STATE OF ILLINOIS
ILLINOIS POWER AGENCY

COMMONWEALTH EDISON COMPANY'S COMMENTS IN RESPONSE TO THE ILLINOIS POWER AGENCY'S "REQUEST FOR STAKEHOLDER FEEDBACK FOR 2026 LONG-TERM PLAN" ISSUED ON MAY 19, 2025

June 11, 2025

Commonwealth Edison Company ("ComEd") submits these Comments in response to the Illinois Power Agency's ("IPA" or "Agency") "Request for Stakeholder Feedback for 2026 Long-Term Plan Development" issued on May 19, 2025 (the "Request").[1]

ComEd appreciates that the Agency's Request includes the opportunity to respond to any of the subjects presented by the IPA or "submit feedback on any other topic related to the Agency's work."[2] ComEd is submitting these Comments to the subjects contained in Chapters 5, 7, and 9, as well as pertaining to the impacts of Investment Tax Credit ("ITC") policy changes at the federal level and volatility in energy prices.

<u>Chapter 5: Competitive Procurements</u>

Topic 1: Enactment of Public Act 103-1066

As the IPA points out in the Request pertaining to Chapter 5, a central purpose of enacting Section 1-75(c)(1)(E-5) of the Illinois Power Agency Act ("IPA Act") is to ensure *full and uninterrupted payment* to sellers under existing Renewable Energy Credit ("REC") contracts executed pursuant to Section 1-75(c)(1) or Section 1-56 of the IPA Act.[3] Section 1-75(c)(1)(E-5) was therefore specifically created to address funding shortfalls for REC payments. Thus, if utility collections are insufficient in a delivery year, utilities will turn to unspent funds retained under Section 16-108(k) of the Public Utilities Act and, if those funds are still insufficient, utilities will remit full payment to sellers and recover the full amount of those costs from customers.[4] If obligations are still expected to exceed the utility's authorized collection cap, the IPA has the authority to seek Illinois Commerce Commission ("ICC" or "the Commission") action or suspend or reduce new REC procurements until it determines that additional contracts will not exceed the rate impact cap.[5]

In the Request pertaining to Chapter 5, the IPA notes that in the past participants have sought to include a provision in utility-scale and brownfield photovoltaic REC Contracts to require buyer-side (i.e., utility) collateral due to non-payment risks, and questions whether there are further adjustments the Agency should consider to ensure sellers receive payment under existing REC contracts or whether the enactment of Section 1-75(c)(1)(E-5) obviates the desire for buyer-side

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[1] The Request may be found here: 20250519-announcement-2026-ltp-requests-for-chapter-feedback.pdf
[2] *Id.*
[3] 20 ILCS 3855/1-75(c)(1)(E-5).
[4] *Id*., at (i-ii).
[5] *Id*., at (iii-iv).

collateral.[6] While ComEd recognizes that the enactment of Section 1-75(c)(1)(E-5) might not entirely obviate the desire on the part of suppliers and developers for buyer-side collateral in future REC procurements, it significantly reduces the rationale for it, and consequently additional collateral (e.g., escrow, letters of credit) as protections against the risk of non-payment is unnecessary at this time. Prior to the enactment of Section 1-75(c)(1)(E-5), sellers argued they bore the risk of payments being subject to utility collections, non-payment if collections fell short, and no specific mandate for unspent funds usage, all of which negatively affected their ability to finance large-scale or long-term projects. As noted above, Section 1-75(c)(1)(E-5) mandates that utilities must ensure full and uninterrupted payment to REC sellers, even if collections fall short, requiring utilities to use unspent funds under Section 16-108(k) of the Public Utilities Act and remit full payment regardless of shortfalls, with the ability to recover costs. Further, if those measures are insufficient, the IPA must suspend *new* REC procurements if existing obligations risk exceeding the rate cap as an additional protection to the benefit of *existing* suppliers. Accordingly, ComEd believes these strengthened payment assurances have reduced the rationale for buyer-side collateral and no new collateral provisions need to be added to existing or future contracts.

Topic 2: Inflation Adjustment Mechanism

Following the Commission's approval of the IPA's 2024 Long-Term Renewable Resources Procurement Plan, the IPA convened a series of stakeholder workshops to explore post-award contract term changes for utility-scale wind and solar REC contracts considering challenges from volatile market conditions and changing project economics. ComEd actively participated in those workshops and supported the consensus view that favored a formula-based inflation adjustment mechanism over full contract renegotiation, and one in which, for bids in which the bidders opt into the inflation adjustment mechanism, the bidder's strike price would be adjusted one-time to account for market changes between the bid proposal submission date and the adjustment date related to the bid, governed by the technology specific inflation adjusted formula and the indices in that formula. The inflation adjustment mechanism would account for, but would not be limited to, changes to project costs due to inflation occurring between the time that the developer bids into the IPA's competitive procurement event and the start of construction, and that impacted project economics and overall viability. ComEd further advocated that any such adjustment mechanism should be symmetrical; meaning, if costs decrease because of volatility, then the bid price should reflect a corresponding adjustment downward. While it was implied in the stakeholder process that bids could be increased or decreased, ComEd suggested that notion of symmetry should be explicit in the anticipated compliance filing, along with affirming a single, authoritative source for calculating inflation as the key component of any proposed inflation adjustment mechanism, and that adjustment be applied in a non-discriminatory manner.

The IPA submitted a compliance filing to the ICC in February 2025, which the ICC ultimately approved, resulting in the inclusion of an optional, one-time inflation adjustment

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[6] Request, Chapter 5: Competitive Procurements, Topic 1: Enactment of Public Act 103-1066, Chapter 5 Stakeholder Questions May 19th, 2025.

mechanism in REC contracts.[7] This mechanism, subsequently incorporated into the Summer 2025 Indexed REC procurement process, applies to projects awarded through Indexed REC procurement events, and features three unique inflation adjustment formulas tailored to: 1) utility-scale solar and brownfield photovoltaic projects, 2) utility-scale wind projects, and 3) hydropower projects. In the Request pertaining to Chapter 5, the IPA requests additional stakeholder feedback on the three inflation adjustment mechanism formulae.[8] In response, ComEd submits that the Inflation Adjustment Mechanism applied between the time of contract execution and the start of construction appropriately balances the risks between buyers and sellers in the procurement process. ComEd recognizes that this process has only been in place for a brief time, the IPA having only recently finalized the first contracts that will include the new Inflation Adjustment Mechanism, no procurements having yet occurred, and parties and the IPA having not yet fully walked through all steps of the adjustment application, so ComEd further suggests a continuing review for opportunities to measure the practical effects. However, if other changes are proposed as a result of this Request, ComEd suggests the Agency utilize an approach similar to that which resulted in adoption of the Inflation Adjustment Mechanism, that is, a stakeholder process followed by a compliance filing at the Commission, in order to allow for broad stakeholder participation, feedback, and comments before an ICC final order. Conversely, ComEd does not support any approach that would require full contract renegotiation, particularly when suppliers can individually avail themselves of Commission action to address hardships resulting from extraordinary economic shifts.

Chapter 7: Illinois Shines

Topic 9: Federal Policy/Tariffs

According to the Request, stakeholders have informed the IPA that changes in federal trade policy may impact solar project developers participating in the Illinois Shines program and impeding the steady, predictable, and sustainable growth of new solar photovoltaic development in Illinois.[9] Accordingly, the IPA is seeking to understand the extent of the impact from federal trade policy changes and whether there is a need to act to appropriately account for these effects in program planning and implementation.[10]

ComEd believes that the IPA should consider changes to the Illinois Shines program to account for the effects of existing or potential federal tariff changes only to the extent that the program changes will positively and significantly support solar project viability and developer participation. It remains incumbent upon the Agency to align any adjustments intended to mitigate suppliers' financial uncertainty with the statutory goal of steady, predictable, and sustainable solar growth. While tariff changes, such as those impacting imported solar panels or components, can increase costs and delay procurement and construction, the current contract construct provides adequate remedies for relief without adjustments that may adversely impact program goals and the

[7] Illinois Power Agency Compliance Filing for Adjusting the Indexed REC Process, ICC Docket No. 23-0714 (February 19, 2025); Final Order, ICC Docket No. 23-0714 (Feb. 20, 2024).
[8] Request, Chapter 5: Competitive Procurements, Topic 2: Inflation Adjustment Mechanism, Chapter 5 Stakeholder Questions May 19th, 2025.
[9] Request, Chapter 7: Illinois Shines, Topic 9: Federal Policies/Tariffs, Chapter 7 Stakeholder Questions Final May 19th, 2025.
[10] *Id*.

sustainability of the Illinois Shines program. Like the points made above, ComEd is not supportive of measures that would require full contract renegotiation, and suggests the IPA consider only those alternative mechanisms that allow suppliers to adjust to changing conditions so long as those mechanisms avoid adding unnecessary, additional complexity to REC contracts and are carefully balanced against an already strained Renewable Portfolio Standard ("RPS") budget.

Chapter 9: Consumer Protection

Topic 1: Solar Restitution Program Vendor Caps and Funding

Using the California model, in implementing the Solar Restitution Program the IPA included caps on customer restitution payments to avoid the rapid depletion of funds.[11] The Agency is now considering potential changes to both the amount and application of the caps, as it expects to reach the vendor cap for at least two Approved Vendors in Phase I of the program resulting in customers receiving only 10–15% of their promised REC incentive payments and no funds left for future claims against those vendors in later phases of the program.[12] ComEd understands the Agency to be considering a reevaluation of the caps themselves, as well as the funding sources for restitution. While not taking a specific position on how, or how much, forfeited collateral is allocated out to assist customers harmed by unfulfilled Approved Vendor obligations, ComEd suggest the IPA be mindful of the effects of any changes on the existing RPS funds, such as use of RPS funds to further enhance the Solar Restitution Program. Instead, ComEd supports the IPA exploring alternatives for future funding of the Solar Restitution Program, including tracking but delaying payments until forfeited collateral funds are sufficiently replenished, use of forfeited collateral from utility-scale wind projects, and seeking additional legislative funding.

Topic 3: Stranded Projects When the Original Approved Vendor Is Unable to Facilitate Assignments

Like the IPA, ComEd recognizes the issue of "stranded customers" who find themselves in situations where Approved Vendors go out of business, often due to insolvency or other reasons, leaving the customer without a path to complete their solar project or receive promised REC incentives.[13] In those unfortunate situations, while the REC Contract requires the original Approved Vendor to approve any reassignment of the project, if the vendor is defunct or unresponsive and no entity can legally authorize reassignment, the result is a stranding of a customer. While ComEd supports the IPA exploring creative ways to resolve these situations on behalf of customers, there is a need to ensure the respective roles of the IPA and the utilities are appropriately delineated. To the extent that the IPA determines, for example, to allow reassignment without the original vendor's consent if the vendor is nonresponsive or dissolved, or whether projects from terminated contracts should be allowed to reapply to the program, ComEd would be supportive of those efforts inasmuch as they limit the amount of individual contract amendments, ensure fair treatment of reapplying customers, and that RECs are ultimately delivered from

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[11] Request, Chapter 9: Consumer Protection, Topic 1: Solar Restitution Program Vendor Caps and Funding, Chapter 9 Stakeholder Feedback May 19th, 2025.

[12] *Id*.

[13] Request, Chapter 9: Consumer Protection, Topic 3: Stranded Projects When the Original Approved Vendor Is Unable to Facilitate Assignments, Chapter 9 Stakeholder Feedback May 19th, 2025.

projects. ComEd does not believe that utilities have, or should have, rights to unilaterally reassign project batches instead of terminating the contract under existing contractual provisions.

Other Comments

ITC Policy Changes at the Federal Level

In its current iteration, the federal budget reconciliation bill pending before Congress includes a measure to terminate the 30% Residential Clean Energy Credit, or ITC, for solar and battery storage on December 31, 2025, along with a phased reduction of the commercial ITC by 2032.[14] Originally part of the Inflation Reduction Act ("IRA"), the federal solar tax credit was scheduled to remain at 30% through 2032 before gradually phasing out by 2035.[15] The ITC is, in many cases, the most valuable solar and battery incentive available to residential solar owners and developers, reducing the federal tax liability of the total cost of installing solar and/or battery storage. While the reconciliation bill has passed the U.S. House of Representatives it is still pending in the U.S. Senate, and these provisions could change, but it brings a significant level of additional uncertainty to the level of clean energy incentives that will remain available to participants in Illinois' renewable programs, including Illinois Shines and Solar for All. If passed, these changes to the ITC will likely affect renewable project financials by requiring higher REC prices to maintain viability, delay or cancel projects especially for residential and small distributed generation, make it more challenging for participation in RPS programs especially for low-income residents, and potentially increase costs for utility customers.

The potential changes to the ITC outlined in the 2025 proposed budget reconciliation bill are critically important for the IPA to consider for several reasons. First, the ITC reduces upfront capital costs for solar and storage projects, so its elimination necessitates higher REC prices for developers to maintain project viability, which in turn places additional strain on the RPS budget. Second, lowering and ultimately eliminating ITCs may lead to fewer projects bidding in IPA RPS procurements and delays or cancellations of already-awarded projects, threatening the IPA's ability to meet Illinois' RPS targets. Third, programs like Illinois Solar for All rely on ITC credits to assist low-income customers, so reductions in these could make it harder to serve disadvantaged communities. As the IPA's RPS Budget Model assumes certain levels of federal support, changes to the ITC will require recalibrating budget forecasts, REC pricing assumptions, and procurement volumes going forward.

Volatility in Energy Prices

On May 12, 2025, the IPA issued the third update to the RPS Budget Forecast since the release of the 2024 Long-Term Renewable Resources Procurement Plan, reflecting updated market data, forward price curves, and project attrition.[16] That update concluded, in part, that under current conditions and based on procurement volumes contained in the 2024 Long-Term Renewable Resources Procurement Plan, the RPS Budget model indicates that if procurements continue in the future at those procurement volumes, a budget shortfall is projected to occur during

[14] H.R. 1, 119th Cong. §11203 (2025).
[15] Inflation Reduction Act of 2022, Pub. L. No. 117-169, 136 Stat. 1818 (2022).
[16] Illinois Power Agency Updated Renewable Portfolio Standard Budget Forecast, May 12, 2025, rpsbudgetupdate51225.pdf.

the 2028-2029 delivery year.[17] In other words, without changes to the current REC procurement volumes and RPS rate collection level to account for declining forward energy prices, the budget shortfall would mean that the IPA would be unable to hold additional Indexed REC procurement events and would be obligated to cease Illinois Shines and Illinois Solar for All program activities at the conclusion of the 2028-2029 delivery year.[18] The budget shortfall could of course occur earlier if, for example, forward energy prices were to continue to decline thus increasing the cost of RECs (i.e., widening the indexed price of RECs between the fixed "strike price" and the actual energy market price, reducing the number of RECs the IPA can afford to procure within its budget) and projects come online earlier than expected increasing the number of RECs procured.

Notwithstanding the IPA's conclusions in the RPS Budget Forecast, large load increases in the ComEd service territory—driven by factors such as data centers, AI infrastructure, and electrification—are having an impact on energy price volatility. This increased demand would likely lead to increasing prices in forward energy markets, as supply must scale to meet new load levels. This trend is especially true during peak hours, when capacity constraints are more acute. This increased load growth, coupled with generation retirements across PJM Interconnection, LLC, have already led to higher PJM capacity auction prices and contributed to an average 10–15% increase in electric bills beginning in June 2025 even though the near-term trend in energy prices is lagging. Resulting higher and more volatile load forecasts, a key input in calculating Indexed REC prices, complicate renewable energy planning under the Illinois RPS, and the Agency should consider adjusting procurement volumes and REC pricing to reflect changing load dynamics. ComEd looks forward to working with the Agency and stakeholders to explore ways to reduce the financial burden on customers and produce policy and procurement responses that align supply with demand and meet the near-term clean energy goals of Illinois' 2021 Climate and Equitable Jobs Act ("CEJA").[19]

ComEd appreciates the IPA's consideration of the above Comments and looks forward to the comments of other stakeholders.

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[17] *Id.*, at 6.
[18] *Id*., at 7.
[19] Amending 20 ILCS 3855/1-5(1.5)(amended "Legislative declarations and findings" by adding subsection (1.5), which states: "To provide the highest quality of life for the residents of Illinois and to provide for a clean and healthy environment, it is the policy of this State to rapidly transition to 100% clean energy by 2050.").