

**Vistra Corp.'s Comments on Illinois Power Agency
Request for Stakeholder Feedback on Indexed REC Procurements
and Long-Term Renewable Resources Procurement Plan and Illinois Law**

Vistra Corp. (Vistra), on February 3, 2023, is pleased to submit comments provided in this document on the Illinois Power Agency's (IPA) request for stakeholder feedback on Indexed REC Procurements and Long-Term Renewable Resources Procurement Plan and Illinois Law. Vistra appreciates the opportunity to offer comments and the IPA's ongoing management of such procurements, hard work, and consistent efforts to improve the procurement process and Illinois law as Illinois transitions forward with regards to energy policy.

Vistra's point of contact for any questions concerning these comments is:

Jeffrey Ferry
Senior Director Government Affairs
217-519-4762
Jeffrey.ferry@vistracorp.com

Vistra's answers below are limited to those questions where Vistra desired to provide a response with all other IPA questions deleted.

1. On a scale of 1-10 (10 highest) how would you rate Illinois' present suitability as a host for developing large-scale wind or solar projects? If you did not rate Illinois a 9 or 10, what changes would you recommend making that would change that rating to a 9 or 10?

Vistra Answer:

We would rank Illinois a 5. Some of the key challenges include a lengthy interconnection process, labor costs and availability outside of the Chicago area, permitting challenges (historically), and DEI requirements. Our company is committed to partnering with diverse suppliers and increasing diversity overall, but availability is challenging in southern Illinois. We would recommend consideration is made for that lack of availability outside of population centers and/or include regional considerations.

2. If the objective of the Indexed REC RFP is to incentivize development of renewables in Illinois and to decarbonize the electricity grid, is the current Indexed REC procurement framework effective in helping achieve that objective?

Vistra Answer:

The Indexed REC structure is preferred over fixed payments. However, the volatility of labor and equipment costs and the lengthy interconnection process create risk (and risk premiums) and likely hinder participation in the Indexed REC RFP. We would recommend that a price adjustment structure is incorporated into Indexed REC contracts that allow for developers to pass through extraordinary price increases during the long tenor of development and construction of the projects.

3. If you are a renewables developer, what are your key considerations when making a decision where to develop a project?

a. What are top 5 considerations that would incentivize you to develop a project in a particular state?

Vistra Answer:

The top 5 considerations that would incentivize our company to develop a project are 1) low cost of securing site control through purchase or lease 2) ease of environmental permitting 3) ease of local and state permitting 4) the availability of incentives (federal, state, or local) or market products that provide certainty of a sufficient revenue stream to incentivize capital investment and 5) ease of interconnection to the grid.

b. What are top 5 considerations that would discourage you from developing a project in a particular state?

Vistra Answer:

The top 5 considerations that would discourage our company from developing a project are 1) high cost of securing site control through purchase or lease 2) time intensive and expensive environmental permitting 3) time intensive and expensive local and state permitting 4) lack of incentives (federal, state, or local) or market products that provide certainty of a sufficient revenue stream to incentivize capital investment and 5) difficult and costly interconnection to the grid.

c. Which states feature the most effective models for supporting large-scale wind and solar projects? What lessons from other States would be beneficial for us to consider?

Vistra Answer:

Texas; permitting requirements are transparent and not exhaustive, tax abatements are available to mitigate property tax costs

4. In vertically-integrated states, developers of generation benefit from having unanticipated costs covered through changes in revenue received back by the project. The Illinois model features a fixed bid at a given point in time—generally at a very early stage in the project’s development—with no ability for downstream modification or negotiation around that bid price or other contractual factors.

a. What changes could be made by the IPA or to Illinois law to provide more certainty to developers around the recovery of unanticipated costs or for otherwise handling unanticipated project development contingencies?

Vistra Answer:

Some states or offtakers have allowed for price adjustments to contract prices due to extraordinary price increases of key equipment like solar panels and batteries.

5. If you have participated in one or the prior Indexed REC RFP, please provide feedback on your experience regarding the participation requirements, REC delivery contract requirements, procurement process, and timeline.

b. Is there anything that you felt could be improved?

Vistra Answer:

As to the brownfield procurement there is presently a requirement of documented proof that a renewable site being proposed for development is under one of the enumerated remediation programs in the Statute, governed by USEPA or IEPA. In future procurements perhaps it would be helpful to check with USEPA, IEPA to see what, if any documentation, would have been provided to applicants operating under such programs and that such documents are listed as examples of possible submittals to be provided with procurement applications. In the instance where, a regulatory agency may not have issued such documentation with sufficient specificity to the applicant, an alternative approach, or documentation, should be provided for the applicant to use in submitting the application. Also, the procurement administrator should be made aware of what documentation is acceptable and what to do alternatives need to be considered for such documentation.

8. On a scale of 1 to 10, to what extent have county siting requirements provided a barrier to participation?

b. Are there other barriers, such as endangered species and natural areas regulations, that provide a barrier to successfully siting projects?

Vistra Answer:

Vistra believes that it is important to protect endangered species and preserve natural areas but would note that it is possible that such polices could well prove to be a barrier or create development project delays. It is also possible that some nature areas were created after the development of older electric generation facilities or sites that have since retired or are scheduled to retire. If Illinois desires to maximize the use of existing transmission and development of renewables at former or existing power plant sites and help communities impacted by power plant closures, some consideration may need to be given to how to best balance where such goals are in conflict.

c. Has the Illinois Commerce Commission's Renewable Energy Access Plan development process been helpful in addressing siting concerns?

Vistra Answer:

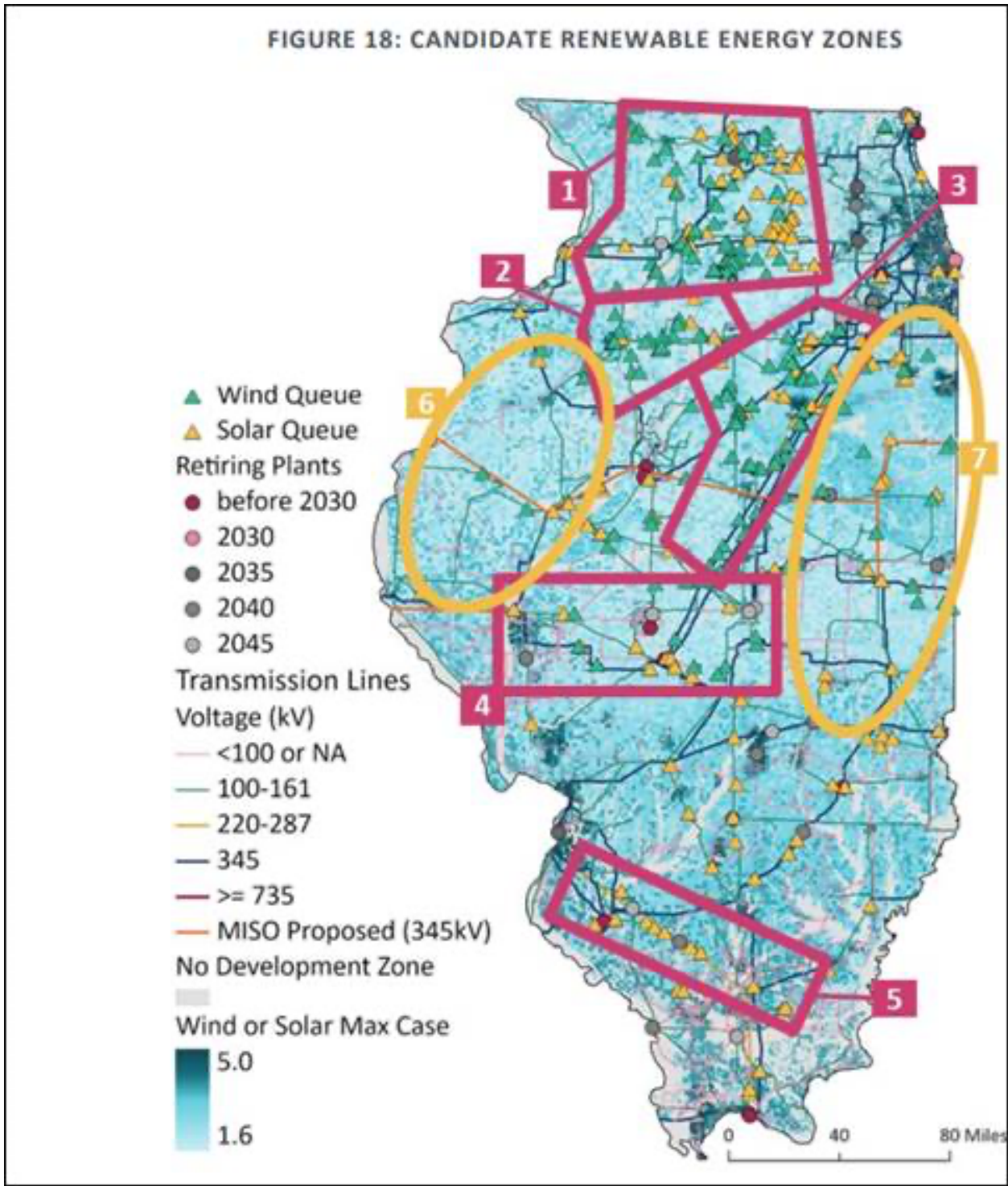
While the ICC's Renewable Energy Access Plan development process and draft plan includes a great deal of insight and discussion into siting considerations and the possible need for consideration of statewide approaches, some of which were addressed in HB 4412, we would note that the proposed plan as it relates to the siting of plants in, to be created, Renewable Energy Zones does appear to leave out certain former coal fueled power plants sites and gas-fueled plant sites that could be suitable for such development. One of the key "strategic elements" addressed in the draft REAP report is prioritizing renewable projects in locations that are "maximizing the use of existing transmission infrastructure." The report indicates that priority renewable energy zones are those areas "where existing transmission headroom,

or headroom created by the retirement of fossil resources, could enable public policy resources.”

The sites excluded include, but may not be limited to, recently closed or existing coal plants that are to be closed by the end of 2027, Joppa (Joppa, IL), Havana (Havana, IL), Duck Creek (near Canton, IL), Edwards (near Bartonville, IL), and Newton (near Newton, IL). It is noteworthy that all these sites have already been awarded renewable projects (solar and/or energy storage) that are in various stages of development and that such sites contain additional parcels that could be developed in the future and that such sites already have access to the grid. Further, it is unclear from the REAP map, if the natural gas-fueled Kendall plant site (Minooka, IL) is included in a proposed Zone, but the site does have space for renewable development, energy storage, and transmission access. The natural gas-fueled Calumet site (Chicago, IL near Calumet Harbor) is also not included in a proposed Zone but would have space to develop renewable or storage technologies and could also be an interconnection site for Lake Michigan Wind, if developed in the future.

If we are going to maximize the ability to restore and renew former fossil fueled power sites, utilize existing transmission, and assist communities and displaced energy workers impacted by plant closures, there should be some additional consideration given to including all existing and former power plant sites, as well as those planned for retirement in the future.

FIGURE 18: CANDIDATE RENEWABLE ENERGY ZONES



9. Supply chain issues, due to the pandemic and tariffs on the solar industry for example, have been widely acknowledged. Did these issues impact your participation in the procurement events? If so, please explain and include a description of any related costs and risks to renewables developers and what you think could be done to help.

Vistra Answer:

Such issues have driven up costs from original estimates by as much ~30% in some instances and created concerns around solar panel availability that did force a reevaluation of how we would participate in such procurements. One possible solution is discussed in answers to questions 2 and 4 a. that would allow for consideration of an adjustment of a REC price for significant costs increases in materials and equipment given the long development process.

11. Wholesale electricity prices increased significantly in 2022 and energy markets have been experiencing significant volatility.

a. Did either the current high energy prices or market volatility impact your decision to bid in the Spring 2022 Indexed REC RFP? Please explain.

Vistra Answer:

No, it did not influence our decision to bid

b. Is the Indexed REC model better suited to periods of price stability or lower wholesale energy prices? Would a fixed price option be preferable during times of price volatility or high prices?

Vistra Answer:

The Indexed REC model is better suited than a fixed price option for a developer because over a long-term contract, there will be periods of price stability and price volatility. And, the Indexed REC products provides better revenue stability over the long term because it flexes during those periods.

12. Understanding that a brownfield site photovoltaic project may not participate in the wholesale energy markets in the same way as utility-scale wind or utility-scale solar projects, is the Indexed REC payment mechanism a barrier to participation for brownfield site photovoltaic projects? Please explain.

Vistra Answer:

As noted in prior answers, Vistra supports the Indexed REC approach but believes that consideration should be given to allow for REC price adjustments where certain costs, such as on materials, equipment, rise significantly. Brownfield sites may have other special considerations that are site specific that drive up costs and challenge the ability of such sites to successfully participate. Vistra offers a suggestion in 15.

14. If battery storage is to be co-located with the renewable project, should the battery be configured in any particular manner? If so, please also explain how this would impact the functioning of the Indexed REC pricing mechanism.

Vistra Answer:

Vistra's experience with planning and developing energy storage in IL, TX, CA, would suggests that the current IL REC pricing mechanisms do not allow for consideration of the cost of energy storage, beyond a very small amount, in a manner that would allow such co-located projects to be competitively bid in as part of a renewable procurement. Consideration should be given to legislation that would allow for the development of a separate procurement for projects that include co-located energy storage as well as

procurements for stand-alone energy storage projects. The ICC study on Energy Storage also contains some recommendations on Energy Storage Pilots which Vistra supports.

15. What other suggestions do you have for how the State of Illinois can better support the development of utility-scale wind, utility-scale solar, and brownfield site photovoltaic projects? Are there barriers in Illinois law which should be reconsidered?

Vistra Answer:

- Brownfield Proof of Environmental Remediation Program. Please see 5 b. for recommendation related to proof of meeting brownfield procurement requirements related to enumerated remediation programs as presently structured.
- Community Transition Grant Procurement Preference – for communities eligible for Community Transition Grants there is a statutory preference in the procurement process for renewable projects located in such communities. Every effort should be made to include this preference in future index REC, utility scale or brownfield, procurements now that the grant program has been established.

As to statutory barriers, consideration should be given to modifying the brownfield eligibility as it relates to development on former, or to be retired, coal-fueled power plant sites, as follows:

- New Brownfield Criteria. Define as to include all property of the former, or to be closed, power plant site, irrespective of any remediation program criteria, to allow the entire power plant property, and/or parcels within to be considered eligible for the brownfield procurement. This will allow site owners to fully maximize the development of renewable, beyond that already awarded REC procurements, on the site especially on smaller parcels that are more likely to be more economically challenged in comparison to other projects that may benefit from economies of scale, or other costs mitigation factors driven by site characteristics and thus be more competitive in the brownfield or utility-scale procurements.
- Increase Percentage of Brownfield RECs – Former Coal Plant Sites. Expand the size of brownfield solar procurement by 3-5% over existing percentages to allow for greater brownfield development particularly on former, or to be retired, coal-fueled power plant sites, to maximize the ability of site owners to develop renewable projects on such sites and have a better chance of overcoming challenging economics, not faced by others, in REC procurements.
- This could allow for the additional development of hundreds of MWs of renewables at sites around Illinois, allow for use of existing transmission, repurpose former coal plant sites, assist communities impacted by plant closures.
- Energy Development Hub and Spoke. If we are to fully maximize the existing transmission infrastructure and create renewable development in communities impacted by plant closures, consideration should be given to treating existing, closed, or to be closed, electric generation sites as hubs for renewable project interconnection. Allowing such an interconnection hub with renewable generation in the region spoking into the hub may allow for a speedier and more efficient interconnection process but will also allow for the development of energy storage, or other future technologies, at the hub location and community.