ENVIRONMENTAL LAW & POLICY CENTER
Protecting the Midwest's Environment and Natural Heritage

**Comments of Environmental Law and Policy Center
in Response to the Illinois Power Agency's Request for Comments on the Long-Term Renewable Resources Procurement Plan**

INTRODUCTION

The Environmental Law and Policy Center (ELPC) appreciates the opportunity to provide comments to the Illinois Power Agency (IPA) in response to questions posed following the May 2017 workshops on the Long-Term Renewable Resources Procurement Plan (LTRRPP). ELPC has spent years advocating for the expansion of clean energy in Illinois and, specifically, to ensure the success of Illinois' Renewable Portfolio Standard (RPS). ELPC participated in all three days of the IPA's workshops on the LTRRPP and has engaged in extensive outreach both with the renewable industry and environmental advocates. ELPC draws on this experience to inform our responses to the IPA's questions and to share comments as to how to make the LTRRPP a success.

The LTRRPP will guide the procurement of all renewable resources – with the exception of those procured through the initial forward procurement – to meet the state's goals of developing new renewables in order to avoid and reduce pollution, diversify the state's electricity supply, and enhance the public health and well-being of Illinois residents (20 ILCS 3855/1-5(6)-(8)). ELPC's comments will focus on the issues the IPA should take into consideration in order to most effectively achieve these goals. In particular, ELPC will emphasize the importance of (1) taking a long-term perspective and making plans for achieving clearly outlined RPS targets over the long-term and (2) setting up procurements and, in particular, various programs to ensure market predictability, simplicity, and transparency. Emphasizing these themes in the development of the initial LTRRPP is critical to maximizing both the environmental as well as the public health and well-being benefits of the RPS.

The legislature provides clear guidelines about priorities within the RPS through its prioritization of renewable energy credits in the event the cost of procurement exceeds mandated limits (20 ILCS 3855/1-75(c)(1)(F)), as well as through the various carve-outs and directives included in the law. While it may be necessary to add some complexity to programs and procurements to meet these carve-outs and directives, either in the initial LTRRPP or through plan updates, the LTRRPP will generally be most effective both in achieving legislative goals and keeping ratepayer costs down when procurements and programs are as simple as possible.

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ELPC acknowledges that this is the beginning of a months-long process to develop the initial LTRRPP and our perspective may continue to develop as we learn more through additional analysis and reading others' comments.

TOPIC A: GEOGRAPHIC ELIGIBILITY OF RENEWABLE ENERGY RESOURCES

The IPA should not adopt a specific methodology for the initial long-term plan, but should issue clear guidance for project applicants to demonstrate the public interest benefit of adjacent state projects. Section 1-75(c)(1)(I) of the Illinois Power Agency Act ("IPA Act") directs the Agency to "design its long-term renewable energy procurement plan to maximize the State's interest in the health, safety, and welfare of its residents." In seeking to provide guidance to potential project applicants from adjacent states, the IPA should keep this overall mandate in mind. First, the IPA should not attempt to set forth a specific formula or methodology in the initial long-term plan to guide decisions about adjacent state eligibility. The statute assigns the burden of demonstrating compliance with the public interest criteria to the generator. ("The Agency may qualify renewable energy credits from facilities located in states adjacent to Illinois *if the generator demonstrates* and the Agency determines …"). There are many different possible ways that a generator may choose to demonstrate compliance with the various and non-exclusive public interest criteria in the statute. It is premature for the IPA to attempt to distill these possibilities into one discrete formula in the first long-term plan. Over time, as stakeholders gain experience with this inquiry the IPA could revisit this question, but defining a formula for decisions in the initial long-term plan could foreclose opportunity for some projects to make a demonstration based on the public interest factors particular to the specifics of their technology or facility location.

While the IPA should not adopt a specific methodology or formula in the initial plan, the Agency should strive to provide generators with guidance as to the general scope of the public interest inquiry and the IPA's determination. Some factors that the IPA should consider in developing this guidance include:

- **Project applications should be quantitative and public.** The IPA should develop a standard application that allows generators to submit information that demonstrates the impact of a proposed project on the health, safety, and welfare of Illinois residents based on the public interest criteria in the statute. In order to better compare projects and facilitate Agency decisions, the IPA should require project applicants to provide quantitative data that is supported by appropriate references and citations. These applications should be public and the IPA should provide an opportunity for other stakeholders and members of the public to provide any relevant information to help the Agency make its determination.

- **The burden of demonstrating compliance is on the generator.** The IPA should make clear that it is the generator's burden to provide sufficient information to enable the IPA to make its determination that a proposed adjacent state project will promote the State's interest in the health, safety, and welfare of its residents. The IPA should keep in mind that the Agency's mandate is to *maximize* the state's legitimate public health and safety interests when making determinations under this section of the statute. Thus, the IPA should consider applications for adjacent state projects in light of other potential projects applications (both in-state and out-of-state) that are competing for the same state resources. To the extent that the IPA

qualifies RECs from a proposed adjacent state project that would displace RECs from other types of projects (either in-state or out-of-state) that would better promote legitimate state interests, then the IPA's plan would not meet the statutory requirement to maximize the State's interest in the health, safety, and welfare of its residents. Thus, the statute contemplates that the IPA may choose *not* to qualify RECs from adjacent state projects if generators cannot meet this burden. ("The Agency *may* qualify … *if* the generator demonstrates and the Agency determines …"). The Agency should issue a written response to any applications it receives and should deny applications that either: (1) do not contain sufficient documentation to meet the generators' burden of proof under the statute, or (2) would not result in a plan that maximizes the State's interest in the health, safety, and welfare of its residents.

- **The IPA should base its determinations on appropriate statutory public interest factors and not inappropriate economic factors.** In determining whether to qualify RECs from adjacent state projects, the IPA should maintain focus on the legitimate public health, safety, and welfare factors described by the statute. Each of the "public interest" factors in Section 1-75(c)(1)(I) are rooted in the state's traditional and legitimate police powers to protect public health and welfare, including but not limited to:
  - minimizing sulfur dioxide, nitrogen oxide, particulate matter and other pollution that adversely affects public health in this state;
  - increasing fuel and resource diversity in this state;
  - enhancing the reliability and resiliency of the electricity distribution system in this State;
  - meeting goals to limit carbon dioxide emissions under federal or State law; and
  - contributing to a cleaner and healthier environment for the citizens of this state. 20 ILCS 3855/1-75(c)(1)(I).

The IPA Act's "legislative declarations and findings" similarly focus on public health, the environment, and other legitimate state police powers. In relevant part, the General Assembly finds and declares that:

- Developing new renewable energy resources in Illinois, including brownfield solar projects and community solar projects, will help to diversify Illinois electricity supply, avoid and reduce pollution, reduce peak demand, and enhance public health and well-being of Illinois residents. 20 ILCS 3855/1-5(6).
- Developing community solar projects in Illinois will help to expand access to renewable energy resources to more Illinois residents. 20 ILCS 3855/1-5(7).
- Developing brownfield solar projects in Illinois will help return blighted or contaminated land to productive use while enhancing public health and the well-being of Illinois residents. 20 ILCS 3855/1-5(8).

This public interest focus is consistent with the General Assembly's "goals and objectives" for the IPA, which include an expectation that the Agency "[i]mplement renewable energy procurement and training programs throughout the State to diversify Illinois electricity supply, improve reliability, avoid and reduce pollution, reduce peak demand, and enhance public health and well-being of Illinois residents, including low-income residents." 20 ILCS 3855/1-5(12)(H).

Importantly, all of the statutory criteria discussed above relate to public health, reliability of the grid, environmental protection, and other legitimate state police powers. None of them reference job creation or other economic factors. Therefore, the IPA's long-term plan should inform

generators that the Agency will determine whether to qualify RECs from adjacent state projects based solely on legitimate statutory public interest factors. Economic factors such as the number of jobs created in Illinois are not relevant and should be explicitly excluded from this analysis.

To summarize, ELPC does not recommend that the IPA develop a specific scoring system or threshold of compliance in the initial long-term plan. General guidance will provide project applicants with more flexibility to try different justifications and will allow the IPA to potentially develop and refine a more sophisticated methodology in future plan amendments. ELPC believes that providing this type of guidance in the long-term plan will satisfy the requirement that the Agency describe how it will determine whether to qualify RECs from adjacent state projects without unreasonably limiting or simplifying the analysis.

TOPIC B: MEETING PERCENTAGE-BASED RPS TARGETS

The initial LTRRPP should prioritize getting the new build programs/procurements up and running to meet long-term new build goals, not meeting the percentage-based RPS targets. The IPA Act establishes a *long-term* planning process for meeting the RPS targets, explicitly moving away from the annual planning process used prior to 2017 and directing the IPA to prioritize compliance with the long-term new build requirements over annual percentage goals when developing its long-term plan. 20 ILCS 3855/1-75(c)(1)(B). This is reinforced by the "loading order" in Section 1-75(c)(1)(F), which puts existing contracts as the highest priority, followed by Solar for All, and then the new wind and new photovoltaic requirements ("new build"). RECs needed to meet the percentage-based RPS targets are the lowest priority.

The IPA's ability to plan and budget for long-term compliance is enhanced by its ability to rollover funds in the first four years under the updated RPS to be used toward future targets. The Public Utilities Act directs that money for the Illinois RPS from the 2017, 2018, 2019, and 2020 delivery years be collected and held for use toward RPS programs over the entire four-year period beginning June 1, 2017 and ending May 31, 2021. 220 ILCS 5/16-108(k).[1]

Ultimately, this means that the IPA has (1) a clear mandate to prioritize new build targets over annual percentage targets and (2) the near-term budgetary flexibility to use multiple years' worth of RPS funds to do so. This flexibility may be particularly important to meet the 2020 new build targets, which while achievable are still ambitious. High-level ELPC modeling suggests that rolling over RPS funds collected during the initial years under a LTRRPP will be needed in later years to meet 2020 new build targets. Therefore, the IPA should use the initial LTRRPP to

[1] This section provides that:

> Notwithstanding anything to the contrary, the Commission shall not conduct an annual review, reconciliation, and true-up associated with renewable energy resources' collections and costs for the delivery years commencing June 1, 2017, June 1, 2018, June 1, 2019, and June 1, 2020, and shall instead conduct a single review, reconciliation, and true-up associated with renewable energy resources' collections and costs for the 4-year period beginning June 1, 2017 and ending May 31, 2021, provided that the review, reconciliation, and true-up shall not be initiated until after August 31, 2021. During the 4-year period, the utility shall be permitted to collect and retain funds under this subsection (k) and to purchase renewable energy resources under an approved long-term renewable resources procurement plan using those funds regardless of the delivery year in which the funds were collected during the 4-year period.

220 ILCS 5/16-108(k).

establish the new build procurements and programs, collecting and holding any unspent funds. Not until the IPA has a line of sight on the funding needs of the new build requirements and is confident the state will meets its 2020 new build goals, is it prudent to turn to the percentage-based targets. ELPC expects this will not occur until the first LTRRPP update, at the earliest. Otherwise the IPA risks violating the IPA Act by inadvertently prioritizing the percentage-based targets over the new build requirements.

When the IPA turns to the percentage-based targets in updates to the initial LTRRP, it should meet those targets with multi-year contracts that drive additional new build, rather than short-term REC contracts, whenever feasible. The legislature explicitly created the state's RPS with the intent to encourage the adoption and deployment of distributed energy resources (DER), diversify the state's electricity mix, protect Illinois' environment and reduce pollution, and enhance the health of Illinois residents. 20 ILCS 3855/1-5(6)-(8). RECs purchased from existing resources, as short-term REC contracts almost inevitably are, do not lead to additional DER deployment, do not change the state's electricity mix, do not impact Illinois' environment or further reduce pollution, and therefore cannot affect the health of Illinois residents. For these reasons, ELPC urges the IPA to use multi-year REC contracts that *can* incent new resource development to meet the percentage-based targets, whenever doing so would not put higher priority goals (existing contracts, Solar for All, and new build) at risk.

TOPIC C: ADJUSTABLE BLOCK PROGRAM

ELPC urges the IPA to design an Adjustable Block Program that is as transparent, predictable and simple as possible, in order to best enable the photovoltaic market to scale up over time (1-75(c)(1)(K)). Transparency and predictability are necessary ingredients in any market, for firms to have the confidence to invest. Likewise, the simpler the program, the wider the range and the higher the quantity of firms able to participate. Generally, these are the elements needed to bring the photovoltaic market in Illinois to scale. Overall, the goal is for the IPA and its consultants to manage the Adjustable Block Program (ABP) to ensure that "purchase price provided and the total amount of generation" in the blocks is sufficient to meet the goals and targets of the RPS and to allow the photovoltaic market to scale up at a stable, sustainable rate. 20 ILCS 3855/1-75(c)(1)(K).

ELPC offers specific comments on the various sub-topics and questions raised regarding the ABP, below. ELPC will focus on those topics where it has the most experience/insight. The solar industry may also have specialized insight that can help address some of the questions posed.

BLOCKS

- **Carved-out portions of the ABP available to only certain market segments (e.g. small DG, large DG and community solar) *must* be large enough to attract solar firms to the market.** More important than the specifics of block sizes and prices, it is of key importance that the carve-outs for different classes of RECs – including small and large distributed generation (DG) and community solar – be large enough to drive frim investment in the Illinois market, in the first place. These carve-outs represent the market opportunity to individual firms. The more different pieces are carved out of the market opportunity, the

more limited that opportunity looks and the more likely that some developers decide the opportunity is too small to warrant investment. (This has reportedly been an issue with some of the blocks in the Maryland incentive program.) Ultimately, ELPC supports limiting carve-outs to the greatest extent possible and, in the event the IPA determines that additional carve-outs may be needed to meet program goals and directives, ensuring that all carve-outs remain large enough to present a real market opportunity.

- (Q1) **Both large block sizes and gradual block price declines are important to drive interest from solar developers**. Developers need to feel confident that they will be able to secure a REC contract at the price they plan (large blocks) *and* that if they are on the cusp of a block and drop down in price, their project will still pencil (gradual declines). There is an obvious tradeoff between these two goals and the IPA should work carefully to balance that tradeoff.
- (Q2) **It is important for smaller DG projects that participate in the large DG carve-out to have a pathway to success in the Illinois market**. Block capacity for distributed generation (DG) projects that are relatively small, but still larger than 10 kW may need to be protected in some fashion from large-scale DG projects. It is not uncommon for solar systems on homes, churches, and non-profits to be larger than 10 kW; however, this type of system and host is significantly different from a large DG system on the roof of a big box store. Depending on the size and step-down pace of blocks, ELPC is concerned that large DG projects could quickly gobble up capacity, leaving an entire market segment limited or with less cost-effective access to DG solar. The IPA should consider whether a breakpoint and separate tranche of capacity for smaller DG projects that are still sized larger than 10 kW is necessary to nurture this market segment in the initial LTRRPP. Regardless of initial approach, ELPC recommends the IPA track this segment of the market and make adjustments if necessary to ensure uptake is occurring and/or to remove protections that are no longer needed.
- (Q3) **It makes sense to have larger initial blocks**, both because of likely pent-up demand in some segments of the market, as well as to provide other segments of the market some runway, in order to get to scale.
- (Q4) **Projects should have access to blocks on a first-come first-served basis.** There should be as little lag between application submittal and approval as possible and remaining block capacity should be publicly available and updated in real time to minimize potential for projects to apply into one block and end up in another. Projects that do apply into one block but end up in another should be given the right to withdraw their application with no financial penalty within a short window of time.
- (Q5) **Blocks should be capacity- (not time-)based and transition should be automatic.** The IPA Act provides clear direction as to handling the transition between blocks. Section 1-75(c)(1)(K) directs for blocks to be capacity-based and to transition without delay, calling for the "*automatic* opening of the next step as soon as the *nameplate capacity* and available purchase prices for an open step are fully committed or reserved," [emphasis added]. It is important that the blocks be capacity-based, as the step-down in total incentive level serves as a check on the price of the block; as the market develops and lower overall incentive levels are needed, capacity is used up faster and incentive levels step down. Additionally, it is worth noting that sub-paragraph (L) of the same paragraph (1) allows uncommitted RPS funds to be "reserved" for Adjustable Block contracts, in the event that Adjustable Block

applications exceed funds collected. This further underscores the intent of block transitions to be as smooth as possible, with no delays.

- **IPA should strive for transparency in modification processes, including through the publication of upfront guidelines regarding what would trigger modification.** The IPA Act calls for the careful monitoring of blocks, publication of uptake information and communication with stakeholders, and, as necessary, transparent modifications to keep the overall program on track. 20 ILCS 3855/1-75(c)(1)(M). Adjustments that are less than 25% from levels published in the LTRRPP may occur on an expedited basis, without Commission review. ELPC recommends that the IPA provide clear guidelines up-front regarding what levels of uptake could result in modifications to block sizes or price as well as what communication around those modifications might look like. Furthermore, ELPC urges the IPA to ensure stakeholder input is considered in any modification process.
- **The unallocated 25% should be managed to drive progress toward the new build targets, particularly in the early years.** The IPA Act carves up the ABP – 25% for small-scale DG below 10kW, 25% for DG larger than 10 kW, and 25% for community solar – this leaves 25% of the ABP to be allocated at the IPA's discretion. Overall, the goal for the ABP is to design and manage the program such that "purchase price provided and the total amount of generation" in the blocks is sufficient to meet the goals and targets of the RPS over the long-term (1-75(c)(1)(K)). This goal means that the most important consideration regarding this unallocated 25% is how to most effectively use it to ensure Illinois hits its new build targets. In particular, ELPC believes it will be important to prioritize using the unallocated 25% to deploy DG projects as quickly as possible in the early years of the updated RPS in order to meet the somewhat ambitious 2020 new build photovoltaics goal.

PRICES

- (Q6) **ELPC stresses the importance of using a cost-based model to develop prices**. While observing other markets may be important and informative, prices can vary significantly by market and ELPC is dubious of the direct applicability of out-of-market prices to the Illinois solar market. Furthermore, ELPC notes that pricing from past Illinois DG procurements is not "apples-to-apples" due to the five-year rather than 15-year length of those contracts. ELPC believes that if those contracts had been for longer time periods, REC prices would have been commensurately lower.
- (Q7) **Geographic diversity is important and should be monitored.** Geographic diversity of project deployment is extremely important, but there is currently limited public data on solar pricing and market differences across Illinois. Confidential data from past SREC procurements might help shed some light on this issue. However, absent a compelling trend from actual data, ELPC recommends taking no proactive measures to drive geographic diversity. Rather, the IPA and/or its program administrator should monitor and publish data regarding the geographic diversity achieved by the Adjustable Block Program. The IPA should make targeted changes to ensure geographic diversity if and when barriers to geographic diversity arise and after input from stakeholders, rather than introducing untargeted, additional complexities from the start. The long-term nature of the LTRRPP means that short-term imbalances in geographic diversity, while not ideal, do not risk thwarting the legislature's intent.

- **Finally, ELPC urges the IPA to take into account the planned DG rebate** (220 ILCS 5/16-107.6), as well as any other exogenous incentives or market changes (e.g. the step-down of the ITC or resolution of the Suniva trade case) when developing or modifying SREC prices. If the rebate is not accounted for, this could lead to an unsustainable boom in certain segments of the solar market, which would be out of line with the intent of developing a stable, long-term market. Failing to account for the ITC step-down or other incentive changes could likewise undermine the goal of scaling up the photovoltaic market.

PROJECT DEVELOPMENT PROCESS

- **It is of paramount importance that the IPA include sufficient safeguards in the project development process to limit speculation** and discourage premature reservation of queue space, while giving projects an even playing field with one another to the extent possible. Speculation has been a real problem in other markets and we do not want to repeat those mistakes in Illinois. ELPC recognizes that there may be various options to limit speculation. Experience from other markets suggests that it may be important to periodically "clear" the queue of projects that are failing to meet required milestones.
- (Q11) **In general, development requirements (as well as REC prices) should not vary by investor-owned utility (IOU), rural electric cooperative (co-op), or municipal utility (muni).** If there are differences in solar delivery costs due to difference in provider, it should be incumbent on the provider to update outdated systems that increase costs. Simplicity in program design is important. The IPA or its administrator should monitor and publish data to enable stakeholders to determine whether program adjustments are necessary in future plans.

CLAWBACK PROVISIONS & CONSUMER PROTECTION

The IPA should implement strong, targeted consumer protection and clawback provisions to ensure the long-term success and growth of renewable energy markets in Illinois. The IPA should strive to identify consumer protection provisions, such as but not limited to standard disclosure forms, that can be implemented in a cost-effective manner to keep overall costs to consumers as low as reasonably possible. When designing clawback provisions, the IPA should endeavor to estimate the impact to 15-year REC prices, as well as weigh the cost of monitoring and actually clawing back money from various classes of projects, to ensure the benefits to ratepayers of various clawback provisions outweigh the costs.

TOPIC D: COMMUNITY SOLAR PROGRAM

Community solar is an important tool for expanding solar access to a "broader group of energy consumers" throughout Illinois and, in particular, for "those who cannot install community solar on their own properties." 20 ILCS 3855/1-75(c)(1)(N). Further, it is important that all classes of customers across the state are able to participate in a diverse range of community solar projects and business models that suit their individual needs and goals. ELPC believes it is the IPA's clear, mandated responsibility to ensure robust participation of small customers in the community solar programs. ELPC further supports the development of self-organized, bottom-up community solar projects.

GEOGRAPHIC CONSIDERATIONS

- (Q1) **The IPA should not add geographic proximity requirements** beyond the statute's requirement that subscribers take service in the same electric utility service territory. The legislature already made this policy choice when it removed the proximity requirement that existed in earlier versions of what became the Future Energy Jobs Act. That said, it is important to enable self-organized community solar projects that meet community goals, this includes not only projects that seek to serve proximal subscribers, but also projects from communities without proximal land or that seek to serve alternative goals that may preclude proximity (e.g. brownfield solar).
- **It is important that the community solar program work for community-driven and grassroots community solar projects, not just large commercial community solar projects.** There are many Illinois neighborhoods and groups interested in organizing their own community solar projects. These projects may differ significantly from large, commercial community solar projects in a number of ways, including: project size (smaller) and timeline (longer), technical sophistication, and ownership structure. In order for the program to fully serve all Illinois residents and communities, the IPA should take extra care to design the community solar program to be accessible to both large, commercial as well as more bottom-up, community-driven projects. The IPA should also monitor the success of community-driven projects and consider whether program changes are appropriate if such projects struggle to succeed.
- (Q2) **Geographic diversity is important – not only across projects, but across program subscribers – and should be monitored.** As with the ABP, ELPC believes that a "monitor and cure" approach to project-level geographic diversity is appropriate for the community solar program. Project geographic diversity is important, but, absent strong data on pricing differentials, targeted correction, as needed, in order to meet long-term goals is the most appropriate approach to project-level diversity. ELPC believes that, for community solar, a more important factor is to ensure that geographically diverse communities can access community solar projects.

PROJECT APPLICATION REQUIREMENTS

- (Q4) **Co-location of communitysolar projects should not be allowed except potentially in limited ways to meet clear, discrete policy goals, such as encouraging brownfield solar.** The IPA Act clearly defines community renewable generation projects as those that are "limited in nameplate capacity to less than or equal to 2,000 kW." 20 ILCS 3855/(1-10). ELPC does not generally support co-location, as the economy of scales co-location will introduce will concentrate those projects, limiting the number of discrete solar developments the state will see and concentrating the benefits those projects bring. However, ELPC may support limited co-location of community solar projects in the event of a compelling policy rationale, such as on brownfields. Such exception should still be limited in size, and should only be allowed after a formal waiver process. Such waivers should only be granted where they will further policy goals set forth in the IPA Act, such as returning blighted land to productive use or otherwise promoting the health, safety and welfare of the residents of Illinois. *See, e.g.,* 20 ILCS 3855/1-5(8). The IPA should consider seeking further comments on the scope and nature of this waiver process.
- **Community solar projects located in co-op or muni territory should not be barred by the IPA from participation in the community solar segment of the ABP**. Community

renewable generation projects are clearly defined in the IPA Act to include projects interconnected in co-op and muni territories. 20 ILCS 3855/1-10. Although co-ops and munis are not legally required to enable bill crediting for community renewable generation, some may choose to do so. The IPA's community solar program should therefore allow for participation of projects in co-op and muni territories, so long as those entities enable bill crediting and meet the other requirements of community renewable generating facilities as defined in statute.

COMMUNITY SOLAR BLOCKS

- **To the extent practical, the design for the community solar program should mirror the approach used for the rest of the DG program, in order to maximize simplicity.** More specifically, while ELPC does not support carving up the community solar tranche by project size, we do recommend that, if the IPA plans to have different REC prices for DG projects of different sizes within the 10 kW to 2 MW carve-out, it should apply a similar approach for community solar projects. Smaller DG solar projects – community or otherwise – typically cost more to develop on a per watt basis. These projects are also more likely to be brought forward as community-driven, bottom-up community solar projects. Therefore, allowing smaller community solar projects to access differentiated pricing could help enable community-driven projects succeed.
- **ELPC believes that, all else being equal, siting projects on rooftops and brownfields is generally preferable to siting projects on greenfields.** Furthermore, there is support for the value of locating solar projects on brownfields in the IPA Act (Sec. 1-5(8)). Given this, the IPA should consider whether to design the ABP to encourage customers to develop on-site projects, where possible. However, it is worth noting that, the ultimate goals for project deployment between community solar and other DG will be set by the program carve-outs and blocks. After the onset of the program, the block step-downs will likely be the major determinant of relative value proposition. This is actually another check and balance inherent in the capacity-based block set-up: value propositions shift to encourage REC sales from those projects furthest from meeting the RPS goals at any given time.

RESIDENTIAL VS. COMMERCIAL INTEREST

It is the IPA's responsibility to proactively ensure robust small customer participation in community solar. The language of the IPA Act directly requires the IPA to "ensure robust participation opportunities for residential and small commercial customers [small customers] and those who cannot install renewables on their own property," (Sec. 1-75(c)(1)(N)). During the May workshops, the challenges associated with serving small customers, as well as examples of markets (e.g. Minnesota) where community solar had left small customer participation behind, were aired repeatedly. It is worth noting that, although many industry and environmental organizations refer to this challenge in terms of residential customers, the challenge raised at the workshops was one related to any *small subscription*, be it from a household (residential) or a small business (commercial). Given these challenges and experiences in other markets, the IPA has a direct responsibility to take proactive measure to ensure this robust small customer participation. Without proactive measures, it is clear these customers will be left behind.

In order to achieve this, the IPA must define the boundaries of what is and what is not "robust participation." The LTRRPP should define "robust" and the IPA should track and report the

level of small customer participation against this goal in order to evaluate success. ELPC suggests that "robust" small customer participation must have some nexus to the proportional load of such small customers. According to ICC reporting, residential customers in Illinois used just under a third of all electricity in 2016, however as previously discussed "residential" may not align perfectly with "small customer" and ELPC urges the IPA to gather information directly from the utility on this point.

ELPC understands that there are multiple proactive measures that the IPA could take to ensure robust small customer participation. ELPC does not currently have a position as to what approach will most efficiently ensure robust participation, but will briefly discuss several options below:

1) **Adders** – "Adders" involve *adding* extra value on top of the basic community solar REC price to fully account for the additional cost of serving small customers and adequately incentivize the development of community solar projects serving small customers. At this time, ELPC lacks sufficient information to determine whether an adder approach, on its own, would be the most efficient and effective method of ensuring robust small customer participation. There are two key concerns with an adder-based approach. First, pricing the adder properly may be difficult, particularly inasmuch as it involves not only compensating for the cost of serving small customers, but also incentivizing developers to *choose* to serve small customers over large customers despite additional complexity and longer development timelines. Additionally, an adder brings no guaranteed minimum level of small customer participation. If the adder is priced incorrectly, it could simply fail to drive small customer-oriented projects and the Illinois community solar market could be dominated by projects that serve a limited number of large subscribers.
2) **Project-level requirements** – Project-level requirements involve requiring that every single community solar project involve some minimum level of small customer participation. According to the Coalition for Community Solar Access, this sort of requirement has been used in MA, MD, NY, and CT and is proposed in OR, however it is often accompanied by some other incentive pool – not always termed community solar – for shared renewables projects that *do not* require small customer participation. A number of solar companies have expressed concern that a project-level requirement would limit the diversity of project types and business models that could succeed in the Illinois market in a way that would fundamentally limit solar deployment, solar access, and/or community solar cost effectiveness. Proponents of this approach argue that business models that are not oriented toward small-customer participation have made project level requirements work in other states by working with small customer aggregators. In the event the IPA chooses a requirement-based approach, ELPC notes the importance of setting the project-level requirement to achieve robust small customer participation levels for the overall community solar program.
3) **Portfolio-level requirement** – A portfolio-level requirement would involve mandating a minimum level of small customer participation across a portfolio of projects. This could be the entire community solar portfolio or across any portfolio of projects that apply to sell community solar RECs through the IPA's program. Some actions for enacting this could include requiring that only portfolios of projects that meet the minimum apply, set up a formal trading mechanism to enable projects that exceed the minimums to "sell" excess small subscriber credits to other projects, or combine a minimum with an adder

and allow the market to evolve on its own so long as the minimum threshold is met. The challenge with all of these approaches is the extra complexity they bring to the community solar market. While we have seen portfolio approaches and trading schemes work in other environmental markets, we have not seen any markets experiment with portfolio level requirements to enable small customer participation in community solar. This is likely due, at least in part, to the fact that all community solar markets are still relatively new.

4) **Two community solar carve-outs, one with a project-level requirement, one without** – This approach involves carving out different buckets within the community solar program and/or from the unallocated 25% of ABP RECs and placing a project level requirement on one of the buckets. This approach would alleviate the concern raised by universal project level requirements, but would create a new one: as discussed in comments on the ABP, it is important that carve-outs be sized large enough to attract firms to participate in the Illinois market. Furthermore, this approach would still involve a balancing act between block sizes, pricing, and the project level requirement. If the IPA selects this approach it will be important to ensure that the overall community solar market (including projects with a project-level requirement and those without) collectively achieve a robust level of small customer participation across the entire portfolio of projects.

ELPC acknowledges that community solar programs are still quite new across the nation and that there is not consensus around either best practice or ineffective approaches. It is our understanding that the two markets most frequently cited as success stories by industry participants – New York and Massachusetts – involve both differential pricing for small customer participation *as well as* project level carve-outs. Both also have incentive buckets that allow for what are essentially community solar projects *without* small customer participation.

Whatever the approach to ensuring small customer participation pursued, it is critical that the IPA recognize the higher costs of serving small customers and ensure community solar REC prices compensate for those costs. An adder for small customer subscribers is one method of achieving this, but it is not the only method. If a project-level requirement is pursued, all community solar RECs must be adequately priced. For all considered approaches, it will be important to evaluate impacts to prices paid for community solar RECs and the overall availability of funding for the RECs and to make adjustments over time. ELPC does not believe that adders are an inherently more cost-effective solution than other approaches to ensuring small customer participation and believes there could be scenarios where adders are less cost-effective.

ELPC believes that, with careful planning and management, it could be possible to utilize some of the unallocated 25% ABP bucket to help create two separate community solar carve-outs without undermining the 2020 new build goals. As stated repeatedly throughout these comments, limiting carve-outs is important and ensuring that any carve-outs created are large enough to drive market participation is equally important. Likewise, the primary goal of the unallocated 25% of the ABP should be to drive new build progress, particularly in the run-up to the 2020 targets. That being said, if the IPA determines (1) that the most efficient method of ensuring robust small customer participation and a diverse market is creating two community solar carve-outs, (2) that capacity available in just the community solar bucket of the ABP is

inadequate to spur market participation, and (3) that some of the unallocated 25% bucket can be used for community solar without markedly undermining progress to new build targets, ELPC would fully support this approach to ensuring robust small customer participation.

Whatever initial approach is chosen, but particularly if the IPA utilizes an adder, the Agency should track and report small customer participation closely and make program adjustments as necessary and as soon as reasonably possible to ensure that robust participation is achieved.

- (Q12) **IPA should be aware of interplay between subscription level requirements during the project development process and robust small customer participation**. ELPC does not currently have a position on whether community solar projects should demonstrate certain levels of subscription before securing a REC contract. However, if such a requirement is contemplated it is worth noting two things. First, to the extent that such a requirement is more complicated/costly/time-intensive for the small customer portion of a project, this could make it more difficult for projects serving small customers to compete with projects serving large customers for block capacity. Second, it is probably inadvisable to ask small consumers to subscribe to a community solar project significantly before that project is built and ready to be energized.

TOPIC E: ILLINOIS SOLAR FOR ALL PROGRAM

ELPC supports the Illinois Solar for All Working Group's comments as they pertain to the questions asked regarding Topic E: the Illinois Solar for All Program.

CONCLUSION

In conclusion, ELPC thanks the IPA for the opportunity to comment on questions posed regarding the development of the LTRRPP. We look forward to working over coming months with the IPA, the solar industry, advocates, and other stakeholders to make the LTRRPP a success.