



June 27, 2017

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Director Star:

Natural Resources Defense Council (NRDC) appreciates Illinois Power Agency's (Agency) initiative in establishing workshops on the revised Renewable Portfolio Standard pursuant to the Future Energy Jobs Act and inviting feedback on the development of the Agency's Long Term Renewable Resources Procurement Plan (Plan). We offer comments in response to several of the Agency's questions on the geographic eligibility of renewable energy resources and meeting the percentage-based RPS targets.

***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?***

Above all else, the Agency should develop a simple, uniform, and transparent evaluation of eligible projects outside of the state. With regard to wholesale electricity markets, Illinois is not an island: rather, it is a part of two independent system operators that manage and dispatch resources across large footprints in the Midwest and Mid-Atlantic. Moreover, determining attribution – where the electrons from a power plant ultimately flow – is a complex process that may require advanced modeling. Finally, coal still comprises a substantial share of Illinois' generation mix and contributes to the criteria pollution and greenhouse gas emissions that Illinois seeks to minimize in Section 1-75 of the Illinois Power Agency Act. Adding new, low marginal cost renewable generation in adjacent states can reliably and cost-effectively reduce output from fossil generation in Illinois through wholesale electricity markets.

Considering these observations, the Agency should deem a renewables project eligible if the project developer can prove it operates within either MISO or PJM footprints and can explain how the project achieves one or more of the criteria outlined in Section 1-75(c)(1), subject to additional eligibility criteria already defined in the Future Energy Jobs Act (e.g. the project must be located in Illinois or an adjacent state and cannot recover costs through rate base.) Keeping the eligibility evaluation simple will help give renewable developers more certainty as they plan projects that meet the goals of the RPS, increase fuel diversity in the state, and provide Illinois residents with a safer, healthier environment.

**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?**

The public interest criteria in Section 1-75(c)(1)(I) “boil down” to whether the out-of-state renewable project affects emissions from fossil fuel-fired power plants in Illinois. For this to happen, projects must be located in the same grid as those of Illinois power plants. This means Agency could potentially use a simple test: does the project supply energy into either MISO or PJM? The Agency does not need to use a complex methodology or scoring system to determine eligibility of renewables projects. If a project is located in adjacent states but outside of the PJM and MISO footprints, it becomes less clear how it benefits Illinois residents.

**3. 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.**

In order to achieve and maximize the public welfare benefits described Section 1-75, the Agency should prioritize the development of new renewable resources beyond those already prescribed in the Initial Forward Procurements and the Adjustable Block Program by developing multi-year REC contracts whenever feasible.

As Illinois has already learned, REC procurement is an imperfect mechanism for driving incremental renewable resources that lower electricity costs, provide valuable grid services, and protect public health and the environment. While short-term REC procurements may provide compliance value in meeting intermediate RPS targets, they are unlikely to incentivize new development. Procuring short-term RECs from eligible and existing projects does nothing to improve Illinois position in achieving Section 1-75 public welfare goals – nor does increase resource diversity or enhance system reliability or resiliency – because those projects are not additive. Developers may require contracts akin to those developed under the Initial Forward Procurements to build new projects and improve access to lower-cost capital.

NRDC recognizes that the RPS relies on a limited pool of funding to execute long-term contracts. However, short-term REC procurements were a symptom of an earlier, dysfunctional RPS and are not a sustainable solution for a Long Term Renewable Resources Procurement Plan. Whenever possible, the Agency should prioritize multi-

year REC procurement that drives new renewables generation. In the event the Agency proposes to fulfill RPS obligations with short-term contracts, it should demonstrate compelling reasons to do so supported by analysis and subject to comment from relevant stakeholders.

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

No. Wind and solar are proven, cost-effective renewable technologies that will likely be sufficient to meet the goals of the RPS. Moreover, both technologies have experienced substantial cost declines that are expected to continue as RPS implementation begins. Given the limited potential for new hydro and geothermal plants in the region, it does not seem practical to develop procurements for these technologies. Biomass is an eligible resource in statute, but given the difficulties in establishing safeguards that ensure that biomass truly is a renewable, low-emissions resource, it is not a preferred strategy for achieving RPS goals.

NRDC looks forward to working with the Agency and other stakeholders to ensure the successful implementation of the Long Term Renewable Resources Procurement Plan and the Renewable Portfolio Standard at large.

Respectfully submitted,

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