



COMMENTS OF THE ALLIANCE FOR SOLAR CHOICE REGARDING THE IPA'S DISTRIBUTED GENERATION PROCUREMENT PLAN

July 21, 2014

The Alliance for Solar Choice (TASC) appreciates the opportunity to provide responses to the questions included in the Request for Comments issued by the Illinois Power Agency (IPA) on July 3, 2014. TASC members participated in the IPA's June 12, 2014 workshop and we are grateful for the opportunity to provide these additional comments.

TASC leads advocacy across the United States for the rooftop solar industry. Founded by the largest rooftop solar companies in the country, TASC represents the vast majority of the rooftop solar market. Its members include Demeter Power, SolarCity, Solar Universe, Sungevity, Sunrun and Verengo. TASC's members are particularly interested in expanding their operations in Illinois, and in providing more energy choices to Illinois's residents and businesses.

TASC's recommendations will assist the IPA in developing a simple, transparent and sustainable procurement plan that will assist the IPA in procuring *new* photovoltaic resources and associated SRECs in Illinois. Our recommendations appropriately distinguish between the residential and commercial solar markets, offering proposals that we believe are appropriate for these distinct market segments. Our proposals for the commercial market address projects serving non-profit, school and government facilities.

1. For DG between 25 kW and 2 MW in nameplate capacity, should the IPA consider holding procurements for more than one size range category? Are there other attributes that should be considered (e.g., net metering eligibility, community solar projects, residential/non-residential) in determining procurement categories?

TASC recommends holding separate procurements for RECs generated by residential DG projects and RECs generated by commercial DG projects, with an even split between the two procurements in terms of the percentage of overall funding allocated to each.

For the residential segment, TASC recommends employing a declining block structure, under which the incentive level drops when specific capacity targets are met. This structure, which provides strong transparency that allows developers to plan and price projects more effectively, has been employed very successfully in other states (including California, Colorado and Massachusetts). Most importantly, this system would help guard against a "boom & bust" situation where a very rich REC price would run the program down swiftly and prevent significant build-out. In order to set the level for the first block, TASC recommends that the IPA competitively solicit prices from the market,

using a confidential benchmark that eliminates outliers and translates average (or median) prices into the initial price.

TASC recommends that the IPA solicit bids for a highly reputable third-party administrator to sign standard-offer contracts with individual companies. The “individual company” can be either the system owner, the system installer, or a third party company that is designated by the host customer. After the costs of program administration are subtracted from the funding allocated to support residential projects, the IPA and the third-party administrator would establish three funding blocks with declining prices, but with increasing capacity amounts. (That is, Block 1 would provide the highest price and support the lowest capacity sum, whereas Block 3 would provide the lowest price and support the highest capacity sum.) Funding under each block would be reserved by capacity on a first-come, first-served basis. Awards would take the form of a five-year REC contract paid upfront when the system is energized. The disbursement of incentives upfront would protect contract holders from the risk of awarded funds being repurposed by the State for other budgetary needs. More importantly, upfront incentive payments effectively enhance the value proposition to system users, which can yield lower prices and the development of more DG systems and/or more DG system capacity. This approach also would reduce the program’s administrative burdens (and costs) because an incentive would only need to be disbursed once for each project, as opposed to annually.

Any remaining or unused funds -- including funds allocated to systems that were not energized within the specified timeline -- under a funding block would be added to the next funding block, with all funds being awarded by the close of Block 3. (A waiting list should be established for eligible projects that do not receive funding under a planned disbursement.) To maximize program transparency and participation opportunities, the amounts of capacity reserved and remaining under each funding block should be clearly indicated on a simple program web site.

For the commercial segment, TASC recommends establishing two tiers: one tier to support projects 25 kW to 400 kW in capacity, and one tier to support projects larger than 400 kW but not larger than 2 MW. TASC recommends utilizing an RFP process to procure a minimum of 100 SRECs per award, with awards taking the form of a five-year REC contract paid upfront when the system is energized. The rationale for awarding funds in the form of a five-year REC contract paid upfront for commercial projects is the same as the rationale for doing so for residential projects, as discussed above.

2. How should the IPA define a distributed generation system? Is size of a system defined at the inverter, at the meter, or in some other way?

At the meter.

3. If the IPA holds separate procurements for new and existing systems, how should those terms be defined? For example, is a system under development but not in

operation at the time of the procurement new or existing? If RECs procured from new systems are anticipated to be of higher value than those from existing systems, what can the IPA consider that will prevent the procurement process from having a short-term impact on project development?

TASC believes that program funds should support only new systems. This would be more beneficial to Illinois's growing distributed renewable-energy market than if the funds also supported existing projects.

4. How long and what flexibility should the IPA allow for new systems to commence operation after the procurement event?

TASC recommends that new systems (both residential and commercial) must be energized within 12 months of a funding award, with an optional extension period of six months.

5. What are the advantages and disadvantages of REC contracts of five year terms and those of a longer duration? Please be specific by market segment/size, and between new and existing systems.

REC contracts with a five-year term will lower the cost of DG projects and the price of RECs more effectively than REC contracts with shorter terms, thereby allowing for the development of a greater amount of renewable energy under the procurement. Ten-year REC contracts might yield even lower REC prices, but contracts exceeding five years would also limit the amount of project capacity that could be supported by the supplemental procurement funds. Bearing in mind that the IPA must balance multiple interests in designing this program, TASC believes that five-year REC contracts represent the "sweet spot" of REC contract length.

6. What are the trade-offs between contract terms for new systems that pay for RECs as they are delivered versus contract terms that would allow for some upfront payment upon the system going into operation, but with commensurate enhanced credit requirements and clawback provisions?

Please see our responses to Question 1 and Question 8.

7. What elements may be necessary to include in clawback provisions to ensure that Agency, ratepayer, and stakeholder interests are properly protected?

For awards supporting either residential or commercial systems, if the proposed system is not energized within the specified timeline, then the funding reserved for that project should revert to the larger fund and be reallocated to other projects. A waiting list should

be established for eligible projects that do not receive funding under the initial disbursement; funds awarded for projects that are not energized within the specified timeline would support projects on the waiting list.

If a proposed system receiving funds underperforms after it is energized, the system owner should be permitted to purchase in-state RECs (i.e., SRECs in the case of an underperforming PV system) of recent-year vintage to remedy the system's underperformance. This allows the program to indirectly benefit existing systems despite funds only directly being allocated for new systems.

If a proposed system receiving funds over performs after it is energized, the IPA will automatically receive all of the SRECs generated without having to pay an additional cost, since the entire contract was prepaid.

8. What are the perceived risks that developers, property owners, lending institutions, utilities, utility ratepayers, and other stakeholders may be exposed to as a consequence of the IPA entering into REC procurement contracts with terms of more than 5 years?

There is significant risk for all stakeholders involved. Because of Illinois's extraordinary budget condition, there are concerns that funds set aside for the payment of future contract obligations could be repurposed. (Indeed, in previous years, in order to address budget gaps, money has been transferred out of funds that Illinois created specifically to support clean energy.) Developers and financial institutions must factor this risk into the prices they propose for their projects and the cost of capital. This level of risk will likely yield higher prices, and ratepayers' contributions would ultimately support less renewable energy. Therefore, upfront payment is preferred.

9. What credit requirements may be appropriate for aggregators and other counterparties (i.e., self-aggregating system owners)? Should these requirements vary based on REC portfolio size and system size? If so, how?

TASC does not believe it is necessary to establish credit requirements for commercial projects. Rather, for commercial projects, TASC believes it would be appropriate to require a refundable, upfront deposit of \$50 per kW for proposed projects. Combined with strong clawback provisions and a bid-certification form (or site-control form) that indicates project readiness, a required deposit of this level should be adequate to indicate that a proposed project is viable and/or poses minimal risk to IPA and ratepayers.

10. Are there timing considerations other than those related to DCEO rebates, state and federal tax incentives that the IPA should consider?

TASC has no response to this question at this time.

11. If aggregators are allowed to bid speculatively (e.g., not all projects in their aggregation identified at the time of bidding), what would be a reasonable length of time for aggregators to be given to provide evidence of viable projects, and what provisions should be considered to reallocate quantities of RECs to other aggregators if an aggregator is not able to verify progress on project development?

TASC has no response to this question at this time.

12. What additional provisions, if any, should be included to allow entities to be their own aggregator?

TASC has no response to this question at this time.

13. Given the framework of the Illinois RPS and provisions of the new Section 1-56(i), what models from other states should the IPA consider? Are there aspects of other state's models that the IPA should be aware of to avoid, and why?

TASC has no response to this question at this time.

14. Should the IPA consider tracking RECs using systems other than PJM-GATS and MRETS?

No, these programs have been used successfully in other states with RECs and they are the tools that should be used.

15. Are there policies and procedures for tracking DG RECs (e.g., system certification) that need updating under current M-RETS and PJM-GATS frameworks?

No, these policies are up to date and working successfully in other states with RECs.

16. Participants in our June 12th workshop included project developers, solar installers, both local and national businesses, utilities, trade associations, environmental organizations, consumer advocacy groups, and state agencies. Are there additional entities (or categories of entities) that should be engaged in this process?

TASC has no response to this question at this time.

TASC appreciates the opportunity to provide these recommendations to the IPA. TASC looks forward to sustained engagement in Illinois on solar policy issues to enable a strong solar industry that can help deliver low cost, clean energy to Illinois consumers and further expand consumer energy options.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kevin T. Fox".

Kevin T. Fox

KEYES, FOX & WIEDMAN, LLP
For: The Alliance for Solar Choice

436 14th Street, Suite 1305
Oakland, CA 94612
Telephone: (510) 314-8201
Email: kfox@kfwlaw.com