



# PAYMENT DEFERRAL PROPOSAL (Stakeholder Workshop)

AUGUST 5, 2021

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# Disclaimer

- Any statements herein or made on the call describing or referring to the draft contract amendment or governing documents are summaries only and are qualified in their entirety by the documents
- A document containing the draft contract amendments was posted on July 30, 2021
- Final contract amendments taking into consideration stakeholder comments are expected to be posted by August 31, 2021. When they become available, all parties bear full responsibility for reviewing and understanding the final contract amendments
- Governing documents include the ICC Order in Docket No.19-0995 entered on May 27, 2021 and the updated IPA's Revised Long Term Renewable Resources Procurement Plan dated June 7, 2021

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<https://www2.illinois.gov/sites/ipa/Pages/RenewableResourcesWorkshops.aspx>

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# Please raise your hand to speak.

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During the Discussion Session

**Please mute yourself when you are not speaking.**

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**If you would like to make a comment or ask a question, please raise your hand and wait.** We will unmute you to speak.

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# Agenda




- 1 Comment Process & Timeline
- 2 Background
- 3 Approved Elements
- 4 Proposed Payment Deferral Mechanism
- 5 Other Contractual Amendments
- 6 Discussion and Q&A
- 7 Reminders and Next Steps



## 01 | Comment Process & Timeline

# Comment Process and Timeline

Interactive dialogue

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- **July 30:** Draft REC Contract Amendments posted
  - **Aug 5:** Stakeholder Workshop
  - **Aug 12:** Written Comments Due
  - **Aug 25-31:** Final Contract Amendment issued for Execution
  - **Dec 31:** Effective Date of The Contract Amendment

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**Submit your comments by 5PM CPT on August 12, 2021**

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# All Information can be found on IPA's Website



## Renewable Resources Workshops

### Payment Deferral Contract Amendment Workshop (August 5, 2021)

- [Workshop Announcement](#) (July 27, 2021)
- [Request for Stakeholder Comments](#) (July 30, 2021)
  - [Draft REC Contract Amendments](#) (July 30, 2021) [Word]

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<https://www2.illinois.gov/sites/ipa/Pages/RenewableResourcesWorkshops.aspx>

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# Comment Process



August 12

- Download materials at:  
<https://www2.illinois.gov/sites/ipa/Pages/RenewableResourcesWorkshops.aspx>
- Email written comments: IPA.ContactUs@illinois.gov
- Use tracked changes; provide explanatory notes in a separate document or highlight in tracked changes
- Comments will be posted online
- Comments will be reviewed by representatives from the IPA, the ABP Program Administrator, AIC, ComEd, MEC, Staff of the ICC, Procurement Monitor and Procurement Administrator

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Today's workshop is to facilitate a common understanding of the proposed deferral mechanism and the contract amendments

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## 02 | Background

# Background

- On March 3, 2021, IPA filed a petition for the reopening of Docket No.19-0995, proceeding related to the Revised Long-Term Renewable Resources Procurement Plan (“LTRRPP”)
- IPA’s filing demonstrated that due to widespread project energization delays due to COVID-19, the available RPS budget for the 2021-2022 delivery year (“DY2021-2022”) could face a funding shortfall
- ICC approved the petition with modifications on May 27, 2021. REC contract amendments to implement payment deferrals for DY2021-2022 are to be developed in consultation with stakeholders and REC contract counterparties
- IPA’s compliance filing dated June 7, 2021 include an updated LTRRPP
  - provides prioritization of various REC contracts and expenses for payments in DY2021-2022 to address how to manage the funding shortfall
  - any payments deferred during DY2021-2022 will be prioritized for payment in the first applicable invoicing cycle of DY2022-2023



## 03 | Approved Elements: Prioritization Regime & Key Concepts

# Elements of the Deferral Mechanism from the ICC Order

Approved by ICC

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- 1** REC delivery contracts and other RPS obligations should continue to be **paid in full** through **Calendar Year 2021**
  - 2** By **December 30, 2021**, IPA will file **a compliance filing** in the instant proceeding updating the status of the RPS budget, **outlining the funds available for use in the remainder of DY2021-2022**, and updating the projected expenses for the remainder of period
  - 3** The payment deferrals **exempt** the 2010 Long-Term Power Purchase Agreements and the 2015-2017 Utility Distributed Generation REC contracts
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# Elements of the Deferral Mechanism from the ICC Order

Approved by ICC

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**4** **ILSFA contract expenses should be prioritized**, and payments obligated under those REC delivery contracts should not be reduced

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**5** The 2021-2022 delivery allocations for ILSFA, inclusive of the **\$10 million job training program allocation**, should be maintained

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**6** Any payments deferred during DY2021-2022 will be prioritized and **paid in the first applicable invoicing cycle of DY2022-2023**

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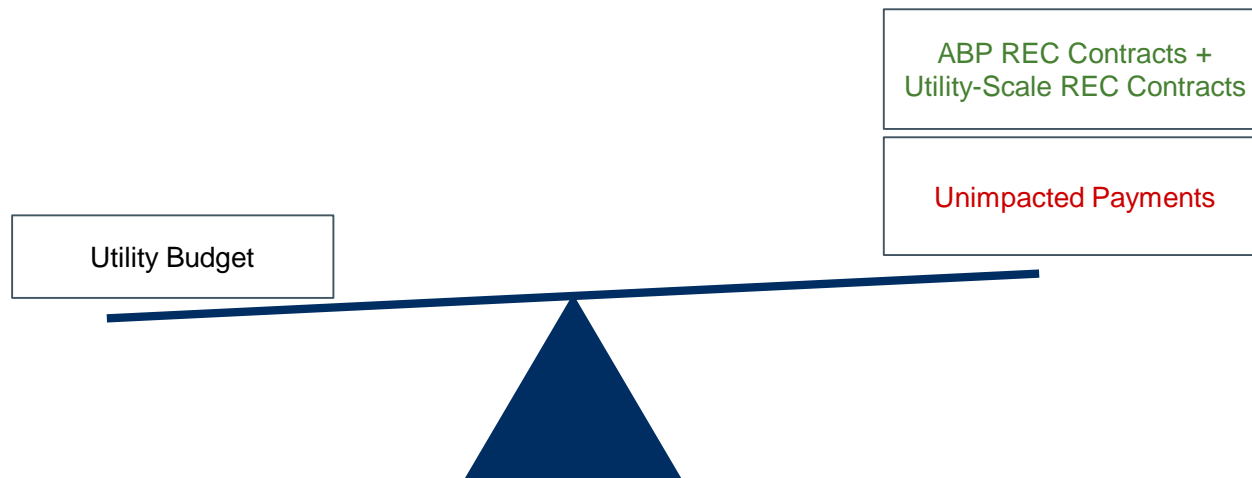
# Affected Contracts

Unimpacted Payments not subject to Payment Deferrals	Contracts Subject to Payment Deferrals
<ul style="list-style-type: none"><li>• 2010 LTPPA</li><li>• 2015-2017 Utility-DG REC Contracts</li><li>• ILSFA utility-counterparty contracts as well as job training program allocation</li></ul>	<ul style="list-style-type: none"><li>• Adjustable Block Program REC Contracts</li><li>• Utility-Scale and Brownfield RFPs<ul style="list-style-type: none"><li>• Fall 2017 Wind and Solar RFP (9/7/2017)</li><li>• Spring 2018 New Solar RFP (3/21/2018)</li><li>• Spring 2018 Second New Solar RFP (5/2/2018)</li><li>• Fall 2018 Utility-Scale Solar RFP (12/4/2018)</li><li>• 2018 Utility-Scale Wind RFP (10/10/2018)</li><li>• Summer 2019 Brownfield PV RFP (8/1/2019)</li></ul></li></ul>

Payment deferrals will **not impact** REC contracts where the **IPA is the counterparty**, including the **ILSFA IPA-counterparty contracts**

# Each Utility Balances its Own Budget

- Each utility has a different Budget, and each utility administers its own REC contracts
- Currently, invoices provided from Seller to Buyer by the 10th of the month
  - **Utility Scale** contracts are **invoiced monthly**
  - **ABP** contracts are invoiced **quarterly**



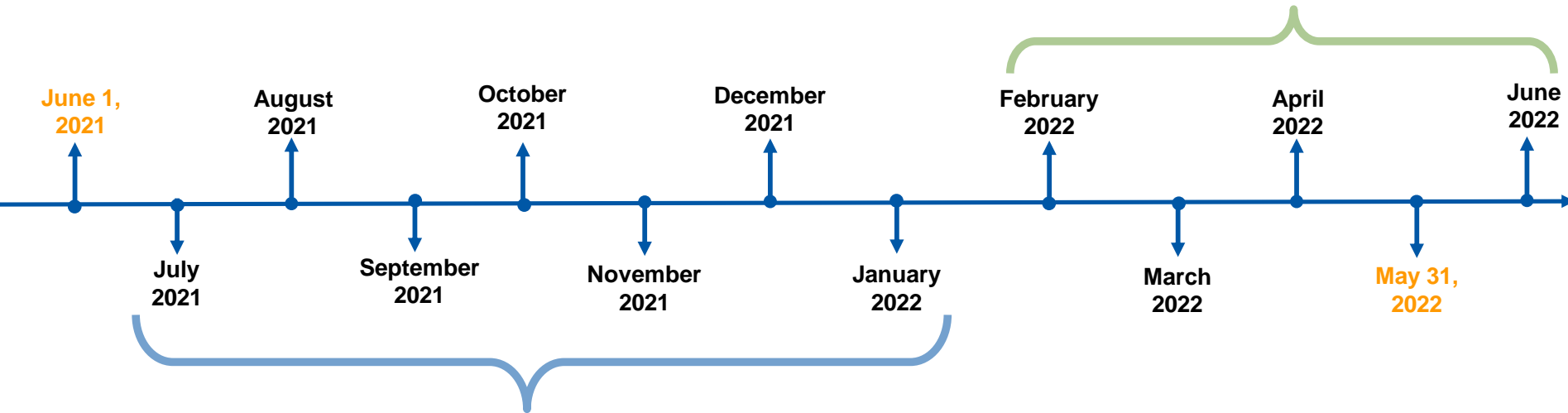
# Affected Period

Delivery Year of: June 1, 2021 – May 31, 2022

Invoicing Months of: July 2021 – June 2022

## Potential Payment Deferral Period

Deferral only impacts invoicing months  
February 2022 - June 2022



## Pay In Full Period

•ALL REC contracts, **including** ABP and Utility-Scale Contracts, to be paid in full for obligations through 2021 calendar year

•Includes January 2022 invoices



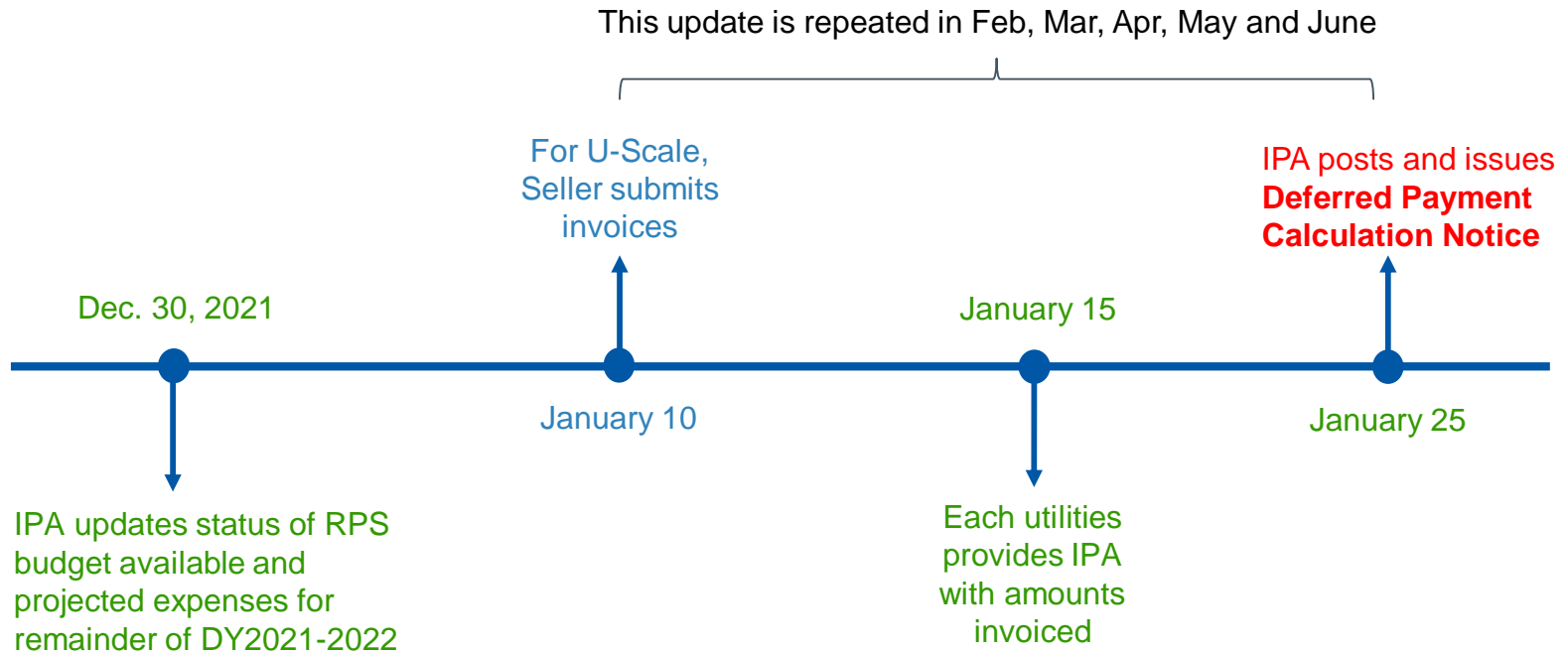


## 04 | Proposed Deferral Mechanism

# Heads Up: Look out for these Design Principles

- ✓ Complies with Prioritization Regime approved by ICC
- ✓ Focuses on Invoicing Months Feb 2022 – June 2022
- ✓ Delays the Implementation of any Payment Deferral to as late as possible
- ✓ Actively Monitors Budget and Updates Expected Shortfall Amounts on Monthly Basis
- ✓ Ensures fair treatment between ABP Contracts and Utility-Scale Contracts
- ✓ IPA True-Up Adjustment maximizes spending DY 2021-2022 budget by end June 2022
- ✓ Maintains Existing Invoicing Cycle (quarterly for Utility-Scale and monthly for ABP)
- ✓ Streamlined Invoicing Process

# Starting December 2021, IPA monitors budget and updates expected Shortfall Amounts on Monthly Basis



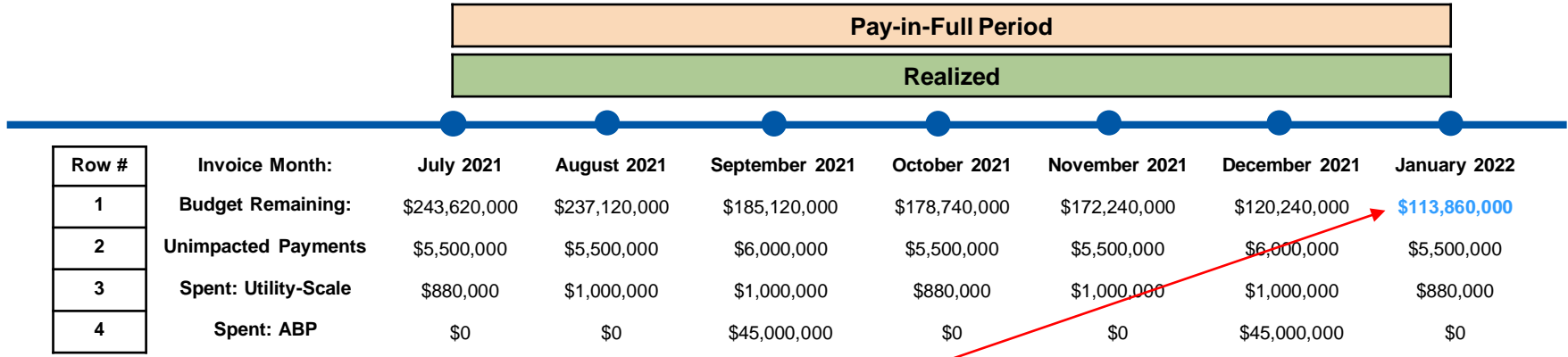
**Deferred Payment Calculation Notice** issued **25<sup>th</sup> of each month** addresses:

1. **whether upcoming month** is affected by payment deferral?
2. If no, **which invoicing month** will payment deferrals be likely to occur?
3. If yes, **what the deferral percentage** would be for upcoming month

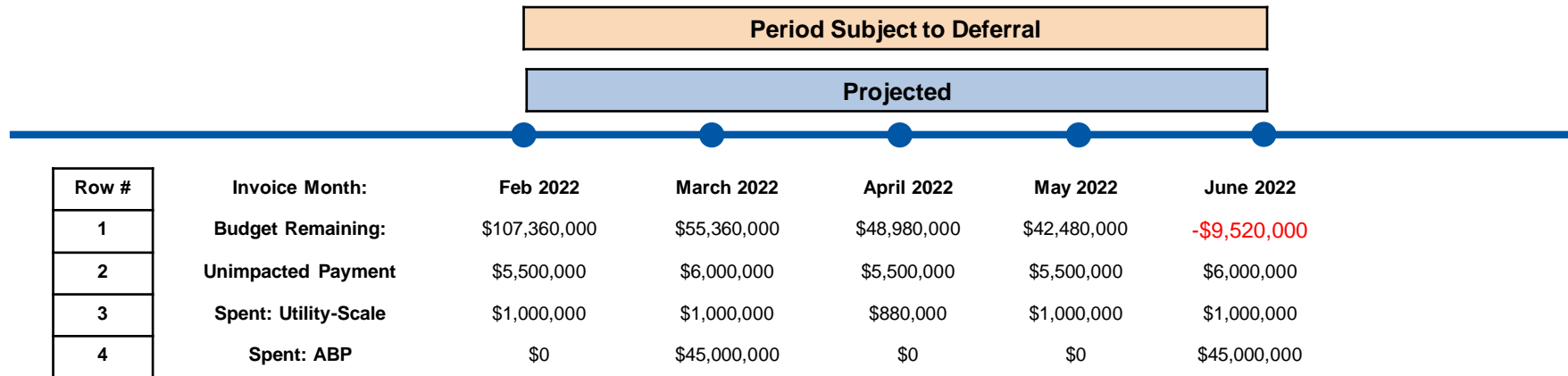
# Example of Information IPA Keeps Track of

(All Numbers are Illustrative Only)

Delivery Year 2021-2022 Budget: **\$250,000,000**



Budget after January 2022 Payments: **\$113,860,000** for Feb-June 2022 invoicing months



January 25<sup>th</sup> Deferred Payment Calculation Notice confirms no Deferrals until June 2022

# Budget, Expenses are Tracked for Feb-June 2022

(All Numbers are Illustrative Only)

Shortfall Amount = Budget – Expenses (for Feb 2022-June 2022 invoicing period)

$$= \$113,860,000 - \$123,380,000$$

$$= -\$9,520,000$$

Budget after January 2022 Payments: **\$113,860,000** for Feb-June 2022 invoicing months

Period Subject to Deferral

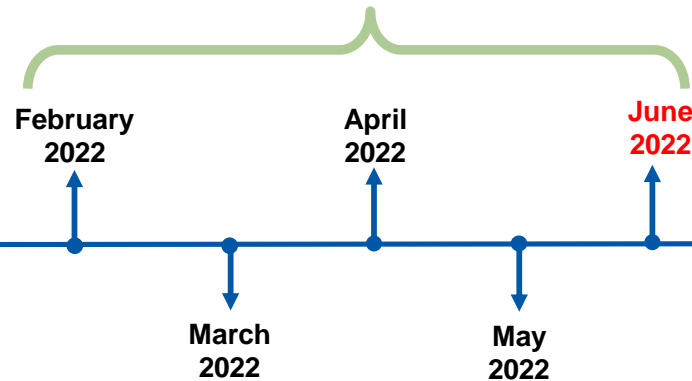
Projected

Row #	Invoice Month:	Feb 2022	March 2022	April 2022	May 2022	June 2022
1	Budget Remaining:	\$107,360,000	\$55,360,000	\$48,980,000	\$42,480,000	-\$9,520,000
2	Unimpacted Payment	\$5,500,000	\$6,000,000	\$5,500,000	\$5,500,000	\$6,000,000
3	Spent: Utility-Scale	\$1,000,000	\$1,000,000	\$880,000	\$1,000,000	\$1,000,000
4	Spent: ABP	\$0	\$45,000,000	\$0	\$0	\$45,000,000

January 25<sup>th</sup> Deferred Payment Calculation Notice confirms no Deferrals until June 2022

# When will Payment Deferrals take place?

**Potential Payment Deferral Period**  
Deferral only impacts invoicing months  
February 2022 - June 2022



Payment Deferral Mechanism seeks to allocated as much as possible (or all) of the Shortfall Amount to the **June 2022** Invoice

# Deferral Rate Calculation Example for May 25, 2022 Update

(All Numbers are Illustrative Only)

Example: ComEd Budget determined on January 25: \$113,860,000

		Realized				Projected	
Row #	Invoice Month:	Feb 2022	March 2022	April 2022	May 2022	June 2022	Feb-June 2022
1	Budget Remaining:	\$107,360,000	\$55,360,000	\$48,980,000	\$42,480,000	-\$9,520,000	\$113,860,000
2	Unimpacted Payments	\$5,500,000	\$6,000,000	\$5,500,000	\$5,500,000	\$6,000,000	\$28,500,000
3	Spent: Utility-Scale	\$1,000,000	\$1,000,000	\$880,000	\$1,000,000	\$1,000,000	\$4,880,000
4	Spent: ABP	\$0	\$45,000,000	\$0	\$0	\$45,000,000	\$90,000,000

Step 1: Determine ABP/U-Scale Share (Feb-June 2022)	Step 2: Estimate the Shortfall Amount that must be shared		Step 3: Calc. Utility-Scale vs ABP share of Estimated Shortfall Amount	Step 4: Determine Deferral Rate for June 2022			
Spent (Utility Scale) = \$4,880,000 (sum of Row 3) or 5.14%	Budget	\$113,860,000	Shortfall Amount (U-Scale) = \$9,520,000 x 5.14% = \$489,645.87	Deferral Rate (U-Scale) = \$489,645.87 / \$1,000,000 = 48.96%			
Spent (ABP) = \$90,000,000 (sum of Row 4) or 94.86%	Estimated Spent (Unimpacted Payments) (sum of Row 2)	\$28,500,000			Shortfall Amount (ABP) = \$9,520,000 x 94.86% = \$9,030,354.13	Deferral Rate (ABP) = \$9,030,354.13 / \$45,000,000 = 20.07%	
Total ABP + U-Scale Spent = \$94,880,000	Estimated Spent (ABP, U-Scale) (see Step 1)	\$94,880,000					*Deferral Rate indicates amount to be deferred as percent of June 2022 Invoice
	Estimated Shortfall Amount (Budget - Spent)	\$9,520,000					

## May 25<sup>th</sup> Deferred Payment Calculation Notice will confirm:

1. Payment Deferrals will be implemented in June 2022 invoicing month
2. ComEd Utility-Scale Deferral Percentage = 48.96%
3. ComEd ABP Deferral Percentage = 20.07%

# Streamlined Invoicing Requirement

(All Numbers are Illustrative Only)

## May 25<sup>th</sup> Deferred Payment Calculation Notice (applicable to all **June 2022** Invoices)

	AIC*	ComEd	MEC
<b>ABP</b> Deferred %	-	20.07%	<b>23.33%</b>
<b>U-Scale</b> Deferred %	-	<b>48.96%</b>	53.33%

\*No projected funding shortfall for Ameren Illinois Company

Since each utility balances its own budget and administers its own REC contracts, each utility will have **different** deferral rates for June 2022 Invoices

### Example June 10 **Utility-Scale** Invoice From Seller XYZ to Buyer **ComEd**

Invoice Amount: \$10,000

Deferred Payment Amount = \$4,896  
(i.e., **48.96%** x \$10,000)

Reduced Invoice Amount = \$5,104  
(i.e., \$10,000 less the Deferred Payment Amount)

### Example June 10 **ABP** Invoice From Seller JLB to Buyer **MEC**

Invoice Amount: \$150,000

Deferred Payment Amount = \$34,995  
(i.e., **23.33%** x \$150,000)

Reduced Invoice Amount = \$115,005  
(i.e., \$150,000 less the Deferred Payment Amount)

### Single Invoice issued by Seller on June 10, 2022

- Reduced Invoice Amount is paid by last business day of June 2022
- Deferred Payment Amount is paid by last business day of
  - July 2022 (Utility-Scale)
  - September 2022 (ABP)
- All Payment under invoice is subject to IPA True-Up Adjustment

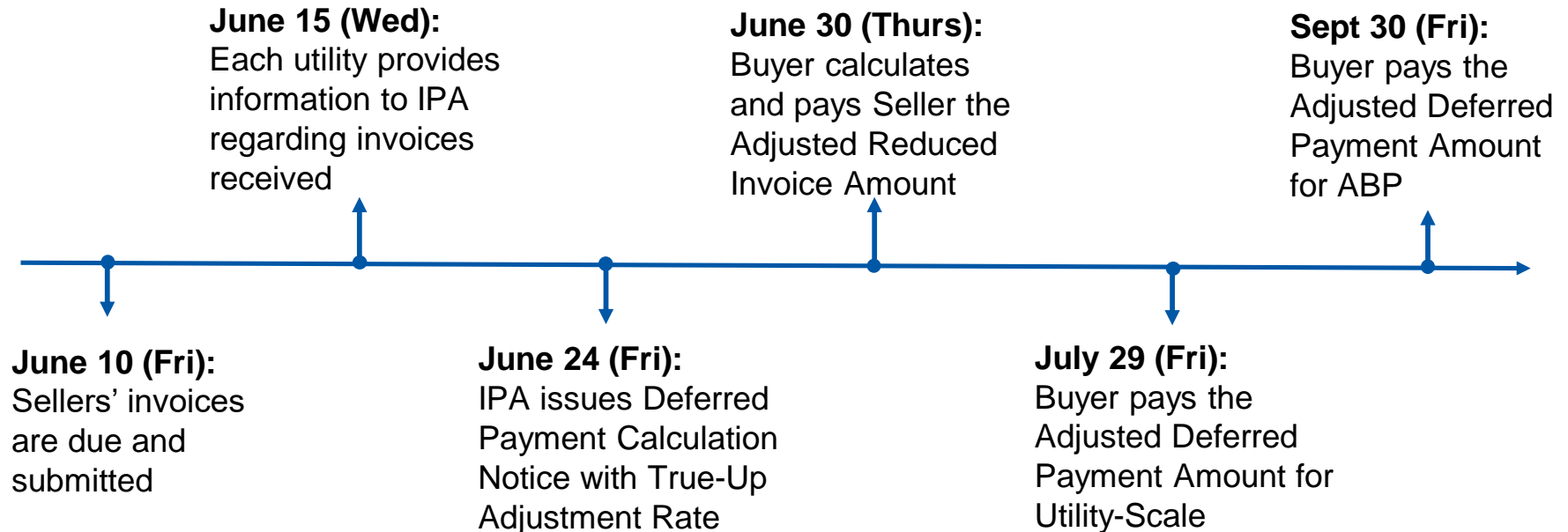


# June 2022 invoices are subject to IPA True-Up Adjustment

## IPA True-Up Adjustment maximizes spending DY 2021-2022 budget by end June 2022

- primarily an adjustment to the **Reduced Invoice Amount** for payment at end of month
  - Reduced Payment Amount increases if actual June expenses < projected expense
  - Reduced Payment Amount decreases if actual June expenses > projected expenses
- results in corresponding adjustment to the **Deferred Payment Amount**

## Process is similar to the monthly updates



# True-Up Adjustment Example – June 2022

(All Numbers are Illustrative Only)

Projected Expenses are Replaced with Realized Expenses as the DY Proceeds

## May 25<sup>th</sup> Deferred Payment Calculation Notice

		Realized				Projected	
Row #	Invoice Month:	Feb 2022	March 2022	April 2022	May 2022	June 2022	Feb-June
1	Budget Remaining:	\$107,360,000	\$55,360,000	\$48,980,000	\$42,480,000	-\$9,520,000	\$113,860,000
2	Spent: Unimpacted Payment	\$5,500,000	\$6,000,000	\$5,500,000	\$5,500,000	\$6,000,000	\$28,500,000
3	Spent: Utility-Scale	\$1,000,000	\$1,000,000	\$880,000	\$1,000,000	\$1,000,000	\$4,880,000
4	Spent: ABP	\$0	\$45,000,000	\$0	\$0	\$45,000,000	\$90,000,000

## June 24<sup>th</sup> Deferred Payment Calculation Notice

		Realized					
Row #	Invoice Month:	Feb 2022	March 2022	April 2022	May 2022	June 2022	Feb-June
1	Budget Remaining:	\$107,360,000	\$55,360,000	\$48,980,000	\$42,480,000	-\$7,520,000	\$113,860,000
2	Spent: Unimpacted Payment	\$5,500,000	\$6,000,000	\$5,500,000	\$5,500,000	\$5,000,000	\$27,500,000
3	Spent: Utility-Scale	\$1,000,000	\$1,000,000	\$880,000	\$1,000,000	\$1,500,000	\$5,380,000
4	Spent: ABP	\$0	\$45,000,000	\$0	\$0	\$43,500,000	\$88,500,000.00

Based on Realized June 2022 invoices, actual shortfall is less than amount projected in the May 25<sup>th</sup> Update.

- Deferral Rates have been over-stated in June 2022 invoices
- IPA True-Up adjustment rate increases the “Reduced Invoice Amount” to be paid in June 2022



05 | Other Contractual Amendments:  
Termination and Suspension

# Contract Amendment also provides the following:

- **No suspension of Delivery Obligations**
  - given there is no net payment reduction (payment is simply deferred)
- **Utility-Scale: Seller's Termination Right**
  - If IPA Deferred Payment Calculation Notice indicates that payment will be deferred in upcoming month, Seller may choose to terminate the contract
    - Seller provides notice by Invoice Due Date
    - Seller's final invoice is still subject to payment deferral
    - Seller forfeits Collateral Requirement
- **ABP: Seller's Right to Remove Designated Systems**
  - If IPA Deferred Payment Calculation Notice indicates that payment will be deferred in upcoming month, Seller may choose to remove systems from contract
    - Seller may only remove systems for which deferred payment is applied
    - Seller provides notice by Invoice Due Date
    - Seller's final invoice is still subject to payment deferral
    - Seller forfeits Collateral Requirement and returns payment for any undelivered RECs

# What if Seller does not execute Contract Amendment?

- **Terms & Conditions of the executed contract shall govern**
- **It is envisaged that:**
  - The date of IPA Deferred Payment Calculation Notice indicating positive Deferral Rates in the upcoming month for **either ABP or Utility-Scale** triggers contract suspension
  - Delivery obligation suspended thenceforth until May 31, 2022; Seller may keep the RECs or sell RECs elsewhere
  - Payment obligation suspended until invoicing month of July 2022
    - no payments shall be made for period when contract is suspended (i.e., suspension start date through May 31, 2022)
    - Payments resume for July 2022 invoicing month for RECs delivered in June 2022



06 | Discussion  
Q&A



07 | Next Steps &  
Reminders

# Comment Process



**August 12**

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<https://www2.illinois.gov/sites/ipa/Pages/RenewableResourcesWorkshops.aspx>
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- Comments will be reviewed by representatives from the IPA, the ABP Program Administrator, AIC, ComEd, MEC, Staff of the ICC, Procurement Monitor and Procurement Administrator

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**Please provide any comments you make today in writing as well.**

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Contact | [IPA.ContactUs@illinois.gov](mailto:IPA.ContactUs@illinois.gov)