

From: [Joshua Mayer](#)
To: [IPA.ContactUs](#)
Subject: [External] RE: Response to Revised LTRRPP comments (Sept 30 deadline round)
Date: Friday, September 27, 2019 6:46:52 PM

IPA,

In addition to original comments provided in July, we are pleased to provide the brief follow up to the since revised LTRRPP.

6.3.3. Managing Waitlists

6.3.3.31 Community Solar

We appreciate the analysis and argumentation made by the IPA in assessing the various alternatives proposed to the agency and we support its view that the most feasible and efficient path forward would be maintain the use of the waitlist for awarding projects upon future program expansion of additional blocks. As referenced, it would be late in the game to change the rules when a plethora of developed projects were submitted into the program already under the rules communicated and understood at the time. For better or worse, there is now a straightforward list of projects in an ordinal queue to proceed forward that would allow for rapid progression upon expansion, instead of introducing new administrative and development complexity to the matter in choosing alternative means in awarding expansion blocks.

6.4 REC Pricing Model

We believe that projects selected off the waitlist to *replace* previously selected projects should receive the Block 4 REC pricing simply due to the logical rationale that REC pricing should in effect be budgeted to apply linearly to a certain target number of MWs that constitute a given block, and not otherwise afford administrative upside simply do to certain random projects failing to complete development and thus squander part of that block's REC value.

Regarding Block 5 pricing, while we support the ongoing 4% REC price declines, we would favor block sizing that is uniform, rather than the variable sizing that occurred in the jump from Block 2 to Block 3 and then again to the discretionary expansion in Block 4 (e.g. for Group A 22 MW -> 5.5 MW -> 12 MW). If the REC price decline is proposed to be linear, then the MW quantity that it applies to should be uniform. If the preference is to have more, but smaller blocks, in order to open more capacity as limited additional funding becomes available, then we would propose smaller decreases than 4% to reflect the smaller block sizing compared to the original Block 1 & 2 capacity blocks.

6.5 Adjustments and Adders

Per prior comments above and originally provided below regarding treatment of the community solar waitlist, we support its ongoing use for program expansion and suggest consideration of the alternatives proposed therein for how to efficiently move forward with that list as pertains to re-entry into the respective IOU interconnection queues. As mentioned by the IPA, it does not seem that selection so far has resulted in limited geographical diversity.

6.5.3 Community Solar

In response to the proposal to eliminate the adder for the +75% small subscriber commitment, we defer back to the IPA in considering what the ultimate objectives and vision for community solar are in Illinois. The adders as originally proposed appeared fairly incentivized for the additional customer acquisition expenses, debt costs, and ongoing management of subscribing higher percentages of residences and unrated smaller business to such projects. If the +75% adder is eliminated, it is likely that the market will respond by subscribing only the minimum required small subscribers (50.1%+buffer) and then seek to contract with larger, rated corporate entities to fill in the remaining

40-49%, depending on the preferred small subscriber cushion to maintain the adder. We have not sufficiently reviewed the referenced GTM figures to opine significantly on the discussed perceived discrepancies between REC adders and acquisition costs, but given the better credit profiles and publicity of contracting with rated, C&I/corporate customer and the reduced acquisition costs, it is perhaps understandable that a more than linear premium would be required to incentivize developers to subscribe high levels of small subscribers in lieu of larger offtakers.

6.12.1 Technical System Requirements

Qualified and legitimate developers will seek to de-risk projects prior to placing significant financial securities for interconnection or programmatic deposits, and yet will also strategically postpone lesser risk studies until after receipt of a revenue contract that will enable successful project completion and justify greater development expense for a given site.

Regarding those permits specifically mentioned in this section, see the following:

- **Land use/special use/conditional use permits** – these are essential to ensuring a viable project and will be pursued early on in development and serve as a good minimum bar of project maturity as it ensures community buy in. However, not all counties/AHJs (authorities having jurisdiction) require them, and thus it is reasonable to ask developers to provide written documentation from such entities confirming such as the case.
- **SHPO Phase I Archeological Study and Clearance** – SHPO consultation is usually pursued subject to the requirements of local AHJ permitting, which is not always the case, otherwise it is deferred until after securing a revenue contract that then justifies the expense in performing such surveys. In most cases, projects can be altered in design to avoid sensitive areas in the rare circumstance that they are discovered later on during final site diligence in preparation for construction. We typically seek such early indications via available desktop and online resources that map sensitive sites in development regions prior to making decisions of performing field studies if local AHJs do not require them.
- **Phase I ESA** – These environmental assessments are also typically performed post revenue contract award as it is a risk pertaining strictly to the system owner and operator to assume and generally not influential to other necessary approvals. In unique cases for brownfields or sites that have visually concerning identifiers of prior pollution, then we may choose to expedite the performance of such studies to de-risk them earlier on if we feel it prudent to do so.

7.3.1 Co-location Standard

Lastly, we would propose that the co-location adder reduction only apply to the second, later awarded project and not include an additional true up otherwise applicable to the first project that received award, if from a different block. Our rationale is strictly such that the primary economic benefit accruing to co-located projects is building them at the same time and incurring a single mobilization for construction. If a site is expanded upon later on, especially with separate interconnections, there is little economies of scale gained by building a second project on the same site.

Thank you for your time in revising in the LTRRPP, providing a platform for stakeholder and public engagement, and considering our comments to the plan.

Sincerely,

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From: Joshua Mayer

Sent: Monday, July 22, 2019 3:47 PM

To: IPA.contactus@illinois.gov

Subject: Response to comments

IPA,

Please see the following thoughts and considerations in response to the Agency's request for comments to the LTRRPP.

A. **2. Utility-held Alternative Compliance Payments. a)**

We are supportive of the approach proposed and would suggest that prioritization for such funds ought to be directed towards funding additional capacity for the Adjustable Block Program, and specifically for the Community Solar segments in both ComEd and Ameren provided that it would serve as the quickest way to increase both IOUs fulfillment of REC targets and broaden access to affordable, clean energy to Illinois ratepayers across the state given the queue of waitlisted projects. Additional priority should be given toward funding capacity expansions in the brownfield solar procurement given that these projects often carry a cost premium over projects sited on cleared, farmland, but have the benefit of locating solar resources closer to load in the urban areas, allay development pressure on prime farmland, and transform blighted areas with minimal alternative development uses into valuable distributed energy resources.

C. 3. REC Pricing

Current REC pricing and the anticipated 4% declines seem appropriate and functional. The current rates also encourage a successful launch of community solar in Illinois by allowing for projects to offer significant customer savings in a competitive retail energy market that does not allow offset of distribution and transmission rates. The model should be revisited upon occurrence of other influential external factors affecting solar project economics to ensure that the 4% decrease and REC valuation trend does not incidentally exacerbate such impacts. Such factors may include: revaluation of Smart Inverter Rebate, drop down in Investment Tax Credit rates (30% (2019)->26% (2020)->22% (2021)->10% (2022 and beyond)), and imposition of tariffs on key solar componentry, among others.

C. 4. Project Application Requirements

With the current waitlist, we feel it is a bit late to change the rules of the program, but upon clearing of that waitlist, we would propose that for future submissions of new projects into the ABP community solar program that deposits be made upon execution of interconnection agreements so as to ensure that only the most strategically located projects with reasonable upgrade estimates participate in the program. Given the existence of the substantial waitlist, we propose that projects only be allowed to reapply to the utility for interconnection upon notice of award of a REC contract due to their order in the IPA waitlist.

D. 1. Waitlist

At this stage and with an initial lottery already having been deployed and a waitlist put in place, we feel it is too late to change the rules of the game. Many business decisions were made based on information released in the run up to the program opening. We support maintaining the current waitlist for future block expansions and recommend that the IPA waitlist and subsequent notice of REC award also govern reapplication of community solar projects to the respective IOU for interconnection.

We also consider that other ideas for project selection like special qualifiers tied to project size,

geographic location, or demographic diversity would not be appropriate at this time. Due to the ability of customers to subscribe to projects anywhere in their utility territory, rate payers are not being neglected in one region over another.

While we would benefit from a criteria to increase Approved Vendor diversity among awarded projects given our lack of luck in the first round, we do not think that it would be practical to implement now although such a mechanism could have been wise to ensure better distribution in the original lottery.

If a requirement is made to prefer projects that use pollinator friendly seed mixes for vegetative ground cover, then it could be expected that, similar to the higher priced REC for small subscriber levels, all projects will commit to it. Many are already intending to do so whether by best practice choice or because of local preference noted during special permit approval.

At this time and with such a significant waitlist, we would recommend to the Agency not to accept new applications to the ABP community solar program until substantial progress is made in awarding or reducing the current list. If a policy objective becomes to rapidly reduce the waitlist, then a proposal could be to allow projects to resubmit for interconnection application to the IOUs in the order of their waitlist number, receive new interconnection estimates, and post a security to maintain their place in the interconnection queue and also in the IPA waitlist. Projects that are not willing to pay for new applications, receive cost prohibitive estimates, or are otherwise unwilling to post a refundable deposit with the utility (25%) within a fixed time period of receiving an executable ISA, could then be cleared of the IPA waitlist and not be eligible for REC award under block expansion. For such a process, in part to help expedite, projects should be informed ahead of their time to resubmit for interconnection what the feeder and substation queue looks like prior to paying for a new application. There should be a window between eligibility to resubmit and a final deadline (~15 business days), in order to allow quick progression down the waitlist.

D. 2. Small Subscriber Adder

Increasing the participation of residential and small subscribers in a community solar array is more costly to a project's financing, development timeline, and ongoing management than allowing substantial shares of larger corporate and municipal subscriptions; thus, higher levels of smaller customers should garner higher REC values in order to incentivize fulfilling the policy objective and spirit of community solar access.

The near universal selection of the small subscriber commitment (50%) was not unexpected given that the small subscriber commitment ensured developers the highest chance of selection in a very crowded lottery. Additionally, projects become more valuable with the highest REC the project can capture.

If the IPA wanted to have diversified the number of community solar projects soliciting for lower priced RECs with lower small subscriber amounts, then they could have not provided preferential awards or eligible capacity to those electing higher small subscriber commitments. Under such a scenario, some projects, especially those developed by integrated developer-owner-operators, may have elected a lower value REC adder with the intention to attract two larger offtake subscriptions with a more modest small subscriber component.

Thank you,

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