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Adjustable Block Program
2019 Long-Term Renewable Resources Procurement Plan Update
Request for Comments
July 22, 2019

Dear Mr. Anthony Star and the Illinois Power Agency:

SRECTrade, Inc. (“SRECTrade”) appreciates the opportunity to provide feedback on the 2019 Long-Term Renewable Resources Procurement Plan Update. The Adjustable Block Program (“ABP”) has undoubtedly been successful in creating solar development interest from customers, installers, Approved Vendors, and other stakeholders. SRECTrade believes that ABP stakeholders would further benefit from a few changes related to application onboarding and ongoing administrative requirements. SRECTrade clarifies the Request for Comments question and our respective comments for a few questions below.

C. 3. REC Pricing.

SRECTrade does not have any comments on specific price levels or the rate of block price reductions, but SRECTrade would like to reiterate the importance of providing a clear, long-term price schedule which will enable ABP stakeholders to forecast values beyond the currently available blocks. SRECTrade notes that the current 4% block price reduction rule serves this purpose well.

C. 4. Project Application Requirements.

SRECTrade understands the necessity for most of the Project Application Requirements. However, SRECTrade believes that there are some requirements which not beneficial to the ABP and still create more work for completing an entire project’s application. The ABP has more requirements than many other state SREC programs which SRECTrade believes still function well.

Regarding the Sale Contract between the installers and customers, SRECTrade believes that it would be beneficial for the ABP Administrator to provide examples and/or more guidance for how Approved Vendors can ensure that Sale Contracts comply, not just the items that need to comply.

Furthermore, it would be beneficial if Approved Vendors were provided with specific examples of documentation for application requirements that would generally be approved (for example, listing an “Aurora Solar Shading Analysis” as acceptable). In some instances, such as non-ministerial permits, SRECTrade completed research to better understand the general requirement for non-ministerial permits, but it was still necessary to go back and forth with the ABP Administrator to confirm exactly what was required.

SRECTrade also recommends that there be two separate application processes for energized and non-energized systems. Right now, the same Part 1 and Part 2 application process is utilized for both types of systems. Instead, for energized systems, there should just be one Part which requires everything upfront, before the batching process. SRECTrade believes that the current Part 1 and Part 2 application process is reasonable for non-energized systems.

Regarding project application changes between Part 1 and Part 2 of the process, the increase in the AC



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system size of less than the larger of 5 kW or 25% (within the allowable range) results in an increase of estimated REC delivery obligation, while maintaining the lesser of the REC contract value. SRECTrade understands that an increase in AC size will affect the management of budget for allocated REC contract pricing and that the estimated REC contract value should remain the lesser between both parts of the program. However, SRECTrade is not in agreement with the notion that although the REC contract value remains the lesser of both parts, the system is obligated to deliver the full REC amount correlating to the system's AC size. As such, increasing a system's size between the Part 1 and Part 2 applications should not result in an increase of estimated REC delivery obligation since the REC contract value is unaffected by that adjustment.

C. 5. Contract structure.

In general, the fundamental structure of pre-payment has created a misalignment of incentives between the solar asset owner and the Utility, and has created most of the complexity and cost (via risk mitigation) in the ABP. SRECTrade understands that this requirement is part of the law and cannot be changed through this process but recommends the Illinois Power Agency to take all steps possible to address this issue. Exacerbating the issue is the fact that Approved Vendors are often stuck in the middle of this transaction between the system owner and the Utility. The Approved Vendor assumes all liability and risks defaulting on their entire portfolio (often many owners) should one or a handful of projects default.

SRECTrade appreciates the fact that the Approved Vendor must have some skin in the game to perform the administrative duties required to ensure RECs are delivered, but SRECTrade does not feel it is appropriate to put Approved Vendors at risk for the performance of solar assets which they do not own. SRECTrade recommends evaluating the option for assets to be removed and assigned to the owner in extreme situations where the asset is not performing and all efforts by the Approved Vendor have been exhausted to maintain collateral. This would ensure that Approved Vendors acting in good faith will be able to continue to service performing assets and not risk defaulting on their entire portfolio due to liabilities created from bad actors/assets. This would also spread the risk of default from the utility's perspective. Consider an example where an Approved Vendor is managing \$50mm in REC contract value. If \$10mm in REC contract value defaults (systems underperform, owners walk away, etc.), the Approved Vendor may not be able to meet the \$10mm liability and subsequently default on the entire \$50mm REC contract. The result would be that the remaining assets would be without an Approved Vendor and the Utility would likely sustain more losses than the \$10mm. By having a last resort option to separate the underperforming assets, Utility risk would be diversified, and owners would be liable directly to the Utility, who in theory have a greater capacity for recovering those liabilities.

This is a fundamental issue which prevents third-party Approved Vendors from servicing parts of the market and has prevented SRECTrade from participating in the Solar For All Program altogether.

C. 6. Credit and collateral.

The 5% collateral requirement appears to be a manageable level for project owners to put in place prior to building a project. However, the mechanism for allowing interconnected systems to withhold collateral from the first payment, rather than paying up front, is fundamentally flawed. The issue here is that the Utility must receive Part 2 approval notification from the ABP Administrator before the collateral due date (30 days from contract date) in order to withhold collateral. The Part 1 to Part 2 process with the ABP



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Administrator, however, makes meeting this deadline extremely challenging as Part 2 applications are not reviewed until the contract date and InClima has guided Approved Vendors to submit Part 2 applications four weeks in advance of the collateral due date. This leaves a very small window in which Approved Vendors can submit Part 2 applications and an even smaller window to correct deficiencies.

SRECTrade would recommend that a GATS Approval and Standing Order initiation be the only requirement to have a system be eligible to withhold collateral. Under this scenario, the Utility can be assured that they are set up to receive RECs while the system owner completes their final application with the ABP Administrator. Given the high incentive to complete Part 2 and receive ABP funding, SRECTrade believes systems will be motivated to complete the Part 2 application and at that stage of the process there is no risk of applicants using this rule to take advantage of the application system.

Regarding ongoing collateral maintenance, SRECTrade believes there are several areas in the Utility contract that could be improved. In general, the structure of evaluating projects at a portfolio level has created more complexity than benefit. The blending of system specific requirements (# of RECs, price, collateral start date/end date) and the portfolio level requirements has created most of this complexity. While evaluating compliance on an individual system basis may seem more complicated, SRECTrade believes it simplifies the process as the rules for each project are clearly defined and can be tracked. Under the current parameters, Approved Vendors, Utilities, and the ABP Administrator must track system-level information as well as portfolio level information, or often reconcile the two. SRECTrade recommends that this be re-evaluated during the contract review period.

C. Contract non-execution/collateral non-payment.

SRECTrade believes that there is one circumstance where exceptions should be considered to penalizing Approved Vendors for contract non-execution. The below wording on page 42 of the Final Program Guidebook may already address this to some extent:

“... any such discipline will be based on the Program Administrator and IPA’s review of the circumstances under which the contract (or Product Order) was declined.”

SRECTrade believes that a more specific reference to the below circumstance should be made, however. Specifically, since the deadline for posting collateral can fall significantly after batch application submission (following P1 approval, Illinois Commerce Commission batch approval, and the 30-day period after contract execution), Approved Vendors applying for third-party system owners face an issue where system owners do not want to pay collateral far in advance of its due date, but Approved Vendors face penalties for non-execution in cases where they have not received the required collateral. Approved Vendors should be exempt from non-execution for instances in which multiple, good faith attempts have been made to collect collateral from third-party system owners but collateral was not received prior to the contract execution due date.

D. 3. Approved Vendor model.

In general, SRECTrade believes that the Approved Vendor model works well to ensure only entities that have the ability to apply for and manage REC contracts can participate at that level. However, SRECTrade believes that many of the requirements and responsibilities placed on Approved Vendors are either overly burdensome or not relevant to the role in which they are filling. Many of the requirements such as the



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marketing guidelines, contract requirements, and background checks are specific to different Approved Vendor Designees that the Approved Vendor may work with and are often outside of the Approved Vendor's control. While the Approved Vendor can attempt to police this activity it is time-consuming and costly and often not consistent from one Approved Vendor to another. Additionally, in compliance-related issues, SRECTrade has found that the ABP Administrator ends up dealing directly with the installation company, resulting in the Approved Vendor acting only as a middleman for information.

SRECTrade believes that a more efficient and fair structure would be to have an "Approved Vendor Designee" process in addition to the Approved Vendor process. This would eliminate a lot of double work that is being done and in practice the program is already treating the installer and Approved Vendor as separate entities. This would also protect good faith acting Approved Vendors from third parties that could jeopardize their Approved Vendor status.

On a separate note, the current marketing guidelines require Approved Vendors to "maintain a record confirming that a criminal background check has been performed on its employees or agents [engaged in in-person solicitation]." While this requirement is reasonable for Approved Vendors' own employees engaged in in-person solicitation, this requirement creates unnecessary administrative burden for Approved Vendors related to their Approved Vendor Designees that are engaged in in-person solicitation. SRECTrade believes that the criminal background check should still be a requirement for all such salespeople, but that Approved Vendors should only need to collect criminal background check records from their Designees when called upon, such as during an audit or after a customer complaint. In either of these instances, a more robust investigation of ABP rules and compliance already takes place, in which case an Approved Vendor would likely already need to call upon additional materials from Approved Vendor Designees (for customer communication, process summaries, etc.).

D. 4. Illinois Shines

The Illinois Shines brochure should include a reference to the average length of time that is required for applications to receive payment. SRECTrade has received some complaints from customers and Approved Vendor Designees regarding frustration with 1) the length of this timeline and 2) the uncertainty of this timeline. SRECTrade believes that presenting an average, conservative figure upfront could help set appropriate approval expectations moving forward. SRECTrade also recognizes that providing a range may be required, since there are multiple steps that must complete before contracts are paid. SRECTrade believes that two items of information should be included, 1) conservative, approximate timeline required for a P1 application to receive ICC Approval, and 2) conservative, approximate timeline required for an ICC Approved application to be paid. While this information may be present in the Final Program Guidebook, customers are typically not familiar with this resource.

D. 6. Consumer protection requirements

This comment is also related to the question posted in "D. 5. Disclosure forms". A number of Installation Contract Requirements are duplicate requirements with terms presented in the Disclosure Forms. SRECTrade believes that it is sufficient for each term to be required in either the Sale Contract or Disclosure Form, not both. In cases of duplicates, it seems preferable to only require the terms in the Disclosure Form, since the document is standardized and could be easier for customers to understand. SRECTrade thus proposes that duplicate requirements/terms are removed from the Installation Contract Requirements.



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Thank you for your time and consideration on SRECTrade's comments and please contact us with any questions.

Sincerely,

SRECTrade, Inc.