Anthony Star, Director
Illinois Power Agency
160 North LaSalle Street, Suite C-504
Chicago, IL 60601

Dear Director Star,

SoCore Energy and EDF Renewable Energy are national commercial & industrial solar development companies that are active in dozens of markets nationwide. We have been involved in the stakeholder process for the supplemental solar photovoltaics procurement authorized by Section 1-56(i) of the IPA Act, and we appreciate the opportunity to provide comments on the sections of the Draft 2015 Regular Procurement Plan (the "Draft Plan") that address RPS compliance, and solar specifically.

IPA has put forth a balanced plan for bringing the utilities into compliance with the solar energy carve out, while outlining thoughtful proposals for achieving compliance with the distributed generation (DG) carve out. Our comments reflect our collective experience participating in solar markets nationwide, our observations about the current and prospective condition of the Illinois solar market, as well as the specific statutory framework unique to Illinois.

Solar Carve Out Compliance Plan

IPA proposes to conduct a one-year solar renewable energy credit ("SREC") procurement to bring both utilities into compliance with the solar carve out. It is important to point out that this one-year SREC procurement will not offer sufficient financial support to catalyze development of any new solar energy in Illinois. The SRECs that IPA will purchase through this procurement will more than likely come from existing projects, potentially outside of Illinois, that were already bought and paid for without requiring the value of the SREC to provide a piece of the project's overall capital/financing stack. As such, the only value of conducting this procurement is to bring the utilities into legal compliance with the state's solar carve out; it will not create jobs, catalyze economic investment, reduce carbon emissions or other air pollution, or make the state's electric distribution grid more robust. As a general principle, we believe that Illinois' solar carve out compliance protocol must have, as a primary objective, the creation of *new, incremental* solar energy in Illinois so that the state's RPS law delivers *real* benefits to ratepayers. That said, we understand that the features of the RPS budget tie the IPA's hands somewhat, and that this year, a one-year SREC procurement may be the only option for avoiding a compliance failure.

In the future, we urge the IPA to work with the General Assembly, the Commerce Commission, and other Illinois policy makers to restructure the RPS funding mechanism so that customer load shifting no longer limits IPA's ability to sign longer-term (at least five year) contracts for SRECs. Allowing solar energy developers the opportunity to competitively bid for longer term SREC contracts will catalyze the development of new solar projects that would not have happened *but for* the solar carve out law.

Distributed Generation (DG) Carve Out Compliance Plan

IPA proposes to utilize the Hourly Customer ACP funds to enter into five year contracts for RECs from DG resources. As IPA explains in the Plan, "as contracts for DG resources must be "no less than 5 years" in length, entering into 5 year contracts using existing ACP funds already collected from hourly customers eliminates the load migration risk present with the renewable resources budget…" Draft Plan at 94-95.

We agree that this is a pragmatic use of the Hourly ACP funds, and we support the four principles guiding the use of these funds outlined on page 95. In particular, we agree with the IPA's assessment that "the Agency should proceed with awareness of its concurrent supplemental photovoltaic procurement planning process under Section 1-56(i) of the IPA Act." Plan at 95. We would go so far as to suggest that if possible, IPA should strive to conduct a single procurement for DG RECs utilizing multiple available funding sources.

IPA has proposed three models for a DG procurement using hourly ACP funds. In the following section, we will provide commentary on what we perceive to be the advantages, disadvantages and opportunities related to each option.

DG Procurement Options

While there is no single best way to design a DG SREC procurement program, we hope that our comments offer some helpful perspectives on what proposed features have the best (and worst) chance of success. Our top-line recommendation is, "keep it simple."

Our companies are primarily or exclusively commercial & industrial solar developers, so we are primarily interested in the 25kW-2MW market sector. For this market segment, a competitive procurement for 5 year SREC contracts is by far the simplest route to compliance. We can assure the IPA that there will be strong demand in the market for such contracts and robust competition in the auction, assuming that the standard contract forms are financeable. Any additional layers of administration will simply add complexity and reduce the cost effectiveness of the program. With that in mind, we offer the following observations about each of the three proposed program models.

<u>Option 1 – Full Competitive Procurement</u>

Option 1 adopts the "keep it simple" method for both larger (>25kW) and smaller (<25kW) system sizes. As noted above, we can assure IPA that there will be robust participation from the >25kW market sector.[1] From our experience in other markets, we are also aware of several private entities that would be very likely to participate in aggregating and bidding in projects from the <25kW market sector. Companies that thrive in the solar market are, by necessity, very nimble and accustomed to adjusting

[1] Please see SoCore and SunEdison's comments from July 21st regarding the supplemental solar procurement for 1-56(i) that detail our recommendations for designing a procurement for the >25kW market sectors. Very briefly, we recommended (a) subdividing by system size into three procurement tranches to ensure a diverse range of C&I systems, and (b) requiring project details, site control assurance or bid certification documentation at the time of bid, and a $50/kW performance assurance deposit due upon bid submission to minimize submission of "paper projects."

business models to fit a particular policy/market environment. We have every expectation that companies would gear up to make it work here in Illinois if (a) a robust SREC framework is made available in 2015, and (b) companies have a reasonable expectation that there will be opportunities to compete for SREC contracts in future years. In other words, we disagree that participation from small systems is unrealistic under this model, even on a short time horizon.

In the small (<25kW) market sector only, IPA should allow companies to bid speculatively for an SREC price without projects in hand, and subscribe customers after the SREC price has been secured and the terms of the deal can be made clear to customers. Requiring companies to post a steep performance assurance deposit upon placing a bid will discourage unrealistic bids and increase the likelihood that winners will be able to deliver on their contract obligations.

IPA proposes a variation for consideration that would allow aggregators to aggregate projects across all system sizes. We believe this approach would be difficult to implement in a way that would ensure that contracts would be awarded to projects with the most cost-effective SRECs. It would inevitably pit un-like projects in competition with un-like projects, and could wind up skewing bid outcomes, increasing the potential that the ratepayers would overpay for some portion of the bundled bid.

Option 2 – 2013 Model Plan

The difference between Option 1 and Option 2 boils down to whether the SREC price for the <25kW market segment is competitively or administratively set, and how market participants in that segment are selected. Programs with administratively set prices can be attractive in that there is a greater degree of transparency for market participants. They have worked well in the past, especially for large capacity programs like the California Solar Initiative-MW block incentive program and NYSERDA's residential/small commercial program. There is a track record of experience in other markets that IPA and its consultants could draw from when determining the price, if IPA decides to go that route for the <25kW market segment.

For the >25kW market segment, we support a competitive selection process. As IPA notes, to implement a standard offer program, IPA would have to determine a non-price selection mechanism. Other programs utilize lottery systems or first-come/first-served structures to serve this purpose. As noted above, first come/first served programs have worked well in other markets (e.g. California and NY) with large-capacity, well-funded programs.[2] However, this program will have a very limited budget, relative to the demand for solar incentives in Illinois. Programs with limited funding and first-come, first-served application structures tend to be chaotic, as applicants compete based on who can hit "submit" the fastest in the minutes after the program opens. Lottery structures are less chaotic, but are extremely frustrating for developers who have absolutely no control over whether their application is among the lucky selected few. Neither structure is designed to allow the best, most competitive project

[2] If program capacities/budgets increase in the future, IL could consider implementing a first-come/first-served program. For instance, NYSERDA is in the process of switching their large (>200kW) system program from a competitive bid to a first-come/first-served declining block program, modelled after the CSI program. NY has a 3 GW solar goal and $1 billion incentive budget, so the program is less likely to draw a "mad rush" than other smaller programs do with a first-come/first-served structure.

to rise to the top. For a program with very limited funding, competitive bid program is the fairest option, and the one that will motivate participants to put their best foot forward.

Option 3 – Program Administrator as Aggregator

This option would install a competitively selected aggregator as the administrator and counterparty for all DG procurement contracts for each utility. We are not aware of a corollary in the U.S. market for a private, third-party entity playing this type of dual role. While finding an entity to perform the administrative role is very feasible (SRECtrade.com does this for the Delaware program, for instance), finding somebody willing and credit-worthy enough to take on the default risk of every contract might prove to be difficult. Since the statute doesn't specify that the aggregator would necessarily be the contract-counter party, ("*these third-party organizations shall administer contracts with individual distributed renewable energy generation device owners"* Section 1-75(c)(1), IPA Act), we believe that the IPA has some flexibility to design this role as a purely administrative one, should it determine that employing a master aggregator is the best option for systems <25kW.

We do not believe that a master aggregator would create efficiencies in the >25kW market sector; in fact, employing a non-credit-worthy third-party as the contract counter-party would present very serious financing challenges. Again, if IPA decides to employ a "master aggregator," we would encourage the Agency to seek a purely administrative role, (procurement administration, for example).

Conclusion

We appreciate the opportunity to provide comments. The IPA's proposed use of hourly funds for the DG procurement is a sensible solution that gets Illinois back on a path to compliance. As noted above, for the >25kW market sector, we believe a competitive procurement is the fairest and most cost-effective way to spend the dollars available this year through the utilities' hourly ACP funds on 5 year contracts for DG. If the Illinois RPS is modified in the future to provide a larger, more stable, and more predictable multi-year funding stream for solar and DG compliance, we would recommend that IPA evaluate the pros and cons of moving to a standard-offer, MW-block type of program, the way that NYSERDA has done this year. We would be happy to answer any follow-up questions and/or submit supporting documentation upon your request.

Sincerely,

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