June 27, 2017

RESPONSE OF THE RENEWABLES SUPPLIERS

TO THE ILLINOIS POWER AGENCY'S REQUEST FOR COMMENTS

CONCERNING THE

LONG-TERM RENEWABLE RESOURCES PROCUREMENT PLAN

On June 6, 2017, the Illinois Power Agency ("IPA") issued a Request for Comments seeking responses to specific questions on topics relating to development of the IPA's initial Long-Term Renewable Resources Procurement Plan ("LTRR Plan" or "Plan") pursuant to Section 1-75(c) of the Illinois Power Agency Act, 20 ILCS 3855/1-75(c), and Section 16-111.5(b)(5) of the Public Utilities Act ("PUA"), 220 ILCS 5/16-111.5(b)(5), each as amended by Illinois Public Act 99-0906 effective June 1, 2017. The following companies (collectively, the "Renewables Suppliers") are pleased to have the opportunity to submit this response to the IPA's Request for Comments:

- Avangrid Renewables, LLC
- EDP Renewables North America LLC
- Invenergy LLC
- NextEra Energy Resources, LLC

I. Interest of the Renewables Suppliers

The Renewables Suppliers are leading developers and operators of utility-scale renewable resources generating facilities in the United States, including within the Midwestern region that encompasses Illinois. The Renewables Suppliers' objective is to develop and operate renewable generation (both utility-scale and distributed generation) that provides clean, reliable electricity at competitive prices to consumers, including consumers in Illinois. Project companies of the Renewables Suppliers currently hold long-term power purchase agreements ("LTPPA") with Commonwealth Edison Company and/or Ameren Illinois Company to supply electricity from renewable resources bundled with the associated renewable energy credits ("RECs") to meet the purchasing utility's obligations under the Illinois Renewable Portfolio Standard ("RPS"). These LTPPAs were awarded and entered into through IPA procurement events and approved by the Illinois Commerce Commission ("ICC") pursuant to Section 1-75(c) of the IPA Act and Section 16-111.5 of the PUA.

The Renewables Suppliers anticipate participating, through their project companies, in future IPA renewable resources procurement events pursuant to its LTRR Plans that are developed under amended Sections 1-75(c) and 16-111.5(b)(5). Assuming suitable opportunities are presented by the IPA's LTRR Plans and by specific procurement events, the Renewables Suppliers' participation could include bidding to supply RECs from new utility-scale wind or solar generating facilities to be located in Illinois or adjacent states.

The Renewables Suppliers are interested in all aspects of the IPA's initial LTRR Plan that will be developed pursuant to amended Sections 1-75(c) and 16-111.5, even though one or more Renewables Suppliers may not participate in certain of the procurements to be encompassed by the Plan. The IPA's (and the ICC's) determinations as to the amounts of RECs to be procured through specific components of the Plan may impact the amounts of RECs that can be procured

through other components of the Plan. However, at this time the Renewables Suppliers' response to the IPA's Request for Comments is limited to the questions under two topics: "Geographic Eligibility of Renewable Energy Resources," and "Meeting Percentage-Based RPS Targets."

II. Geographic Eligibility of Renewable Energy Resources

The Renewables Suppliers' overriding concern relating to the geographic eligibility provisions in Section 1-75(c)(1)(I) of the IPA Act (20 ILCS 3855/1-75(c)(1)(I)) is that they not be applied in a manner to exclude renewable generating facilities located outside of Illinois that, other than their geographic location, have comparable characteristics and capabilities as in-State facilities, and thereby create a basis for Constitutional or other legal challenges to the statute, the LTRR Plan, or specific procurement events. Such challenges would be extremely disruptive to the process and progress of increasing the penetration of renewable energy resources in Illinois' electricity supply. More importantly, application of the geographic eligibility provisions in a manner that excludes out-of-state renewable generators having comparable characteristics and capabilities to in-State generators would be contrary to the best interests – using the statutory term, to the "welfare" – of Illinois electricity consumers and Illinois citizens in general.

The LTRR Plan's REC procurement events will be competitive procurements based on price, with the objective of procuring cost-effective RECs to meet the statutory RPS requirements. Allowing a larger pool of existing and prospective renewable generating facilities to participate in the competitive procurement events will likely produce lower bid prices and, ultimately, lower RPS compliance costs for Illinois electricity consumers, and enhance the public welfare. In contrast, an unduly stringent application of the geographic eligibility provisions to exclude out-of-state renewable generators from participating in the procurement events will artificially restrict the supply of RECs being bid into the IPA's procurement events and will not produce the best REC prices for Illinois consumers.[1] Indeed, limiting the pool of eligible REC suppliers through exclusion of prospective suppliers located in adjacent states could result in higher bid prices for RECs that cause the statutory price caps of Section 1-75(c)(1)(E) of the IPA Act (20 ILCS 3855/1-75(c)(1)(E)) to be exceeded, thereby resulting in the procurement of fewer RECs than called for by the RPS targets. Such an outcome would be harmful to the "health" and "safety" of Illinois residents as well as to their welfare.

Further, minimizing RPS compliance costs for consumers is fully consistent with the legislative goals and objectives in the IPA Act, as amended by P.A. 99-0906. The Legislature has declared in Section 1-5(1) of the IPA Act that "the health, welfare, and prosperity of all Illinois citizens require the provision of adequate, reliable, *affordable*, efficient, and environmentally sustainable electric service *at the lowest total cost over time*, taking into account any benefits of price stability." 20 ILCS 3855/1-5(1) (emphasis added). The Legislature has directed the IPA to develop procurement plans to ensure adequate, reliable, efficient, and environmentally sustainable electric service at the lowest total cost over time. 20 ILCS 3855/1-5(5) and (12)(A).

Although the Legislature has deemed that renewable generating facilities located within Illinois automatically satisfy the "public interest criteria" of Section 1-75(c)(1)(I), the IPA should "qualify" renewable generators located in adjacent states if the adjacent state generator

[1] Any location-related characteristics of an out-of-State renewable generator that cause it to have either higher or lower costs than a renewable generator located in Illinois can be expected to be reflected in the prices bid by these prospective suppliers in the IPA's competitive REC procurement events.

demonstrates, through a simple narrative submission to the IPA, that it can promote and support achievement of the enumerated public interest criteria in a manner comparable to in-State renewable generators. Further, to ensure the IPA has the information needed to judge such comparability, all prospective REC suppliers – both renewable generators located in Illinois and renewable generators located in adjacent states – should be required to submit the same information to the IPA. Obviously, the IPA needs to collect information on how in-State renewable generators will promote and support achievement of the "public interest criteria" in order to be able to ascertain whether renewable generators located out of State can promote and support the "public interest criteria" in a manner comparable to in-State generators.

Further, the overriding factor in evaluating whether a renewable generator will promote and support achievement of the "public interest criteria" is that the generation of a megawatt-hour ("MWh") of electricity by a renewable generator (which is necessary to produce a REC) almost certainly displaces the generation of a MWh by a fossil-fueled generator (most likely a fossil-fueled generator located in or nearby to Illinois), which (had it been generated by fossil-fueled generation) would have contributed to the adverse environmental impacts listed in Section 1-75(c)(1)(I). Therefore, for purposes of "qualifying" renewable generators located in adjacent states, the IPA should require the submission of the following information by both prospective suppliers with facilities located in adjacent states and those located in Illinois. This information flows directly from the "public interest criteria" in the statute:

- Estimated amount of sulfur dioxide emissions that the renewable generator will avoid for a given amount of generation (as compared to the displaced fossil generation).

- Estimated amount of nitrogen oxide emissions that the renewable generator will avoid for a given amount of generation (as compared to the displaced fossil generation).

- Estimated amount of particulate matter that the renewable generator will avoid for a given amount of generation (as compared to the displaced fossil generation).

- Estimated amount of carbon dioxide emissions that the renewable generator will avoid for a given amount of generation (as compared to the displaced fossil generation).

These estimates would be prepared by the prospective REC suppliers based on a hypothetical baseline one-year status quo generation mix prepared by the IPA (or by the procurement monitor at the IPA's direction), so that each renewable generator's estimate of emissions reductions is prepared against a common baseline.[2] The objective of these submissions would not be to obtain precise estimates of the reduction in emissions that would result from awarding contracts to particular generators, or to rank prospective REC suppliers on the basis of the emissions reductions they would achieve. Rather, the objective of these submissions would be to verify that an adjacent state renewable generator seeking to be "qualified" can achieve emissions reductions comparable to those achievable by in-State renewable generators. Further, the IPA may elect to establish minimum threshold values for these metrics, but any threshold values must be set at values that can be met by in-State as well as adjacent state renewable generators. Stated differently, adjacent state renewable generators should not be required to show greater reductions in emissions than in-State generators, in order to "qualify" to supply RECs for RPS compliance purposes.

[2] The hypothetical baseline status quo generation mix could be developed using current or recent information about existing generating units and their outputs serving load in Illinois, but it would not be necessary for this purpose to replicate the actual generation mix and output in the baseline scenario.

Two other specific factors listed in the "public interest criteria" in Section 1-75(c)(1)(I) are "increasing fuel and resource diversity in this State" and "enhancing the reliability and resiliency of the electricity distribution system in this State." With respect to the former factor, any procurement of RECs in accordance with the RPS standards to serve retail load in Illinois will, by definition, "increase fuel and resource diversity in this State." Therefore, no additional information is needed in order to "qualify" an adjacent State renewable generator proposing to supply RECs for RPS compliance purposes in Illinois. With respect to "enhancing the reliability and resiliency of the electricity distribution system in this State," this factor is not relevant to utility-scale renewable generating facilities, which typically interconnect to the existing grid at transmission-level voltages. Instead, this factor is pertinent to more localized supply sources such as distributed generation resources and community solar projects which would connect to the grid at distribution-level voltages. Therefore, this factor should not be taken into account in qualifying adjacent state renewable generators to supply RECs for RPS compliance purposes.

With respect to Question A.2 in the Request for Comments, the IPA should not use a weighted scoring system or other quantitative scoring system for purposes of qualifying adjacent state renewable generators to supply RECs for RPS compliance purposes. The use of a detailed, quantitative scoring system would increase the possibility of, and opportunities for, complaints about and challenges to the qualification determinations and, ultimately, the procurement event results. Such outcomes would be counterproductive to achieving the ultimate goals of the long-term renewable resources procurement process and the Illinois RPS. Instead, the IPA should establish a simple set of questions, as outlined above, which prospective REC supplier can answer in a narrative submission, including the estimated emissions reductions.

The Renewables Suppliers emphasize that as prospective suppliers of RECs for Illinois RPS compliance purposes, including, potentially, through new utility-scale wind and solar projects, they are interested in developing and operating cost-effective renewable generation projects that can be price-competitive in the energy and REC markets. In developing such projects, the Renewables Suppliers (and, they believe, other developers in the industry) seek to site their new projects based on factors that will benefit their competitiveness, cost-effectiveness, and financeability, including average wind speeds, land availability and costs, construction costs, permitting requirements, and access to and cost of transmission service. Political boundaries are not, and should not be, relevant considerations in these determinations.

III. Meeting Percentage-Based RPS Targets

In developing the LTRR Plan, the IPA should focus intensively on procuring RECs through longer-term contracts, consistent with the intent of the amended statute to use long-term contracts to foster new projects. Short-term REC contracts (one to three years) should only be used when necessary to fill in projected gaps in near-term delivery years between the RECs needed to meet forecasted RPS requirements and the amounts of RECs already under contract for those delivery years. The Renewables Suppliers note that the IPA, in developing its energy procurement plans for recent years, has tended to emphasize purchasing RECs under very short-term contracts (one to three years), except when longer-term REC contracts have been mandated by statute. However, a principal purpose of P.A. 99-0906 – the "Future Energy Jobs Act" – and specifically, of the amendments to Section 1-75(c) of the IPA Act to require separate, long-term renewable resources procurement plans, is to incent the development of new utility-scale wind and solar generation projects, in order to meet the State's RPS objectives over the 2017-2025 period and beyond at the "lowest total cost over time." The amended statute recognizes the factual reality that in the

renewable energy industry, new utility-scale projects typically are developed only on the basis of having long-term off-take contracts in place for a sufficient portion of the proposed facility's output to support financing construction of the project.

In this regard (and to the detriment of the objective of developing new projects), amended Section 1-75(c)(1) now calls for the procurement of only RECs (rather than bundled RECs plus energy) to meet the RPS targets. This means that only a portion of the long-term revenue stream – that is, only the REC component – necessary to support the financing of a new utility-scale renewable generation project can be satisfied through a long-term contract secured in an IPA procurement event. In order to support the financing and development of new utility-scale wind and solar projects, developers will be required to also secure long-term contracts for the energy produced by the new facilities. However, a long-term REC contract can make the difference between a project being financeable, and moving forward into construction and operation, and a project not being developed. Moreover, given the focus of amended Section 1-75(c)(1) on renewable projects in Illinois and adjacent states, the development of new utility-scale wind and solar projects will necessitate (and provide opportunities for) developers to enter into long-term energy supply contracts with retail customers in Illinois (such as large industrial, institutional and governmental electricity users) or municipal aggregators. These energy consumers may include companies seeking to relocate to or expand facilities in Illinois who include the availability and price of electricity from renewable generation resources as one of their locational criteria.

Since only REC contracts will be procured through the amended IPA procurement process (*i.e.*, only a portion of the generator's overall required revenue stream will be contracted for), the LTRR Plan needs to emphasize longer-term REC contracts. That is, the emphasis must be on 15 to 20 year REC contracts rather than on 10 to 15 year REC contracts. The overriding consideration, however, is that longer-term contracts are needed in order to support the financing and construction of new utility-scale wind and solar projects to meet RPS targets and serve electricity consumers in Illinois.

Further, long-term contracts for renewable energy and/or RECs are typically entered into at fixed prices over the contract term – either a single fixed price over the contract term, or an initial fixed price with a stated adjustment factor (*e.g.*, 2% increase per year). These typical price terms for long-term contracts provide "the benefits of price stability," which is one of the objectives stated in Section 1-5(1) of the IPA Act. Additionally (as noted in the response to Question A), increasing the pool of utility-scale wind and solar projects available to serve Illinois customers, through incenting new projects by procuring long-term REC contracts, will result in a more competitive market for both RECs and energy in Illinois and thereby result in lower prices and more choices for buyers, to the ultimate benefit of retail electricity users in Illinois.

With respect to Question B.2, the IPA should not develop distinct procurements that target specific renewable generating technologies beyond wind and solar. The Renewables Suppliers do not have specific objections to other renewable energy technologies, however, any portion of the overall RPS requirement that is set aside for other technologies (without being so mandated by the statute) means fewer RECs to be procured through long-term REC contracts that can provide the basis for developing new utility-scale wind and solar projects and thereby achieve one of the fundamental objectives of P.A. 99-0906. Moreover, large-scale wind and solar projects are most likely to produce electricity at lower prices in the amounts needed to fulfill Illinois' ambitious RPS targets.

Respectfully submitted,

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