

**COMMENTS BY THE STAFF OF THE ILLINOIS COMMERCE
COMMISSION ON THE ILLINOIS POWER AGENCY'S FIRST REVISED
LONG-TERM RENEWABLE RESOURCES PROCUREMENT PLAN
RELEASED AUGUST 15, 2019**

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On August 15, 2019, pursuant to Section 16-111.5(b)(5)(ii)(B) of the Illinois Public Utilities Act (“PUA”) and Section 1-56(b) and 1-75(c) of the Illinois Power Agency Act (“IPA” and “IPA Act”), the IPA (“Agency”) made available to the public a First Revised Long-Term Renewable Resources Procurement Plan (“First Rev. LTRRP Plan”) and invited affected utilities and other interested parties to submit comments on the First Revised LTRRP by September 16, 2019. On September 3, 2019 the IPA issued a revised schedule for First Rev. LTRRP Plan comment, filing and approval. The IPA indicated that comments were now due on September 30, 2019.

In response, the Staff of the Illinois Commerce Commission (“Staff”) hereby submits these comments to the IPA. The outline of these comments follows the outline of the First Rev. LTRRP Plan. Staff’s suggested changes are shown in hard underline/strike through as Proposed Modifications.

COMMENTS

Managing Waitlists, Community Solar [Section 6.3.3.1; Page 113]:

The First Rev. LTRRP Plan recommends that existing wait lists be maintained and that projects continue to be selected by ordinal ranking. (First Revised LTRRP Plan, 115.) Staff recommends a change to the plan.

In Section 6.3.3.1, the Agency notes that the Community Solar blocks in the Adjustable Block Program are several times oversubscribed. (p. 113) The IPA compensated for this excess supply by entering all proposed projects into a lottery with

equal chances for each project. This had several consequences, as Approved Vendors were motivated to complete interconnection agreements for as many projects as possible to increase the odds that one of their projects would get selected.

Two consequences result from the disconnect between Illinois' interconnection rules and project selection. One is that Approved Vendors of selected projects will not know their projects' costs until the utility completes all the restudies on a given circuit. A second consequence of the disconnect is that, when a lottery assigns equal probability of winning to each and every project, the Agency cannot be sure that the set of selected projects have the lowest cost to Approved Vendors.

The Commission's interconnection rules, Parts 466 and 467, assign 100% of interconnection costs to each individual project. If there is more than one project in the queue on a given circuit, the utility will estimate the costs for each project in order of their queue position. 83 Ill. Adm. Code 466.120(c) and 83 Ill. Code 467.70(c). For example, if the first project requires some upgrade to the distribution system, but the second project does not, because the first project's upgrade obviated the need for more investment to accommodate it, those costs are not shared between the two projects. The first project pays the entire cost, while the second project pays none. It can work the other way as well: the first project may have relatively low interconnection costs, while the second project may have to pay substantial sums, even though the need to do so is at least partially due to the first project's presence. As the number of projects on a given circuit increase, the pattern of cost assessments becomes more complex. The upshot of this method is that interconnection costs on circuits with a queue larger than one are opaque and unpredictable.

A second consequence of the disconnect between the interconnection rules and the lottery that assigns equal probability of winning to each and every project is that the Agency cannot be sure that the set of selected projects is the lowest cost to Approved Vendors. As argued above, the winners' costs are can vary in unpredictable ways. Staff generally expects that a project that loses the lottery to be abandoned or delayed. Thus, when a project further down in the queue wins over one that is higher (and the higher queued project is abandoned or delayed), the utility must re-estimate the interconnection costs for remaining projects. Every reconfiguration of projects abandoned in front of lottery winners requires re-estimation of every remaining project. The result is unlikely to result in an efficient set of projects: i.e., the set of projects selected is unlikely to be the least cost set of projects.

A third consequence that can happen when the lottery assigns equal probability to each project is that one Approved Vendor can be awarded several more contracts than other Approved Vendors. While this result may not increase costs, it is arguably unfair.

Rather than a lottery that assigns equal probability to each project, Staff recommends that the IPA narrow the set of projects eligible for selection. One method to do this is to require each Approved Vendor and its affiliates to order its projects from most preferred to least preferred. Tier 1 of a lottery would then be the five top projects as selected by each Approved Vendor and its affiliates. The Agency would then run a lottery on Tier 1 projects only. If there is sufficient funding for all Tier 1 projects, then the lottery is run on Tier 2: the second five best projects as selected by Approved Vendors and their affiliates.

This procedure would not entirely eliminate cost unpredictability. The requirement in Part 466 Electric Interconnection of Distributed Generation Facilities (83 Ill. Adm. Code 466) and Part 467 Electric Interconnection of Large Distributed Generation Facilities (83 Ill. Adm. Code 467) that each interconnection must pay all incremental costs with no sharing with other, lower queued projects on a given circuit means the utility must re-estimate all lower-queued projects when one higher up in the queue withdraws. One method to mitigate this unpredictability is that the lottery could further require that an Approved Vendor must place any project that is in the first queue position in its Tier 1. If an Approved Vendor and its affiliates have more than five projects with the first queue position, then its Tier 1 projects must be the ones with the lowest interconnection cost per kilowatt installed capacity.

Such a process will tend to reduce total interconnection costs, since Approved Vendors are likely to rank their projects by cost. Approved Vendors have an incentive to pick the lowest cost projects for Tier 1, since the revenues are largely consistent across Community Solar projects. While it is probable that some interconnection cost re-estimation is going to be required, a process where Approved Vendors are self-selecting their best projects should reduce the need for it. And a requirement to place projects that are first in queue to be put forward first would certainly reduce the need for re-estimation.

The Staff also believes that this will make the lottery process fairer. That is, projects are more likely to be spread around more evenly between Approved Vendors. As was seen in the previous lottery, the results, while improbable, can otherwise be lopsided.

Staff Proposed Modifications
(First Rev. LTRRP Plan, 113-116.)

6.3.3 Managing Waitlists

6.3.3.1 Community Solar

When the Adjustable Block Program opened for project applications in early 2019, 919 community solar projects (representing 1,777 MW of capacity) applied during the initial 14 day application window. After the lotteries held on April 10, 2019, while 34 projects in Group A and 78 projects in Group B were selected for contracts representing 215 MW of new community solar capacity in Illinois, 452 community solar projects in Group A (representing 859 MW of capacity) and 355 community solar projects in Group B (representing 703 MW of capacity) were placed on waitlists. Until any changes are made through the Commission's approval of this draft Revised Plan, projects will be accepted off the waitlist at Block 4 pricing when previously selected projects withdraw¹ from the program (for example, due to high interconnection costs) based on the ordinal numbers allocated to each project in that lottery, and subject to available program capacity created by the withdrawn projects. As of the release of this draft Revised Plan, 1 project in Group A and 3 projects in Group B have been selected off the community solar waitlists.

* * *

While the Agency appreciates the laudable public policy goals suggested by ELPC and Vote Solar, their proposed pathway fails to address any recognition of the time, effort, and financial resources that have already been put into the projects that remain on the waitlist. Given current budget constraints, the opening up of new blocks may be unlikely in the short-term absent a change in statute—and such priorities could then be emphasized through that change in law. As a consequence, the Agency believes 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.

~~The Agency appreciates the comments received to date on potential changes. As of the release of this draft Revised Plan, the Agency now proposes an alternative method to allocate contracts to projects. The difficulty that the Agency faces is the separation between the selection of projects and the ease and expense of interconnection. That is, the least cost and most easily interconnected projects do not have a higher probability of being selected. As a result, Approved Vendors are motivated to complete interconnection agreements for as many projects as possible to increase the odds that their projects get selected.~~

The Agency sees two results that follow from the disconnect between Illinois' interconnection rules and Community Solar project selection. One is that Approved Vendors of selected projects will not know their projects' costs until the utility completes all the restudies on a given circuit. A second consequence of the disconnect is that, when a lottery assigns equal probability of winning to each and every project, the Agency cannot be sure that the set of selected projects have the lowest cost to Approved Vendors.

¹ The Agency is currently reviewing approaches to when a project should be considered withdrawn from the program and would welcome stakeholder feedback on this issue.

Illinois' interconnection rules assign 100% of interconnection costs to each individual project. (See Part 466 Electric Interconnection of Distributed Generation Facilities (83 Ill. Adm. Code 466) and Part 467 Electric Interconnection of Large Distributed Generation Facilities (83 Ill. Adm. Code 467), especially Section 466.APPENDIX D, Section 5.2.) If there is more than one project in the queue on a given circuit, the utility will estimate the costs for each project in order of their queue position. For example, if the first project requires some upgrade to the distribution system, but the second project does not, because the first project's upgrade obviated the need for more investment to accommodate it, those costs are not shared between the two projects. The first project pays the entire cost, while the second project pays none. It also can work the other way as well: the first project may have low interconnection costs, while the second project may have to pay substantial sums, even though the need to do so is at least partially due to the first project's presence. As the number of projects on a given circuit increase, the pattern of cost assessments becomes more complex. The upshot of this method is that interconnection costs on circuits with a queue larger than one can be opaque and unpredictable.

A second consequence of the disconnect between the interconnection rules and the lottery that assigns equal probability of winning to each and every project is that the Agency cannot be sure that the set of selected projects is the lowest cost to Approved Vendors. The Agency generally expects that a project that loses the lottery to be abandoned or delayed. Thus, when a project further down in the queue wins over one that is higher (and the higher queued project is abandoned or delayed), the utility must re-estimate its interconnection costs. Every reconfiguration of projects abandoned in front of lottery winners requires re-estimation of every remaining project. The result is unlikely to result in an efficient set of projects: i.e., the set of projects is probably not going to be the least cost set of projects.

Rather than a lottery that assigns equal probability to each project, the Agency will narrow the set of projects eligible for selection. Each Approved Vendor and its affiliates must order its projects from its most preferred to its least preferred. Tier 1 of a lottery would then be the five top projects as selected by each Approved Vendor and its affiliates. If a lottery is required for that set of Tier 1 projects, then the Agency will run a randomized lottery on Tier 1 projects. If there is sufficient funding for all Tier 1 projects, then the lottery is run on Tier 2: the next five best projects as selected by Approved Vendors.

This procedure does not entirely eliminate cost unpredictability. That is, the requirement in Part 466 and Part 467 that each interconnection must pay all incremental costs with no sharing with other, subsequent projects on a given circuit means a given project's costs are unknown until all projects that are higher in the queue are re-estimated. Each distributed generation project is evaluated independently, and each project must pay its individual costs to interconnect to the distribution system. In order to mitigate this unpredictability, the Agency proposes to include in this new lottery the following restriction. Approved Vendors, when ranking their projects, must include any project that has the first queue position in a circuit in its Tier 1. Of course, each Approved Vendor and its affiliates remains limited to five projects in any one tier. Further, if an Approved Vendor and its affiliates have more than five projects with the first queue position, then its Tier 1 projects must be the ones with the lowest interconnection cost per kilowatt installed capacity.

The Agency believes that this process will tend to reduce total interconnection costs, since the Approved Vendors are likely to rank their projects by cost. Approved Vendors have an incentive to choose the lowest cost projects for Tier 1, because revenues are largely consistent across Community Solar Projects. In addition, to the extent that projects that are first in the queue have priority, Approved Vendor costs will be more certain and are more likely to have the lowest costs.

The Agency also believes that this will make the lottery process fairer. That is, projects are more likely to be spread around more evenly between Approved Vendors and their affiliates. As was seen in the previous lottery, the results, while improbable, can otherwise be lopsided.

favors maintaining the existing waitlist and continuing to select projects in that ordinal ranking, but perhaps only because it remains unconvinced by presented to-date alternatives. The Agency encourages stakeholders to provide additional comments on this draft Revised Plan—and, especially, actual implementable approaches, rather than simply floating vague qualitative criteria worthy of consideration—for alternative approaches to

~~managing the waitlist and will consider them for potential inclusion in the Revised Plan filed for Commission approval.~~

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CONCLUSION

Staff respectfully requests that the IPA revise its First Rev. LTRRP Plan consistent with Staff's Comments.

Respectfully submitted,

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