



**RESPONSE TO ILLINOIS POWER AGENCY REQUEST FOR FEEDBACK ON
BEHALF OF NEXAMP
July 19, 2022**

Nexamp appreciates the opportunity to respond to the Illinois Power Agency's (IPA) request for stakeholder feedback on barriers that may have limited participation in the Spring 2022 procurement and process improvements to facilitate participation in future procurement Requests for Proposals ("RFPs").

Specific questions asked by the IPA and Nexamp's responses:

1. If you were aware of the Spring 2022 Indexed REC RFP, how did you learn about the opportunity? Are there other venues or mediums through which information could have been published that would have made it easier for you to learn about the procurement event?

Nexamp tracks pending local legislation related to renewable energy development and procurement in the state of Illinois through dedicated internal policy resources, local counsel, and other solar industry groups. Nexamp was aware of the Spring 2022 Indexed REC RFP and had been tracking the draft contract and commenting process for many months.

2. If you opted to not propose a project in the Spring 2022 Indexed REC RFP, what were the determining factors for not participating?
 - a. Were there specific provisions from the contract form used in the Spring 2022 Procurement Event that presented a barrier to participation? Please explain.

There were no individual provisions of the contract form that would have precluded our interest in bidding. However, certain items such as Section 1-75(c)(6) of the IPA Act and Section 16-108(k) of the Public Utilities Act in regard to budget allocation requires further risk diligence by Nexamp.

- b. Were there eligibility requirements in the Spring 2022 Procurement Event that presented a barrier to participation? Please explain.

Although not required by the IPA, preference was given for projects with completed System Impact Studies (PJM) or DPP Phase 1 (MISO). This was one of the determinations that led Nexamp to hold off bidding in the Spring Procurement Event.

- c. Were there barriers outside of the procurement process that impacted your decision to participate (i.e. interconnection delays)? Please explain.



Like all developers, Nexamp is facing considerable interconnection delays with both PJM and MISO. The lack of clarity on interconnection results was a primary factor in Nexamp's decision to not bid the Spring 2022 Index REC Procurement Event.

3. Interconnection delays with both MISO and PJM have been widely acknowledged. Most recently, PJM filed interconnection process reforms with the FERC, and their proposal includes a transition period during which new interconnection applications will not be processed. Did these delays impact your ability to bid in the Spring 2022 Indexed REC RFP? If so, please explain.

Yes, the delays at PJM affected our overall development timelines for Nexamp's assets in Illinois. As such, we were not comfortable bidding into the Spring 2022 Procurement Event without further clarity on interconnection costs from PJM and MISO.

4. Supply chain issues, due to the pandemic and tariffs on the solar industry, for example, have been widely acknowledged. Did these issues impact your ability to bid in the Spring 2022 Indexed REC RFP? If so, please explain and include a description of any related costs and risks to renewables developers.

Equipment and labor shortages, and overall inflationary pressures have increased costs and volatility during the EPC estimation process. Although these added costs present challenges to determining bid prices for projects, they can generally be forecasted and baked into the revenue requirements of the project. Tariffs, such as the Department of Commerce's latest investigation into equipment originating from Southeast Asia, present a more difficult challenge because the results of these investigations are typically binary. There is a chance of significant tariffs imposed, or none at all, and under the Spring 2022 Procurement Event, the project developer wears that risk. Given the high upfront collateral requirements that were required to be posted prior to clarity on the DoC investigation, the timing of the procurement was difficult.

5. Please describe any current issues experienced related to siting, permitting, and interconnection and how these issues lengthen a project's development timeline. How long should the deadline be for projects to become operational, without accounting for any extensions?

Atypical project delays have been largely the result of the interconnection process, particularly with PJM. While the Spring 2022 Procurement Event deadline for latest delivery of the first REC of May 31st, 2025 is generally achievable for most projects, extending that deadline by a year, such that the latest initial REC delivery occurs 4 years after the Procurement Event, without additional collateral, would be much preferred. Additional time would be granted with the requirement that additional bid collateral be provided.

6. Under the Illinois RPS, payments for RECs are subject to available funds anticipated to be collected pursuant to Section 1-75(c)(6) of the IPA Act and Section 16-108(k) of the Public Utilities Act, and the utility counterparty is not required to advance payment that exceed such available funds. Section 16-108(k) of the Public Utilities Act, as amended by Public Act 102-0662, provides for unspent budget in a delivery year to roll-over to the following delivery year for a period of 5 years to improve the likelihood that funds are available for payment. Do you believe this change adequately mitigates non-payment risks or despite this change, do you perceive the statutory budget constraint to be an obstacle to your participation in the Indexed REC RFP?

a. Are there examples for how this issue is dealt with in other jurisdictions where there is a statutory budget constraint?

No comment.

b. Is there additional information or analysis related to procurement budgets for Indexed RECs that would be helpful to be provided to prospective bidders?

No comment.

7. Electricity price levels have increased significantly throughout 2022 and energy markets have been experiencing significant volatility. Did either the current high energy prices or market volatility impact your decision to bid in the Spring 2022 Indexed REC RFP? If so, please explain and include a description of any related costs and risks to renewables developers.

No, recent high energy and electricity prices did not affect Nexamp's decision to not participate in the Spring 2022 Procurement Event.

8. Are there utility procurements in other states that provide terms that are more attractive to renewable developers. If so, please indicate the state and the utility procurement as well as the terms that are more attractive. Please include any links to relevant public information or documentation, if available.

NYSERDA runs a similar Indexed REC style procurement for renewable resources in New York State. This procurement is significantly larger than the IPA's stated annual procurement goals. Overall, there are many similarities and common key terms between the two procurements. Although Nexamp finds the IPA's settlement mechanism more favorable in that it does not use simple average hub price as the benchmark, there are other aspects of NYSERDA's structure that Nexamp finds more appealing. One attribute of the IPA procurement that Nexamp finds less conducive to project revenue requirements and associated risk, is in regard to REC delivery volume obligations and associated shortfall penalties. Whereas the NYSERDA procurement is structured more closely to an "as-produced" delivery obligation, the IPA procurement requires an annual



delivery quantity such that any volume of RECs produced above this quantity is considered excess and not subject to payment by the Buyer. Furthermore, severe penalties (contract default) are triggered if total shortfalls over the 20-year period add up to the annual delivery quantity. As such, the annual delivery quantity as bid likely represents a conservative generation figure for the project, with considerable excess RECs expected in p50 production scenarios. It is Nexamp's opinion that an as-produced structure would be more attractive to potential bidders.

9. Are there opportunities available in the voluntary market in Illinois or other states that are preferable to renewable developers? If so, please explain some of the key factors of those opportunities that make it more preferable than the Indexed REC RFP.

Renewable assets located in Illinois are well situated to meet significant demand from corporate procurement via Virtual PPAs. Typically, these agreements do not contain provisions for Project Labor Agreements, nor is the performance of the Buyer under the contract subject to statutory budgets constraints.

10. The Spring 2022 Indexed REC RFP was completed prior to Commission approval of the 2022 Long-Term Plan. Did this timeline impact your decision whether to participate? If so, which elements of the plan specifically impacted your decision? (For example, the 2022 Long-Term Plan provides for certain selection preferences in subsequent RFPs, do you view those as more favorable and therefore are planning to participate in the future RFPs where these selection preferences are included)? Please explain.

This was not a significant factor in Nexamp's decision to not bid the Spring 2022 Procurement Event.

11. Pursuant to Section 1-75(c)(1)(R) of the IPA Act, a self-direct renewable portfolio standard compliance program is to be established through the Long-Term Plan filed by the IPA. Given that the Spring 2022 Indexed REC RFP was completed prior to Commission approval of the 2022 Long-Term Plan, did that have an impact on your decision to participate in the Spring 2022 Indexed REC RFP? If so, please explain how the self-direct renewable portfolio standard compliance program impacted your decision to participate in the Indexed REC RFP.

This was not a significant factor in Nexamp's decision to not bid the Spring 2022 Procurement Event.

12. Did the fact that the Spring 2022 Indexed REC RFP was the first Indexed REC procurement event impact your decision whether to participate? If so, please explain why. Was having a visible price established in the first procurement event a major factor in your decision whether to participate?



Price visibility from the Spring 2022 Procurement Event is helpful as an indicative benchmark for future procurement participation. However, developing in a high inflationary environment that also sees projects subject to potential tariffs and supply chain turmoil mean that project costs are less predictable from year to year. As such, price visibility into past procurements is helpful, but not a major factor in Nexamp's decision to not bid the Spring 2022 Procurement Event.

13. Understanding that a brownfield site photovoltaic project may not participate in the wholesale energy markets in the same way as utility-scale wind or utility-scale solar projects, is the Indexed REC payment mechanism a barrier to participation for brownfield site photovoltaic projects? Please explain.

No comment.

14. Please describe development and performance risks distinct to the development of brownfield site photovoltaic projects from greenfield site utility-scale solar projects. Did these risks present a barrier to participation in the Spring 2022 Indexed REC procurement event? Are there other ways in which the contract could better account for brownfield site development and performance risks?

No comment.

15. As defined in Section 1-10 of the IPA Act, "Brownfield site photovoltaic project" means photovoltaics that are:

(1) interconnected to an electric utility as defined in this Section, a municipal utility as defined in this Section, a public utility as defined in Section 3-105 of the Public Utilities Act, or an electric cooperative, as defined in Section 3-119 of the Public Utilities Act; and located at a site that is regulated by any of the following entities under the following programs:

- (A) the United States Environmental Protection Agency under the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended;
- (B) the United States Environmental Protection Agency under the Corrective Action Program of the federal Resource Conservation and Recovery Act, as amended;
- (C) the Illinois Environmental Protection Agency under the Illinois Site Remediation Program; or
- (D) the Illinois Environmental Protection Agency under the Illinois Solid Waste Program; or

(2) located at the site of a coal mine that has permanently ceased coal production, permanently halted any re-mining operations, and is no longer accepting any coal

combustion residues; has both completed all clean-up and remediation obligations under the federal Surface Mining and Reclamation Act of 1977 and all applicable Illinois rules and any other clean-up, remediation, or ongoing monitoring to safeguard the health and well-being of the people of the State of Illinois, as well as demonstrated compliance with all applicable federal and State environmental rules and regulations, including, but not limited, to 35 Ill. Adm. Code Part 845 and any rules for historic fill of coal combustion residuals, including any rules finalized in Subdocket A of Illinois Pollution Control Board docket R2020-019.

- a. Is this definition too restrictive?¹ Are there project types commonly understood as brownfield excluded through this definition? If so, what project types are excluded, and how could this definition be improved?

No comment.

- b. In the Spring 2022 Indexed REC RFP, to qualify under (1) above, a site needed to demonstrate having been regulated under the applicable program within the last 25 years. Is that requirement unduly restrictive? If so, what recency requirement (if any) should apply?

No comment.

- c. In the Spring 2022 Indexed REC RFP, to qualify under (2) above, the reclamation of the coal mine was required to have been completed for the site to qualify. Is this requirement unduly restrictive? If so, at what point in the reclamation process should the coal mine be required to have reached to meet this definition?

No comment.