

CONSTELLATION RESPONSES TO IPA DISTRIBUTED GENERATION REQUEST FOR COMMENTS

Constellation NewEnergy, Inc. (“Constellation”) appreciates the opportunity to respond to the Illinois Power Agency (“IPA”) July 3, 2014 request for comments on distributed generation (“Request”). Constellation is a licensed alternative retail electric supplier (“ARES”) in the state of Illinois, and is the retail marketing subsidiary of Exelon Corporation, a diversified energy company headquartered in Chicago. At the outset, Constellation would like to emphasize the following points regarding the potential procurement of Distributed Generation.

- The procurement should be a one-time supplemental procurement of RECs from both existing and new solar resources.
- The procurement should be for RECs only, and power should be obtained through a separate procurement.
- Contracts should be at a maximum 5 years, if not shorter. Notably this would avoid the effects of the long term wind contracts that are being curtailed at a significant cost.
- Any new system procured must come online within 6 months of the procurement in order to avoid speculative bidding. The goal should be to procure bonafide projects.
- PJM – GATS and M-RETS are the appropriate tracking mechanisms.
- Payments over time are preferred over up-front payments. Payment up front would advantage new systems over existing systems. Payment over time does not prejudice existing systems and also has corresponding credit benefits.

With these points of emphasis in mind, Constellation responds as follows below to the questions set forth in the IPA’s request:

Questions 1&3.

1. *For DG between 25 kW and 2 MW in nameplate capacity, should the IPA consider holding procurements for more than one size range category? Are there other attributes that should be considered (e.g., net metering eligibility, community solar projects, residential/non-residential) in determining procurement categories?*

3. *If the IPA holds separate procurements for new and existing systems, how should those terms be defined?*

Response:

Constellation agrees with and supports the comments submitted by Commonwealth Edison, which state that a procurement must be a one-time procurement to purchase the lowest cost sources of any photovoltaics offered in the procurement, whether from new or existing facilities, utility scale or distributed generation, within Illinois or surrounding states. The only way to ensure that the renewables purchased are the lowest cost is to have a single procurement event in which all forms of photovoltaic bid in and the lowest cost bids are

accepted until all the funds available are exhausted. Standard contract forms must be used so that winning bids are selected on the basis of price alone by the procurement administrator.

Constellation also believes that the procurement should be for Renewable Energy Credits only, and that all electricity should be procured via a separate procurement.

Questions 4 & 11

4. How long and what flexibility should the IPA allow for new systems to commence operation after the procurement event?

11. If aggregators are allowed to bid speculatively (e.g., not all projects in their aggregation identified at the time of bidding), what would be a reasonable length of time for aggregators to be given to provide evidence of viable projects, and what provisions should be considered to reallocate quantities of RECs to other aggregators if an aggregator is not able to verify progress on project development?

Response:

Constellation believes that the goal of the procurement should be to procure, real, bonafide projects that will provide the product offered into the procurement. Speculative bidding needs to be discouraged. Therefore Constellation believes that any new system procured must come online within 6 months of the procurement or otherwise be subject to retributive measures such as a claw-back.

Questions 5 & 8

5. What are the advantages and disadvantages of REC contracts of five year terms and those of a longer duration? Please be specific by market segment/size, and between new and existing systems.

8. What are the perceived risks that developers, property owners, lending institutions, utilities, utility ratepayers, and other stakeholders may be exposed to as a consequence of the IPA entering into REC procurement contracts with terms of more than 5 years?

Response:

Constellation believes that Contracts should be 5 years at a maximum, and that even shorter duration contracts may be appropriate to limit the potential of the significant cost already seen with the previously procured long term wind contracts that are now, years later, being curtailed.

Question 6

6. *What are the trade-offs between contract terms for new systems that pay for RECs as they are delivered versus contract terms that would allow for some upfront payment upon the system going into operation, but with commensurate enhanced credit requirements and clawback provisions?*

Response:

Constellation believes that payments over time provide more benefit than up-front payments. Payment up front would advantage new systems to the detriment of existing systems. Payment over time does not prejudice existing systems and also has corresponding credit benefits as the product will be paid for as the product is received.

Questions 14 & 15

14. *Should the IPA consider tracking RECs using systems other than PJM-GATS and MRETS?*

15. *Are there policies and procedures for tracking DG RECs (e.g., system certification) that need updating under current M-RETS and PJM-GATS frameworks?*

Response:

Constellation believes that PJM–GATS and M-RETS are the appropriate mechanisms to track delivery of the procured product. Constellation is not aware of any policies or procedures require updating in order to effectuate tracking of the DG RECs procured by the IPA.