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Submitted via email to: IPA.contactus@illinois.gov

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Illinois Power Agency
160 N. LaSalle Street, Suite C-504
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July 22, 2019

RE: 2019 Long-Term Renewable Resources Procurement Plan Update Request for Comments

Dear Mr. Anthony Star,

Thank you for this opportunity to provide comments to the Illinois Power Agency (“IPA”) as the agency prepares to release the 2019 Long-Term Renewable Resources Procurement Plan Update (“Plan Update”) next month.

3Degrees Group Inc. (“3Degrees”) is a leading provider of comprehensive clean energy and carbon services that enable organizations and individuals to transition towards a low-carbon economy. 3Degrees works closely with businesses, institutions, utilities, and other load serving entities across the country to support them in identifying and accessing impactful renewable energy and carbon reduction solutions. We are also one of the largest buyers and sellers of renewable energy credits (“RECs”) and have worked closely with suppliers in Illinois over the past decade to support them in meeting the state’s renewable energy goals.

3Degrees appreciates the breadth of topics for which the IPA is seeking feedback and the careful consideration the IPA has shown in balancing multiple statutory priorities, financial realities, and stakeholder perspectives. 3Degrees’ comments focus specifically on Question A4, related to meeting annual RPS percentage targets.

To the extent that budget exists to meet both the statutorily mandated renewable energy programs and to propose additional procurements, 3Degrees encourages the IPA to prioritize meeting annual RPS percentage targets and propose a balanced approach that includes both forward long-term procurements and short-term contracting (in the form of spot procurements). The discussion of spot procurements has focused primarily on the necessity of spot procurements in order to attempt to meet the statutorily defined annual percentage-based targets. This is indeed a strong argument for spot procurements, but spot procurements also support other goals of Public Act 99-0906 (“IPA Act”), including supporting a diverse and reliable electricity supply portfolio and encouraging renewable energy development in the state to the benefit of Illinois ratepayers.

Spot Procurements are necessary to attempt to achieve Illinois’s percentage-based renewable energy targets

Illinois is currently not on track to meet the annual RPS percentage targets outlined in Section 1-75(c)(1)(B) of the IPA Act in any year. Once the first three priorities under the IPA Act are met, 3Degrees encourages the IPA to incorporate every tool at its disposal towards meeting the percentage-

based RPS targets, including maintaining an active short-term REC market¹ through spot procurements that can support existing and new renewable energy generators.

Short-term contracting allows regulated entities to meet RPS percentage targets in a cost-effective² manner while also supporting the local renewable energy development community. In a rapidly changing energy landscape marked by energy efficiency improvements, technological advances, and the realities of project development uncertainties, flexible procurement ensures renewable energy procurement needs are met without wasteful spending or over-procurement. Short-term REC contracts provide a means of low-risk and cost-effective contracting with local renewable energy generation that is not under long-term contract³. Currently, looking only at Illinois-sited supply, 3Degrees predicts that in 2019 there will be nearly 10 million RECs that are generated in Illinois but for which Illinois will have no opportunity to count the renewable energy towards RPS targets. Spot procurements provide an opportunity to use at least a portion of this annual in-state renewable energy generation to cover the difference between RECs available under long-term contract and the number of RECs needed to meet annual targets.

The IPA should consider the different levers relevant to developing an impactful REC market. The contractual length of procurement does not on its own determine long-term success in achieving RPS targets. Geographic eligibility and eligible REC vintage⁴, for instance, are example criteria that can create a more impactful REC market. Market certainty around eligibility and the existence of predictable spot procurements year-to-year are also important to a successful REC market.

Spot procurements support the development of a diverse renewable energy portfolio

Fostering a short-term REC market through the inclusion of annual spot procurements within the Plan Update is aligned with the structure of successful renewable energy markets; will lead to a geographically balanced and diverse renewable energy portfolio in Illinois; and will foster a voluntary market in Illinois, which can support further renewable energy development.

A robust short-term REC market driven by RPS regulation has been a critical component of renewable energy markets across the country. Many states have relied primarily on short-term REC contracts to meet ambitious renewable energy targets, including Massachusetts, New Jersey, Connecticut, and Maryland. Even in states with strong preferences for in-state and long-term procurement, such as California, the RPS includes short-term REC procurement due to benefits including flexibility, cost reduction, and support for a broader, integrated renewable energy market. An active short-term market punctuated with staggered RFPs can provide relevant indicators of the value of renewable energy (price signals) in the state and lead to more investment in renewable energy in the state and region on an ongoing basis.

In Illinois specifically, a short-term REC market would further support a statewide renewable energy market. Due to active short-term REC markets feeding ambitious renewable energy targets in the Mid-

¹ 3Degrees defines a short-term REC market as one that relies on contracts that are typically one year or less in duration though they can operate with a term of up to 3 years. It is important to note that many other regional markets rely primarily on contracts with a term of one year or less.

² The IPA Act consistently references cost-effective procurement in achieving annual renewable energy targets (Section 1-75(c)(1)(B)).

³ This represents a large portion of regional renewable energy generators, since neighboring state markets rely on short-term contracts, as did the previous Illinois RPS regime.

⁴ Vintage refers to the date when the renewable energy generation occurred. For instance, if renewable energy was generated in July 2019, the REC associated with that generation would have a vintage of July 2019.

Atlantic⁵, much of the PJM-sited renewable energy in Illinois is sold out of state. However, the majority of Illinois is not contained within PJM and does not have access to these markets. Spot procurements would allow all of the state to share in the benefits of short-term REC markets.

Spot procurements are likely to create an important opportunity for non-wind and non-solar renewable energy projects, particularly smaller projects, to be supported within the Illinois RPS. Support for these resources is important to ensure a diverse electricity portfolio. These smaller, more distributed projects can also be an important part of a resilient grid. Where stable short-term REC markets exist, REC marketers like 3Degrees can increase access for these generators by making longer term commitments to purchase RECs, absorbing risk and providing revenue certainty to the projects and cost certainty to energy suppliers.

An active short-term market will also lead to more development in the region by supporting the voluntary market. The voluntary market is made up of millions of individuals and businesses who seek to purchase renewable energy above and beyond state mandates. In 2017, this market supported over 111 million MWh of renewable energy in the US.⁶ Voluntary market participants prefer new, local facilities but generally purchase on a short-term basis. Enabling a robust short-term market within the RPS will support this market and bring more demand for new renewables into the Illinois market. If all new projects are tied up in long-term procurement, it removes newer facilities from the voluntary market and requires that these purchasers turn to neighboring markets for their procurement.

In developing the Update Plan, 3Degrees encourages the IPA to continue to pursue long-term renewable energy procurements, as is reasonable and as it sees fit, and incorporate spot procurements to attempt to achieve annual percentage-based targets and strengthen market signals for renewable energy development.

3Degrees looks forward to continuing to engage in the development of the Update Plan. We welcome the opportunity to discuss the above comments in further detail. Please do not hesitate to reach out with any questions, comments, or requests for further information.

Sincerely,

/s/ Maya Kelty

Maya Kelty

Director, Regulatory Affairs

⁵ Notably New Jersey, Pennsylvania, and Maryland.

⁶ O'Shaughnessy, E., et al. (October 2018). *Status and Trends in the U.S. Voluntary Green Power Market (2017 Data)*. National Renewable Energy Laboratory. (p.4) Available at: <https://www.nrel.gov/docs/fy19osti/72204.pdf>