

PUBLIC

**ICC Docket 13-0546 (Rehearing)
Renewable Suppliers' Response to
ComEd Second Set of Data Requests to Renewables Suppliers
ComEd RS 1.10**

Question: Please produce any and all memoranda, communications (including e-mail), or other documents authored or received by each Supplier or its agents within two years before or after entering into each LTPPA that state, describe, refer to, address, or analyze the meaning of the terms and conditions contained in Section D – “Payment Obligations” – of the LTPPAs, including but not limited to each Supplier’s or its agents’ understanding of the meaning of such terms and conditions.

Revised Response: The Renewables Suppliers object to this request as overly broad, unduly burdensome, vague and ambiguous, and not likely to lead to the discovery of relevant and admissible evidence, among other reasons because (i) it purports to require a search for documents existing two years prior to the LTPPAs were entered into, and (ii) it uses the value and undefined term “its agent,” and (iii) it purports to attribute the understanding of the “agents” to the Renewables Suppliers. Without waiving their objections, the Renewables Suppliers provide the following documents:

1. ComEd RS 1-10 Attachment Algonquin-1. This is a ComEd document that is being produced from Algonquin Power Co.’s (“Algonquin”) files but other Renewables Suppliers may have received it as well. Algonquin did not own GSG 6, LLC and the Shady Oaks Wind Farm at the time of the December 2010 long-term renewable resources procurement event and did not participate in the December 2010 procurement event. Algonquin acquired GSG 6, LLC and the Shady Oaks Wind Farm on January 1, 2013. ComEd RS 1-10 Attachment Algonquin-1 was included in files that Algonquin received from the previous owner. Algonquin assumes that the date of this document is the date shown on its cover, September 8, 2010.
2. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-1. The date of this document is November 29, 2010.
3. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-2. The date of this document is November 29, 2010.
4. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-3. The date of this document is September 1, 2010.
5. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-4. The date of this document is September 9, 2010.
6. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-5. The date of this document is September 16, 2010.
7. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-6. The date of this document is September 16, 2010.
8. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-7. The date of this document is September 15, 2010.

9. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-8. The date of this document is November 29, 2010.
10. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-9. The date of this document is November 24, 2010.
11. CONFIDENTIAL ComEd RS 1-10 Attachment NextEra-10. The date of this document is November 24, 2010.
12. ComEd RS 1-10 Attachment Invenergy-1. The date of this document is February 7, 2011.
13. ComEd RS 1-10 Attachment Invenergy-2. The date of this document is September 15, 2010.
14. ComEd RS-1-10 Attachment Invenergy-3. The date of this document is November 18, 2010.
15. CONFIDENTIAL ComEd RS 1-10 Attachment Invenergy-4. The date of this document is August 22, 2011.
16. CONFIDENTIAL ComEd RS 1-10 Attachment Invenergy-5. The date of this document is January 3, 2011.
17. CONFIDENTIAL ComEd RS 1-10 Attachment Invenergy-6. The date of this document is January 26, 2012.

Date submitted: March 13, 2014 (Revised Response submitted April X, 2014)

ComEd RS 1-10 Attachment Algonquin-1

Illinois Power Agency
Long-Term RFP
Renewable Energy & Renewable Energy Credits

Bidder Information Session
Wednesday, September 8, 2010

ILLINOIS
POWER AGENCY

ComEd

NERA
Economic Consulting

ComEd Energy RFPs
For Electric Supply & Renewable Energy Products

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ComEd RS 1-10 Attachment Algonquin-1

Procurement Plan for Long-Term Renewable Energy and RECs

- ❖ **Sep 30, 2009**: the Illinois Power Agency (“IPA”) filed a procurement plan for each of Commonwealth Edison Company (“ComEd”) and the Ameren Illinois Utilities (“Ameren”)
 - ◆ Short-term energy and capacity
 - ◆ Short-term Renewable Energy Credits (“RECs”)
 - ◆ Long-term renewable energy and RECs

- ❖ **Nov 9, 2009**: IPA filed Supplemental Recommendations (“Appendix K”) to add and modify the procurement plan

- ❖ **Dec 28, 2009**: the Illinois Commerce Commission (“ICC”) issued an Order approving Appendix K

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Appendix K

- ❖ Was filed to supplement the IPA's Plan and set forth the key terms of the long term REC procurement and contract
- ❖ Appendix K specifies certain key items which the Commission approved and are not subject to change
 - ◆ Energy to be settled based on a swap and the day-ahead LMP at the utility zone
 - ◆ Delivery minimum of 90% and maximum of 110%
 - ◆ Solicitation open to new and existing units
 - ◆ Buyer not responsible for payments it can not recover through pass through tariffs

ComEd RS 1-10 Attachment Algonquin-1

The Final Long Term Master Agreement was posted on September 7, 2010

- ❖ Posted to the RFP Web site
 - <http://www.comed-energyrfp.com/ltdocuments.asp>
- ❖ All comments by interested parties were considered and evaluated by Procurement Administrator, in consultation with, procurement monitor, ICC Staff, IPA and ComEd representatives
- ❖ The long-term Master Agreement
 - ◆ is standard and non-negotiable
 - ◆ is consistent with Appendix K and ICC Order
 - ◆ Bidders must accept terms prior to bidding
 - Bidders submit executed signature pages of Master Agreement, Schedule to Master Agreement and Paragraph 13 of Credit Support Annex prior to bidding

ComEd RS 1-10 Attachment Algonquin-1

Contract Based on Standard ISDA Master Agreement

Document **structured as follows:**

- ❖ ISDA Master Agreement
 - ◆ Schedule to Master Agreement
 - Credit Support Annex
 - Paragraph 13 to Credit Support Annex
 - Schedule 1 to Credit Support Annex (Standard Letter of Credit)
 - Exhibit A to Schedule 1 (Letter of Full Transfer)
 - Schedule 2 to Credit Support Annex (Exposure Calculation Methodology)
 - ◆ Confirmation
 - Appendix A to Confirmation (**Consent and Agreement**)

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Confirmation Provides the Specifics of the Transaction

- ❖ **Confirmation** will specify
 - ◆ The specific generating unit (tied to a revenue quality meter)
 - ◆ An annual quantity (from Proposal)
 - ◆ Fixed price for floating price energy swap (bid price)
 - ◆ Applicable percentage (from proposal)

- ❖ Although a single Master Agreement would be executed between seller and ComEd, if the Commission approves the seller's bids for several projects, there would be **one confirmation for each project**

ComEd RS 1-10 Attachment Algonquin-1

Tingting Liu

Main Contract Terms

(page nos. in this section refer to page nos. in Appendix K where term is discussed)

Tingting Liu

ComEd RS 1-10 Attachment Algonquin-1

Product Is for RECs and Renewable Energy

- ❖ Seller delivers RECs to ComEd's GATS or M-RETS account
- ❖ Energy must be generated by the Project identified in the Confirmation and delivered to the grid
- ❖ **Single payment** (no separate payment for RECs) begins once RECs are delivered

ComEd RS 1-10 Attachment Algonquin-1

Energy Settlement Is through a Financial Swap

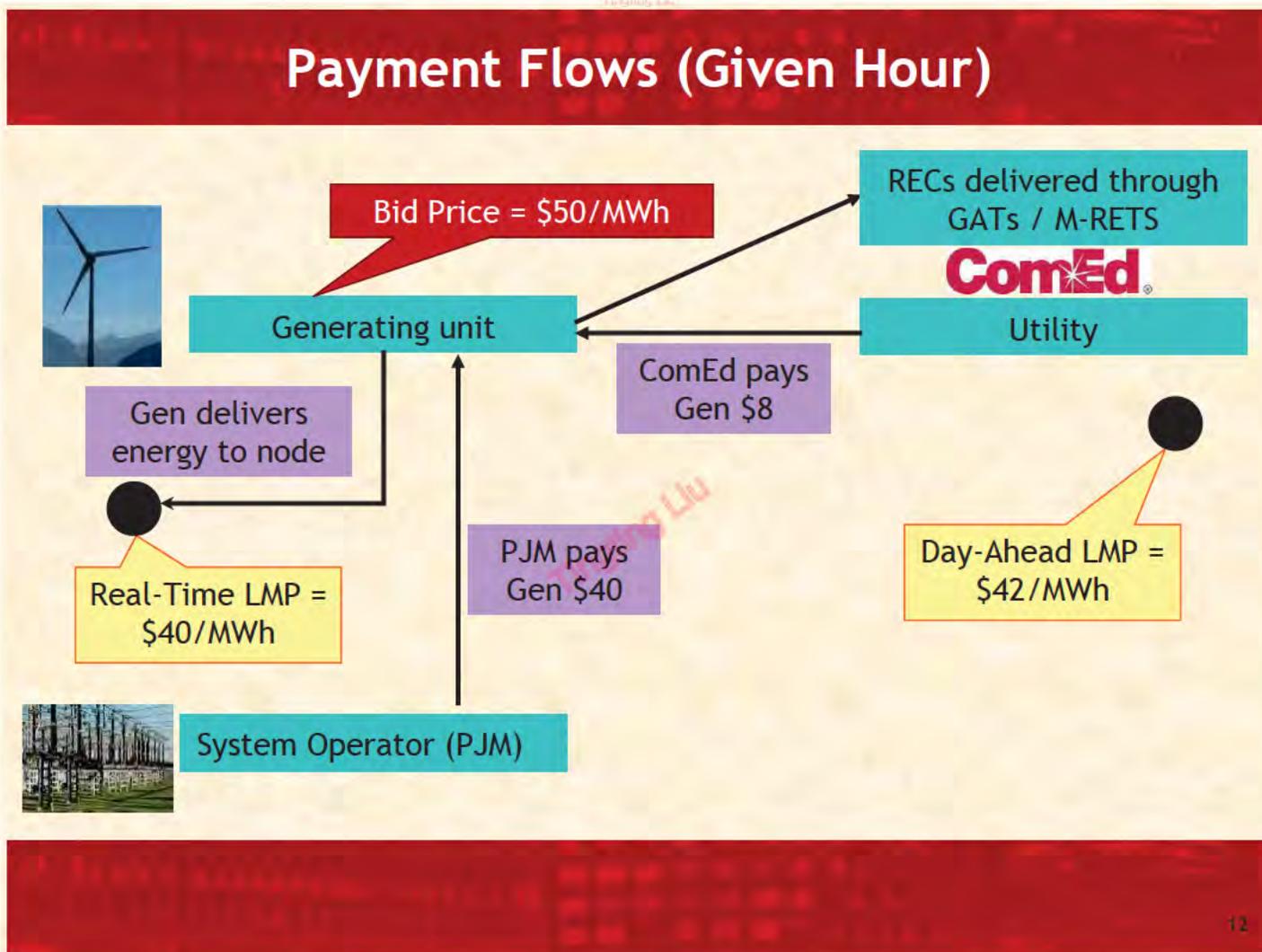
- ❖ **Payments** are monthly and calculated as follows (p. 4):
 - ❖ In each hour, calculate the difference between
 - ◆ The fixed price (bid price escalated at 2% per year)
 - ◆ The floating price (day-ahead LMP at ComEd zone)and apply the difference to the volume of energy produced by the project times the percentage specified by the seller
 - ❖ Add the amounts over all hours of the month
 - ❖ If the difference is positive (on average, the fixed price exceeds the floating price) then the utility pays the seller this difference
 - ❖ If the difference is negative (on average, the floating price exceeds the fixed price) then the seller pays the utility the difference

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Price Used for Settlement Is the Bundled Price

- ❖ There is **no separate payment** or price for RECs (p. 4)
- ❖ Although the floating price used is the day-ahead LMP at the ComEd zone, this is a financial settlement only (p. 4)
 - ◆ Energy is NOT delivered to the ComEd zone
- ❖ REC deliveries accounted for through the PJM GATS system or MISO M-RETS system (p. 6)

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ComEd RS 1-10 Attachment Algonquin-1

There Are Minimum Deliveries Under the Contract

- ❖ Same quantity applies for energy and RECs (p.5)
- ❖ Seller must provide a minimum quantity (90% of annual quantity) but contract offers some flexibility in managing deliveries (p.5-6)
- ❖ After contract commitments are met, seller retains full benefit and value of additional production (p.5)
- ❖ Seller may carry-over up to 10% of the annual quantity to the following delivery year (p.5)

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Managing Deliveries: REC Shortfalls

- ❖ If seller fails to deliver at least 90% of the annual quantity in a year, seller has 90 days to deliver replacement RECs at least up to the 90% level
 - ◆ Replacement RECs must be of same resource type and locational preference (p.5)
 - ◆ No payment will be made for replacement RECs (p.5)

- ❖ Shortfalls of less than 10% can be made up with regular deliveries during the following year (p.5)

ComEd RS 1-10 Attachment Algonquin-1

Managing Deliveries: Energy Shortfalls

- ❖ If Seller fails to deliver at least 90% of the annual quantity for a given year, the utility will compare the average LMP for the delivery year to the fixed price for that year
 - ◆ If the average LMP is higher, the seller will pay the difference *times* a quantity that would bring the shortfall within 10% (p.6)
 - ◆ If the fixed price in the contract is higher, no payment is made (p.6)

- ❖ As with RECs, shortfalls of less than 10% can be made up with regular deliveries during the following year (p.6)

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Separate Credit Requirements for Energy and REC Portions

- ❖ **Energy credit requirement** is determined by comparing, on a three-year forward basis (p.6):
 - ◆ ATC energy value (annual quantity *times* forward ATC energy price)
 - ◆ Contract value (annual quantity *times* contract price)
- ❖ Collateral due from the seller is this difference if ATC energy value is higher than contract value (p.6)
- ❖ ComEd performs daily mark-to-market calculations (p.6)

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REC Credit Requirement Also on a Three-Year Basis

- ❖ Seller posts \$5/REC in the form of cash or a letter of credit to cover the three-year forward period (annual quantity x 3) (p.6)
- ❖ Utility can use collateral to purchase replacement RECs if seller does not cure short-falls in the minimum quantity to be delivered (p.6)
- ❖ Utility has the right to terminate the contract if seller fails to deliver minimum amounts of RECs in a given year (after accounting for replacement RECs) (p.6)

ComEd RS 1-10 Attachment Algonquin-1

Margin Examples

Example 1

<i>Contract Price</i>	\$70
<i>ATC Price</i>	\$50
<i>Resource Factor</i>	0.90

Energy Margin* = $0.90 \times \$50 - \$70 = -\$25$ (\$0 per MWh)

REC Margin = \$5 per MWh

Example 2

<i>Contract Price</i>	\$70
<i>ATC Price</i>	\$90
<i>Resource Factor</i>	0.90

Energy Margin* = $0.90 \times \$90 - \$70 = \$11$ per MWh

REC Margin = \$5 per MWh

*Energy Margin may be capped based on the credit rating of entity. See Schedule 2 to Credit Support Annex (Exposure Calculation Methodology)

ComEd RS 1-10 Attachment Algonquin-1

Collateral Posted as Cash or Letter of Credit

- ❖ Exposure calculation provided in Schedule 2 to credit support annex
 - ◆ **Energy Exposure:** MtM for three years worth of annual quantity
 - ◆ **REC Exposure:** \$5/REC for three years worth of Annual Contract Quantity

- ❖ Collateral Requirement must be satisfied with **cash or standard Letter of Credit** and begins at contract execution

ComEd RS 1-10 Attachment Algonquin-1



**Final Master Agreement
Incorporates Comments by
Interested Parties**