The Renewable Portfolio Standard (RPS)

What is the Renewable Portfolio Standard?

A Renewable Portfolio Standard ("RPS") is a public policy designed to increase the use of renewable energy generated by projects such as solar panels and wind turbines. An RPS requires electric utilities to meet a specified portion of their electric load from renewable energy resources. In Illinois, utilities achieve this by procuring Renewable Energy Credits, or "RECs". [1]

As of the end of 2021, 31 states and the District of Columbia have adopted an RPS, or Clean Energy Standards (CES)[2]. Each state's RPS has its own goals, targets, timelines, and REC eligibility criteria. For example, the Illinois RPS requires electric utilities to obtain 40% of their electric power from renewable resources by 2030 and 50% by 2040 through the procurement of RECs. By procuring RECs, utilities demonstrate their compliance with the RPS.

In Illinois, utilities don't determine what RECs they procure. Instead, the Illinois Power Agency ("IPA") develops plans, administers programs, and conducts procurement events to bring RECs under contract by the utilities. These programs and procurements incent the development of new renewable energy generation needed to meet RPS requirements.

History of the Illinois RPS

In 2007, the Illinois General Assembly established the first version of the state's RPS through Public Act 95-0481, a bill that also created the IPA to conduct procurements of electricity for customers who had not switched suppliers. The original RPS only applied to "eligible retail customers" of Illinois electric utilities. However, in 2009, Public Act 96-0159 instituted RPS targets for Alternative Retail Electric Suppliers ("ARES") with a separate compliance path. The onset of municipal aggregation in 2012 and 2013 enabled a significant increase in customers switching suppliers, and that led to budget uncertainty for the portion of the RPS administered by the IPA, which limited the procurement of RECs to meet RPS targets.

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[1] RECs are certificates that represent the environmental benefits of electricity generated from renewable energy generation, such as solar panels or wind turbines.

[2] According to data from U.S. Energy Information Administration

In 2016, the General Assembly, through Public Act 99-0906 (also known as the "Future Energy Jobs Act" or "FEJA") amended the RPS with significant improvements. FEJA ensured reliable long-term funding and support for new renewable energy development. However, the RPS ran into structural issues related to the collection and disbursement of funds, which were exacerbated by project delays resulting from COVID-19.

The RPS Under CEJA

Public Act 102-0662 (also known as the "Climate and Equitable Jobs Act" or "CEJA"), enacted on September 15, 2021, led to a significant overhaul of the RPS by addressing issues faced under FEJA. CEJA empowered RPS by raising its goals to 40% by 2030 and 50% by 2040 (up from 25% by 2025) and expanding its vision to include diversity, equity, and labor standards.

In addition to the increase in RPS percentage goals, CEJA also included new targets for procurements of RECs from new utility-scale wind and solar projects. This includes a goal of 45 million RECs annually by 2030. Additionally, CEJA increased annual RPS funding from $235 million to over $580 million and provided additional flexibility around how it spends funds, allowing those collected in one year to meet expenditures in a later year.

The expansion of the RPS also includes significant changes to the Adjustable Block Program. They involve a substantial increase in the Program's size, an expansion of the Program from three categories of project types to six, statutory reinforcement of the Program's consumer protection requirements, inclusion of prevailing wage requirements, and the incorporation of policies to ensure an equitable transition to a clean energy future.

CEJA also created a new RPS Self-Direct Program for eligible large customers that purchase RECs from utility-scale wind and solar projects through long-term agreements, in exchange for a partial reduction in the rate that they pay to support the RPS. Under the Program, RECs are received and retired by those individual customers, which then reduces the number of RECs needed to be procured for the utilities.

Goals of the Illinois RPS

- Diversify energy resources and support the development of renewable energy generation in Illinois.

- Stimulate economic development through investment, job creation, and job training programs for the citizens of Illinois.
- Reduce pollutants put into the environment by power plants using conventional fuels such as coal, natural gas, and uranium.

Illinois RPS Features

- The RPS encourages the development of renewable energy to meet Illinois' electricity demands and contains targets for RECs obtained from "new" renewable energy generation.
- The RPS is based on the concept of utilities purchasing and retiring RECs through programs and procurements administered by the IPA.
- The RPS is funded by Illinois ratepayers through a charge on their electricity bills. Illinois electric utilities use those funds to buy RECs.
- RECs used to meet the Illinois RPS may either come from Illinois, or in certain circumstances, from an adjacent state—but only if that adjacent state facility meets public interest criteria that promotes the State's interest in the health, safety, and welfare of its residents.

Learn more at ipa.illinois.gov