

To: Illinois Power Agency
From: The Joint Non-Governmental Organizations (ELPC, NRDC, Vote Solar)
Date: July 30, 2021
Subject: Response to July 2021 LTRRPP Workshop #3 Follow-Up Request for Comments

The Environmental Law and Policy Center (ELPC), Natural Resources Defense Council (NRDC) and Vote Solar (VS), commenting together as the Joint Non-Governmental Organizations or Joint NGOs, appreciate the opportunity to comment ahead of the Illinois Power Agency's (IPA or Agency) development of its second draft update to the Long Term Renewable Resources Procurement Plan (Plan).

This is a complicated time to update the Plan. The renewables budget is overextended such that no new general market procurements are expected within the two-year planning horizon. At the same time, legislative proposals that would not only rejuvenate the budget but substantially alter and expand renewables procurement are on the table. Developing a Plan under either scenario creates unique challenges, and both together create a particularly difficult task.

The Joint NGOs therefore respond to these requests for comments following IPA workshops, not only with specifics regarding the update of the existing Plan, but with an eye toward broader programmatic improvements that should be considered under any scenario. We commend the IPA for considering the big picture that pertains to any future renewable procurement scenario.

At a high level, this final round of comments discuss opportunities for improvement of the community solar project selection processes intended to increase program variety and how to advance community-driven projects and the need for REC prices that are responsive to market signals. The Joint NGOs do not believe an update to the REC pricing schedule currently in effect is necessary or administratively efficient in light of the potential for significant revisions that may take place as the result of new legislation.

Community Solar

Selection of Projects to Increase Project Variety

1. Absent legislative changes that create a new community-driven community solar category and specify selection criteria, what additional refinements or considerations should the Agency include in the next Revised Long-Term Plan for the selection of projects in future blocks that are "intended to increase the variety of community solar locations, models, and options in Illinois"? Why are those refinements appropriate?

The Joint NGOs welcome the opportunity to comment on this topic. While the current protocol for selecting projects "intended to increase the variety of community solar locations, models, and options in Illinois" draws in significant part from the methodology two of our organizations (ELPC and Vote Solar) forwarded during the previous plan update process, we always saw that

methodology as a starting point, not an endpoint for advancing a more diverse range of project types through the Illinois Community Solar Program.

Below we offer both recommendations for incremental improvements to the current-approved protocol as well as some larger suggestions for revision and reform that should be taken ahead of meaningful quantities of new capacity becoming available for community solar in Illinois. While the Joint NGOs are offering significant detail on incremental improvements, that should not be taken to indicate that this methodology is the best or only option for advancing more variety in the community solar program. The Joint NGOs continue to be interested in suggestions for improvement or different approaches from the IPA and other parties.

Recommendations for Incremental Project Selection Improvement

- 1) Increase timeline for project application to 365 days from 60 days.** It takes more than 60 days to prepare a community solar project for application into the program and a key barrier to developing projects outside of the mold of those that have already appeared in Illinois is that those projects take longer to develop. No community group, public entity, or developer can rationally afford to start preparing a project for application in the current renewables funding environment (getting a head start on the 60 days)¹. Developers with experience suggest that the shortest possible timeline for getting a community solar project ready for application in Illinois is 6-months. To accommodate the more complex and lengthier development processes for community solar projects that break the mold, the IPA should plan for an initial project application window of one year.

- 2) Institute a minimum score.** A minimum score is valuable for two reasons. First, it ensures that projects that advance through the program actually do something to match the project attributes for which they can receive points. While the prospect of a zero-scoring project actually advancing in the program is unlikely (although less-so with a very short project application window), why maintain it as a possibility?

Second, minimum scores can also be a tool for incentivizing an attribute that there is a reason to preference, but not a reason to advance in isolation of other attributes. Small community solar projects are one such attribute. While it is true that Illinois lacks any meaningful representation from Small Projects, preferencing those projects, in isolation of other attributes, could just result in slews of 499 kW projects with no community connection rather than slews of otherwise-identical 2 MW projects.

Put another way, the IPA should consider whether any attribute, in total isolation of the rest, would result in projects that meaningfully satisfy the plan's intent "to increase the variety of community solar locations, models, and options in Illinois." If the answer to that question is no, the total points available for that attribute should be lower than the minimum score required to be eligible for a REC contract. The Joint NGOs recommend a minimum score of 2 - illustrated in our chart below - but are open to other approaches.

¹ The Joint NGOs also strongly urge the IPA against requiring RFP issuance prior to the release of capacity, for this reason.

- 3) Expand the criterion about RFPs to focus more generally on Community-Driven projects.** Two years ago, ELPC/VS suggested awarding points to projects developed in response to an RFP by a local government or community group as one indicator for community-driven projects. We knew at the time that there could be many other types of community-driven projects, but we did not have examples of other clear indicators.

Two years later, however, New Jersey offers a useful example of scoring for community engagement in its Community Solar Energy Pilot Program. In that program, bidding processes (including, but not limited to RFPs), partnership with local governments/community groups (with detailed documentation), and land ownership by local governments/community groups are all used as indicators for scoring community engagement points².

The IPA should adopt these additional, useful indicators of Community-Driven projects both in order to better meet the goal of increasing the variety of community solar projects in Illinois to include projects with community connectivity *and* because of potential challenges with the RFP-based indicator. Particularly for public entities, RFP-processes can be lengthy and complex. Even developing and issuing an RFP within the scoring window may be too lengthy a process for some publics, let alone, as the IPA has previously proposed, prior to capacity being available for the program, at all.

- 4) Add attributes for MWBE Status and Non-Greenfield Development³.** Both these attributes were forwarded by stakeholders in [earlier comment processes](#) and both are complementary to the goal of “increas[ing] the variety of community solar locations, models, and options in Illinois.” Non-Greenfield Development, in particular, would clearly be a meaningful departure from the types of community-solar project development seen to date in the state.
- 5) Tweak scores to ensure that only projects that would meaningfully satisfy the policy goal of increasing the variety of community solar locations, models, and options in Illinois are able to meet the minimum score requirement on their own.** In order to achieve this, scores for Development Density and Small Projects should be adjusted down, slightly, while points for the Community-Driven (or RFP) and Proximal Subscriber attributes should be adjusted up.

Development Density points should be adjusted down, because, as ELPC/VS discussed in [earlier comments](#), only the most intensely developed of the four classes of land in

² See pages 20-21 (paper) or 13-14 (pdf) of the [Application for Program Year 2](#) and pages 37-38 (paper) or 4-5 (pdf) of the [Appendices to Application for Program Year 2](#). The NJ program also offers lower points for projects that receive a letter of support from a municipality or community group, which we do not recommend the IPA incorporate into Illinois scoring.

³ The NJ program referenced with regard to the Community-Driven attribute, above, may also have useful ideas for how to implement a Non-Greenfield attribute in their application and appendices.

Illinois is wholly lacking in community solar projects. The rationale for adjusting down the Small Project points has already been discussed, above.

In contrast to some of the Development Density categories and to small community solar projects that receive some of the points for the Community-Drive attribute, or the Proximal Subscriber attribute would meaningfully satisfy the policy goal of increasing community solar program variety by advancing projects with more community connectivity. They should be scored as such.

- 6) Change proximal subscriber criteria to be based on county.** The Joint NGOs agree with [commenters responding to earlier requests for feedback](#) that township is not always a meaningful delineation for the general public. Therefore it makes sense to change the Proximal Subscriber attribute to be based on county, as that particular attribute will be a public-facing element of the project.

Example Rubric to Implement Recommendations for Project Selection Improvement

Project Application Window: 365 days

Attribute	Description	Points Awarded
Development-Density	Township level score based on land development intensity as classified by the National Land Cover Dataset. Township determined by township with majority of land (or in cases of more than 2 townships, plurality).	0, 0.5, 1, or 2 – more intensely developed score higher, less intensely developed score lower
Community-Driven	Projects developed in collaboration or partnership with a community organization or public entity (as demonstrated through an existing or forthcoming bidding process, formal partnership agreement, or other detailed documentation). Or projects developed on land owned by a public entity or community organization.	0, 1, or 2 – 1 for land owned by group; 2 for partnership/ collaboration
Proximal Subscribers	Projects that serve only subscribers in the same county.	0 or 2
Small Projects	Smaller projects score higher. A project’s size will include any co-located projects.	0 – 500+ kW 0.5 – 100-500 kW 1 – Less than 100 kW
MWBE Status	(Utilize ILSFA approach)	0 or 1

Non-Greenfield	Includes brownfields, landfills, rooftop, canopy, previously developed (non-farm) land.	0 or 2
Minimum Score Required		2
Total Points Achievable		0 to 10

Finally, the Joint NGOs will take this opportunity to reemphasize a point made in our previous comments on community solar project selection:

More than three years after the community solar lottery for the first three blocks of the adjustable block program, no changes have been proposed or made to either the interconnection rules or the program rules to avoid IPA program/interconnection queue ensnarement, once again, in the event of a program rush. This state of affairs is a problem waiting to happen, and the IPA should strongly consider any alternative project maturity requirements parties raise.

At the same time no party - the JNGOs included - have identified satisfactory alternative project maturity requirements to raise. And even if alternative maturity requirements were implemented, it would still be important for project developers to understand the ballpark range of interconnection costs at their particular site before advancing too far into the program.

To the extent that the interconnection agreement requirement is maintained, the IPA should work with the utilities to monitor for the risk of a rush on the program and develop a contingency plan in the event that a rush appears to be forming, prior to block opening. Particular questions worth considering include whether to maintain the interconnection agreement requirement once it becomes clear a rush is forming and the implications of potentially non-refundable deposits for community-driven projects.

Suggestions for Broader Revision/Reform

Moving beyond the specific scoring protocol approved in the previous Plan, the Joint NGOs share a few high-level thoughts and comments on community-driven community solar that the IPA should keep in mind when meaningful quantities of new community solar capacity become available.

First, the scoring methodology adopted through the previous Plan approval was a methodology intended to increase the variety of community solar locations and business models in line with policy goals under existing law. Legislative proposals that incorporate community-driven community solar would significantly expand on the policy goals in law around that category. Given this, the IPA should be cautious about assuming that the existing scoring protocol could be used to advance community-driven community solar without substantial alteration, revision, and expansion.

Second, the lack of pre-development funding is, and very well may continue to be, a barrier to community-driven community solar development in Illinois. The IPA should keep this challenge in mind when developing any proposal to advance community-driven community solar.

Finally, and perhaps most importantly, there is a lot we still do not know and still have not tried with regard to community-driven community solar. This creates challenges for developing scoring criteria that both recognize new, good ideas, but do not require any exercise of judgment. In order for community-driven community solar to ever work in Illinois, we will have to figure out how to encourage innovation and creative thinking about community solar models. A scoring protocol with no room for innovation and new ideas will stifle creativity and, ultimately, community-driven community solar development. Therefore the IPA must consider how to allow projects that pilot new approaches to policy goals to advance through a community-driven community solar scoring process. Without this opportunity for innovation within the scoring process, the Joint NGOs fear community-driven community solar in Illinois is doomed.

Small Subscriber Requirements

5. Should the small subscriber approach for projects in future blocks be updated?

Small subscriber requirements should stay the same for now, despite the need for reform. Small subscriber participation in Illinois community solar projects has been wildly successful, and as such it is appropriate to question whether or not a small subscriber adder is needed. However this question has a number of confounding factors that could come into play with new legislative proposals. Legislation changes community solar bill crediting in ways that will impact small and large subscribers differently and envisions minimum requirements for small subscriber participation at least for waitlisted projects. In light of this, and of the fact that no new community solar capacity is likely to be available without legislation, the Joint NGOs largely recommend the IPA delay significant revision to the small subscriber requirements until after legislation passes or fails.

That being said, the Joint NGOs support incremental improvements in small subscriber requirements, including, in theory, the idea raised in workshops of aligning the small subscriber definition with customer class definitions.

REC Pricing

Comparison to REC Prices (& Other Incentives) in Other States

1. How do ABP REC prices compare to incentives offered in other states, and how do those differences impact market activity and consumer interest in solar? Are there states which Illinois should look to as a model? Are there states whose examples Illinois should avoid?

The JNGOs appreciate this question, but given the unique statutory construct of the Illinois program and the electricity markets in which it operates, the JNGOs are not aware of any comparable programs that provide useful insight into REC pricing.

Model Inputs

2. Should REC prices continue to be set using a REC Pricing model based on the CREST model which is a cost-based approach, or should a different approach to REC pricing be considered? If a different approach is recommended, please explain how the approach in detail, and if available provide examples of its use from other jurisdictions. Note that the Agency does not believe that it has the statutory authority to conduct competitive procurements as part of the Adjustable Block Program.

Because the experience between the Large Distributed Generation (Large DG) and Small Distributed Generation blocks (Small DG) on one hand and the Community Solar (CS) blocks on the other were so different, we will discuss model inputs and pricing separately.

As discussed in our December 21, 2020 Comments submitted in response to the IPA's request for REC pricing feedback, the opening of the Large DG and Small DG blocks and subsequent filling of those blocks demonstrated that the IPA's initial approach to pricing using the CREST model was balanced and fair. While there was clearly pent up demand upon the initial release of RECs in April 2019, both Groups had some capacity still available once initial demand was satisfied.

All of the initial blocks of capacity that were released in April 2019 are now full and new applications are being waitlisted. While much attention has been focused on the community solar blocks, the availability of capacity after the opening of the program shows that supply and demand at the prices offered were near equilibrium. As such, the JNGOs continue to believe that we have sufficient market information such that the CREST model is no longer needed for pricing of the Large and Small DG blocks.

In our December 2020 Comments, the JNGOs suggested that if/when new capacity becomes available, the IPA should price new blocks using the 4% reduction between blocks that was initially proposed in the Long Term Plan and the Long Term Plan Update. We did suggest that given what appeared to be a slowdown in the rate of applications to the Small DG program, that it would be appropriate to price new capacity at the same prices as the most recently closed blocks for each group, but given the continued robust interest in the program as illustrated by the current waitlist, it would be reasonable to simply continue the REC price schedule as originally proposed. The current waitlist, as downloaded from the IPA website on 7/27 is summarized in Figure 1.

Figure 1: Current Waitlist

	Number of Projects	MW (AC)
Community Solar		
Group A (Ameren and MISO LSEs)	356	695,111
Group B (ComEd and PJM LSEs)	303	602,696
Subtotal	659	1,297,807
Large DG		
Group A (Ameren and MISO LSEs)	138	14,022
Group B (ComEd and PJM LSEs)	522	30,960
Subtotal	660	44,982
Small DG		
Group A (Ameren and MISO LSEs)	1042	8,589
Group B (ComEd and PJM LSEs)	3423	21,715
Subtotal	4465	30,304
Grand Total	5784	1,373,093

With respect to the Community Solar block pricing, the JNGOs have recommended that the community solar program be restructured. In the absence of legislation, however, rather than re-running the CREST model with different inputs, we suggest continuing the current schedule of 4% price declines for the next block.⁴ One lesson learned from the hundreds of applications submitted for the initial blocks of community solar is that there is significant variability in project cost, especially for interconnection costs. As such, while the significant volume of applications would be evidence that the initial REC prices were set too high, there are also arguments to be made that REC prices were set too low because the model systematically underestimated interconnection costs. The JNGO have advocated for more transparency on interconnection costs in the interconnection rulemaking stakeholder process and docket (Case No. 20-0700), but in the absence of such data, there is no basis for revising the initial interconnection assumptions.

Small Subscriber Adder

4. How have subscriber acquisition models evolved over the past five years and how do those changes impact small subscriber acquisition and management costs? What modifications to small subscriber adders should be considered in light of these changes?

The small subscriber adder proved to be an attractive option for community solar developers and as such will help achieve one of the policy goals of the program, which was to ensure that

⁴ In the past, the JNGO have observed that the large number of applications for the initial community solar blocks were evidence that the prices for community solar were unnecessarily high. While we believe there is reason to revisit and lower CS prices going forward, such a significant change should probably be investigated and implemented as part of an update or revision resulting from legislation.

the program is accessible to residential customers. However, given the near universal adoption of the adder, it appears that this may be an overly generous amount. The JNGOs believe that it would be useful to gather additional information and data to better understand the benefits delivered to small subscribers, the incremental costs of customer acquisition and retention for small subscribers, and other aspects of the market before making changes to current adder. Moreover, as discussed above in the section on community solar, because this would likely be addressed in legislation, to ensure program stability, the JNGOs do not recommend changes in this plan update.

Solar for All REC Pricing

5. Should Illinois Solar for All REC prices continue to be set based on ABP REC prices with adjustments to assumptions, or set using a different approach? If a different approach, what would you propose, and why?

The IPA should consider increasing REC prices for the Low-Income Distributed Generation (LIDG) subprogram. As with the general market program, the IPA should look to feedback from uptake within the Solar for All program for indication of whether pricing levels are appropriate. Some aspects of ABP projects look very similar to Solar for All projects, but some do not. Therefore REC prices adjusted from the ABP may work to spur appropriate market activity a little, a lot, or not at all. At present, it seems clear that REC prices are not sufficient to drive development in the LIDG subprogram in Ameren territory, at all, or in ComEd territory, enough for the market to build sufficient momentum to really take off. As such, the JNGOs recommend the IPA raise LIDG subprogram REC prices from the current ABP-adjusted levels.

The IPA should consider lowering REC prices for Non-Profit and Public Facility projects able to take the investment tax credit (ITC), in lieu of requiring 65% savings for participants of those projects. The Solar for All Program has a clear, administratively set requirement for participants to realize at least 50% of the energy savings. The Joint NGOs strongly support this requirement and are always excited to see projects that offer even more savings. However, there is no policy reason to *require* an otherwise-random subset of Non-Profit and Public Facility (NPPF) participants receive higher savings and maintaining the higher REC prices to support these savings has tradeoffs in the form of fewer overall projects and fewer customers benefitting. Therefore, differential REC prices rather than differential savings requirements is a more appropriate approach to solving for the challenges created by some NPPF projects taking the ITC and some not.

In talking with approved vendors about this issue, it has become clear that some fear that the implementation of lowering REC prices for NPPF ITC projects in lieu of requiring 65% savings would lead to a drop in REC prices commensurate with the ITC (currently 26%). And that such a drop would be too drastic for the market to bear. The Joint NGOs do not share developers' understanding of how modeling a project taking the ITC but requiring only 50% savings would lower REC prices, but nonetheless caution the IPA against making too drastic a cut to NPPF REC prices for projects taking the ITC, in implementing this suggestion.

Making REC Prices More Dynamic

8. For the Adjustable Block Program and/or the Illinois Solar for All Program, should the Agency consider specific mechanisms or triggers for REC Price changes, in particular, if there are market indicators that REC prices are higher than needed to encourage consumer uptake of solar? Or lower than needed? How should the Agency determine whether those triggers have been hit, and how should the Agency balance the need for transparency and stability with efforts at reflecting a more precise REC price?

The JNGOs do not advocate implementing dynamic pricing or automatic adjustments to prices. While the distributed generation market is dynamic and is affected by many different factors, the IPA already has existing discretionary authority to make changes in certain circumstances. The Agency has exercised that authority to act or not act in a reasonable and prudent fashion thus far, and we see no need to revise or extend that authority at this time.