

June 27, 2017

Anthony Star
Director
Michael A. Bilandic Building, Suite C-504
160 North LaSalle Street
Chicago, Illinois 60601

Re: Request for Comments on Long-Term Renewable Resources Procurement Plan (“LTRRPP”)

Dear Mr. Star,

Borrego Solar Systems Inc., IGS Solar, Sol Systems, and SoCore Energy (herein the Joint Solar Companies) appreciate the opportunity to provide the following comments and recommendations as the IPA develops its Long Term Renewable Resource Plan (LTRRP).

The Joint Solar Companies support the comments and recommendations made by the Solar Energy Industries Association (SEIA) in their entirety, and wish to take this opportunity to expand on one particular issue about which there are diversity of views in our industry. Community solar is a vibrant solar development model, and SEIA members and other industry participants are enthusiastic about the upcoming roll-out of a successful program in Illinois. The Future Energy Jobs Act (FEJA) gives the IPA firm direction that the terms, conditions and program requirements for the community solar program must “expand renewable energy generating facility access to a broader group of energy consumers, to ensure robust participation opportunities for residential and small commercial customers and those who cannot install renewable energy on their own properties.” The solar industry heartily agrees with these objectives and is prepared to build the market to ensure that these objectives are met.

There is a divergence of views among SEIA members regarding how to structure the program to ensure robust participation from residential customers. The Joint Solar Companies represented herein support SEIA’s majority opinion in recommending that establishing a price “adder” for projects with at least 50% residential off-takers (recognizing that residential customers are more expensive to subscribe and service over time) is the best way to achieve the desired results. This method would allow community solar projects with all commercial off-takers to move forward, but would also provide a clear financial incentive to develop projects with majority residential off-takers. We favor this approach because it creates a framework that will encourage market participation by many companies with diverse business models and target customers. We believe that an active and competitive market is the best way to ensure (a) cost-effective development, (b) the *volume of development* called for in the Act, and (c) program participation by a broad group of energy consumers.

We would like to be clear that we do not believe that the “adder” approach in any way jeopardizes the ability to meet the Act’s standard “to ensure robust participation” by residential and small commercial customers.

In fact, this model has been very successful in other states. The adder-based approach to encouraging residential-offtake projects is exactly the approach that Massachusetts took in the SREC II program. It is also the approach that the state is taking in the near-final SMART program that is the successor to SREC II. Under SREC II, no one is forced to find residential offtake for their virtual net metering projects. Solar companies have successfully developed virtual net metering projects with towns and universities and other large off-takers. However, under SREC II, projects that have 50% residential offtake are eligible for a higher SREC factor than other types of projects--including virtual net metered projects with

commercial and industrial off-takers (see <http://www.mass.gov/eea/energy-utilities-clean-tech/renewable-energy/solar/rps-solar-carve-out-2/about-solar-carve-out-ii.html>). This flexibility has allowed the Massachusetts solar market to flourish, and it will continue to do so under the new solar incentive regime, SMART. Under the SMART program, DOER has proposed a 5-cent/kWh adder for projects with 50% residential offtake (see <http://www.mass.gov/eea/docs/doer/rps-aps/225-cmr-20-00-draft.pdf>)--which we anticipate will continue to drive a strong residential-offtake in the virtual net metering and community solar markets in Massachusetts. Massachusetts has enabled a market for 50%-residential-offtake projects, while managing not to stifle an also active C&I virtual net metering market that has helped businesses, towns, universities and hospitals go solar.

In New York, projects with 60% residential or small commercial offtake qualify for higher net metering tariffs and, under the successor net metering program, qualify for an added "market transition credit" that is higher for virtual net metering projects with residential and commercial off-takers. New York, too, has created a market for residential-offtake community distributed generation projects, while also allowing for a (noticeably less vibrant--but still present) commercial and industrial virtual net metering market. Both of these states are prime examples of how an adder-based approach that provides higher revenue for residential-offtake projects can work in Illinois.

SEIA's comments have noted that there is a minority opinion among members that a residential "carve out" applied on a per-project basis, is a preferred approach to ensuring robust residential participation. Joint Solar Parties respectfully disagree with this minority opinion. Mandating that each project share a minimum composition of residential subscribers will limit participation in the program, and constrict the development of a robust and competitive market.

As we see it, the per-project "carve out" approach would have two negative consequences: First, it would raise the overall cost of the entire program, rather than creating an additional incentive for residential projects, while allowing other, less-expensive, non-residential projects to move forward. There is not an unlimited pot of money to encourage solar development, and a policy that locks in the entire community solar bucket into higher-cost projects could end up undercutting other sectors or leading to a failure to achieve the statutory goals. Second, a per-project "carve out" approach would prescribe a single business model for the Illinois' community solar market, stifling innovation and limiting the types of partnerships and projects that would otherwise flourish. Although schools, towns, businesses, and hospitals might still be able to participate as anchor tenants in some community solar projects, their participation would be beholden to a developer's ability to sign up enough residential customers -- a factor that could really slow down the market and undermine support for the solar program from these important constituencies. Not all developers capable of developing community solar projects have the front and back-office administrative capabilities necessary to subscribe, underwrite and service residential customers. This is a very specialized corner of the solar market that is currently populated by a handful of innovative and successful companies. We hope and expect that demand for this service will grow in Illinois as the community solar program emerges next year, but not at the expense of active and competitive market participation overall.

If the IPA chooses the adder approach, we suggest that companies that choose to develop a majority-residential project would let the program administrator know this at the time of application. The developer could then check-in and prove the subscribership meets the requirement along the same timeline as other community solar projects are required to show off-takers. Once a year, community solar projects would self-certify that their subscribership still meets the requirement for the adder. The IPA could audit 10% of certifications to show compliance. Any projects found to be out of compliance through the audit should be given a short window (3-6 months) to get back into compliance, otherwise

the clawback provisions would kick in. This system would ensure projects are meeting their requirements while not being overly burdensome on the IPA and the program administrator.

So far, 14 states and the District of Columbia have enacted community solar policies. However, to date, only 198 MW of third-party led community solar¹ are in operation nationwide, although many more MWs are in various stages of development. Effective program design is key, and overly prescriptive program rules have hindered the growth of community solar in several major markets such as Maryland and D.C. We encourage the IPA to allow for flexibility as it designs the community solar program to allow FEJA to meet its ambitious targets, and so that Illinois will become a national leader in community solar deployment.

While we are confident in the merits of the recommended “adder” approach, we believe that IPA must have the ability to correct overtime if participation goals are not met on a portfolio basis. Therefore, we suggest that the IPA consider implementing a “check-in” 12 months after the program opens to ensure that it is indeed meeting the statutory objective to “expand renewable energy generating facility access to a broader group of energy consumers, to ensure robust participation opportunities for residential and small commercial customers and those who cannot install renewable energy on their own properties.” We suggest that the definition of “robust” might rationally be linked to the corresponding proportion of overall Illinois electricity consumption. Customers with under 25kW demand make up approximately 30% of the overall Illinois electricity consumption, and the target for robust participation by these customers in the overall Adjustable Block Program should be similar - 30% of the cumulative capacity in the various DG segments (Small DG, Large DG, and Community Solar). If, after 12 months, participation rates are significantly out of alignment, the IPA should reserve the right to take corrective action to “rebalance” the program on a *portfolio-basis*, not on a per-project basis.

Thank you for your consideration and we look forward to continuing to work with the IPA and other stakeholders to develop a robust, vibrant solar industry in Illinois.

Sincerely,

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¹ Solar Market Insight Report Q1 2017, GTM Research and SEIA; definition of community solar follows individual state requirements