

STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

Illinois Power Agency	(
	(ICC Docket No. 14-0588
Petition for Approval of the 2015 IPA	(
Procurement Plan Pursuant to 220 ILCS 5/16-	(
111.5(d)(4)	(

**ILLINOIS SOLAR ENERGY ASSOCIATIONS RESPONSE TO COMMONWEALTH EDISON’S AND
AMEREN ILLINOIS COMPANY’S OBJECTIONS**

Now comes Illinois Solar Energy Association) and submits this Response to Ameren Illinois Company (AIC) and Commonwealth Edison’s (ComEd) Objections to the Illinois Power Agency’s (IPA) 2015 Electricity Procurement Plan (the Plan).

As an organization with ties to small businesses that employ local installation labor as well as homeowners and businesses interested in purchasing clean energy systems, ISEA believes that it is important to respond to the objections submitted by ComEd, Ameren and the ICC staff. Of primary concern is that the combined objections do not reflect an adequate understanding of the solar industry and the unique differences Solar REC procurement will require to execute. Consideration for the needs of the entities that will ultimately respond to the RFP is important in order to maximize the substantial economic opportunities in developing both the >25kW Distributed Generation (DG) market as well as the <25kW DG market. It is important that both markets be considered as they are each an integral part of the strategy and procurement plans.

RESPONSE TO AMEREN ILLINOIS OBJECTIONS

Objection #1: Section 2 - Subtarget Requirements:

Ameren states in their objections: *Regarding this proposal, having reviewed the Renewable Portfolio Standard (“RPS”), there is not a clear requirement that REC subtargets must be met in a year where the total REC target has been exceeded. And since the total REC target for 2015/2016 has been exceeded with existing contracts, the Commission should clarify whether the IPA should spend the remaining renewable budget funds for one year SREC procurement.*

ISEA Response:

The Illinois Power Agency Act specifically calls out individual targets not only for Renewable Energy collectively by Energy Year (EY) but each subtarget for Wind (75%), PV (6%) and DG (1%) is also clearly indicated. These goals are further identified in subsequent documents including the language for Section 1-56(b) for the Special Procurement being drafted by the IPA concurrently to the 2015 Regular Procurement Plan. Therefore it is our interpretation that the repetition and specificity of these metrics clearly indicate the intention of the General Assembly to meet the broader renewable energy goals as well as each of the additional subtargets annually.

Objection #2: Section 2 - Availability:

The phrase “to the extent that it is available” could be interpreted to mean “to the extent that

subtarget RECs are available from the market.” However, it could also be interpreted to mean “to the extent that total RECs under existing contracts have not been exceeded.”

ISEA Response:

Based on the annual increase in goals for each subcategory, it is implied that each goal should be expanded and met to the availability of the market to deliver. Therefore, if RECs are available at an affordable price below the confidential benchmark for both PV and DG, those requirements should be met annually as proposed by the Illinois Power Agency Act.

Objection #3: Section 2 - \$3.8 Million Expenditure:

Ameren further objects to spending these funds as described by the Plan and claims there would be an increased expense that would impact retail customers.

Notwithstanding the above, Ameren Illinois notes the proposal could result in the expenditure of approximately \$3.8 million which would otherwise not be spent. Based on the current forecast, such expenditures would increase supply costs to Ameren Illinois eligible retail customers by approximately \$0.50/MWh.

ISEA Response:

The overall objective of annual load forecasting is to define the available resources and corresponding targets for renewable energy procurement and authorize the utility to spend funds previously collected. This purchase should not have an impact on retail supply costs as

this fund is already within the utility budget and requirements. Provided the REC price does not exceed the confidential benchmark, this comparison should have no bearing on the purchase of RECs.

Objection #4: Section 2 - One-Year RECs:

Ameren takes issues with the concept of using the RRB to purchase one year SRECs:

In addition to the cost increase to customers, logic suggests that a one year SREC procurement would not provide an incentive for new construction of solar facilities within Illinois. Instead, the more likely outcome would be a procurement that results in contracts from existing solar facilities.

ISEA Response:

ISEA agrees that a one year SREC program will not provide an incentive for new construction of solar facilities within Illinois. Therefore, we recommended in our Objections filed on 10/17/2014 that the RRB fund be used instead to procure 5-year contracts for new solar assets in order to continue to grow the DG market and ensure that the RRB fund begin to get on track as forecasts anticipate an ongoing shortage of RECs in this budget category. This will be an important market indicator that will spur investment from solar developers.

Alternatively, ISEA would support suggestions regarding the RRB purchase from the Environmental Law & Policy Center in their objections filed 10/17/2014.

“In order to address the risks of contract curtailments due to fluctuations in the utilities’ load forecasts, we recommend that the IPA explore alternative risk-hedging strategies that could lead to new renewable energy development. For example, the IPA should explore the possibility of using 5-year DG SREC contracts paid through an up-front rebate with appropriate claw-back provisions for non-performance. The IPA should also explore other methods for creating more budget stability, including the possibility of having ComEd and Ameren escrow the portion of this year’s RRB necessary to cover future contractual payments, instead of relying on future year budgets.” [ELPC Objections 10/17/2014, page 2]

Objection #5: Section 2 - Precedent suggest unnecessary to procure RECs:

This section concludes by suggesting that the 2013/14 Plan recommended against purchasing renewable resources:

This issue was previously addressed in the 2013/14 Plan where the IPA stated: “on a total portfolio basis, there is no compelling reason to purchase additional renewable resources during the planning horizon, even though there may be dollars ‘left over’ to spend.” ICC Docket.

No. 12-0544, 12/19/13 Final Order at 51. The Commission agreed and therefore the IPA did not pursue any additional procurement of REC subtargets for 2013/2014. Id. at 109-110. The circumstances between the two years are similar and therefore Ameren Illinois is unaware of any reason why the Commission should be of a different view.

ISEA Response:

This point is not a direct and equal comparison to past plan recommendations as the 2013/14 Plan did not include a procurement for conventional energy on behalf of the utilities. Therefore, as the two years are not similar, the precedent should not be applied in this case.

Objection #6: Section 3 - Market Strength:

In the next section, Ameren agrees with the overall concept of REC procurements using ACP funds. However, they express concerns that the market is not prepared to meet these goals.

Ameren Illinois does not in principle oppose using the previously collected Alternative Compliance Payment (“ACP”) funds for the procurement of DG RECs; however there is no evidence to suggest the market is mature enough to support the desired procurement.

ISEA Response:

Without significant market indicators, the industry will continue at the pace it is developing today. The purpose of the Illinois Power Agency Act is to provide those necessary cues that will bring the necessary interest, investment and the resulting growth desired.

Objection #7: Section 3 - Market Strength:

Additionally, Ameren takes issues with some of the details regarding the process and responsibilities:

In addition, the contract is not yet developed and since the Plan identifies Ameren Illinois as the

contractual party, the uncertainty surrounding our administrative and operational responsibilities is also a concern, especially to the extent that such responsibilities could add additional labor and systems costs.

Ameren goes on to conclude: Ameren Illinois recommends that any Commission approved DG REC procurement in the Plan should recognize that the IPA is simultaneously pursuing a supplemental solar REC procurement (including DG RECs) using up to \$30 million from the Renewable Energy Resources Fund (“RERF”) and where the IPA will act as the contractual counterparty with suppliers. Ameren Illinois believes that the proposed DG REC procurement associated with the Plan would benefit all interested parties by stipulating that the IPA is the contractual counterparty with suppliers and not Ameren Illinois. To compensate the IPA for DG REC expenses under its contract, the Commission would order Ameren Illinois to transfer funds to the IPA based on prior Ameren Illinois collections from real time pricing customers. The Commission would also stipulate that the total dollar value of DG REC contracts would not exceed funds already collected by Ameren Illinois as of a date certain, as well as stipulate whether funds would be transferred on a lump sum basis to the IPA or through a contractual arrangement between Ameren Illinois and the IPA with a more systematic distribution of funds when supplier invoices are received by the IPA.

ISEA Response:

The ISEA supports the suggestion of following the 2015 Special Procurement by naming the contracting parties as the IPA and the aggregators. We also support the flow of funds that have

been described above provided that this is acceptable timing for the IPA to make necessary invoice payments. The IPA should strive, where possible, to pool resources and streamline processes, keeping administrative costs at a minimum and preventing potential market confusion.

Objection #8: Section 3 - contingency between procurement events:

Ameren requests that the 2015 Regular Procurement event currently scheduled for September 2015 be contingent upon fulfillment of the June 2015 Special Procurement Event:

Finally, the Commission should stipulate the September DG REC procurement associated with this Plan should be contingent on the June 2015 DG REC portion of the supplemental solar REC procurement being fully subscribed. The rationale is that any shortcoming in quantities under the DG REC portion of the proposed supplement solar REC procurement would indicate the market is not fully developed and therefore the September 2015 DG REC procurement would not likely result in contracts.

ISEA Response:

As the two procurement plans target assets in different stages of development, there is no need to create a contingency between the two. The Special Procurement in June 2015 will focus exclusively on new solar assets while the September 2015 Regular Procurement event seeks existing assets making both procurements unique and distinct. Both stages of development are important toward the development of achieving the 25% renewable portfolio

by 2025 and further delay will risk successful achievement. Although the first year may be challenging, the enactment of a predictable, reliable program will give the industry the necessary triggers to develop solar businesses that will increase the workforce as well as develop solar assets in Illinois and achieve the desired environmental and economic benefits originally intended.

RESPONSE TO COMMONWEALTH EDISON'S OBJECTIONS

Several of the comments in section II (A) are common to those expressed by Ameren; ISEA's responses can be referenced above.

Objection #1:

ComEd has provided Redlined comments to the procurement plan, adding in their objections that:

As such, any contract or contract term between the aggregator and utility that would provide for unit specific pricing or that would be for less than one megawatt in installed capacity would clearly be in conflict with the provisions of Section 1-75(c) of the IPA Act. To ensure the Plan is neither vague nor ambiguous regarding its compliance with these provisions, ComEd has included changes in the attached redline version of the Plan to provide further clarification.

They further comment that there will in effect be two procurements within one, those <25kW and those >25kW.

Second, while the Plan proposes to procure DG RECs through a single procurement, in practice the Plan would create two separate procurements by "procuring on the basis of price within

each individual market segment (<25kW, and 25kW to 2 MW).”²² This process is not only contrary to Section 1-56’s single procurement requirement, but also runs afoul of Section 16-111.5(e) of the PUA and Commission practice. Section 16-111.5(e) requires that bids be selected “solely on the basis of price” (220 ILCS 5/16-111.5(e)), and past Commission practice reflects consistent implementation of a single procurement for all REC types (i.e., wind, solar and other).

ISEA Response:

This change in the procurement process will prevent the significant development of smaller solar installations, particularly those <25kW. As noted in ISEA’s responses to Ameren, this process could be simplified if the IPA were the contracting party and managed the procurement process. The Program Administrator would be able to manage the successful handling of a two tiered bidding process which would then be paid for by using the Hourly ACP funds. As previously stated, the IPA would then be able to achieve all program goals as stipulated in the Illinois Power Agency Act guidelines and all environmental and economic goals could be achieved as intended. Although this differs slightly from conventional procurements, the concurrent Special Procurement process will have similar needs and must therefore be accommodated.

ISEA also suggested that the IPA consider a separate Program Manager who could handle the individual contracts for systems <25kW. Based on observation of the execution of RPS plans in

other states, this process has been very successful and Illinois could be served to take example from those programs as noted in our Objections submitted previously.

RESPONSE TO ICC STAFF COMMENTS:

When comparing the 3 alternate plans offered by the IPA, ICC staff commented:

As noted in the Proposed Plan, it is the approach that is “most similar to the Agency’s established one-year REC procurement process -- conducting a single procurement competitive bid process with bids selected solely on the basis of price.” In contrast, the other two approaches included non-competitive “standard offers” for DG projects under 25 kW in capacity. If the General Assembly had desired a “standard offer” model for the procurement of RECs from DG projects under 25 kW, presumably, it would have made this clear. Furthermore, the General Assembly could have simply amended the PUA to require utilities to file new or amended tariff sheets to implement such a program. There would have been no need for five year contracts or “third-party organizations to aggregate distributed renewable energy into groups of no less than one megawatt in installed capacity.” Thus, Staff concludes that the General Assembly wanted to continue to utilize the same type of “competitive procurement processes in accordance with the requirements of Section 16-111.5 of the Public Utilities Act” that is required for all other IPA procurements.

ISEA Response:

By identifying separate and unique goals for <25k and >25kW the General Assembly recognized the unique value each category provides to the market place. Other states have shown this to be true both for diverse asset development and economic growth resulting from a growing workforce. However, ISEA is uncertain if the General Assembly intended the statute to specifically follow previous guidelines and keep specifically to that process or if instead the General Assembly charged the IPA with the responsibility of defining a program that would deliver the intended results. The inclusion of these subtargets would suggest instead that broader initiative was intended with the details to be determined in a manner that best suited the needs of solar specific assets. This market is structured very differently than conventional energy markets and should not be forced into a similar strategy through convenience and routine. Therefore, ISEA recommends that the IPA plan to seek separate bids be considered for approval.

RESPONSE TO RENEWABLE ENERGY SUPPLIERS

The Illinois Solar Energy Association agrees with the original recommendations of the IPA 2015 Procurement Plan to strategically utilize the Hourly ACP funds for procurement strictly for solar given that the delivered Wind assets remain above target and the Solar assets are significantly behind.

CONCLUSION

ISEA respectfully requests that the Illinois Commerce Commission make note of our objections to the Plan as well as our responses to objections filed by others and take these recommendations under advisement.

Respectfully submitted,

ILLINOIS SOLAR ENERGY ASSOCIATION

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