

Comments of [REDACTED] in Response to Illinois Power Agency March 16, 2020 Request for Feedback

1. With the recent extension of the Production Tax Credit (“PTC”) for 2020, and assuming that there is no further extension, what would be the latest date a procurement would need to be completed in order for you to make use of the PTC for a project participating in the procurement (for example by utilizing the safe harbor provisions)?¹

For a project to ensure an operational start date by the end of 2024, which would allow a 60% PTC value, construction would need to begin no later than Q1 of 2024, turbine supply agreements should be executed no later than Q2 2023, and ideally offtake arrangements should be concluded no later than Q4 of 2022.

2. The IPA has the option of using the contract form from previous utility-scale wind procurements with minor updates (previous contract here, and a summary of the contract structure can be found on slides 16-21 of this presentation), or updating the contract structure as described in the Revised Long-Term Renewable Resources Plan (see Sections 5.3 and 6.7). If the IPA updates the contract structure, the IPA intends to hold workshops on the contract structure and to seek at least one round of written comments on specific contract terms. Such a process is expected to result in the Next Wind Procurement being held no earlier than in late fall 2020 and possibly as late as Spring 2021. If the IPA uses the existing contract with minor updates a procurement could be held in late Summer 2020.

a. How important is updating the contract given the likely impact of such an update on the timing of the Next Wind Procurement? In particular, if the timeline for updating the contract conflicts with the timing needed to make use of the PTC, which would be more important to prioritize?

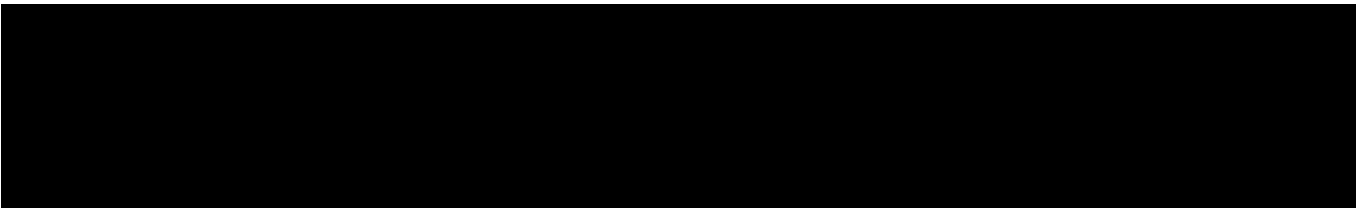
The existing contract structure requires that a project find a separate buyer for energy from the project. Given recent volatility in the energy market, it will be difficult to forecast what price we might be able to secure for energy in the future, which will make it challenging to determine the price that will be needed for RECs. Many of the potential buyers of energy from a wind or solar facility are corporations who also increasingly require RECs from the project. Given the combination of low-value RECs, coupled with this energy market uncertainty, developers may be reluctant to participate in the REC auction.

As referenced in #1, an IPA REC procurement in either Fall 2020 or Spring 2021 should allow a project to secure a PTC at 60% value.

b. Assuming that it is more important to prioritize an update to the contract, what specific provisions from the contract form used in previous utility-scale wind procurements presented a barrier to participation?


The contract should be either for bundled energy and RECs, or have RECs be a floating price similar to the New York State Energy Research and Development Authority (NYSERDA) use of a floating REC structure for the procurement of offshore wind in New York. NYSERDA has since announced the adoption of this floating REC structure for their next onshore wind and solar solicitation.

c. Assuming that it is more important to prioritize an update to the contract, are there other contract forms that you have used or reviewed from other jurisdictions that could serve as a basis for updating the contract structure in Illinois? What are the advantages of these other contract forms?



The floating REC structure outlined in NSYERDA's regular offshore wind solicitations could serve as a starting place for drafting language around the floating REC concept (their next onshore wind and solar solicitation has not yet been launched).

3. [CONFIDENTIAL] Crucial to a successful competitive procurement event is ensuring that a sufficient number of qualified and competitive bids are received, and crucial to obtaining those bids is ensuring that bidders are given sufficient time to achieve the required level of project maturity. How much time would you require to have a project or projects ready for submittal assuming that the level of project maturity required is unchanged from prior utility-scale wind procurements? Are there advantages that would be presented by a later (Spring of 2021) rather than an earlier (Summer or Fall of 2020) bid date that are not captured by previous questions?



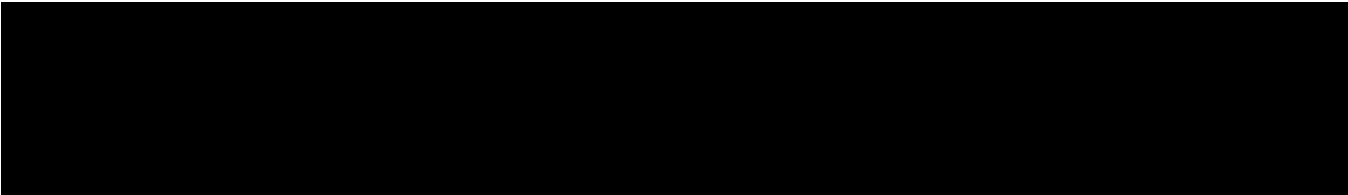
4. The project maturity requirements in previous utility-scale wind procurements are contained in Section IV.2.3 of that procurement's [Rules](#). A participant could either provide an executed Interconnection Agreement for the project or demonstrate sufficient site control. a. Please comment on the appropriateness of these requirements for demonstrating that a project is sufficiently advanced in its development to be eligible to bid, or suggest alternative criteria for consideration. If you propose alternative criteria, please explain your rationale in detail.

A full Interconnection Agreement is not necessary to demonstrate project advancement; having accomplished DPP Phase 1 Study in MISO and Feasibility Study in PJM would be sufficient to evidence that a project has a viable path to interconnect. Sufficient site control is a reasonable standard.

b. One way in which a project could meet the project maturity requirements in prior utility-scale wind procurements was to provide a fully executed Interconnection Agreement. Please comment on the current delays in obtaining an Interconnection Agreement and any uncertainty around the timing of completing interconnection.

With large volumes of new generation entering the interconnection queues in each subsequent queue window/cycle, the timeline for a project to receive an executed Interconnection Agreement is getting increasingly challenging with timelines extending 30-36 months from time of filing to an executed IA.

This is exacerbated by increasing Affected System impacts between RTOs that may only impact a few projects within a cluster, but the RTO cannot release the whole cluster's study report until all affected system studies are received from the affected RTO and results incorporated into the respective cluster studies. For reference, almost all study cycle delays in MISO can be attributed to pending Affected System studies from PJM, Consumers Energy, and SPP. These delays then trickle onto subsequent queue cycles since MISO must complete higher queued cluster studies first before certain assumptions for newer clusters can be determined.



Within PJM, the issue is further complicated by assigning priority to every queue position within the same study cluster. For example - Project A, Project B, and Project C are in the same cluster and share network upgrade costs for Upgrade X. Project B and Project C must wait for PJM to complete Project A's Facility Study, and subsequently wait for Project A to make a decision on whether it intends to sign an IA or withdraw before PJM can get to Project B's Facility Study, and the same process repeats before getting to Project C. This can be an extremely long and unpredictable process since each project has 60 days to decide whether it wants to proceed or withdraw. Should projects withdraw, study assumptions and results must be retooled each time which adds additional schedule and cost risk on each lower queued project. There is little to no financial security barrier in PJM to deter projects from staying in the queue until the very end – something that has now been adopted by multiple RTOs as generation volumes in the queue become unprecedented.

c. Please comment on current obstacles that may be presented by selecting and securing a site for new utility-scale wind projects. Are there ways for the project maturity requirements to accommodate the presence of these obstacle while still ensuring that a project is sufficiently advanced in its development to be eligible to bid?

Our immediate obstacle is related to COVID-19 uncertainty, which has put in-person development activities (landowner and county-level meetings, site surveys, etc.) largely on hold. Local permitting uncertainty also remains a challenge. There are approximately 6-8 counties in Illinois that have effectively banned the development, construction, and operation of wind energy facilities through their zoning ordinance process. There are also numerous examples of counties failing to act on a permit application in a timely manner, adding to the uncertainty of final project COD.

We do not recommend substantial changes to the project maturity standards at this point in time, other than to allow a bidder flexibility in final delivery to account for potential COVID-19 and local permitting delays.

5. The previous procurement required pre-bid collateral of \$5,600/MW (with a maximum of \$4 million for all projects submitted by a bidder) and a post-bid collateral requirement of \$4 times the annual REC quantity (note contract will be for 15 years of REC deliveries). Please comment on whether these amounts are appropriate for pre-bid collateral to ensure bids are from viable projects, and for post-bid collateral to ensure successful completion of projects and REC deliveries during the term of the contract.

These amounts are appropriate. However, we suggest that a surety bond be accepted as a form of collateral. We have recently used surety bonds that closely resemble LCs as a form of PPA security. This provides an alternative for companies that are not investment grade, do not have the ability to provide LCs, and would otherwise need to provide PPA security with high-cost development capital.

6. [CONFIDENTIAL] Illinois features a unique market structure, with the majority of the state's load served by retail suppliers, all while PPAs for energy off-take are unavailable through the state's electric utilities. To what extent is long-term revenue certainty for energy off-take necessary (by opposition to desirable) to finance your proposed project? To what extent do the limited options for long-term certainty around that energy off-take present a barrier in Illinois versus other markets?

