Indexed REC Procurement

Request for Stakeholder Feedback

July 19, 2022

Clearway Energy Group ("Clearway") appreciates the opportunity to respond to the IPA's request for comments on the recent Indexed REC RFP. *****Confidential***XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX.***End Confidential*****

1. If you were aware of the Spring 2022 Indexed REC RFP, how did you learn about the opportunity? Are there other venues or mediums through which information could have been published that would have made it easier for you to learn about the procurement event?

   Response: Clearway was aware of the Spring 2022 Indexed REC RFP through industry reporting and through the IPA website and public notices. Clearway does not have additional suggestions to publicize the Indexed REC Procurements more broadly.

2. If you opted to not propose a project in the Spring 2022 Indexed REC RFP, what were the determining factors for not participating?
   a. Were there specific provisions from the contract form used in the Spring 2022 Procurement Event that presented a barrier to participation? Please explain.
   b. Were there eligibility requirements in the Spring 2022 Procurement Event that presented a barrier to participation? Please explain.
   c. Were there barriers outside of the procurement process that impacted your decision to participate (i.e. interconnection delays)? Please explain.

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3. Interconnection delays with both MISO and PJM have been widely acknowledged. Most recently, PJM filed interconnection process reforms with the FERC, and their proposal includes a transition period during which new interconnection applications will not be processed. Did these delays impact your ability to bid in the Spring 2022 Indexed REC RFP? If so, please explain.

   Response: Clearway is aware of and closely tracks issues related to interconnection timing and risk in PJM and MISO. Generally speaking, ***Confidential* XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX.***End Confidential*****

4. Supply chain issues, due to the pandemic and tariffs on the solar industry, for example, have been widely acknowledged. Did these issues impact your ability to bid in the Spring 2022 Indexed REC RFP? If so, please explain and include a description of any related costs and risks to renewables developers.

   Response: Clearway is aware of and has—like other industry participants—been directly impacted by supply chain issues. ***Confidential* XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX.***End Confidential*****

5. Please describe any current issues experienced related to siting, permitting, and interconnection and how these issues lengthen a project's development timeline. How long should the deadline be for projects to become operational, without accounting for any extensions?

   Response: Clearway's observation is that generally speaking land use permits and other siting issues can be challenging in Illinois, primarily due to local ordinances. These are typically issues that would be addressed after an award is made for typical utility-scale procurements. To prevent unrealistic expectations and a bidding premium from the additional cost of pushing that work pre-bid (and the increased risk related to expanding the pre-bid scope of work), Clearway suggests allowing four years for a project to be operational without accounting for any extensions.

6. Under the Illinois RPS, payments for RECs are subject to available funds anticipated to be collected pursuant to Section 1-75(c)(6) of the IPA Act and Section 16-108(k) of the Public Utilities Act, and the utility counterparty is not required to advance payment that exceed such available funds. Section 16-108(k) of the Public Utilities Act, as amended by Public Act 102-0662, provides for unspent budget in a delivery year to roll-over to the following delivery year for a period of 5 years to improve the likelihood that funds are available for payment. Do you believe this change adequately mitigates non-payment risks or despite this change, do you perceive the statutory budget constraint to be an obstacle to your participation in the Indexed REC RFP?
   a. Are there examples for how this issue is dealt with in other jurisdictions where there is a statutory budget constraint?
   b. Is there additional information or analysis related to procurement budgets for Indexed RECs that would be helpful to be provided to prospective bidders?

   Response: The statutory budget constraint, while somewhat improved by Public Act 102-0662 as it relates to carryforwards and preventing large customer refunds while funds are committed, non-payment risk still ultimately resides with the renewable developer. The non-payment risk is essentially any time over the 20-year contract obligations exceed the budget and carryforwards, which (due to the nature of indexed RECs) is difficult to predict too far into the future. The risk of non-payment for the Indexed REC Product creates challenges with respect to the prospects of tax equity financing as well as adversely effects the commercial viability of a project.

7. Electricity price levels have increased significantly throughout 2022 and energy markets have been experiencing significant volatility. Did either the current high energy prices or market volatility impact your decision to bid in the Spring 2022 Indexed REC RFP? If so, please explain and include a description of any related costs and risks to renewables developers.

   Response: ***Confidential* XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX.***End Confidential*** Clearway is concerned about how current energy prices will be taken into consideration when the confidential benchmark pricing is determined for the next RFP.**

9. Are there opportunities available in the voluntary market in Illinois or other states that are preferrable to renewable developers? If so, please explain some of the key factors of those opportunities that make it more preferrable than the Indexed REC RFP.

   Response: Generally speaking, there are opportunities in the voluntary market nationwide. While all potential transactions carry their own risks and rewards, the lack of a parallel curtailment provision in private transactions de-risks project cash flows for renewable developers. All other factors being equal, an agreement with less risky terms and conditions is preferable to the known risk of the Indexed REC Product (especially given that there are at least two instances of threatened or actual deferrals or curtailments since 2010). In addition, transacting in the voluntary market provides real-time feedback with respect to contract pricing through bilateral negotiation, as compared to navigating a confidential benchmark price.

10. The Spring 2022 Indexed REC RFP was completed prior to Commission approval of the 2022 Long-Term Plan. Did this timeline impact your decision whether to participate? If so, which elements of the plan specifically impacted your decision? (For example, the 2022 Long-Term Plan provides for certain selection preferences in subsequent RFPs, do you view those as more favorable and therefore are planning to participate in the future RFPs where these selection preferences are included)? Please explain.

    Response: While the Spring 2022 Indexed REC RFP was conducted before the Long-Term Plan was finalized, Public Act 102-0662 defined the procurement to a certain extent and the Indexed REC RFP process defined the rest. ***Confidential* XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX XXXXXXXX.***End Confidential*****

11. Pursuant to Section 1-75(c)(1)(R) of the IPA Act, a self-direct renewable portfolio standard compliance program is to be established through the Long-Term Plan filed by the IPA. Given that the Spring 2022 Indexed REC RFP was completed prior to Commission approval of the 2022 Long-Term Plan, did that have an impact on your decision to participate in the Spring 2022 Indexed REC RFP? If so, please explain how the self-direct renewable portfolio standard compliance program impacted your decision to participate in the Indexed REC RFP.

Response: Please see response to question 10 above. Even with the Illinois Commerce Commission approving the Long-Term Plan with modifications on July 14, 2022, many questions about the self-direct program remain and appear unlikely to be resolved until after stakeholder processes.

12. Did the fact that the Spring 2022 Indexed REC RFP was the first Indexed REC procurement event impact your decision whether to participate? If so, please explain why. Was having a visible price established in the first procurement event a major factor in your decision whether to participate?

    Response: ***Confidential* XXXXXXXX.***End Confidential*****