Illinois Power Agency
Power Hour Webinar 1

Expansion of the Illinois RPS Under CEJA

Agenda

- Introduction and Scope of the IPA Power Hour Webinars
- Background on the Public Act 102-0662
- Background on the Renewable Portfolio Standard
- Overview of the Renewable Portfolio Standard Changes
- RPS Specifics

IPA Power Hour Webinars

IPA Power Hour Webinars

- **Introduction and Scope**
- Power Hour is a newly launched series of educational and informative presentations on a wide range of clean energy topics and emerging issues
- Today's Power Hour:
  - We'll discuss how the recently enacted Climate Equitable Jobs Act (Public Act 102-0662) revises and expands the Illinois RPS, and strengthens equity, diversity, and labor standards for IPA-administered incentive programs
- Future IPA Power Hour Webinars will cover other topical areas impacted by Public Act 102-0662

IPA Power Hour Webinars

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- **Introduction and Scope**
  - We will not cover items from P.A. 102-0662 related to:
    - Stakeholder feedback processes related to the Adjustable Block Program opening and the Revised Long-Term Plan development
    - Specific program or procurement requirements
    - Issues outside the purview of the IPA such as:
      - Changes to ratemaking
      - Changes to net metering
      - Grant programs established and administered by the Department of Commerce and Economic Opportunity
      - Clean energy workforce hubs
      - Electric vehicle and transportation incentives

IPA Power Hour Webinars

- **Upcoming Webinars**

IPA Power Hour Webinar 2: *CEJA's Impact on Adjustable Block Program*, Friday, October 22, 2021; 12pm-1pm CDT

IPA Power Hour Webinar 3: *CEJA's Impact on Illinois Solar for All*, Friday, November 12, 2021; 12pm-1pm CDT

IPA Power Hour Webinar 4: *CEJA's Impact on Utility-Scale Solar and Wind and Brownfield sites,* Friday, November 19, 2021;12pm-1pm CDT

IPA Power Hour Webinar 5: *Creating a Diverse and Equitable Energy Workforce,* Friday, December 3, 2021; 12pm-1pm CDT

IPA Power Hour Webinar 6: *Decarbonization, from Coal to Renewables*, Friday, December 10, 2021; 12pm-1pm CDT

IPA Power Hour Webinar 7: *Carbon Mitigation Credits and CEJA's Support for At-Risk Nuclear Plants*, Friday, December 17, 2021; 12pm-1pm CDT

The Illinois Power Agency

- **Independent State Agency created in 2007**
- **Agency duties include**
  - Development and implementation of procurement plans for electricity supply for default service customers
  - Development and implementation of other procurement plans such as those to support at-risk nuclear plants (e.g., for Zero Emissions Credits and Carbon Mitigation Credits)
  - Implementation of the Renewable Portfolio Standard
    - Development of Long-Term Renewable Resources Procurement Plan
    - Conduct competitive procurements for utility-scale projects
    - Manage programs for community solar and solar for homes and businesses

Background on Public Act 102-0662

How did we get here?

- Various ingredients came together to provide the right formula for a bill
  - Need to support nuclear plants at risk of closure
  - Strong desire for more equitable outcomes from the clean energy economy
  - Need for additional funding (as well as changes to the budgeting approach used to support new renewable energy projects)
  - Ethics and ratemaking reform
  - Ensuring strong labor standards on new projects
  - Need to handle coal plant closure and communities in transition

RPS-Specific Issues

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From RPS standpoint, we had both massive successes and serious challenges from FEJA

- **Incented the development of over 25,000 projects between all programs, competitive procurements, etc.**
  - **Previously 80 MW of solar in Illinois**
  - **Now over 2000 MW of solar in Illinois**
  - **Over 670 MW of new distributed generation and community solar developed**
  - **Over 2300 MW of new utility-scale wind and utility-scale solar developed**
- **Still well behind the percentage-based targets of the RPS (only at around 8%, even with all of these new projects)**
- **Funding largely exhausted, due to participation levels/contract payment structure/inability to roll over funds**
- **Sense that weren't seeing the benefits of the clean energy economy spread equitably across our state**

Different Solutions Introduced

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Across 2019-2021, different solutions introduced (non-exhaustive sampling of proposals below):

- HB 804/SB 1718 (the "Clean Energy Jobs Act")
- HB 1734/SB 311 (the "Downstate Energy Affordability Act")
- HB 2640/SB 1601 (the "Path to 100 Act")
- HB 3446/SB 529 (the "Coal to Solar and Energy Storage Act")
- HB 1472/SB 1100 (the "Climate Union Jobs Act")
- HB 4074/SB 2896 (the "Consumers and Climate First Act")
- Additional proposals on RPS self-direct, nuclear support, and more

Process: From Proposals to Public Act

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About a 2.5 year process from the bills, concepts, etc. to the actual conclusion of a bill being signed into law

- Ongoing feedback processes: Workshops, working groups, committee hearings, bill drafts, and comment processes
- Also….a global health pandemic

Late May 2021, began to see drafts of a bill that borrowed ideas from each of these bills

Breaking point in late summer

- RPS issues continued being a concern
- Nuclear plants moving toward closure

Ending with Public Act 102-0662

Pieces came together, and on September 15th, the Climate and Equitable Jobs Act (Public Act 102-0662) signed into law

- **CEJA represents a number of parties' visions and ideas, across all different types of constituencies, put into a heavily negotiated bill**
- **Gigantic bill touching on a number of areas**

Through this series, IPA trying to provide an educational overview on some of the pieces that fall to the IPA for implementation

One of those is the Renewable Portfolio Standard, or RPS…….

Background on Renewable Portfolio Standard

What is a Renewable Portfolio Standard?

- The policy question is how to most efficiently achieve clean energy goals
  - Regulatory approaches such as directing the construction of specific new generation (Integrated Resource Planning)
  - Market-driven approach to create incentives for renewable energy through compliance requirements (Renewable Portfolio Standard)
- Renewable Portfolio (RPS) structures vary by state
  - Increasing annual goals
  - Measured based on percentages of electricity consumed in the state (rather than the generation located in the state)
  - Some RPSs include compliance payments and penalties (not a feature of the Illinois RPS)
  - Typically, do not cover voluntary markets (e.g., corporate purchases of renewable energy)

Renewables and the Illinois Electricity Market

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- Illinois has a restructured electricity market
  - Customers can choose suppliers
  - Distribution utilities do not own generation or make decisions about generation development (renewable or non-renewable)
- Original iteration of the RPS enacted in 2007 faced structural problems
  - Customers switching suppliers led to year-to-year budgeting uncertainty that limited procurement activities
- The RPS as updated in 2017 through the Future Energy Jobs Act included significant improvements
  - Ran into structural issues related to the collection and disbursement of funds which were exacerbated by project delays resulting from COVID-19
- The Climate and Equitable Jobs Act addresses those issues
  - Significantly increases the RPS by expanding both quantitative goals as well as the vision of the RPS by adding in considerations related to diversity, equity, and labor standards

RPS and Renewable Energy Credits

- The Illinois RPS is based on the concept of the purchase and retirement of RECs by utilities through programs and procurements administered by the IPA
- A Renewable Energy Credit represent the environmental attributes associated with 1 MWH of generation from a renewable energy resource
  - Traded separately from the actual electricity
  - The value of RECs can provide key financial certainty for renewable energy project developers that the electricity market alone may not be able to provide
  - Illinois RPS goals are expressed in quantities of RECs rather than capacity in Megawatts (other than block sizes for the Adjustable Block Program)
- Progress to date
  - Future Energy Jobs Act achievements:
    - ~1 million RECs from photovoltaic distributed generation and community solar
    - ~2.4 million RECs from new utility-scale solar
    - ~2 million RECs from new utility-scale wind
  - 2010 20-year Long-Term Power Purchase Agreements
    - ~1.8 million RECs (largely wind)

Renewable Portfolio Standard Changes

Public Act 102-0662

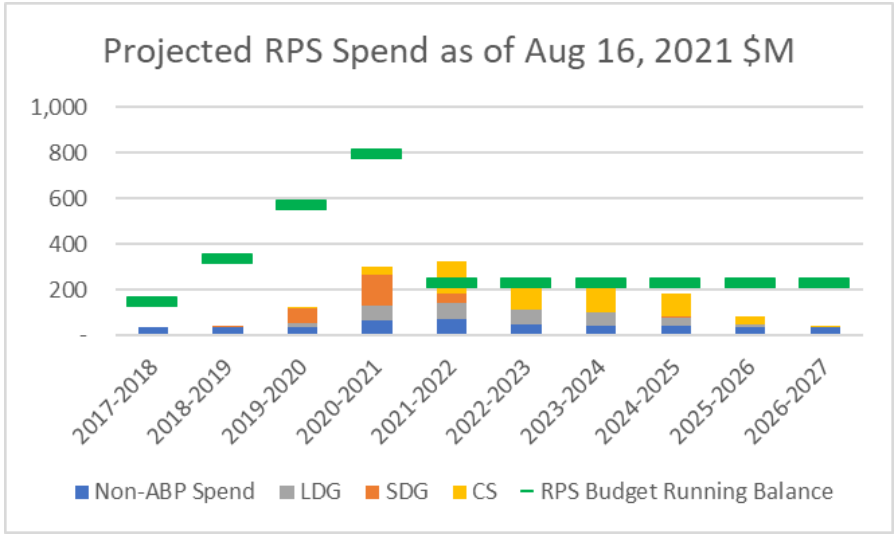
- **Key changes to the RPS**
  - **Increased goals and targets**
  - **Increased funding**
  - **Expansion of procurements of RECs from new utility-scale wind and solar projects**
  - **Expansion of the Adjustable Block Program to support photovoltaic distribution generation and community solar**
  - **Expansion of funding for the Illinois Solar for All Program to support solar for low-income households and communities**
  - **Focus on equity in the renewable energy industry**
    - **Increased transparency through data reporting**
    - **Opportunities for increased participation for individuals and businesses**

RPS Goals and Targets

- 25% by 2025 goal now increased to 40% by 2030 with a further target to reach 50% by 2040
  - This goal is based on the calculation of the procurement of RECs, rather than tied to specific generation in the state
  - Customer load in Illinois is approximately 120 million MWH annually
    - 25% would be 30 million MWH or require 30 million RECs annually
    - 40% would be 48 million MWH/RECs
- Specific targets include:
  - 45 million RECs annually by 2030 from new wind or solar
    - 45% from wind, 55% from solar
      - Solar 50% from the Adjustable Block Program, 47% from utility-scale solar, and 3% from brownfield site solar

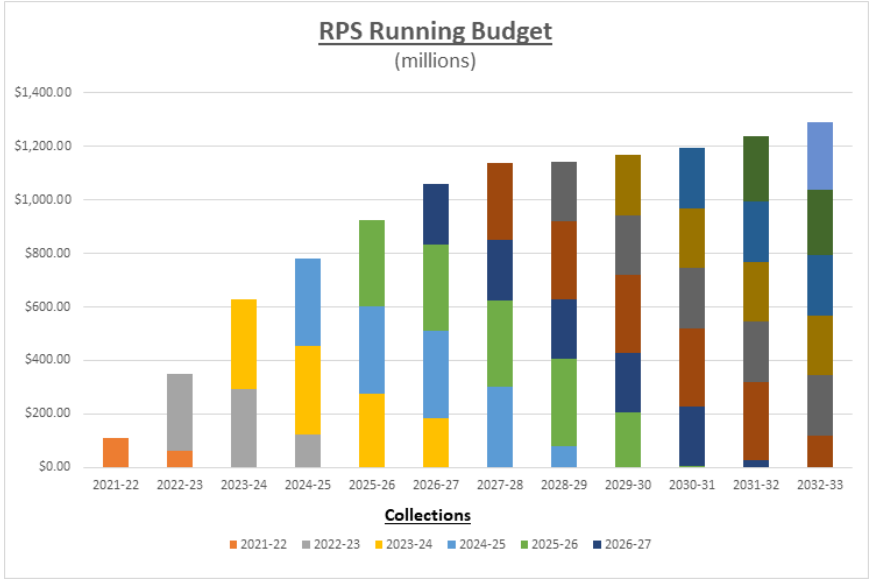
RPS Budget

- **Rate cap increased from 2.015% of 2007 rates to 4.25% of 2009 rates**
  - **An increase from ~$235 million to ~$597 million in annual RPS collections**
  - **Ramps up annual utility funding for Solar for All to $50 million/year (from ~$11 million/year)**
- **Changes to how funds are accounted for**
  - **Pre-CEJA funds collected 2017 through 2021 could rollover year to year and then unspent funds refunded to customers**
  - **After 2021 there were to be annual reconciliations of collections and expenditures**



RPS Budget, cont.

- CEJA changes how funds are accounted for
  - Five-year spending window. Funds collected in a given year can be spent over the subsequent five years on a first-in, first-out basis
  - Illustrative example of this new process



  - In addition, any refunds of still unspent funds after five years adjusted to account for contractual commitments made but not yet paid for
- These changes leverage increased spending power and flexibility

RPS Specifics

ABP Structural Changes

Moving to an annual block structure

3 categories to 6 categories

- Small DG (20%, now 25 kw threshold)
- Large DG (20%, now 5 MW threshold)
- Community Solar (30%, now 5 MW threshold)
- Public Schools (15%)
- Community-Driven Community Solar (5%)
- Equity Eligible Contractor Block (10%, CS or DG)

Still administratively set REC prices

Equity and prevailing wage requirements (discuss at later session)

Contract length and payout term changes (discuss next week)

Consumer protection provisions (discuss next week)

ABP Block Reopening

Within 90 days after effective date of Act

- Small DG (75 MW)
- Large DG (75 MW)
- Community Solar (250 MW, taken exclusively from ordinal waitlists)
- Schools (50 MW)
- Community-Driven Community Solar (10 MW)
- Equity Eligible Contractor Block (75 MW)

Webinars on Oct 21 re: issues specific to block reopening; comment documents released

Competitive Procurement Changes

- What is competitively procured?
  - Utility-scale wind
  - Utility-scale solar
  - Brownfield site solar
- Pre-CEJA model (fixed REC price)
- Post-CEJA model (floating REC price)
- Bids chosen in part based on equity considerations
- Subsequent forward procurements within 240 days
- PLAs applicable to projects

Labor, Diversity, & Equity Overview

- New Labor Requirements
  - Prevailing Wage requirements (Q)(1)
    - Certain ABP categories, utility-scale, etc.
    - Exemptions for Residential and Houses of Worship
  - Project Labor Agreements (Q)(2)
    - Utility-scale wind, utility-scale solar, brownfield site solar
- Diversity & Equity Requirements
  - New Equity Eligible Contractor Block
    - Applicable to program applicants
    - Part of block reopening as well
  - New Equity Eligible Workforce Requirements
    - Applicable to workforce used on participating projects
    - Fleshed out further in new Long-Term Plan
  - Data collection, database development, disparity study, certification, annual reports…..

Adjacent State Project Participation

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- Only an issue for our competitive procurement processes
- Mostly unchanged by Public Act 102-0662
- Public interest criteria applied to create quantitative scoring system
  - That scoring system described in our Long-Term Plan
  - Concentric circles into adjacent states
- HVDC converter station exception in CEJA

New RPS Self-Direct Program

Opt-out from certain RPS charges for large customers who meet at least 40% of their load through RECs from qualifying renewable energy projects

- **"Certain RPS charges"**
  - Utility-scale portion of RPS charges
  - Determine that balance via our Long-Term Plan
- **"Qualifying customers"**
  - Peak demand of more than 10,000 kilowatts
  - Can include multiple retail accounts under the same corporate parent
- **"Qualifying projects"**
  - New wind or solar projects
  - Meet RPS geographic requirements
  - Long-Term contracts (10 years)

Size of the self-direct program is determined through Plan

Backing our retail sales hours and RECs retired

ILSFA Changes in 102-0662

- Increase in ILSFA annual budget
  - Up to $50 million of utility-collections per program year
  - Ability to hit 3 year average of $50 million
- Subprogram changes
  - Elimination of community solar pilot program
  - Addition of multi-family building program
- Increased focus on small and emerging businesses
- Also new energy sovereignty requirements

Will discuss further in ILSFA-specific webinar (Friday Nov 12th)

Q&A

Thank You!