected.

Q3: P.A. 103-1066 authorizes the Agency to administratively reset the percentage-based goals of RECs to be procured from utility-scale wind and hydropower projects, utility-scale solar, and brownfield photovoltaic projects. What methodologies or data should be considered by the Agency when evaluating the allocation between various technologies? What is the appropriate percentage-based goal for these various technologies, and why?

CGA response: If the IPA is targeting 100 total RECs for a procurement with 45% from wind and 55% from solar, IPA should try to fill the 100 REC target in the procurement even if the split between wind and solar may exceed the target %. For instance, if only 40% wind can be procured due to bids received, the remaining 5% should come from additional solar procurement during the same event. By using an event-based approach, the IPA focuses on selecting projects immediately (and thus likely for earlier delivery) while maintaining the goal of 45%-55% balance between wind/hydro and solar. Subsequent procurements can be modified to adjust for the shortfall of wind procurements and excess of solar. Given the REC shortfalls, IPA should seek to maximize the overall number of RECs instead of ensuring that each procurement meets the targeted wind/solar split.

### **Topic 2: Inflation Adjustment Mechanism**

Q1: Is there any additional feedback on the three inflation adjustment mechanism formulae that was not captured via the inflation adjustment mechanism feedback process?

CGA response:

As to the formula itself, CGA is concerned that the 6-month averaging of indices will have too much of a smoothing effect to meaningfully reflect the price increases seen by developers. Consider narrowing the averaging window to 3 months. (Or 3 months look back and 3 months future – similar to NYSERDA.)

Q2: Are there any other changes that the Agency should pursue to tackle the larger issue of volatile economics post-award of an Indexed REC Agreement, specifically between the time of contract execution and the start of construction?

CGA response:

Given the recent volatility of tariffs, CGA encourages IPA to allow for flexibility on price or termination if a project becomes uneconomic due to tariffs. This can be built into the contract as a component of the strike price adjustment or in a similar way to provisions accounting for the potential cancellation of the ITC or PTC. CGA understands the preference of the IPA for formula-based adjustments (that could either increase or decrease strike price) as opposed to renegotiation or more qualitative approaches and would look forward to developing an appropriate index or general approach that in the case of the ITC/PTC and tariffs would capture a reasonable “typical” adjustment.

Tariffs can be announced and implemented very quickly. The existing strike price adjustment mechanism is insufficient to address this problem. The index prices in the formulas do not and cannot take into account future anticipated price changes that result from tariffs. A contract for components may include a pass-through for prices relating to tariffs which can affect the economics of a project. IPA should consider a pass-through mechanism in the Indexed REC adjustment to include changes in prices due to tariffs that are documented by the developer. Once again, CGA is ready, willing, and able to work with the IPA to develop an appropriate index-based formula to provide an adjustment in the event of tariffs meant to increase or decrease the index price based on the difference in tariffs from bid to procurement.

Q3: What other changes to the Indexed REC procurement process should the Agency consider as it relates to a post-award contract renegotiation? Please explain.

CGA Response:

While it is yet to be seen whether bidders opt-in to the strike-price adjustment mechanism during the Summer 2025 procurement event, CGA has concerns that the mechanism may not attract as many new bidders as hoped. This is due in large part to the possibility of an automatic downward adjustment that could result from the mechanism as it is currently designed. This is a risk to financing and continues to be a concern for developers.

#### Topic 4: Procurement Quantities and Timing

Q3: How can the Agency adjust procurement schedules and/or quantities to make up for RECs no longer under contract due to project attrition? Should the Agency consider increasing the number of RECs being sought in subsequent procurements within the same Plan cycle to make up for project attrition? Should the Agency consider additional procurement events for specific types of products stemming from project attrition?

CGA Response:

Yes, IPA should expand procurements to account for project attrition – this could be done in a number of ways but increasing RECs sought in each procurement will be necessary to counter lagging REC procurements. IPA should also work with developers to respond to market uncertainty and risk (as discussed above) and to provide additional flexibility on MES requirements (as discussed below) in order to increase participation in procurement

events. If federal tax credits are phased out, front loading makeup procurements may present significant cost savings.

## **Chapter 10 feedback**

### **Topic 3: Minimum Equity Standard (MES) compliance**

General comment: Workforce requirements under CEJA and the MES have served as barriers to project development. Utility-scale projects participating in IPA competitive procurements are required to have a project labor agreement in place, which ensures skilled labor on the project but limits flexibility for what workers may be on the project. While a component of the PLA under Section 1-10 of the IPA Act is apprenticeship opportunities for women and minorities, not all women or minorities are equity eligible persons—nor are all equitable eligible persons women or minorities. Given lagging procurements and additional continued barriers to building projects, ensuring equity eligible person construction workforce (particularly within the existing union workforce) availability is a must before increasing the MES requirements.

Q1: Should the Agency maintain or adjust the proposed MES percentage increase schedule? If it should be adjusted, how?

CGA response:

CGA suggests delaying any increase of the MES requirement until training programs established under CEJA are established and able to contribute to workforce development. So far, developers have not seen enough new entrants into the equity-eligible work force in order to meet the goals. To the extent the job-training programs have started to produce graduates, there is not data to support that the graduates are turning toward apprenticeships or union jobs.

In addition, while CGA believes its members will do so to the extent allowed by law, winning bidders may have limited ability to demand certain workers (that live in EIECs, that are alums of the foster care system, or that are formerly incarcerated) take part in a project.

Q2: What resources, tools, or supports would help entities meet higher MES thresholds while also providing opportunities for EECs to build their skills and experience?

CGA response:

Continuing to build bridges between unions, union contractors, and equity eligible persons. Joining one of the trades is an excellent way to build wealth in the clean energy transition economy, but it is not clear if that message is reaching equity eligible persons or that equity eligible persons are being recruited.

Q3: How effective are the current enforcement tools in encouraging compliance? Are there unintended consequences or equity impacts in how the Agency currently handles MES noncompliance?

CGA response:

CGA is concerned that if the MES requirement is increased without commensurate increases in the available workforce, this will become a barrier to bidding in to REC procurements and will further exacerbate the REC shortages that IL is seeing. CGA encourages the IPA to revise the waiver rubric to take into account EEP availability within local union rolls and availability of job trainees to take apprenticeship roles as part of the waiver rubric. CGA emphasizes that the preference is MES compliance over waivers, but the current shortage of known equity eligible persons that can join a workforce that requires a Project Labor Agreement is likely to constrain construction and thus delivery of projects.