ILLINOIS POWER AGENCY

LONG-TERM RENEWABLE RESOURCES PROCUREMENT PLAN

REQUEST FOR COMMENTS
JUNE 6, 2017

The Illinois Power Agency would like to thank everyone who attended or called into the workshops on the Long-Term Renewable Resources Procurement Plan ("LTRRPP") and associated programs and procurements held by the Agency on May 17, 18, and 24, 2017.[1]

As a follow-up to those workshops, and in an effort to continue developing a thoughtful, informed approach to the Agency's new responsibilities under Public Act 99-0906, the Agency is issuing this Request for Comments. Please send responses to Anthony.Star@illinois.gov by **June 27, 2017**.

This Request for Comments does not cover every issue raised or discussed at the workshops, but rather highlights key questions for which the Agency desires to gather more information and stakeholder perspective. Stakeholders should feel free to respond to only those questions for which they can provide specific information or perspective. If stakeholders wish to provide additional comments on other issues please identify a specific workshop/slide number or section from the law in those additional comments.

Responses to this Request for Comments received by the IPA will be posted on the IPA's website (www.illinois.gov/ipa).[2]

A. GEOGRAPHIC ELIGIBILITY OF RENEWABLE ENERGY RESOURCES

Section 1-75(c)(1)(I) of the Illinois Power Agency Act ("IPA Act") contains provisions related the geographic eligibility of generating units that provide RECs for RPS compliance. Projects located in Illinois are deemed eligible. Projects located in states adjacent to Illinois "may" qualify if the generator demonstrates, and the IPA determines, that the operation of such facility or facilities will help promote the state's interest in the health, safety, and welfare of its residents based on public interest criteria enumerated in the statute.[3]

1. What level of documentation and analysis should be required from an adjacent state project as part of a request that the Agency consider determining that the project is eligible to provide RECs for the Illinois RPS?

[1] See: www.illinois.gov/sites/ipa/Pages/RenewableResourcesWorkshops.aspx for presentations from the workshops.

[2] Comments posted to the IPA website will be listed by naming the responding party. Any respondent wishing to provide the IPA with information it deems confidential and/or proprietary may submit both "public" and "confidential" versions of its written responses, only the "public" version will be posted on the IPA website. Consistent with its duties under 20 ILCS 3855/1-120, the IPA will institute controls to protect against the disclosure of any confidential and/or proprietary information furnished by any respondent to this Request for Comments.

[3] Specifically, Section 1-75(c)(1)(I) describes that public interest criteria as follows: "The Agency shall design its long-term renewable energy procurement plan to maximize the State's interest in the health, safety, and welfare of its residents, including but not limited to **minimizing sulfur dioxide, nitrogen oxide, particulate matter and other pollution that adversely affects public health in this State, increasing fuel and resource diversity in this State, enhancing the reliability and resiliency of the electricity distribution system in this State, meeting goals to limit carbon dioxide emissions under federal or State law, and contributing to a cleaner and healthier environment for the citizens of this State.**"

2. What would be an appropriate methodology for the Agency to use to determine that a project located in a state adjacent to Illinois meets the public interest criteria enumerated in Section 1-75(c)(1)(I)? For example, should it be a weighted scoring system based upon each of the criteria outlined in the law contributing towards meeting a minimum aggregate score, or does a threshold level of compliance with each criterion have to be fully demonstrated?

B. MEETING PERCENTAGE-BASED RPS TARGETS

Section 16-111.5(b)(5)(ii)(B)(aa) of the Public Utilities Act specifies that the LTRRPP "[i]dentify the procurement programs and competitive procurement events consistent with the applicable requirements of the Illinois Power Agency Act and shall be designed to achieve the goals set forth in subsection (c) of Section 1-75 of that Act." The IPA Act further defines the specific targets for the Initial Forward Procurements (Section1-75(c)(1)(G)) and the Adjustable Block Programs (Section 1-75(c)(1)(K)). Those targets alone are not expected to meet the overall annual RPS percentage goals for the utilities, which will climb to 25% of retail customer load by 2025.

1. To incent the development of new resources outside the Initial Forward Procurement requirements and the Adjustable Block Program, how should the Agency consider balancing short-term REC procurements for meeting annual RPS percentage goals with procurements of multi-year commitments for RECs? In responding to this question, please consider that the eligibility requirements under the revised RPS may reduce the availability of eligible RECs from existing projects, potentially necessitating the development of new generation.

2. Should the IPA develop distinct procurements that target specific renewable generating technologies beyond wind and solar? And if so, what technologies?

C. ADJUSTABLE BLOCK PROGRAM

The LTRRPP requires the IPA to develop an Adjustable Block Program ("ABP") for the procurement of RECs from new photovoltaic projects that are distributed renewable energy generation devices or new photovoltaic community renewable generation projects (e.g., "Community Solar"). The ABP will provide a transparent schedule of prices and quantities to enable the photovoltaic market to scale up and for REC prices to adjust at a predictable rate over time. The prices set by the ABP can be reflected as a set value or as the product of a formula. The ABP will include for each category of eligible projects: a schedule of standard block purchase prices to be offered; a series of steps, with associated nameplate capacity and purchase prices that adjust from step to step; and automatic opening of the next step as soon as the nameplate capacity and available purchase prices for an open step are fully committed or reserved.

<u>Blocks</u>

1. What approaches should the IPA consider for determining the size of blocks? What are the advantages/disadvantages of having a larger block size as opposed to a smaller block size?
2. Should the category for systems between 10 kW and 2 MW be subdivided into distinct blocks? And if so, what are the appropriate break-points (e.g., 100 kW, 200 kW, 500 kW) between categories, and why?
3. Should the initial block or blocks have a different structure than subsequent blocks to account for expected pent up demand?
4. What criteria should be used to prioritize projects within a block when applications exceed the remaining available capacity in a block? Should the projects be prioritized on a first-come first–served basis or by other criteria?

5. How should the Agency handle the transition between blocks? Should a block close automatically upon being filled? Or should a block remain open until a predetermined date? Upon a block being closed, should the next block open immediately, or should there be some delay?

Prices

At the May 17 afternoon workshop, the IPA outlined two potential approaches for setting ABP REC prices: a cost-based model, and a market observation approach.[4]

6. Should the ABP REC prices be based on a cost-based model which takes into account the revenue requirements for new projects in Illinois, or should it be based on market observations of pricing data as well as developments in other jurisdictions?
    a. For the cost-based approach please provide recommendations for data inputs that should considered for the model. If there are publicly available models that could be used as a template, please provide information about those models.
    b. For the market observations approach, please identify the jurisdictions that could be considered, and any significant differentiators between those jurisdictions and Illinois that should be used to adjust results.
    c. Does the methodology for determining REC pricing have to be either cost-based or market observation based, or can it be a combination of both? Are there any other approaches that should be considered?
7. How should the approach for determining REC prices take into account geographic differences in price or cost factors, e.g. local labor/land costs etc.? How narrowly or broadly should geographic factors be considered?
8. Besides geography and system size, are there other factors that should be considered to create differentiated pricing?

Project Development Process

9. How much time should be allowed between system application/contract approval and when a system must be energized? The time allowed could take into account issues like (i) the seasonality of applications, (ii) delays in permitting, interconnection, (iii) equipment availability and etc. Should this time vary by size of system, geographic location, or interconnecting utility?
10. What type of extensions to a guaranteed in-service date should be allowed, and what additional requirements should there be for extensions?
11. What information about a system should be required for a system to be qualified to participate in the program (e.g. site control, local permitting, interconnection status, etc.)? Should the requirements be different for smaller systems (e.g., under 10 kW) than larger systems? Should the requirements be different depending on whether the system is being interconnected with an investor-owned utility, a municipal utility, or a rural electric co-op?
12. What development deposit/credit requirements should there be in addition to any program fees? And for how long should such requirements run?
13. Should there be intermediate project milestones to help ensure that projects that have reserved RECs out of a block are successfully developed, and that closure of blocks due to all RECs being allocated is effectively managed? If so, how should milestones and performance standards vary between smaller and larger projects?

[4] See slides 17 to 20 of the Adjustable Block workshop presentation, www.illinois.gov/sites/ipa/Documents/Adjustable-Block-Programs-presentation-20170517.pdf.

14. For the Supplemental Photovoltaic Procurement, inverter readings were allowed for systems below 10 kW, and revenue grade meters were required for larger systems.[5] How should these standards be updated for the ABP?

Clawback Provisions

The ABP allows for contracts to include provisions to ensure the delivery of the RECs for the full term of the contract. This is to account for the fact that upfront payments for RECs could create a variety of challenges including, but not limited to, (i) poorly installed or maintained systems that do not generate the intended amount of RECs (or energy), (ii) failure to provide generation data to the tracking system for the creation of RECs, and (iii) arbitrage risk related to sellers seeking revenue for committed RECs from other markets.

15. What clawback provisions would be appropriate for ensuring that RECs are delivered while not creating potentially prohibitive additional costs or burdens?
16. What would be reasonable circumstances to allow for the waiving of clawback provisions? (e.g., fires, severe weather, etc.)
17. Should clawback provisions vary based on system size? If so how should these provisions vary?
18. How should clawback provisions carry over when a system and/or system location is sold?

Consumer Protections

19. What consumer protection elements should the IPA consider adopting as part of the ABP program? How should those elements differ between distributed generation and Community Solar?
20. Should the ABP require the use of a standard disclosure form? If so, what elements should that form include?
21. Are there examples from other states of model approaches to consumer protection, and/or lessons learned regarding insufficient consumer protections?

D. COMMUNITY SOLAR

Geographic Considerations

1. Should the IPA consider taking steps to encourage projects to be located geographically closer to subscribers? If so, what steps should be considered?
2. How can geographic diversity be ensured?

Project Application Requirements

3. Should Community Solar projects have different application requirements than a comparably sized distributed generation project? What level of demonstration of subscriber interest should be required prior to approving an application from a Community Solar project?
4. How should co-location of Community Solar projects be addressed in light of the definition of community renewable generation projects that is capped at 2 MW?

[5] See: www.illinois.gov/sites/ipa/Documents/IPA-metering-accuracy-standard-5-14-15.pdf for the metering standard used for the Supplemental Photovoltaic procurement.

Community Solar Blocks

5. Should the design approach for blocks for Community Solar vary from that used for Distributed Generation (e.g., size of blocks, criteria for prioritizing applications)?
6. What would be reasonable assumptions to make for the cost of acquiring and maintaining subscribers? How will these costs be expected to vary over time (e.g., the difference between initial subscriber recruitment and managing churn rates)? How will these costs differ between managing residential and commercial subscribers?
7. Should the value proposition to the customer for a subscription to a Community Solar project be more, or less, attractive than for a comparable sized DG system at the customer's location?

Development Milestones

8. Should the time allowed for Community Solar project development be different than for comparably sized Distributed Generation systems?
9. What project development milestones should be required to demonstrate sufficient levels of subscriber interest before a contract may be terminated?

Residential versus Commercial Interest

10. What, if anything, should the IPA consider to ensure robust residential participation in Community Solar?
11. Should REC pricing vary based on the portion of the project that is residential? How can this be verified, and what would be required over time to ensure ongoing residential participation?
12. Should project application/viability requirements be different based on the mix of residential and commercial customers?
13. Are there additional considerations that should be made for projects that are entirely subscribed with commercial customers, or entirely subscribed with residential customers?

E. ILLINOIS SOLAR FOR ALL PROGRAM

1. How should the concept of "80% of area median income" be applied? What size area should be considered (e.g., municipality, county, utility service territory)?
2. What should be the balance between verifying individual income eligibility and using other criteria such as median income of census tract?
3. What provisions in contract and REC payment structure should the IPA consider to ensure that any revenue received for RECs does not hinder participants' eligibility in other benefits programs?
4. What distinct requirements and considerations should apply to multi-family buildings?
5. How should the concept of low-income be considered for non-profit and public facilities? Should all non-profits and public facilities be eligible for that Solar for All program, or should there be some nexus with low-income criteria?
6. For Illinois Solar for All grassroots education efforts in rural areas, what opportunities are there for partnering with community organizations and institutions?

Utility Funded and Administered Job Training Programs

7. In some instances, trainees may be unavailable to participate in project development (due, for instance, to the time to complete training programs or geographical constraints). What flexibility should be considered to account for the potential lack of availability of trainees to work on projects?
8. How can the IPA ensure that project developers offer meaningful employment opportunities and career advancement to job trainees and others in the workforce development pipeline?

Environmental Justice Communities

9. In defining an Environmental Justice Community, how should the IPA weigh factors such as (i) Income, (ii) Race/Ethnicity, (iii) Environmental Impacts, (iv) Regional Economic Conditions, or (v) Other demographic factors? What environmental impacts should the IPA prioritize, and what other factors should the IPA consider?
10. What level of community self-designation should be considered (or community ability to decline designation)?

Consumer Protections

11. What additional consumer protections should be specific to the Illinois Solar for All programs above and beyond the consumer protections offered more generally to participants in the Adjustable Block Program?[6]
12. What does providing that "tangible economic benefits flow directly to program participants" imply in terms of either upfront payments to participants and/or assurances that participation creates a positive cash flow?

[6] See slides 41 to 46 of the Illinois Solar for All workshop presentation, https://www.illinois.gov/sites/ipa/Documents/Solar-for-All-presentation-20170518.pdf, for an overview of some possible consumer protections.