

Indexed REC Procurement Request for Stakeholder Feedback

January 20, 2023

Section 1-75(c)(1)(G)(v) of the Illinois Power Agency Act requires the utilization of an Indexed REC structure for competitive procurements of Renewable Energy Credits (“RECs”) from new utility-scale wind and new utility-scale photovoltaic projects to meet the goals of the Illinois Renewable Portfolio Standard.¹

Since the enactment of Public Act 102-0662 (the Climate and Equitable Jobs Act or “CEJA”) in September of 2021, the Illinois Power Agency (“IPA” or “Agency”), through its Procurement Administrator, has held two Indexed REC procurement events. The first procurement event was held on May 6, 2022, and the second was held on December 9, 2022. In the first procurement event, the targets for each of the three categories of projects were not met. In the second procurement event, no utility-scale wind projects were selected.

The IPA and the Procurement Administrator are seeking stakeholder feedback on barriers that may have limited participation in these procurement events and are exploring improvements to facilitate greater participation in future procurement events. The Agency is interested in feedback covering not only changes to the procurement structure that the Agency can presently make for subsequent procurements, but also feedback on potential changes to the IPA’s Long-Term Renewable Resources Procurement Plan, or potential changes to Illinois law that would result in the successful development of more utility-scale wind and solar projects.

Comments are welcome from all stakeholders (including potential bidders in procurement events and as other interested parties). **Responses are due on Friday, February 3, 2023, and should be sent to: IPA.Contactus@Illinois.gov.**

Responses will generally be made public and will be published on the Agency’s website. However, should a commenter seek to designate any portion of its response as confidential, that commenter should provide both public and redacted versions and the Agency will only post the redacted version. Independent of that designation, if the IPA or its Procurement Administrator determines that a response contains confidential information that should not be disclosed in connection with a competitive procurement event, it reserves the right to provide its own redactions.

¹ In the indexed REC structure, bidders submit a fixed strike price as their bid. The price paid for RECs from selected projects is based on the difference between that fixed strike price and the real-time energy settlement price at the applicable Illinois hub. For any given month the resultant REC price can thus be a positive or negative value. The strike price is fixed for the 20-year delivery term.

Commenters need not respond to every question (some may not be applicable) and should not feel limited by these questions in providing feedback. The Agency encourages stakeholders to provide robust feedback to help ensure the success of future procurements.

Should you have any questions or need additional information, please contact Anthony Star at Anthony.Star@Illinois.gov.

Stakeholder Workshop

Additionally, a stakeholder workshop is planned to facilitate stakeholder engagement on topics including, but not limited to, comments received through this stakeholder feedback process.

Workshop: Wednesday, February 15, 2023 at 1:00 CPT.

Meeting link:

https://owg.zoom.us/webinar/register/WN_7Fjv8YCZQ4OuB1Yn5Kb2Zw?xzm_rtaid=3P3PHi4BQM-vePUi4ZTV4A.1674159025080.5cf7e5c3b4bc22a9728259783a880582&xzm_rhtaid=230

Webinar ID: 991 1071 2173

Passcode: 987425

Join by phone:

+1 267 831 0333

Webinar ID: 991 1071 2173

Passcode: 987425

Questions for Feedback

1. On a scale of 1-10 (10 highest) how would you rate Illinois' present suitability as a host for developing large-scale wind or solar projects? If you did not rate Illinois a 9 or 10, what changes would you recommend making that would change that rating to a 9 or 10?
2. If the objective of the Indexed REC RFP is to incentivize development of renewables in Illinois and to decarbonize the electricity grid, is the current Indexed REC procurement framework effective in helping achieve that objective?
 - a. Are there elements of Indexed REC processes used in other states, such as New York, that Illinois should consider adopting?
 - b. Are there other procurement or contract structure models worth considering that would be more effective for increasing renewable development and decarbonizing the electricity grid?
3. If you are a renewables developer, what are your key considerations when making a decision where to develop a project?
 - a. What are top 5 considerations that would incentivize you to develop a project in a particular state?
 - b. What are top 5 considerations that would discourage you from developing a project in a particular state?
 - c. Which states feature the most effective models for supporting large-scale wind and solar projects? What lessons from other States would be beneficial for us to consider?
 - d. Is the voluntary renewables market an attractive source of opportunity for developers? If so, please explain some of the key factors of those opportunities that make them preferable to the Indexed REC RFP.
4. In vertically-integrated states, developers of generation benefit from having unanticipated costs covered through changes in revenue received back by the project. The Illinois model features a fixed bid at a given point in time—generally at a very early stage in the project's development—with no ability for downstream modification or negotiation around that bid price or other contractual factors.
 - a. What changes could be made by the IPA or to Illinois law to provide more certainty to developers around the recovery of unanticipated costs or for otherwise handling unanticipated project development contingencies?

- b. Have any other restructured states been particularly successful in de-risking large-scale renewable energy development through their incentive contracts or programs? If so, which states, and what lessons can Illinois learn from those states?
 - c. Are there helpful aspects of how private off-takers may handle development risks or unanticipated costs that could be mirrored for contracts featuring regulated utilities as Buyers?
5. If you have participated in one or the prior Indexed REC RFP, please provide feedback on your experience regarding the participation requirements, REC delivery contract requirements, procurement process, and timeline.
 - a. Is there anything that you felt was done particularly well?
 - b. Is there anything that you felt could be improved?
6. If you opted to not propose a project in a prior Indexed REC RFP, what factors were most important in the decision to not participate?
 - a. Do you feel there was insufficient information or insufficient time to make an informed decision to participate in the procurement process? If so, please indicate the information that is missing as well as the amount of time that would be ideal to help you make a decision whether to participate or not in the procurement event.
 - b. Were there competing opportunities elsewhere that were more attractive to you? Please explain.
 - c. Was there anything about the Indexed REC RFP that was unhelpful in facilitating your decision to develop a wind or solar project in Illinois? Please explain
 - d. Were there specific provisions from the REC delivery contract used in the Indexed REC procurements that presented a barrier to participation? Please explain.
 - e. Were there eligibility requirements that presented a barrier to participation? Please explain.
 - f. Were there barriers outside of the procurement process that impacted your decision to participate (i.e., interconnection delays)? Please explain.

7. Interconnection delays with both MISO and PJM have been widely acknowledged.
 - a. Did these delays impact your ability to bid in the Indexed REC RFP? If so, please explain.
 - b. Do the recent PJM interconnection process reforms approved by FERC improve your outlook of the opportunity?
 - c. Do you feel that you have sufficient visibility into expected interconnection costs and timelines at the time of submitting a bid?

8. On a scale of 1 to 10, to what extent have county siting requirements provided a barrier to participation?
 - a. Do you feel that recently passed House Bill 4412² provides an adequate solution?
 - b. Are there other barriers, such as endangered species and natural areas regulations, that provide a barrier to successfully siting projects?
 - c. Has the Illinois Commerce Commission's Renewable Energy Access Plan³ development process been helpful in addressing siting concerns?

9. Supply chain issues, due to the pandemic and tariffs on the solar industry for example, have been widely acknowledged. Did these issues impact your participation in the procurement events? If so, please explain and include a description of any related costs and risks to renewables developers and what you think could be done to help.

10. Under the Illinois RPS, payments for RECs are subject to available funds anticipated to be collected pursuant to Section 1-75(c)(6) of the IPA Act and Section 16-108(k) of the Public Utilities Act, and the utility counterparty cannot advance payment that exceeds available funds. Section 16-108(k) of the Public Utilities Act, as amended by Public Act 102-0662, provides for unspent budget in a delivery year to roll-over to the following delivery year for a period of 5 years to improve the likelihood that funds are available for payment. However, stakeholders have previously expressed concerns about the availability of funds in future years, particularly if energy prices are low (and thus resulting Indexed REC prices are high, creating an outsized RPS budget impact).
 - a. Are there examples for how this issue is dealt with in other jurisdictions where there is a statutory budget constraint?

² <https://www.ilga.gov/legislation/BillStatus.asp?DocNum=4412&GAID=16&DocTypeID=HB&LegId=137757&SessionID=110>

³ <https://www.icc.illinois.gov/informal-processes/Renewable-Energy-Access-Plan>

- b. Is there additional information or analysis related to procurement budgets for Indexed RECs that would be helpful to be provided to prospective bidders?
11. Wholesale electricity prices increased significantly in 2022 and energy markets have been experiencing significant volatility.
 - a. Did either the current high energy prices or market volatility impact your decision to bid in the Spring 2022 Indexed REC RFP? Please explain.
 - b. Is the Indexed REC model better suited to periods of price stability or lower wholesale energy prices? Would a fixed price option be preferable during times of price volatility or high prices?
12. Understanding that a brownfield site photovoltaic project may not participate in the wholesale energy markets in the same way as utility-scale wind or utility-scale solar projects, is the Indexed REC payment mechanism a barrier to participation for brownfield site photovoltaic projects? Please explain.
13. In the Indexed REC RFP, one of the main requirements is for the offeror to secure substantial control of the project site. If the RFP eligibility requirements are to be streamlined for the Indexed REC RFP, what would be the appropriate set of requirements? Are there requirements to be added or removed from the current RFP requirements?
14. If battery storage is to be co-located with the renewable project, should the battery be configured in any particular manner? If so, please also explain how this would impact the functioning of the Indexed REC pricing mechanism.
15. What other suggestions do you have for how the State of Illinois can better support the development of utility-scale wind, utility-scale solar, and brownfield site photovoltaic projects? Are there barriers in Illinois law which should be reconsidered?