



July 19, 2019

Illinois Power Agency ("IPA") - Anthony Star - Director
160 N. LaSalle Suite C-504
Chicago, Illinois 60601
VIA EMAIL

Dear Mr. Star:

Ameren Illinois Comments Regarding IPA Workshops
Next Long Term Renewable Resources Procurement Plan (LTRRPP)

Thank you for the opportunity to provide comments in response to your recent workshops and the upcoming issuance of the IPA's next LTRRPP.

Competitively Procured RECs vs. Adjustable Block RECs

For purposes of the data provided below, Competitively Procured RECs are defined as:

- Utility Scale REC contracts executed per the IPA's first LTRRPP.
- RECs under Long Term Power Purchase Agreements (LTPPAs) executed in 2010.
- Distributed Generation (DG) REC contracts executed in 2015 through 2017.

Adjustable Block RECs are defined as:

- Community Solar REC contracts executed per the IPA's first LTRRPP.
- Large DG REC contracts executed per the IPA's first LTRRPP.
- Small DG REC contracts executed per the IPA's first LTRRPP.

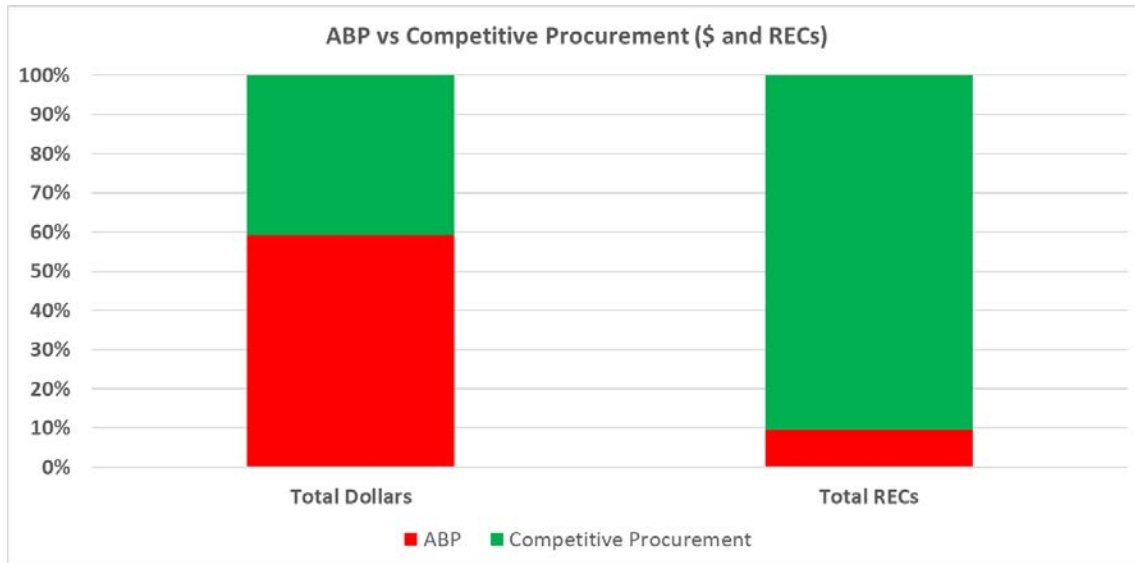
Total RECs are defined as:

- RECs under existing Competitively Procured & Adjustable Block contracts.

Total Dollars are defined as:

- Dollars under existing Competitively Procured and Adjustable Block contracts.

The graph below pertains to Ameren Illinois data only and it illustrates that Adjustable Block RECs account for ~60% of Total Dollars while providing only ~10% of Total RECs. Whereas, Competitively Procured RECs account for ~40% of Total Dollars while providing ~90% of Total RECs. The illustration is clear that Competitively Procured RECs are providing significant value when compared to Adjustable Block RECs.



During one of its workshop presentations, the IPA described that approximately 0.89 million Adjustable Block RECs per year are under contract and another 0.26 million RECs per year are expected to be allocated in the future. The first LTRRPP is therefore expected to achieve 1.15 million RECs per year associated with the Adjustable Block Program (*). This exceeds the 2020 statutory target of 1 million RECs per year and falls only 0.35 million RECs per year short of the 2025 statutory target of 1.5 million RECs per year.

(*See page 10 of IPA presentation "Adjustable Block Program Structure" on June 26, 2019)

Ameren Illinois Recommendations

Utility Scale REC Focus:

Ameren Illinois recommends the IPA focus the next LTRRPP on the procurement of Utility Scale RECs and delay incremental REC awards under the Adjustable Block Program. Doing so will provide the following benefits:

- Utility Scale REC procurements should yield the highest quantity of RECs under contract at the lowest cost to customers.
- The installed MW capacity of newly developed renewable generation within Illinois should be substantially higher should the IPA focus on Utility Scale REC procurements. The addition of this generation would help offset some of the impact of any additional fossil fuel generation retirements.
- Implementing this design would provide a reasonable opportunity to meet the 25% total REC target by 2025, whereas continuing to pursue substantially more expensive Adjustable Block RECs beyond the 1.15 million REC level would likely result in a significant shortfall relative to the target. This is because the higher per unit cost of

Adjustable Block RECs compared to Utility Scale RECs would likely cause the budget cap to be reached well before the 25% target was reached.

- The IPA has six years to procure the remaining 0.35 million RECs needed to satisfy the 2025 the Adjustable Block Program target of 1.5 million RECs. The remaining quantity can be pursued in future LTRRPPs.
- DG solar costs may decline as the market matures. Since the IPA has time on its side to meet the Adjustable Block RECs that remain, delaying procurement may result in lower DG REC prices, thus providing benefit to customers. If the IPA includes additional Adjustable Block purchases in the next LTRRPP it should also include a market assessment that demonstrates that such procurements will result in lower cost for customers compared to delaying such procurements in a plan closer to the 2025 requirement deadline.
- Delaying the award of additional Adjustable Block RECs will also allow the IPA time to formulate appropriate changes to the program design. These potential changes could be discussed within the next LTRRPP, even though we recommend no incremental Adjustable Block REC awards. Our proposed design recommendations are detailed in the next section below.
- The administration associated with the Utility Scale REC contracts is substantially simpler when compared to the Adjustable Block REC contracts and this translates into additional cost savings for Illinois customers.
- The various parties involved in the administration of existing Adjustable Block contracts are faced with a substantial learning curve and the addition of incremental Adjustable Block REC awards would add to an already significant effort. Delaying incremental Adjustable Block REC awards would allow the various parties to further develop processes and controls which would reduce the chances of administrative errors and ensure that customer protections are working as expected.

Other Recommendations:

- Contrary to the IPA's suggestion to use Alternative Compliance Payment (ACP) funds as a smoothing mechanism for the Adjustable Block Program, we agree with the Commission's finding in the first LTRRPP that such funds should be earmarked for Utility Scale REC procurements. We do not support the IPA using ACP funds for the Adjustable Block Program.
- Also consistent with the Commission's finding in the first LTRRPP, we do not support spot procurements (single year or multi-year) that result in contracts from out of state existing renewable facilities. We believe the pursuit of Utility Scale REC contracts is the best way to pursue the percent targets, incent new construction of renewables in Illinois and make efficient use of dollars paid by customers.

Program Design Changes for Future Adjustable Block RECs

The Community Solar and Large DG portions of the Adjustable Block Program encountered significant over subscription. The IPA subsequently implemented a lottery process as a means to select and award contracts. We believe that the over subscription is an indicator that these specific REC prices are currently higher than needed to entice participation. Although we recommend no additional Adjustable Block REC awards in the next LTRRPP, we recommend the IPA consider the following recommendation in subsequent plans (e.g., 2021 plan).

- The IPA should consider lower REC prices for Community Solar and Large DG. We suspect this would eliminate the over subscription issue in the future. However, in the event over subscription were to occur again, we recommend the lottery process be eliminated and replaced with a process where the price would be lowered until the quantity of vendor MWs interested in executing contracts equals the MWs available in the block offering. This design is favorable because it is market based, it eliminates lottery randomness and it makes efficient use of customer paid dollars.

We appreciate the opportunity to provide comments as the IPA prepares for its next LTRRPP. Please let me know if you have questions or wish to discuss further.

Sincerely,

Richard McCartney
kah

Richard McCartney
Director of Power Supply

cc: Mario Bohorquez - IPA
Jim Blessing, Lenny Jones, Justin Range, Brian Cuffle, Peter Millburg – AIC
Torsten Clausen - ICC Staff



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**Ameren Illinois Comments Regarding IPA Workshops
Next Long Term Renewable Resources Procurement Plan (LTRRPP)**

Thank you for the opportunity to provide comments in response to your recent workshops and the upcoming issuance of the IPA's next LTRRPP. These responses focus on the generator interconnection questions and comments posed in the IPA's workshops and its follow up request for comments.

- 1. Solutions to some of the issues raised already exist in tariffs and the interconnection rules.**
 - a. For example, the concern raised about net metering to multifamily buildings has been addressed in AIC's Rider – NM Net Metering tariff where interconnection is required at the distribution system level.
 - i. The only alternative is an expensive landlord solution requiring redundant revenue grade utility meters for each residential unit and generator feed disconnect switches for each residential unit in the building since net metering is an optional service.
 - b. Compensation for energy offtake from any renewably-fueled generator should be available via the federally-mandated Qualified Facilities option regardless of the location of the generator.

2. **Requirements for signed interconnection agreements prior to qualifying for REC procurements are unnecessary and needlessly complicate the Agency's application process.**
 - a. In the recent procurement, distributed generation developers demonstrated the ability to both quickly secure control of hundreds of community solar generator sites and work with local governments to apply the necessary zoning changes to those sites.
 - b. Additionally, many of the same developers were able to identify hundreds more behind the meter generation project opportunities, and secure signed interconnection applications for these projects.
 - i. There are many more available sites for generators – Illinois is nowhere near its capacity to host additional solar generation.
 - c. The existing Part 466 and 467 interconnection rules, which envision the signing of the interconnection agreement after all interconnection issues are fully addressed and acceptable to both parties, are very supportive of additional generator interconnections.
 - i. The interconnection rules become an issue only when waivers or deviations are requested/needed to address uncertainty in program development.
 - d. The bulk of the generation equipment needed is the same regardless of the site selected, allowing developers who are awarded RECs the opportunity to pre-order the necessary solar panels and inverters for the project regardless of the specific site that's ultimately secured.

3. **The Agency's REC delivery collateral requirement is more effective at identifying viable projects than the presence of signed interconnection agreements.**
 - a. By rule, interconnection agreement deposits can be returned in full or close to in full at any time in the development process if the utility has not incurred substantial non-salvable expenses.
 - i. By contrast, the Agency's collateral requirements are more meaningful since it requires developers to be confident not only of their ability to secure an interconnection agreement, but their marketing capabilities for behind the meter prospects/community solar subscribers, their ability to secure financing and their construction management skillsets.
 - b. Relying on the REC delivery collateral will minimize existing confusion among developers between the utility interconnection facility construction deposit and the utility REC delivery deposit.

4. Mandating community solar development within the geographic boundaries of communities will likely drive up development costs and reduce cost-effective opportunities for subscribers.

- a. This approach will significantly reduce the number of available sites and the number of circuits to which interconnections can be made.
 - i. The price of sites of sufficient size to support a community solar facility within corporate jurisdictions is typically higher than outside corporate boundaries, and the challenges associated with securing zoning changes are typically greater as well.
- b. Comparing the amount of community solar development between areas served by electric cooperatives and municipal electric systems, and those served by investor owned utilities, needs to take into consideration the cost and complexity of developing aggregated net metering billing systems.

Thank you for the opportunity to provide input into the IPA's next LTRRPP.

Sincerely,

Peter Millburg kah

Peter Millburg
Senior Manager – Regulatory Compliance

cc: Mario Bohorquez - IPA
Jim Blessing, Rich McCartney, Lenny Jones, Justin Range, Brian Cuffle – AIC
Torsten Clausen - ICC Staff