RESPONSE TO ILLINOIS POWER AGENCY REQUEST FOR COMMENTS ON BEHALF OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION, THE COALITION FOR COMMUNITY SOLAR ACCESS, AND THE ILLINOIS SOLAR ENERGY ASSOCIATION

July 8, 2022

The Solar Energy Industries Association, the Coalition for Community Solar Access, and the Illinois Solar Energy Association (collectively the Joint Solar Parties) appreciate the opportunity to respond to the Illinois Power Agency's most recent solicitation for comments related to procurement of supply on behalf of eligible retail customers dated June 27, 2022.

As an initial matter, the Joint Solar Parties note that many types of Adjustable Block Program and Solar for All systems are directly impacted by the results of IPA procurements for eligible retail customer load. For instance, any Small distributed generation ("DG") or Large DG system hosted by a Subtype (d) (residential), Subtype (d-5) (residential with time-of-use pricing), or Subtype (e) (non-residential in a delivery class not declared competitive by June 1, 2011) serving a customer on utility supply will model savings based in part on the Price to Compare. In addition, the Price to Compare currently dictates the bill credit rate for all community solar subscribers taking delivery service from ComEd and those community solar subscribers taking delivery service under Ameren's DS-1 and DS-2 rates.

As a result, the Joint Solar Parties have an interest in the Price to Compare being steady, predictable, and free from distortions. A Price to Compare with these features not only benefits customers (who will then get a more accurate estimate of potential savings) but also system owners seeking financing on favorable terms. The more steady, predictable, and distortion-free the Price to Compare is over time, the less likely that volatility risk will increase financing costs.

The Joint Solar Parties do not have specific comments on the IPA's overall hedging strategy. However, the Joint Solar Parties do wish to weigh in on the interaction between the Carbon Mitigation Credit ("CMC") and the IPA's procurement strategy.

The Joint Solar Parties strongly supported and continue to support the Climate and Equitable Jobs Act. One of the many positives to come out was the design of the CMC; its architects had the foresight to structure it as a contract for differences so all ratepayers would benefit in periods of high wholesale prices.

Part of the design entails each retail customer (including all eligible retail customers served by IPA-procured supply) receiving a monetary credit on the delivery portion of their bill at a universal rate. A steel mill or data center on hourly supply service from the utility or ARES supply receives the same per kWh benefit as a residential customer on utility bundled supply. There is no physical energy associated with the CMC as reflected in ComEd's customer-facing rider—just a bill credit.

As a result, while the CMC increases as the wholesale market increases, the CMC is not—because it was never designed to be nor should it have been designed to be—actual supply. The Joint Solar Parties see the CMC as a locked-in benefit (under current market conditions) for each customer, which is independent of the IPA's hedging strategy for the eligible retail customer portfolios. In other words: CMCs do not offset the IPA's energy procurement obligations, they simply are a bill

credit that offset other on-bill costs. The Joint Solar Parties fear that purposefully underhedging could lead to a negative outcome that eligible retail customers must use the CMC to counteract rather than a bonus on top of the IPA optimizing a hedging strategy.

To illustrate further, if at some point in the future the CMC turns into a charge, the Joint Solar Parties similarly do not believe the IPA would benefit from *over*hedging to offset the CMC charge on every single customer bill. Whether the CMC is a charge or a credit, it is at the end of the day (no different in principle than any other volumetric charge) a line item on the delivery side of the bill. The IPA's procurement and hedging strategy is not impacted by any of those line items and should not be for the CMC.

In addition to the issues identified above, underhedging (particularly when current markets are above the average portfolio supply price) can distort the Price to Compare.[1] If the portfolio is underhedged and the utilities go into the spot markets at higher rates, those costs aren't recovered as part of the base PTC price but through the far harder to project (and capped for ComEd) Purchased Electricity Adjustment ("PEA"). While the PEA does roll into the customer's bill credit value, the PEA is not predictable month to month and is more difficult to model longer-term. As a result, leaving customers underhedged runs the risk of overreliance on the PEA and thus distorted Price to Compare prices.

As a result, in response to **Questions 10**, **11**, **12**, and **13**, based on the discussion above the Joint Solar Parties recommend that the IPA continue to design and execute a hedging strategy independent of the CMC value. The CMC has proven to be a prescient addition to customer bills under current market conditions; the IPA should seek to maximize eligible retail customer value rather than taking an approach designed to impinge on that value.

[1] Conversely, the Joint Solar Parties note that in many previous years ComEd and Ameren had the unusual (at least compared to other states) phenomenon of lower summer Price to Compare prices—when the IPA hedged to 106%--than non-summer Price to Compare prices.