ILLINOIS POWER AGENCY

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Illinois Shines and Illinois Solar for All
Proposed Renewable Energy Credit Prices for the 2025-2026 Program Year

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Section 7.5.6 of the Illinois Power Agency's 2024 Long-Term Renewable Resources Procurement Plan ("2024 Long-Term Plan) provides that for the 2025-2026 program year[1] the Agency would "conduct an annual refresh of the REC Pricing Model" and that "this will include refreshing inputs from known sources and seeking stakeholder feedback on preliminary prices."[2]

For this update, the Agency began with the 2024-2025 REC Pricing Model, then incorporated updated inputs to derive the proposed 2025-2026 REC prices for the Illinois Shines (Adjustable Block Program) and the Illinois Solar for All Program. The results of those updates and resulting proposed REC Prices for the 2025-2026 Program Year are listed below. The full REC Pricing Model used to calculate these proposed prices is available for download here.

The Agency completed a series of updates to inputs across an array of areas including electricity prices, capacity prices, estimated project costs (e.g., hardware, operation and maintenance costs, land acquisition and lease, etc.) based upon type of project and its nameplate size, utility tariffs, and project financing and internal rates of return. New to this year's update, the Agency conducted a survey focused on obtaining both quantitative and qualitative information from Approved Vendors ("AVs") and Designees on the state of the market, forecast development, and project and market pricing. This information was used to inform project pricing where possible, and qualitatively inform project results relative to market indicators. Further, the Agency has qualified the REC Price Model results based upon the performance of each Program sub-category (e.g. Illinois Shines Distributed Generation or Illinois Solar for All Low-Income Community Solar), aligning the resulting REC prices per sub-category relative to its historic project over-or under-subscription. In instances where the performance of the sub-category substantially deviated from the modeled REC pricing results, which would likely exacerbate the issue identified, the Agency formulaically adjusted the prices for that category. This results in REC Prices that

[1] The term "program year" refers to the period of June 1 through May 31 of the following year and is interchangeable with the term "delivery year" as is commonly used in the energy industry.

[2] 2024 Long-Term Plan at 199. The methodology of the REC Pricing Model is described in detail in Appendix D of the 2024 Long-Term Plan, and model used to set REC prices for the 2024-2025 program year is contained in Appendix E (See: https://ipa.illinois.gov/energy-procurement/current-approved-plan.html for the 2024 Long-Term Plan and Appendices). Additionally, the Agency conducted a workshop and request for stakeholder feedback process on collecting Illinois-specific cost data, and subsequently issued a survey on January 10, 2025. The inputs described herein take into consideration the responses to that survey (See: https://ipa.illinois.gov/content/soi/ipa/en/announcements/illinois-power-agency-releases-2025-cost-input-survey---response.html for more information on the feedback and survey): .

incorporate both market-driven influence and actual program results. A full list of substantive[3] changes made to the model can be found at the end of this document, following the proposed REC prices.

These proposed REC Prices have been released through this document and in the draft releases of both the Illinois Shines Program Guidebook and Illinois Solar for All Approved Vendor Manual. The Agency seeks stakeholder feedback on the updates to the inputs to the REC Pricing Model and the proposed REC Prices for the 2025-2026 program year. Comments are due by March 26, 2025 and should be submitted to IPA.Contactus@illinois.gov.

Responses will be published on the Agency's website. However, should a commenter seek to designate any portion of its response as confidential, that commenter should provide both public and redacted versions and the Agency will only post the redacted version. Independent of that designation, if the IPA determines that a response contains confidential information that should not be disclosed, it reserves the right to provide its own redactions.

The Agency will review stakeholder feedback and will publish final REC prices for the 2025-2026 program year by April 18, 2025. The underlying methodology used to calculate prices for subsequent program years will be established as a component of the next Long-Term Plan.[4]

The Agency cautions stakeholders that the prices listed below are preliminary prices only and may be updated or otherwise changed in the final issuance of the prices based upon stakeholder feedback or the identification of additional relevant data or information. Accordingly, Approved Vendors and Designees should not make representations or commitments to customers that the prices below are final or will be the prices used for project submissions during the 2025-2026 program year.

[3] Substantive changes include new data inputs and/or a refresh of data and information from prior model releases, updated statistics (e.g. inflation), tariff changes (e.g., net metering), and project construction details (e.g., construction times). Minor changes, such as formatting adjustments and grammatical corrections, have not been detailed.

[4] The next Long-Term Plan will be released for stakeholder feedback in August 2025 and is expected to be approved by the Illinois Commerce Commission in February 2026.

Draft REC Prices – Illinois Shines

Distributed Generation

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 10 kW	$73.71	$83.87	$60.90	$73.08	-17.4%	-12.9%	($12.81)	($10.79)
>10 - 25 kW	$63.53	$77.53	$54.20	$65.04	-14.7%	-16.1%	($9.33)	($12.50)
>25 - 100 kW	$55.89	$70.23	$56.27	$67.53	0.7%	-3.8%	$0.38	($2.70)
>100 - 200 kW	$53.63	$63.34	$52.70	$63.24	-1.7%	-0.1%	($0.92)	($0.09)
>200 - 500 kW	$46.58	$54.60	$43.35	$52.02	-6.9%	-4.7%	($3.23)	($2.58)
>500 - 2000 kW	$43.77	$49.49	$40.08	$48.10	-8.4%	-2.8%	($3.69)	($1.39)
>2000- 5000 kW	$33.03	$37.05	$29.33	$35.20	-11.2%	-5.0%	($3.70)	($1.86)

Traditional Community Solar

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 25 kW	$57.49	$70.91	$57.43	$63.49	-0.1%	-10.5%	($0.06)	($7.42)
>25 - 100 kW	$58.84	$72.15	$58.79	$64.51	-0.1%	-10.6%	($0.05)	($7.64)
>100 - 200 kW	$57.50	$69.58	$56.28	$62.24	-2.1%	-10.5%	($1.22)	($7.33)
>200 - 500 kW	$53.46	$64.20	$48.78	$55.91	-8.8%	-12.9%	($4.69)	($8.29)
>500 - 2000 kW	$46.02	$54.24	$42.25	$46.02	-8.2%	-15.2%	($3.77)	($8.22)
>2000- 5000 kW	$33.99	$39.98	$34.36	$33.62	1.1%	-15.9%	$0.37	($6.36)

Community Driven Community Solar

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 25 kW	$73.82	$91.47	$74.15	$81.63	0.4%	-10.8%	$0.32	($9.84)
>25 - 100 kW	$75.40	$92.92	$75.68	$83.11	0.4%	-10.6%	$0.28	($9.82)
>100 - 200 kW	$73.28	$89.36	$72.20	$79.90	-1.5%	-10.6%	($1.08)	($9.46)
>200 - 500 kW	$67.73	$82.24	$62.43	$71.12	-7.8%	-13.5%	($5.31)	($11.12)
>500 - 2000 kW	$57.93	$68.95	$53.45	$58.02	-7.7%	-15.8%	($4.48)	($10.92)
>2000- 5000 kW	$41.94	$49.79	$42.28	$42.06	0.8%	-15.5%	$0.34	($7.74)

Public Schools

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 25 kW	$77.17	$93.17	$77.17	$93.17	0.0%	0.0%	$0.00	$0.00
>25 - 100 kW	$68.57	$84.96	$68.57	$84.96	0.0%	0.0%	$0.00	$0.00
>100 - 200 kW	$65.81	$76.91	$65.81	$76.91	0.0%	0.0%	$0.00	$0.00
>200 - 500 kW	$57.72	$66.88	$57.72	$66.88	0.0%	0.0%	$0.00	$0.00
>500 - 2000 kW	$54.51	$61.04	$54.51	$61.04	0.0%	0.0%	$0.00	$0.00
>2000- 5000 kW	$42.15	$46.74	$42.15	$46.74	0.0%	0.0%	$0.00	$0.00

Draft REC Prices – Illinois Solar for All

Distributed Generation (1-4 Units)

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 10 kW	$180.68	$180.28	$190.56	$180.89	5.5%	0.3%	$9.88	$0.61
>10 - 25 kW	$149.45	$153.65	$165.40	$160.92	10.7%	4.7%	$15.95	$7.28
>25 - 100 kW	$120.27	$125.39	$141.80	$139.37	17.9%	11.2%	$21.53	$13.98
>100 - 200 kW	$117.28	$117.49	$136.59	$132.14	16.5%	12.5%	$19.32	$14.65
>200 - 500 kW	$109.47	$108.46	$125.44	$121.55	14.6%	12.1%	$15.98	$13.10
>500 - 2000 kW	$106.05	$103.31	$121.67	$115.49	14.7%	11.8%	$15.62	$12.18
>2000- 5000 kW	$92.15	$88.59	$105.38	$102.53	14.4%	15.7%	$13.23	$13.94

Distributed Generation (5+ Units)

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 10 kW	$109.11	$122.43	$109.11	$122.43	0.0%	0.0%	$0.00	$0.00
>10 - 25 kW	$92.52	$107.72	$92.52	$107.72	0.0%	0.0%	$0.00	$0.00
>25 - 100 kW	$78.52	$91.88	$78.52	$91.88	0.0%	0.0%	$0.00	$0.00
>100 - 200 kW	$76.66	$85.12	$76.66	$85.12	0.0%	0.0%	$0.00	$0.00
>200 - 500 kW	$69.64	$76.92	$69.64	$76.92	0.0%	0.0%	$0.00	$0.00
>500 - 2000 kW	$66.61	$72.18	$66.61	$72.18	0.0%	0.0%	$0.00	$0.00
>2000- 5000 kW	$55.45	$58.84	$55.45	$58.84	0.0%	0.0%	$0.00	$0.00

Low-Income Community Solar

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 25 kW	$101.53	$120.64	$101.08	$112.80	-0.4%	-6.5%	($0.45)	($7.84)
>25 - 100 kW	$103.26	$122.19	$102.82	$114.73	-0.4%	-6.1%	($0.44)	($7.46)
>100 - 200 kW	$101.28	$118.51	$99.81	$112.24	-1.5%	-5.3%	($1.47)	($6.27)
>200 - 500 kW	$95.59	$111.31	$89.90	$103.92	-5.9%	-6.6%	($5.68)	($7.40)
>500 - 2000 kW	$84.74	$96.63	$80.37	$90.12	-5.2%	-6.7%	($4.37)	($6.51)
>2000- 5000 kW	$66.40	$75.01	$68.26	$72.47	2.8%	-3.4%	$1.86	($2.54)

Non-Profit & Public Facility

	2024-2025 Prices		Draft 2025-2026 Prices		% Change		$ Change	
	Group A	Group B	Group A	Group B	Group A	Group B	Group A	Group B
0 - 25 kW	$101.65	$123.54	$101.93	$115.97	0.3%	-6.1%	$0.27	($7.57)
>25 - 100 kW	$103.20	$120.31	$103.34	$113.32	0.1%	-5.8%	$0.15	($6.99)
>100 - 200 kW	$99.96	$110.66	$98.75	$105.00	-1.2%	-5.1%	($1.21)	($5.67)
>200 - 500 kW	$92.51	$101.32	$88.79	$94.43	-4.0%	-6.8%	($3.72)	($6.88)
>500 - 2000 kW	$89.35	$95.93	$84.81	$87.95	-5.1%	-8.3%	($4.54)	($7.98)
>2000- 5000 kW	$74.97	$79.06	$70.80	$74.25	-5.6%	-6.1%	($4.16)	($4.81)

Explanation of Draft 2025-2026 Program Year REC Prices and Model Input Updates

The REC Pricing Model Input updates described below are based on detailed market research conducted by the Agency's new Procurement and Planning Consultant, Energy and Environmental Economics ("E3"), which was complimented by an Agency issued survey to AVs and Designees and a review of participation levels for each of the Agency administered program sub-categories. Throughout this update the Agency identified multiple opportunities to refresh previous data series and statistics to reflect current market conditions. With the origination of the REC Pricing Model in 2017, without continuous updates, there is a risk that the model and its inputs has become outdated, leading to REC Prices failing to properly align with actual market conditions, resulting in unintended and/or unwanted results on the Programs.

Below, the Agency has provided a substantive review of the major updates that cascade through the REC Pricing Model. Broadly speaking, updates focused on updating project-specific costs (residential DG, large DG, and community solar), project development and operations (e.g., development times and capacity factors) updates to financing terms and rates of return, changes to various tariff provisions (e.g., net metering and retail rates), and incentives. Most updates were driven from public reports and data sources, such as NREL benchmarking reports and utility documents and filings. In addition, cost input data results obtained through the Agency's January 2025 survey issued to Approved Vendors and Designees were also incorporated to the extent practicable. While the survey yielded limited quantitative responses, in instances where data was provided by respondents, it was infused with the Agency researched data and information to create a more complete representation of costs, drivers and related statistics.

Holistically, as provided in summary below and in detail in the REC Pricing Model, the updates made resulted in lower proposed REC Prices for the 2025-2026 Program Year relative to the previous 2024-2025 Program Year. This trend was found across all categories with the exception of three – Illinois Shines Public Schools, ILSFA Distributed Generation (1-4 Units) and ILSFA Distributed Generation (5+ Units). The decreasing prices are found to be a result of a few primary contributors: increasing energy and capacity prices; declining project and operational costs; updated financing assumptions, and for residential projects, the change to net metering compensation (from full retail rate to supply-only for energy exports) and the inclusion of the smart inverter rebate.

As explained previously, the Agency completed a qualitative assessment of the model-drive REC Prices versus Program sub-category performance (subscription levels). Overall, the 2025-2026 REC Prices derived from modeling appear to offer appropriate incentives relative to participation levels. For example, the Illinois Shines Small Distributed Generation category (0-25 kW) has seen substantial over-subscription of projects each year, thus the reflected 12-17% decline in Group A and B REC prices appear to reflect the lower costs to develop these projects and is less likely to undermine continued participation levels. Additionally, the ILSFA Distributed Generation 1-4 Unit sub-category reflects moderate increases to 2025-2026 REC Prices, which reflects growing

development costs and aims to support development of this category which has traditionally substantially underperformed (i.e. low subscription levels).

There were three substantive additional adjustments made by the Agency to the modeled REC Prices. They include a buffer to the declining Illinois Shines Large Distributed Generation (25-5,000 kW) category for Group B, holding the REC Prices for the Illinois Shines Public Schools category flat, and also holding the REC prices for the ILSFA Distributed Generation 5+ Unit category flat. As can be viewed in the REC Pricing Model, the Large Distributed Generation category for Group B saw a 15-26% decline in REC Prices; however, Program activity for this category of projects has seen lower participation levels to date this Program Year which would be compounded by such REC Price declines. To buffer this decrease, the Agency adjusted the prices to roughly mirror the modeled Group A REC Price decreases, maintaining the relative Group A to Group B price spread found in the 2024-2025 Program Year REC prices. This effectively resulted in a 20% buffer to the Group B REC Prices, with an average of a 5% decline in price. The Agency's approach to buffering the REC Prices for both Illinois Shines Public Schools and ILSFA Distributed Generation 5+ Units was the same – both categories are substantially underperforming in terms of project applications, thus prices will be held constant with those used in the 2024-2025 Program Year. Without this change, REC Prices would have declined by 15-25% and 6-11%, respectively. Each adjustment made is based upon clear market and program intelligence, using previous REC Prices and associated spreads to derive the 2025-2026 REC Prices as provided.

Following the release of the final 2025-2026 program year prices, the Agency plans to continue to carefully study the evolving market drivers and input mechanics to the REC Pricing Model and will provide proposed methodological changes and updates in the draft 2026 Long-Term Plan that will be released in August 15, 2025. As part of that process, the Agency will conduct additional stakeholder feedback opportunities this spring.

Summary of Major REC Model Changes

Residential solar capital costs

- Capital costs for 8 kW DC systems (presumed to be residential) were updated using NREL's Q1 2023 benchmark report,[5] which provides cost data per kW for an 8-kW residential rooftop solar system and benchmarked against stakeholder survey responses. The capital costs for the 10 kW distributed generation (DG) system in the REC model is based on the residential system cost from the report.
- Customer acquisition costs, previously assumed to be $0.43/kW, have been adjusted to $0.35/kW based on E3 market intelligence.

[5] See: https://www.nrel.gov/docs/fy23osti/87303.pdf.

- The capital costs of the residential solar system have been adjusted for inflation to reflect the nominal dollar value for a system projected to be installed in 2026.
- ***After applying the above adjustments, the residential capital costs are approximately the same as those used in the 2024 REC pricing model.***

Large DG/Community solar capital costs

- Large DG and community solar capital costs were updated using NREL's Q1 2023 benchmark report, which publishes cost data for a 3,000-kW DC fixed-tilt community solar system. This cost applies to solar projects with a size range between 1,500 kW DC and 6000 kW DC.
- The cost of the ground mount system is used directly for the 2,000-kW system, with costs for other system sizes scaled up or down based on scaling factors from the 2024 REC Pricing Model (which reflect previous versions of the REC Pricing Model that incorporated now discontinued modeling of sizes by NREL).
- The cost of the community solar system was adjusted further based on two factors: inflation and the expected cost decline in nominal terms, following the NREL Annual Technology Baseline ("ATB") trajectory.[6] NREL ATB includes a cost trajectory for commercial solar PV projects from 2022 to 2050, indicating a reduction in costs adjusted for inflation. Both inflationary impacts and the expected reduction in costs due to technological advancements were applied to the capital costs.
- ***With these adjustments, large DG and community solar capital costs have increased by 3-7% compared to the 2024 REC Pricing Model.***

Debt ratio

- Debt ratios have been increased from 45% to 55% debt for most solar types (DG, community solar, community-driven solar, public schools and non-profit/public facilities) based on E3 market intelligence showing higher portions of capital coming from lending in recent portfolios.
- Debt ratio is increased from 35% to 43% for low-income community solar.

Target After-Tax Equity Internal Rate of Return ("IRR")

- The IRR for 0-10 kW systems was broken out from the IRR for other DG sizes, to better reflect diversity among "residential" vs larger-scale systems serving commercial customers.
    - E3 found the current value applied to residential DG appears appropriate based upon understanding of this market segment, but updated the values for other DG

[6] See: https://atb.nrel.gov/electricity/2024/data

and community solar IRRs to better align with current market expectations for these asset classes using publicly available market indices for the risk-free rate, sector return (levered and unlevered), and Debt to Equity (D/E) ratios.
    - The unlevered equity return of the energy equities index is then re-levered by the debt ratios for each REC program category and adjusted to be an after-tax rate of return for input to the CREST model
- The final changes to these values are as follows:
    - For the Adjustable Block Program: 10 kW Distributed Generation systems was 12% and remains 12%. Other Distributed Generation sizes and Public School systems were 12% and have been adjusted to 9%. Community and Community-driven Solar was 14% and have been adjusted to 10%.
    - Solar for All IRR values were also modified proportionally: DG from 12% to 9%, Low-Income Community Solar from 14% to 10%, and Non-profit & Public Facility from 12% to 9%.

Construction period

- Construction periods were updated from 12 months to 18 months for 2000-kW and 5000-kW systems based on E3 market intelligence.

Project management

- Project management costs were updated from $5/kW-yr to $7/kW-yr for all systems.

Interest rate on construction financing

- The interest rate is decreased from 8% to 6% to align with the interest rate on term debt.

Net metering revenues

- Net metering revenues for the 10 kW DG system were adjusted to align with the recent change to supply-only net metering. Rather than full retail rate net metering, the model now utilizes full retail rates for onsite consumption and the supply only rates for the export portion of generation.
- A 60% self-consumption and 40% export split is assumed to calculate the weighted average rates for net metering revenue for the reference system.

Retail rates

- Historical retail rates through January 2025 are used to update the net metering rates. These rates are largely empirical values from the 2024 early 2025 wholesale and retail markets. The single exception is the 2024 commercial rate energy components which are 5-year historical averages – a continuation of previously utilized modeling practice. The

commercial rates have realized historic and future price volatility that the 5-year average is designed to smooth.

- E3 forecasts the remainder of 2025 to reflect ongoing and near-term market dynamics including impact on capacity price from the most recent PJM auction results for the 2025-2026 delivery year to adjust the capacity charges.
- From 2026 and onward, Retail rates are escalated using a 2% nominal growth rate instead of the previous 1% nominal rate, reflecting higher retail rate growth.

Additional rebate on 10kW system

- The $0.25/Watt DC smart inverter rebate is now applied to the 10-kW system, whereas it was previously not included as it was not available to residential customers.

Capacity factors and DC/AC ratios

- Capacity factors and DC/AC ratios for all project sizes have been refreshed to be based on the most recent data from energized Illinois Shines projects.

Program Adjustment Factors

- These factors are applied to the Illinois Shines Group B Distributed Generation category, Illinois Shines Public Schools category (Group A and B), and Illinois Solar for All Distributed Generation 5+ Units category to augment the values of the final REC outputs only (i.e. no underlying inputs or other outputs are changed). They are incorporated to adjust these final values to reflect improved alignment relative to the historic program participation – specifically related to over or undersubscription.