Supplemental Photovoltaic Procurement Plan Public Workshop

August 7, 2014

Summary of Distributed Generation Request for Comments issued July 3, 2014

Background

- The IPA held a public workshop on Distributed Generation on June 12, 2014. Topics discussed included:
  - Aggregators
  - New vs. existing systems
  - Procurement timing
  - Contract structure
  - Procurement segments
  - Other States' experience
  - Measurement

- On July 3, 2014, the IPA issued a set of 16 follow-up questions and requested feedback from stakeholders
- The following presentation summarizes the responses to those questions.

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Q1: Should procurements be held for more than one size category? Should other attributes be considered in determining categories?
12 Respondents

- Largest grouping (6 respondents) suggested multiple procurements based on facility size. Different variations—some suggested 2 size ranges and others suggested 3 size ranges. Same ranges below:
  - Small (25kw-99kw); Medium (100kw-499kw); Large (500kw-2MW)
  - <25kw; 25kw-399kw; and 400kw-2MW
  - 25kw-500kw and >500kw
- Three (3) respondents suggested multiple procurements by type (residential, commercial, community)
- Three (3) respondents suggested a single procurement as sufficient.
- *Assumed* benefits of multiple procurements include a chance for multiple sizes to be able to fairly compete and minimizes the ability to exclude economically disadvantaged participants.
- *Assumed* benefits of single procurement is that it more closely sticks to the intent of the act, ensures the lowest priced resources are selected, and is the most cost-effective process.
- Other attributes to be considered include type--residential, commercial, community.

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Q2: How should IPA define distributed generation systems? Where is size of system defined, i.e., at meter, inverter, etc?
10 Respondents

- Seven (7) respondents suggested measuring system size at the meter.
- Other respondents:
  - Use ICC definition and method for determining size.
  - Define as any system that produces energy at or near the point of consumption.
  - Recommend classes for DG systems (Class I up to 60kw; Class II >60kw-1MW; and Class III >1MW-2MW.
- Assumed benefit of measuring at meter is clarity and objectivity.

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Q3: If IPA holds separate procurements for new and existing systems, how should those terms be defined? If RECS from new systems are valued higher than those from existing systems, what could prevent there from being a short term impact on project development?

11 Respondents, 2 No Comments

- Several (3) recommended no distinction between new and existing systems.
- New system only recommended by three respondents to maximize state economic development. Some still went on to suggest dates for new vs existing.
- Several recommended differentiating between new and existing. Some of the recommended cutoffs for new vs existing:
  - New=From July 1, 2012 forward
  - New=Operational on or after effective date of Public Act 98-0672
  - Existing=Energized between 7/1/13 and 6/30/14; New=Energized after 7/1/14.
  - 6/28/14 should be differentiation date between new and existing; existing=commissioned after 6/30/13.
  - Even though this respondent recommended new only, suggested drawing the line between new and existing on 6/30/14.
- One respondent suggested a declining block program for residential systems where the largest block is the last will significantly reduce the likelihood of a boom or bust situation in the market.

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Q4: How long and what flexibility should the IPA allow for new systems to commence operation after the procurement event?
7 Respondents, 7 No Comments

- Five (5) respondents suggested a 12 months period from commercial operation of facility with some distinctions:
  - 12 months before proof of progress is required
  - Commercial ops 12 months after the date of SREC
  - Commercial ops 12 months after the date of SREC contract execution
  - Commercial ops 12 months with addt'l 3-6 months as needed
  - Commercial ops within 12 months of a funding award, options 6 months extension
- One respondent suggests each system to be certified commercial before REC payment occurs.

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Q5: What are the advantages and disadvantages of REC contracts of 5 year terms and those of a longer duration? Be specific by market segment/size, new vs existing.

12 Respondents, 3 No Comments

- Seven (7) respondents suggest a term of 5 years. Cite lower project costs.
- One (1) respondent suggested 7-10 years to reduce price volatility and stabilize cash flow.
- One (1) respondent suggested 10 years for all segments as necessary to cover debt service.
- One (1) respondent suggested 20 years based on what other states have done and to provide market certainty.
- Two (2) suggested “longer terms” for price stability and stable cash flow.

Q6: What are the trade-offs between contract terms for new systems that pay for RECS as they are delivered vs terms that would allow for some upfront payment upon system going commercial, but with commensurate enhanced credit reqmts and clawback provisions?
9 Respondents, 7 No comments

- Six (6) respondents recommend payments over time or when system is energized.
- One (1) respondent recommends upfront payments to cover material and mobilization cost.
- Two (2) respondent would use a different approach depending on project size.
  - 2MW-400kw: annual allotments; 25kw-399kw system owner chooses; and <25kw upfront but must be verified by 3rd party.
  - <25kw, upfront payment w/clawback and credit rqmts; >25kw, pay over 5 years.

Q7: What elements may be necessary to include in clawback provisions to ensure that Agency, ratepayer, and stakeholder interests are properly protected?
8 Respondents, 7 No comments

- One (1) respondent suggests clawback provisions needed if upfront payments are made or if adequate credit provisions are not in place.
- One suggests clawback not needed for SRECs paid on annual basis over a five year period.
- One would require proof of viable project including LOI, proof of site control, site plan, proof of major equipment delivery, etc.
- One (1) respondent suggests reviewing program designs in other thriving markets like CA, CO, MJ and MA for sample provisions and clawback terms.
- Other comments:
  - Clawback provisions not needed for larger projects
  - Adequate credit protection will eliminate need for clawbacks.
  - Suggests the IPA not prepay, eliminating the need for clawbacks.

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Q8: 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?
10 Respondents, 5 No comments

- Five (5) respondents suggest risk from instability in state budgets over large stretches of time could lead to increased costs, higher prices, fewer solar projects.
- Two (2) respondents suggest that 5 year term should not be exceeded.
- Other risks identified:
  - Default
  - Regulatory change
  - Legislative change
  - Changes in output over time
  - Variability in sunshine

Q9: What credit requirements may be appropriate for aggregators and other counterparties (i.e., self-aggregating system owners)? Should these requirements vary based on REC portfolio size and system size? If so, how?

11 Respondents, 4 No Comments

- Two (2) respondents suggest performance assurance deposits of $50/kw; if not successful, it gets returned; otherwise, held until project is energized.
- Another respondent suggests setting sufficient credit requirements, deposit payments and clawback provisions to protect the program interest.
- Another respondent notes credit requirements should be reasonable and not restrict participation by smaller entities.
- Two (2) respondents suggest eliminating aggregators—they create undue expense and confusion.

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Q10: Are there timing considerations other than those related to DCEO rebates, state and federal tax incentives that the IPA should consider?

7 Respondents, 8 No Comments

- Two (2) respondents commented that time should be allocated for weather impacts in the construction cycle.
- One (1) respondent suggested that increased interconnection volumes could lead to utility bottlenecks.
- Other respondents were not aware of any other timing considerations.
- One (1) respondent indicated seeing no conflict with DCEO rebates, state or federal tax incentives.

Q11: If aggregators are allowed to bid speculatively 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?
8 Respondents, 6 No comments

- Most respondents concerned about speculative bids.
- Two (2) recommended 3-6 months and 4-6 months as enough time to prove viable project.
- One (1) suggested 1 year with an optional 6 months to energize.
- One (1) suggests a $50/kw deposit submitted with bid.
- Most suggested strong proof of project viability—site control docs, interconnection requests, site control docs, LOIs, etc.
- One was concerned about speculation allowing large firms to lock out smaller ones.

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Q12: What additional provisions, if any, should be included to allow entities to be their own aggregator?
10 Respondents, 5 No comments

- Four (4) respondents suggested that parameters to substantiate the project be in place—determination of creditworthiness, clawback provisions, deposits, site control docs, interconnection agreements.
- One (1) suggested setting minimum capacity for self-aggregators like 100kw.
- One (1) suggests implementing this requirement increases costs and adds complexity.
- Several had no opinion.

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Q13: Given the framework of the Illinois RPS and provisions of the new Section 1-56(i), what models that the IPA should be aware of to avoid, and why?
9 Respondents, 5 No comments

- Five (5) respondents suggested that solar models be examined in CA, NY, CT, MA, DC, DE, NJ and Oncor's solar PV program. Some are noted for their aggressive solar carve-out targets and inclusion of solar thermal.
- Several had no opinion and one offered no response.

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Q14: Should the IPA consider tracking RECs using systems other than PJM-GATS and M-RETs?
11 Respondents, 4 no comments

- Nine (9) respondents suggest that PJM-GATS and MRETs tracking systems should be used.
- One (1) respondent suggests using the North American Renewables Registry; for DG in ComEd territory, using PJM-GATS.
- Majority feel these are proven tracking systems operational in other REC markets.

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Q15: Are there policies and procedures for tracking DG RECs (e.g., system certification) that need updating under current M-RETs and PJM-GATs frameworks?
10 Respondents, 5 No comments

- Eight (8) respondents indicated not being aware of any updates needed to M-RETS and PJM-GATS.
- One (1) respondent indicated that MRETS was recently updated to improve the processing for small generators and that IPA should review those changes.
- One (1) respondent suggests investigating other comparable tracking services.

Q16: Are there additional entities that should be engaged in this stakeholder process other than those engaged in the June 12th workshop?
7 Respondents, 6 No Comments

- Six (6) respondents felt that the stakeholder group selected to participate in the June 12th workshop was sufficiently broad and additions were not needed.
- One (1) respondent suggested that the IPA may engage customers with existing solar generators if procurement includes RECs from existing installations.