

**RESPONSE TO ILLINOIS POWER AGENCY REQUEST FOR COMMENTS ON  
BEHALF OF THE SOLAR ENERGY INDUSTRIES ASSOCIATION, THE COALITION  
FOR COMMUNITY SOLAR ACCESS, AND THE ILLINOIS SOLAR ENERGY ASSOCIATION**

**December 3, 2021**

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The Solar Energy Industries Association, the Coalition for Community Solar Access, and the Illinois Solar Energy Association (collectively the Joint Solar Parties) appreciate the opportunity to respond to the Illinois Power Agency's most recent solicitation for comments for Utility-Scale and Brownfield Site Photovoltaic Procurements.

**Utility-Scale Procurements**

*General Questions*

Procurements of RECs from new utility-scale wind, utility-scale solar, and brownfield site solar, will be needed to meet the goal of 45 million RECs delivered annually contained in new provisions of Section 1-75(c)(1)(C)(i) of the IPA Act. While a subsequent forward procurement will be conducted by the Agency in the spring of 2022 to meet an interim 10 million REC goal (as discussed further in questions below), the Agency is interested in stakeholder feedback on the scheduling of future procurements.

1. Are annual procurements sufficient, or should procurements be more frequent? If procurements are conducted annually, is there a time of year that would be best to hold them?

**JSP RESPONSE:** The Joint Solar Parties do not have a preference for number of times a year, but do note a single procurement event will help reduce administrative costs for both the procurement event and the REC Contract/bidding rules comments. The Joint Solar Parties do not anticipate that substantial changes will be needed within the same year. As for timing, unlike timing of block energy procurements (where the IPA has timed procurements to avoid known or perceived distortions) the Joint Solar Parties do not anticipate that a particular time of year will produce better or worse results for an indexed REC product other than suggesting that Part I and Part II bids not be due during August (when many take vacation) or the December holiday season.

Section 1-75(c)(1)(P) of the Act (as modified by Public Act 102-0662) includes a new provision requiring the Agency to optimize the procurement of RECs from utility-scale projects located in Energy Transition Community Grant areas.

2. What would be the most effective way to create that optimization? For example, the approach used for prioritizing RECs from Illinois and adjacent states prior to the enactment of the Future Energy Jobs Act could be used. In that approach, bid evaluation would first select projects (subject to the application of the confidential price benchmark) from those areas, then if volumes to be procured remain, would select bids from projects in other areas.

Another approach could be to have different eligibility requirements for projects located in these areas. Another approach still could weight price versus other requirements.

**JSP RESPONSE:** The Joint Solar Parties note that optimization need not be a preference but also can include preferential terms and conditions applicable to the unique challenges of a particular project—such as the improvements the IPA made to brownfield solar REC contracts after the failed 2018 procurement that allowed for more flexibility if additional contamination was identified. Optimization could include additional time to work with the community and apply for or secure grants, or could include an increase in the benchmark to recognize the additional environmental challenges of such areas (the IPA could delineate known environmentally impacted areas in Energy Transition Communities in advance). The Joint Solar Parties do not believe the statutory language requires a preference or tranching.

The Joint Solar Parties further note that under the pending Build Back Better legislation in its current form, there is an additional investment tax credit bonus for building projects in certain communities. These communities may have overlap with Energy Transition Communities; the overlap would provide an external incentive to build without a specific bidding preference.

Similarly, Section 1-75(c-10)(3) of the IPA Act (as modified by Public Act 102-0662) provides that the Agency shall develop application requirements and a “bid evaluation methodology” for its competitive procurements that may provide preference to bidders committing to utilize a higher percentage of equity eligible contractors on selected projects.

3. Should the Agency introduce an equitable eligible contractor scoring preference into bid evaluation? If so, what approaches should the Agency consider for scoring bids on the basis of price, EEC utilization, and possibly also the Energy Transition Community Grant preference outlined in the question above?

**JSP RESPONSE:** As explained in the Joint Solar Parties’ comments related to Diversity, Equity, and Inclusion, the Joint Solar Parties support “tranching” where projects that pledge a certain range (e.g. over 10%, over 30%, over 50%, etc.) would be granted a preference in the event that the Procurement Administrator is given discretion under the procurement rules to make decisions based on factors other than price. The Joint Solar Parties generally speaking note that projects have historically competed on price and quantity and the move to an indexed REC (thus removing stratified bidding behavior based on energy market modeling) allows bidders to focus on pricing their Equity Eligible Contractor strategy into their bid.

Prior competitive procurements conducted by the Agency seeking to support new utility-scale projects featured firm energization and initial REC delivery timetables.

4. How should the Agency balance seeking to receive RECs as quickly as possible to meet aggressive RPS targets, and adjusting procurement volumes to account for project attrition, with allowing developers needed time for project development? Should midstream

milestones or increases in collateral requirements be considered as a means to ensure that selected projects are indeed on track for development? What lessons can be taken away from development delays extending from the COVID-19 pandemic?

**JSP RESPONSE:** Generally speaking, the Joint Solar Parties support an approach similar to the Adjustable Block Program, which provides an initial energization deadline but also allows for extensions both as of right (for interconnection delays, for instance—a particular concern in PJM) and in exchange for an increased refundable deposit. To greatly generalize, delays out of the ABP Approved Vendor’s control were subject to deferrals that could be repeatedly renewed while the ABP Approved Vendor could also seek extensions for a deposit in all other circumstances. The Joint Solar Parties believe this is a good model for utility-scale systems as well, with special attention to interconnection delays (which is already called out—although as *force majeure* rather than a reason to delay delivery of the first REC, which restricts the ability of applicants to use it if the develop over the delay). The Joint Solar Parties oppose hard deadlines that cannot be extended for any reason (including circumstances outside of the Seller’s control). The Joint Solar Parties note that a biannual report to the IPA regarding development progress similar to ABP projects will provide some better insight for the IPA as to the progress being made on each project.

*Subsequent Forward Procurements (conducted prior to the approval of the updated Long-Term Plan)*

Section 1-75(c)(1)(C)(i) of the IPA Act (as modified by Public Act 102-0662) sets a REC procurement target for the 2021 delivery year of 10,000,000 RECs, which has to be met from new wind and new solar projects with a 45% wind and 55% solar breakdown. The solar requirement is further broken down into 50 % from the Adjustable Block Program (“ABP”), 47% from utility-scale solar and 3% from brownfield site photovoltaic projects. Section 1-75 (c)(1)(G)(iii) of the IPA Act also requires the IPA to conduct a subsequent forward procurement for RECs from new utility-scale wind projects, new utility-scale solar projects, and new brownfield site photovoltaic projects within 240 days after the effective date of the Act, in quantities sufficient to meet the 10,000,000 REC target for the 2021 delivery year.

5. Since the 55% from solar includes RECs from the ABP, and the subsequent forward procurement will not procure RECs from the ABP, how should the IPA approach establishing its utility-scale solar and brownfield site photovoltaic project procurement targets for the subsequent forward procurements?

**JSP RESPONSE:** As with the IPA’s historic approach, the first step is to determine the RECs under contract (including an evaluation of projects currently under contract but unlikely to deliver) from all categories to determine the remaining RECs needed to reach 10,000,000 under contract by the end of the 2021 delivery year. For calculating utility-scale, the IPA should multiply the amount of RECs needed as determined by the exercise in the sentence above by 45% for utility-scale wind RECs to be procured and by 47% (utility-scale portion of all solar) of 55% (solar percentage of all total new RECs) for utility-scale solar to be procured. A similar approach should be taken for brownfield solar, replacing 47% with 3%.

Section 1-75(c)(1)(C)(iii) of the IPA Act (as modified by Public Act 102-0662) provides an additional requirement for the subsequent forward procurements as follows:

*For purposes of calculating whether the Agency has procured enough new wind and solar renewable energy credits required by this subparagraph (C), renewable energy facilities that have a multi-year renewable energy credit delivery contract with the utility through at least delivery year 2030 shall be considered new, however no renewable energy credits from contracts entered into before June 1, 2021 shall be used to calculate whether the Agency has procured the correct proportion of new wind and new solar contracts described in this subparagraph (C) for delivery year 2021 and thereafter.”*

6. Should the IPA take into consideration previously procured RECs for utility-scale wind and utility-scale solar, which meet the requirement of “new wind project” and “new solar project”, in establishing the subsequent forward procurement targets? Or is “proportion” intended to refer only to the ratio between new wind and new solar contracts? In the alternative, should the IPA make a complete reset of the competitive procurements targets and attempt to procure the full 10,000,000 REC target (which could result in unmet procurement targets or insufficiently competitive procurement events)? Please provide analysis supporting your position.

**JSP RESPONSE:** The Joint Solar Parties suggest that “proportion” is intended to influence the procurement of RECs moving forward, without regard to what has been procured in the past. RECs under contract prior to the effective date of Public Act 102-0662 can and should count toward the overall goals, but the IPA should only consider contracts signed after the effective date (September 15, 2021) when determining whether the new 55-45 solar-wind percentage goals have been met. Thus, for every delivery year the IPA will need to determine the overall amount of RECs needed, back out the number of RECs that were contracted before the effective date of the Act, and apply the category percentages to the remaining REC amount. The IPA should then evaluate RECs under contract from a particular category against the RECs to be procured in that category, and procure the remaining RECs. The Joint Solar Parties do note that the statute is clear that only “new” projects after the effective date of Public Act 102-0662 appear to count toward the 55-45 solar-wind split.

#### Indexed REC Price Procurements

Section 1-75 (c) (1) (G)(iv)(6)(i)(1) of the IPA Act (as modified by Public Act 102-0662) requires that the price for Indexed RECs be calculated for each settlement period. Section 1-10 of the Act defines settlement period as the period used by MISO and PJM for settlement in the real-time energy market.

7. With both MISO and PJM using 5-minute real-time settlements, is a five-minute settlement period practical for the IPA to use, considering that the IPA would also have to request that bidders submit their strike prices in 5-minute periods? If a 5-minute period is not practical, what period would you consider a reasonable settlement period?

**JSP RESPONSE:** As an initial matter, the Joint Solar Parties suspect by the premise of the question the IPA may be reading the statute very differently from the Joint Solar Parties. The applicable statutory language is:

The purchase price of the indexed renewable energy credit payment shall be calculated for each settlement period. That payment, for any settlement period, shall be equal to the difference resulting from subtracting the strike price from the index price for that settlement period.

(20 ILCS 3855/1-75(c)(1)(G)(v)(1).) The Joint Solar Parties read “for that settlement period” to apply only to the index price, not the strike price. Specifically, the Joint Solar Parties understood bids for indexed RECs to be a single strike price<sup>1</sup> (for instance, \$65 MWh) that is netted during every settlement period (whether five minutes, half an hour, or other interval) against the LMP for that settlement period. Thus, to answer the second part of the first question, there is but a single strike price bid in that must be netted against the index in each settlement period.

Turning to the second part of the question (whether five minute settlement periods are feasible) the Joint Solar Parties first wish to clarify that whether unit-specific or on an aggregate utility-scale solar level, the index should be *generation-weighted* (meaning weighting LMPs based on when the system or systems as a whole are generating rather than a daily unweighted average or system consumption-weighted average). With that in mind, the Joint Solar Parties recommend calculating settlements on a monthly basis (the interval at which utility-scale REC Contracts have historically been paid) based on 30-minute periods. While the types of meters such projects have should be fully capable of tracking generation in five-minute intervals, such small intervals can create noise in settlements that smooths out in slightly longer intervals such as half an hour.

Section 1-75 (c) (1) (G)(iv)(6)(i)(4) of the Act states that to ensure that indexed REC prices remain predictable and affordable, the IPA may consider the institution of a price collar on REC prices paid under indexed REC procurements, establishing floor and ceiling REC prices applicable to indexed REC contract prices.

8. What types of price collars (floor and ceiling) should the IPA consider, to ensure that Indexed REC prices remain predictable and affordable?

**JSP RESPONSE:** While the Joint Solar Parties do not support collars, the statutory language does allow for a collar. The Joint Solar Parties recommend that the collar be as wide as possible and note that the benchmark should take into account price risk due to any collar because the Joint Solar Parties anticipate that the narrower the collar the more of a premium will be bid in. At minimum, the Joint Solar Parties expect that in obtaining financing that financing parties will insist on modeling using low energy price scenarios to

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<sup>1</sup> The Joint Solar Parties do not suggest that this approach precludes a fixed standard escalator, such as 2% per year, to be proposed by the IPA for any utility-scale procurement.

probe the sensitivity of revenue to any collar—the more restrictive the collar, the more likely that the collar will have a significant impact on that model.

### **Brownfield Site Proposed Approach**

The IPA is inclined to utilize a traditional, price-based competitive procurement approach in brownfield site photovoltaic procurements proposed through its first Long-Term Plan developed in light of Public Act 102-0662’s changes. The IPA hopes that between shifting to a floating REC pricing structure under Section 1-75(c)(1)(G)(v) of the IPA Act and a more expansive brownfield site photovoltaic project definition under Section 1-10 of the IPA Act, procurements should be first conducted consistent with these changes, with a subsequent analysis of what barriers were removed through these changes, before layering in additional changes to the brownfield site photovoltaic project procurement structure. The Agency plans to propose one brownfield site photovoltaic procurement for each of the successive two years covered by the updated Plan.

In the development of its next Long-Term Renewable Resources Procurement Plan thereafter (Summer of 2023), the Agency would reflect on observations from those procurement processes and determine whether alternative bid evaluation approaches should be considered.

9. What “other approaches,” if any, should the IPA consider proposing as part of Plan development? Could this mean an administratively determined REC price as used in the Adjustable Block Program and Illinois Solar for All with a project selection protocol as used in Illinois Solar for All (and will be used for community-driven community solar)? Should the IPA first observe the results of one or more competitive procurements for brownfield site photovoltaic projects before considering alternative procurement approaches? What barriers would alternative procurement approaches be best-suited to solving?

**JSP RESPONSE:** The Joint Solar Parties support competitive procurements for non-ABP systems, including brownfield solar. The primary issues for the original brownfield solar program included terms that required developers to either take on expensive site evaluation prior to bidding or take on great risk that site conditions were conducive to solar development. The revised REC Contract made strides in addressing that and other issues. The Joint Solar Parties do not recommend introducing uncertainty through a new approach when the preexisting approach has been improved but only for a single procurement (with additional statutory improvements outlined above by the IPA still to be implemented).

10. To what extent, if any, do the changes to the competitive procurement REC pricing construct found in Section 1-75(c)(1)(G)(v) of the IPA Act address prior barriers observed in brownfield site photovoltaic project procurements?

**JSP RESPONSE:** Indexed RECs help remove wholesale energy market risk, which is a substantial issue in Illinois where placing load can be challenging. Brownfield solar projects tend to be smaller (10-20 MW in many—though not all—cases) so the issue is not as glaring, but indexed RECs are a positive feature that take one major risk off the table.

11. In considering approaches other than a price-based competitive procurement, what attributes might the IPA consider valuing in determining which brownfield site photovoltaic projects should receive state-administered incentive funding? Some ideas could include strength of remediation commitments, environmental justice community status, population density of the project's surrounding area, equitable workforce hiring commitments; how would these and other ideas be demonstrated and measured for project selection?

**JSP RESPONSE:** Given that the statute does not contain factors that would prioritize certain brownfields over others, the Joint Solar Parties do not support additional criteria beyond price. The Joint Solar Parties support a competitive procurement based on price for brownfield projects rather than a narrative, scored RFP.

12. New Section 1-75(c-10)(3) of the IPA Act calls on the Agency to “develop bid application requirements and a bid evaluation methodology for ensuring that utilization of equity eligible contractors, whether as bidders or as participants on project development, is optimized, including requiring that winning or successful applicants for utility-scale projects are or will partner with equity eligible contractors and giving preference to bids through which a higher portion of contract value flows to equity eligible contractors.” Do stakeholders believe these requirements are limited only to utility-scale competitive procurements? Section 1-75(c-10) utilizes “competitive procurements” in some places but refers expressly to “utility-scale projects” in others. If applicable, how should new Section 1-75(c-10) guide the IPA’s approach to bid eligibility, review, evaluation, and selection?

**JSP RESPONSE:** Because the Joint Solar Parties believe brownfield solar should be competitive procurements, Section 1-75(c-10) would generally speaking apply. The Joint Solar Parties’ proposed approach is the same as explained above with respect to utility-scale project use of Equity Eligible Contractors.