Environmental Defense Fund Responses to Illinois Power Agency's
2019 Long-Term Renewable Resources Procurement Plan
<u>Draft Revised Plan for Public Comment</u>

Environmental Defense Fund ("EDF") appreciates the opportunity to provide the following comments in response to the Illinois Power Agency's ("IPA" or "Agency") Draft Revised Long-Term Renewable Resources Procurement Plan of August 15, 2009 ("Draft Plan"). EDF is a national nonprofit organization whose mission is to preserve the natural systems on which all life depends. Guided by science and economics, EDF finds practical and lasting solutions to the most serious environmental problems. EDF has a strong interest in minimizing the electric industry's significant contribution to climate change and other environmental problems. EDF applauds the numerous objectives achieved through the Draft Plan and appreciates this opportunity to comment.

In these comments, EDF responds to the Agency's Draft Plan with comments echoing those EDF submitted in July. Failure to comment on any particular issue at this time should not be construed as agreement or objection to the IPA's current proposals or at this time. EDF's comments at this time are limited to the Agency's use of a waitlist for community solar projects; a proposal for increasing geographic diversity in the community solar program; and the small subscriber adder for community solar projects. In our July comments, EDF also supported the IPA's proposed approach to the use of Alternative Compliance Payments to provide additional budget flexibility and objected to the use of spot procurements. EDF maintains those positions and appreciates that they are reflected in the Draft Plan. On issues related to the Illinois Solar for All program, EDF defers to and supports comments of Illinois Solar for All Working Group.

6.3.3 Managing Waitlists

6.3.3.1 Community Solar

Because of the tremendous demand for community solar projects, the IPA has a substantial waitlist of yet-unselected projects and sought comments on managing that waitlist. The Agency explained that, until any changes are made through the Commission's approval of the plan it files this fall, projects will be accepted off the waitlist according to the ordinal numbers allocated to each project during the lottery project at Block 4 pricing subject to available capacity created by withdrawn projects. Draft Plan at 113-114. However, as the Agency notes, this does not allow the Agency to consider additional criteria for projects that could help increase the diversity of the projects being developed, nor does it address other qualitative differences between applicant projects. Draft Plan at 114.

EDF supports the Agency's rejection of proposals to preference more mature projects based on criteria like the date of their original interconnection criteria. EDF agrees with the Agency that this approach does not serve any desired outcomes, and simply disadvantages developers who did not rush to interconnection agreements.

In July comments, EDF agreed with maintaining a waitlist for each block in order to quickly backfill projects that drop out of development, but argued that the waitlist should not be a consideration for *new* blocks of capacity. EDF instead proposed that the public policy objective of geographic diversity should be addressed through these new blocks. Geographic diversity has been inadequate in the community solar program. It will not be improved by continuing to select projects from the current waitlist, which shows no more geographic diversity than the currently-selected projects. As noted by the Agency, geographic diversity is an important aspect of the Adjustable Block Program ("ABP") and the Illinois Solar for All program for several reasons. Not only should geographically diverse communities benefit from the economic opportunities of owning or subscribing to renewable projects, but geographically diverse communities should also benefit from the employment opportunities offered by those projects. 20 ILCS 3855/1-75(c)(1)(K)(vi); 20 ILCS 3855; 1/75(c)(7). Equitable access to the opportunities of a clean energy economy are a cornerstone of the Future Energy Jobs Act. Unfortunately, as EDF noted in July comments, projects that applied to and were selected for the community solar program within the ABP do not meet the objective of geographic diversity.

Since interest in the community solar program has far outpaced available capacity to receive those incentives, EDF suggests that interest should be leveraged to increase the geographic diversity of projects. The Agency notes in its Draft Plan that while community solar projects facilitated through the ABP "look well-dispersed on a map of the state, development has almost exclusively occurred in less populated rural areas featuring lower land cost." Draft Plan at 35-36. This makes sense, as developers are likely to submit least-cost projects, all else being equal. But, given that interest in the program far outpaces its capacity, developers have been eager to take advantage of incentives such as the small subscriber block reservation system which served as a preference for projects with at least 50% small subscribers. Although those projects are more expensive from a developers' perspective (because customer acquisition and management of numerous small subscribers is more expensive than that of one or two large customers), the opportunity for priority consideration within the blocks has incentivized many developers to take on that additional expense. In other words, reserving a portion of community solar blocks for projects that meet public policy objectives, even ones with additional costs to developers, has been a successful way to ensure those objectives are being met. Therefore, EDF suggest that, rather than simply taking projects from the existing waitlist, the Agency should reserve a portion of new community solar blocks for projects located in areas that promote geographic diversity.

. The Agency, while not responding directly to EDF's proposal, discussed laudable public policy goals (specifically in reference to those submitted by Environmental Law and Policy Center and Vote Solar in their July comments), but stated that such proposals do not recognize the time, effort and financial resources put into projects that remain on the waitlist. Draft Plan at 115. The Agency went on to say that, given current budget constraints, the opening up of new blocks may be unlikely in the short-term absent a change in statute. *Id*. Thus, the Agency stated that creating a set of criteria for new project applications is "perhaps less worthy of focus than determining if projects on the existing waitlist could be selected based on their suggested criteria." *Id*. EDF disagrees. In the event that budget becomes available for any reason, including due to new legislation, the Agency should have appropriate procedures ready to open new blocks quickly. It would not take a significant amount of time or effort to simply add a requirement to the Draft Plan that new blocks will include a reservation for projects that serve areas not currently served by other community solar projects, and having such a requirement already approved in the final version of the plan would allow the Agency to take quick action if funding is available to open new blocks.

6.5.3 Community Solar

The Agency also seeks comments on the appropriate level of the small subscriber adder, noting that a recent analysis suggests that the current adder is higher than actual customer acquisition and subscriber management costs for small subscribers. EDF additionally points out the large number of projects that were incentivized to submit their projects as having more than 50% small subscribers simply by reserving a portion blocks for projects with that level of small subscriber participation. Given these two important facts, EDF supports reducing the small subscriber adder to levels at or below that which is noted in the GTM Research report cited by the Agency. Draft Plan at 121.

EDF maintains that projects with a substantial amount of small subscribers are important for the overall success and equity of the program. The IPA implemented a very effective means of ensuring that outcome: reserve 50% of funding from the first community solar block for projects that include at least 50% small subscribers; in the event that the number of proposed projects with at least 50% small subscribers exceeded 50% of available funding, a lottery process determined which projects were selected to that 50% reserved block, and the balance of those projects went into the lottery for the remaining 50% of funding (along with projects that do not include 50% small subscribers). Nearly all community solar projects have in fact committed to at least 50% small subscribers.

That successful system, combined with research which provides insight into the actual acquisition and management costs of small subscribers, justifies reducing the small subscriber adder. To be clear, continuing to reserve 50% of new blocks for projects that include at least 50% small subscribers is still likely an integral component to driving continued interest from developers in maintaining 50% small subscriber projects. As described above, this reservation system enables the Agency to achieve an important policy objective, and it does so at no additional cost to the budget.

Alternatively, and in response to the Agency's question about whether the small subscriber adder should be capped at 50%, EDF suggests that the Agency could include a requirement of 50% small subscribers with an adder only above those levels. Given the number of developers that submitted projects to the 50% reserved block for small projects, most developers seem confident that they can achieve at least 50% small subscribers. It may not be necessary to provide any adder at the 50% level, but an adder could be used to incentivize projects with an even higher level of small subscribers.

Either approach (decreasing the level of the adder or only offering an adder for projects with a higher than 50% small subscriber level) ensures the legislature's intent continues to be met and also provides additional budget that can be used to meet the statute's 2025 and beyond goals.