

# Supplemental Photovoltaic

## ILLINOIS POWER AGENCY



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# SUPPLEMENTAL PHOTOVOLTAIC PROCUREMENT PLAN

Prepared in accordance with Section 1-56(i) of the Illinois Power Agency Act

October 28, 2014

**Illinois Power Agency**  
**Supplemental Photovoltaic Procurement Plan**

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# 1 Executive Summary

On June 28, 2014, Illinois Governor Pat Quinn signed Illinois House Bill 2427 into law as Public Act 98-0672, creating new Section 1-56(i) of the Illinois Power Agency Act (“IPA Act”). Section 1-56(i) calls on the Illinois Power Agency (“IPA”) to “develop a one-time supplemental procurement plan limited to the procurement of renewable energy credits, if available, from new or existing photovoltaics, including, but not limited to, distributed photovoltaic generation” through “using up to \$30,000,000” from the Renewable Energy Resources Fund.

As required by Section 1-56(i), the IPA held a public workshop on August 7, 2014 and posted its draft supplemental photovoltaic (“PV”) procurement plan for comments on September 29, 2014. Comments on its draft plan were received on and before October 14, 2014 and the IPA has now filed this revised supplemental PV procurement plan with the Illinois Commerce Commission (“ICC” or “Commission”) on October 28, 2014. The Commission will have 90 days to review and approve the supplemental PV procurement plan.

Chapter 2 provides a legislative and regulatory overview of Section 1-56 of the IPA Act and the use of the Renewable Energy Resources Fund, a synopsis of new Section 1-56(i) which directs the Agency to develop this supplemental PV procurement plan, and a discussion of related regulatory provisions including net metering, interconnection, installer certification, and other financial incentives for solar installations.

Chapters 3 and 4 provide a description of the products the IPA proposes to procure and key provisions. These include:

- Procurement is for Renewable Energy Credits (“RECs”) from new photovoltaic systems with contracts of five years in length.
- Systems will have 12 months to start operation.
- Two categories of procurement, systems under 25 kW and 25 kW to 2 MW.
  - Under 25 kW systems can include identified systems or bids for “speculative” systems.
  - Over 25 kW systems must be specifically identified prior to bid.
- Minimum bid size is 500 RECs (approximately sixteen 5 kW systems)
- Credit requirements include a refundable deposit per REC of \$16/REC (\$100/kW) for “speculative” systems and \$8/REC (\$50/kW) for identified systems. Half of the deposit will be required on or before the bid date, with the remaining balance due from winning bidders within 14 days of the announcement of the procurement results.
- RECs must be tracked and delivered using either the GATS or M-RETS tracking systems.
- An aggregator is a third-party (i.e., non-system owner) that (i) owns or plans to acquire either unconditioned title to or rights to legally transfer renewable energy credits from distributed renewable energy devices through contracts with system owners, and (ii) is willing to contract with IPA and accepts standard Illinois terms as well as procedures for contract administration.

Chapter 5 describes the procurement process. Key points include:

- Three procurement events:
  - June 2015 (\$5 million budget; 5,000 REC maximum bid size for bids in the under 25 kW category, and 500 kW maximum system size for the 25 kW and above category).
  - November 2015 (\$10 million budget; no maximum bid size for bids in the under 25 kW category, and 2 MW maximum system size for the 25 kW and above category).
  - March 2016 (\$15 million budget; no maximum bid size for bids in the under 25 kW category, and 2 MW maximum system size for the 25 kW and above category).
  - Early 2017 (Contingency Event; balance of available funds, possible limitation on categories of systems that may participate).
- Standard contracts and a sealed, pay-as-bid Request for Proposals process will be used for each procurement event.

- All bids must be below confidential benchmarks, and bids will be evaluated in a manner that strives to achieve the goal of having half the RECs procured come from systems under 25 kW in size.

The IPA believes that the priorities outlined in this supplemental PV procurement plan meet the goals envisioned by the General Assembly when it enacted Public Act 98-0672. By focusing on new DG projects, this supplemental PV procurement will maximize economic development opportunities for Illinois and contribute to reduced costs for compliance with the state's renewable energy portfolio standard over time through the development of new renewable energy systems, while also ensuring that there are not significant barriers to participation by interested households and businesses.

By holding a set of procurement events over a period of time, the plan allows for the market to expand in a measured manner, helping avoid the boom/bust cycle that has been seen in other states' PV procurements. In the same manner, the IPA is providing a model that will allow a combination of types of resources in various stages of project development to participate. It will also allow the market to help develop the model of aggregator for Illinois. These measures will help reduce barriers to participation.

The photovoltaic market in Illinois is a developing market. This plan cannot address all the needs of the market, or overcome all of the barriers. What this plan does do is set into motion a series of events in which the \$30 million from the Renewable Energy Resources Fund is fully used to purchase photovoltaic RECs, and that will provide a template and learning opportunity for the ongoing development of future longer-term plans to support the development of solar resources in Illinois.

## 2 Legislative and Regulatory Overview

The IPA's supplemental PV procurement plan calls for the Agency to spend up to \$30 million from the Renewable Energy Resources Fund on the procurement of renewable energy credits from solar photovoltaics. Below is an overview of the Renewable Energy Resources Fund, new Section 1-56(i) of the IPA Act, and other legislative and regulatory provisions governing the Agency's proposed supplemental PV procurement.

### 2.1 Renewable Energy Resources Fund

Section 1-56 of the Illinois Power Agency Act creates the Renewable Energy Resources Fund ("RERF"), a special fund in the Illinois State Treasury administered by the Illinois Power Agency to procure renewable energy resources.<sup>1</sup>

The RERF is funded through payments made by Alternative Retail Electric Suppliers ("ARES") to satisfy statutory renewable energy resource procurement obligations manifest in Section 16-115D of the Public Utilities Act.<sup>2</sup> The RERF does not consist of payments made by customers taking supply from their electric utility. Instead, to support renewable energy resource procurement, those customers are billed a surcharge for renewable energy procurement. Monies collected pursuant to that surcharge comprise the renewable resources budget – separate and distinct from the RERF – for that utility to meet the utility's state renewable energy portfolio standard obligations.<sup>3</sup> Alternatively, for customers taking supply from an ARES, the ARES is responsible for making an alternative compliance payment for no less than 50% of its compliance obligation,<sup>4</sup> with its payment rate determined by results from the procurement of renewable energy resources using the renewable resources budget.<sup>5</sup> These alternative compliance payments ("ACPs") are generally made in conjunction with an ARES's self-procurement of the remainder of its renewable energy resource obligation to meet compliance with state's renewable energy portfolio standard.<sup>6</sup>

The balance of the RERF is a function of ACPs made by alternative suppliers into the fund and withdrawals made by the IPA in connection with the procurement of renewable energy resources. As more utility customers have migrated to alternative suppliers, primarily through municipal aggregation, the balance of the utilities' renewable resources budgets has dwindled significantly while the balance of the RERF has grown considerably. Due to constraints on spending the RERF, some of which are outlined below, the procurement of renewable energy resources using the RERF has not kept pace with the rapid escalation of payments made into the fund, resulting in a total balance of \$128,587,887.83.

#### 2.1.1 Constraints on Spending the RERF

The procurement of renewable energy resources using the RERF is subject to a set of unique constraints. First, unlike with the utility renewable resources budgets, the RERF may only be used to procure renewable energy credits. While the term "renewable energy resources" is defined in the Illinois Power Agency Act as RECs or both renewable energy and associated RECs,<sup>7</sup> the Public Utilities Act makes clear that "alternative compliance payments . . . shall be deposited in the Illinois Power Agency Renewable Energy Resources Fund and used to procure renewable energy credits."<sup>8</sup>

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<sup>1</sup> 20 ILCS 3855/1-56(a).

<sup>2</sup> 220 ILCS 5/16-115D(d)(4).

<sup>3</sup> 20 ILCS 3855/1-75(c). The Agency's proposals for procuring renewable energy resources using the renewable resources budget, as well as a proposal for procuring renewable energy resources using ACP funds collected from hourly service customers (also separate and distinct from the RERF), are addressed in the IPA 2015 Procurement Plan filed with the Illinois Commerce Commission on September 29, 2014. Approval of this Plan is currently being litigated before the Commission in Docket No. 14-0588.

<sup>4</sup> 220 ILCS 5/16-115D(b).

<sup>5</sup> 220 ILCS 5/16-115D(d)(1).

<sup>6</sup> In past years, the vast majority of ARES have chosen to pay no more than the minimum percentage (50%) in alternative compliance payments, relying on self-procurement for the remainder.

<sup>7</sup> 20 ILCS 3855/1-10.

<sup>8</sup> 220 ILCS 5/16-115D(d)(4).

Second, Section 1-56(c) of the IPA Act calls on the IPA to use the RERF to “procure renewable energy resources at least once each year in conjunction with a procurement event for electric utilities required to comply with Section 1-75 of the Act.”<sup>9</sup> Given the IPA’s strategy of advance purchases to hedge load requirements and the unexpectedly high levels of migration to alternative retail electric suppliers, corresponding energy procurement events for electric utilities had not occurred since 2012.<sup>10</sup> This has left the Agency without a procurement event “in conjunction with” which it could procure RECs using the RERF.

Third, Section 1-56(d) of the IPA Act requires that “the price paid to procure renewable energy credits” using the RERF “shall not exceed the winning bid prices paid for like resources procured for electric utilities required to comply with Section 1-75 of this Act.”<sup>11</sup> The lack of a conjoining procurement event has also left the Agency without a statutorily envisioned price ceiling for “like resources,” further constraining procurement using the RERF.

Fourth, the IPA Act clearly articulates a preference for longer-term contracts using the RERF, presumably to provide a stable stream of revenue necessary to incent the development of new resources. Section 1-56(c) of the IPA Act calls for the Agency to, “whenever possible, enter into long-term contracts on an annual basis for a portion of the incremental requirement for the given procurement year.”<sup>12</sup> Similarly, Section 1-56(b) of the Act requires that any contracts for resources from distributed generation (“DG”) must run a minimum of 5 years.<sup>13</sup> But due to unsettled and dynamic load migration between utility and alternative supplier service, the Agency must approach long-term contracting with prudence and care, as the RERF’s future balance is subject to the whims of future customer switching.<sup>14</sup>

Fifth, Section 1-56(b) of the IPA Act contains delineated targets for the procurement of RECs from specified types of generation: at least 75% of RECs procured must come from wind generation; at least 6% from solar photovoltaics; and at least 1% from DG.<sup>15</sup> As a result, even assuming other statutory constraints were addressed and the Agency felt confident in its projected future budget, it is unclear whether the IPA could simply conduct a “solar procurement” event at scale in isolation.

The Agency looks forward to working with the Illinois General Assembly to address these constraints through a solution that allows for more streamlined access to RERF funds.<sup>16</sup>

## **2.2 Section 1-56(i) of the IPA Act**

On June 28, 2014, Illinois Governor Pat Quinn signed into law Illinois House Bill 2427. The bill, which had passed the Senate 56-0 and passed 97-10-1 in the House, became Public Act 98-0672 and created new Section 1-56(i) of the Illinois Power Agency Act. Section 1-56(i) calls on the Illinois Power Agency to “develop a one-time supplemental procurement plan limited to the procurement of renewable energy credits, if available, from new or existing photovoltaics, including, but not limited to, distributed photovoltaic generation” by “using up to \$30,000,000” from the RERF.

Mindful of the constraints outlined above, the law specifically states that the supplemental PV procurement “shall not be subject to the limitations of subsections (c) and (d) of this section”<sup>17</sup> and that “nothing in this

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<sup>9</sup> 20 ILCS 3855/1-56(c).

<sup>10</sup> After not having procured energy in 2013, the Agency did conduct energy procurements in April 2014 and September 2014.

<sup>11</sup> 20 ILCS 3855/1-56(d).

<sup>12</sup> 20 ILCS 3855/1-56(c).

<sup>13</sup> 20 ILCS 3855/1-56(b).

<sup>14</sup> For further discussion of the challenges associated with entering into long-term contracts using funding streams subject to load migration changes, see filings made in dockets approving the IPA’s 2013 and 2014 annual procurement plans (Docket Nos. 12-0544 and 13-0546).

<sup>15</sup> 20 ILCS 3855/1-56(b).

<sup>16</sup> One area that has not produced constraint is a “sweep” of the RERF—i.e., the permanent diversion of RERF funds to satisfy other state purposes. Section 1-56(h) of the IPA Act explicitly provides that the RERF “shall not be subject to sweeps, administrative charges, or chargebacks” resulting in “the transfer of any funds from this Fund” or “having any such funds utilized for any purpose other than the express purposes set forth in this Section.” The RERF was subject to borrowing and repayment of a portion of its fund balance in 2010-2011, however.

<sup>17</sup> 20 ILCS 3855/1-56(i)(8).

subsection (i) requires procurement of wind generation through the supplemental procurement.”<sup>18</sup> Additionally, while the RERF is administered by the IPA and not subject to Illinois Commerce Commission jurisdiction,<sup>19</sup> Section 1-56(i) calls for the IPA’s supplemental PV procurement plan to be reviewed and approved by the ICC and for the Agency’s renewable energy resource procurement results to be approved by the Commission as well.<sup>20</sup>

Key requirements of new Section 1-56(i) governing the IPA’s planned supplemental PV procurement are outlined below.

### **2.2.1 Timeline, Feedback, Contract Development, and Procurement Events**

Section 1-56(i) creates a straightforward timeline for the development, filing, and approval of this supplemental PV procurement plan. The Illinois Power Agency is tasked with developing its Plan “within 90 days of the effective date” of Public Act 98-0672.<sup>21</sup> As the effective date of the Act is June 30, 2014, the Agency’s draft supplemental PV procurement plan was required to be developed and posted for comment and review by September 29, 2014.

In developing its plan, the Agency was required to “hold at least one workshop open to the public” and to “consider any comments made by stakeholders or the public.”<sup>22</sup> The Agency held its workshop on the development of this plan on August 7, 2014, from 10:00 a.m. to 3:00 p.m. A list of participating entities and a summary of comments made at the workshop are contained in Appendix 6.1. In preparing this plan, the Agency has also endeavored to otherwise account for comments by stakeholder and the public, and appreciates the input received.

After the draft plan was posted for comment on September 29, 2014, interested parties had 14 days “to provide comment to the Agency on the supplemental procurement plan.”<sup>23</sup> As October 13, 2014 was a state holiday, comments on the draft Plan were due to the Agency on Tuesday October 14, 2014. Section 1-56(i) directs that all comments were to be “specific, supported by data or other detailed analyses, and, if objecting to all or a portion of the supplemental procurement plan, accompanied by specific alternative wording or proposals.”<sup>24</sup> The Agency received nine sets of comments,<sup>25</sup> and these comments were posted to and are available on the Illinois Power Agency’s website.<sup>26</sup> A summary of those comments is included in Appendix 6.1.4.

Within 14 days after the receipt of comments (October 28, 2014), the Agency was required to file its revised plan with the Commission for approval. Parties seeking to intervene and provide comment in the approval proceeding must abide by the Illinois Commerce Commission’s Rules of Practice, which may be found in Title 83, Part 200 of the Illinois Administrative Code. Should a party intervene in the Commission’s supplemental PV procurement plan consideration and approval process, “any person objecting to the supplemental procurement plan shall file an objection with the Commission” within 5 days after the Plan is filed.<sup>27</sup> Because 5 business days after October 28, 2014 falls on a state holiday (November 4, 2014 – Election Day), the deadline for filing objections in this proceeding is November 5, 2014. The deadlines for other filings will be determined by the Commission’s administrative law judge in the days after initiation of the proceeding.

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<sup>18</sup> 20 ILCS 3855/1-56(i)(1).

<sup>19</sup> See 20 ICLS 3855/1-56(b); Docket No. 12-0544, Final Order dated December 19, 2012 at 113 (“[I]t is clear the Commission has no authority over disbursements from the RERF collected on behalf of ARES customers.”).

<sup>20</sup> See generally 20 ILCS 3855/1-56(i).

<sup>21</sup> 20 ILCS 3855/1-56(i)(1).

<sup>22</sup> *Id.*

<sup>23</sup> *Id.*

<sup>24</sup> *Id.*

<sup>25</sup> Parties offering comments by the October 14, 2014 deadline include ComEd, Elevate Energy, ELPC/City of Chicago, Exelon Generation, ICC Staff, Illinois Solar Energy Association, Sierra Club, SRECTrade, and Wanxiang New Energy.

<sup>26</sup> <http://www.illinois.gov/ipa/Pages/DraftSupplementalProcurementPlanComments2015.aspx>

<sup>27</sup> 20 ILCS 3855/1-56(i)(2). This process mirrors the Agency’s annual energy procurement plan litigation; for further reference, see filings made in Docket No. 14-0588 using the Illinois Commerce Commission’s e-Docket web portal.

Within 90 days after the Plan is filed, the Illinois Commerce Commission “shall enter its order confirming or modifying the supplemental procurement plan.”<sup>28</sup> This leaves the Illinois Commerce Commission with a January 26, 2015 deadline for the issuance of its Order.<sup>29</sup>

Sometime after the ICC has entered its Order approving (or approving with modification) the supplemental PV procurement plan, the IPA’s procurement administrator will begin the process of developing standard contract forms for REC supplier contracts.<sup>30</sup> This process occurs “in consultation with the Agency, the Commission, and other interested parties and subject to Commission oversight.”<sup>31</sup> These contracts must “meet generally accepted industry practices” and “include any applicable State of Illinois terms and conditions that are required for contracts entered into by an agency of the State of Illinois.”<sup>32</sup> A preliminary set of applicable state terms and conditions is included in Appendix 6.3. Draft contract forms will be made available for comment, with disputed terms and conditions brought to the Commission for resolution.<sup>33</sup>

Section 1-56(i) does not address the timeline governing any procurement event(s), nor does it require that all resources procured pursuant to the Plan be procured in a single procurement event.<sup>34</sup> The Agency discusses its proposed timeline for procurement, as well as its proposed staging of procurement events and the development of a contingency procurement event, in Section 5.2.5.

### 2.2.2 Products to be Procured

Section 1-56(i) requires the procurement of “renewable energy credits, if available, from new or existing photovoltaics, including, but not limited to, distributed generation.” The Act does not define the terms “new” and “existing,” leaving the Agency to create a workable definition. The Agency understands the Act’s “new or existing” language to allow for the procurement of RECs from exclusively new resources, exclusively existing resources, or any balance between the two categories at the Agency’s discretion. Further discussion of the Agency’s application of this language in developing its Plan, including how it has chosen to define a “new” system, can be found in Section 3.1.

The procurement of RECs from “new” systems carries a unique requirement – the procurement of RECs from a “new” photovoltaic device must be from a device installed by a “qualified person.” As detailed in Section 1-56(i)(1), a “qualified person” must meet specified training requirements and must perform the “major activities and actions” involved in the installation.<sup>35</sup>

The Agency is tasked with establishing “contractually enforceable mechanisms” to ensure that RECs purchased from “new” systems are from only systems installed by a “qualified person.”<sup>36</sup> While the actual development of contracts will occur after approval of this Plan, the Agency’s proposed “contractually enforceable mechanisms” can be found in Section 4.4.

The Agency understands the requirement that it procure RECs from photovoltaics “including, but not limited to, distributed generation” as a statutory mandate that, at a minimum, some amount of RECs from DG be included in this procurement. A generation source is considered a “distributed renewable energy generation device” under the IPA Act if it is:

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<sup>28</sup> 20 ILCS 3855/1-56(i)(2).

<sup>29</sup> The last scheduled meeting of the Illinois Commerce Commission prior to this deadline is a January 21, 2015 Regular Open Meeting in Chicago.

<sup>30</sup> 20 ILCS 3855/1-56(i)(4)(D).

<sup>31</sup> Id.

<sup>32</sup> Id.

<sup>33</sup> Section 1-56(i)(4)(D) provides that “if the procurement administrator cannot reach agreement **with the parties** as to the contract terms and conditions, the procurement administrator must notify the Commission of any disputed terms and the Commission shall resolve the dispute.” (emphasis added) As parties to contracts will not be established until after procurement events (which necessarily take place subsequent to the development of contract terms), the Agency understands the “parties” in this context to refer to the Agency, ICC Staff, and the Procurement Monitor. This reading is consistent with the resolution of disputes for contract terms and disputes in other IPA procurement processes.

<sup>34</sup> Indeed, subsections of the law reference the plural “procurement events.” See, e.g., 1-56(i)(4)(B)(iii).

<sup>35</sup> See 20 ILCS 3855/1-56(i)(1) for further detail on “activities and actions.”

<sup>36</sup> Id.

- Powered by wind, solar thermal energy, photovoltaic cells and panels, biodiesel, crops and untreated and unadulterated organic waste biomass, tree waste, and hydropower that does not involve new construction or significant expansion of hydropower dams;
- Interconnected at the distribution system level of either an electric utility, alternative retail electric supplier, municipal utility, or a rural electric cooperative;<sup>37</sup>
- Located on the customer side of the customer's electric meter and is primarily used to offset that customer's electricity load; and is
- Limited in nameplate capacity to no more than 2,000 kW.<sup>38</sup>

The law further provides that “[t]o the extent available,” half of the renewable energy credits procured from distributed renewable energy generation “shall come from devices of less than 25 kW in nameplate capacity.”<sup>39</sup> The Agency notes that unlike the resource-specific carve-outs applicable to the RERF and found in the state's renewable portfolio standard,<sup>40</sup> this requirement creates a target of 50% and not a minimum required percentage.<sup>41</sup> Additionally, the owner of a participating DG system “shall have the ability to measure the output of his or her distributed renewable energy generation device.”<sup>42</sup> The Agency understands this requirement to call for a utility-grade electric meter on any DG system from which RECs are procured.

Contracts for RECs from DG resources must be at least 5 years in length.<sup>43</sup> To minimize administrative burdens, the law allows the Agency to “solicit the use of third parties to aggregate distributed renewable energy.”<sup>44</sup> These aggregators act as counterparties with the Agency in a contract for the delivery of RECs, while maintaining contracts with system owners granting them transferrable rights to RECs. Further discussion of the role of aggregators can be found in Section 4.6.

### 2.2.3 Procurement Process

As referenced above, the IPA may retain a procurement administrator to conduct its supplemental PV procurement. The Agency has chosen to retain NERA Economic Consulting, the IPA's procurement administrator for procurement events conducted pursuant to its annual procurement plans, for the solar REC (“SREC”) procurements conducted under its supplemental PV procurement plan.

The Agency's procurement administrator is required to “disseminate information to potential bidders to promote a procurement event, notify potential bidders that the procurement administrator may enter into a post-bid price negotiation with bidders that meet the applicable benchmarks, provide supply requirements, and otherwise explain the competitive procurement process,” including publication of the procurement event.<sup>45</sup> The procurement administrator shall also “design and issue requests for proposals” in accordance with the approved supplemental PV procurement plan.<sup>46</sup> The Agency's expected timeline for bidder notification of a procurement event is discussed further in Section 5.1.

Section 1-56(i) requires the procurement itself to be conducted using “sealed, binding commitment bidding with pay-as-bid settlement, and provision for selection of bids on the basis of price.”<sup>47</sup> This requirement restricts the Agency's ability to develop a fixed-price standard offer, a feature that some commenters believe would carry value to promote participation from small systems. Given the corresponding requirement that

<sup>37</sup> Tracing these definitions in the law back to their statutory sources reveals that each must be “in the state,” meaning that only distributed generation resources from within Illinois are eligible.

<sup>38</sup> 20 ILCS 3855/1-10.

<sup>39</sup> 20 ILCS 3855/1-56(i)(1).

<sup>40</sup> See 20 ILCS 3855 1-56(b) (“Of the renewable energy resources procured pursuant to this Section *at least* the following specified percentages shall come from . . .”)(emphasis added); 20 ILCS 3855 1-75(c)(1) (same language).

<sup>41</sup> 20 ILCS 3855/1-56(i)(1) (“[T]o the extent available, 50% of the renewable energy credits procured from distributed renewable energy generation shall come from . . .”).

<sup>42</sup> 20 ILCS 3855/1-56(i)(1).

<sup>43</sup> Id.

<sup>44</sup> Id.

<sup>45</sup> 20 ILCS 3855/1-56(i)(4).

<sup>46</sup> 20 ILCS 3855/1-56(i)(4)(E).

<sup>47</sup> Id.

the IPA procure 50% of DG RECs from systems below 25 kW in size, the IPA believes that this requirement and the requirement for the “selection of bids on the basis of price” can be properly balanced by procuring on the basis of price within each individual market segment (sub-25 kW, and 25 kW to 2 MW)—i.e., selecting the next most competitive bid within a market segment when that segment represents below half of the expected RECs to be delivered (to the extent such a bid is available) as part of a single procurement. This means that RECs from sub-25 kW system featuring a higher bid price can be selected ahead of RECs from a 25 kW to 2 MW system featuring a lower bid price, but only if that selection is necessary to reach the target 50% of DG RECs from sub-25 kW systems. Bidders may not designate different REC prices for the RECs generated from a single system, and in order to meet the budget, the marginal bidder in the evaluation of bids could receive a contract for only a portion of RECs from a single system and will have the option of whether or not to accept that award. A similar method has been used by the IPA and its procurement administrator to select wind resources to satisfy the 75% target in past renewable energy resources procurement events under Section 1-75 of the IPA Act.

All winning bids must also be below “benchmarks” developed “for each product procured.”<sup>48</sup> As the IPA understands the sub-25 kW market to be a distinct “product” for purposes of this procurement, distinct benchmark prices will be developed for systems below 25 kW in size and from 25 kW to 2 MW in size.

Within 2 days after a procurement event featuring “sealed, binding commitment bidding” with winning bids selected “on the basis of price,” reports on the procurement event are submitted by the procurement administrator and the Commission’s procurement monitor to the Commission for review.<sup>49</sup> These reports contain bidding results and a recommendation for the rejection or acceptance of bids.<sup>50</sup> The Commission issues a decision on whether to accept or reject the procurement results within 2 days after receiving the reports.<sup>51</sup>

Within 3 days after the Commission’s decision, “the Agency shall enter into binding contractual arrangements with the winning suppliers using the standard form contracts.”<sup>52</sup> To the extent not addressed elsewhere in this plan, the payment and delivery schedules under those contracts will be contemplated in the litigation of this plan and developed during the contract form development process after the plan’s approval.

#### **2.2.4 Governing Standard**

In developing its plan, Section 1-56(i) requires the Agency to develop a plan that “shall ensure adequate, reliable, affordable, efficient, and environmentally sustainable renewable energy resources (including credits) at the lowest total cost over time, taking into account any benefits of price stability.”<sup>53</sup> The Agency does not, however, understand the lowest “cost” to necessarily mean structuring the choice of products so as to drive the lowest possible REC price. The Agency believes that a contract for the purchase of renewable energy credits to assist in developing new generation carries more significant value than a contract to purchase the renewable energy credits off a system already built and financed.

Further, the development of new systems may contribute significantly to ensuring the “lowest total cost over time” by developing generating resources whose output may assist with future years’ RPS compliance. This is particularly true given that the renewable portfolio standard targets of Section 1-75(c)(1) of the IPA Act escalate annually until 2025, and that both Sections 1-56 and 1-75 of the IPA Act articulate a preference for resources from facilities located in Illinois and/or adjoining states.

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<sup>48</sup> 20 ILCS 3855/1-56(i)(4)(F); 1-56(i)(5).

<sup>49</sup> 20 ILCS 3855/1-56(i)(5).

<sup>50</sup> Id.

<sup>51</sup> Id.

<sup>52</sup> 20 ILCS 3855/1-56(i)(6).

<sup>53</sup> 20 ILCS 3855/1-56(i)(1).

The Agency has developed its plan informed by this approach, and notes that under Section 1-56(i)(3), a similar legal standard governs the Commission's review and approval of its plan.<sup>54</sup>

## 2.3 Other Provisions

In addition to the laws and regulations governing the IPA's supplemental PV procurement, additional laws, regulations, and programs intersecting with the supplemental PV procurement process are outlined below.

### 2.3.1 Net Metering

As set forth above, the IPA is authorized to use the RERF for the purchase of renewable energy credits,<sup>55</sup> and not for the purchase of energy. In addition to on-site use, one way in which owners of photovoltaic systems qualifying as DG may receive value for energy generated is through net metering.

Under Illinois law, "net metering" refers to "the measurement, during the billing period applicable to an eligible customer, of the net amount of electricity supplied by an electricity provider to the customer's premises or provided to the electricity provider by the customer."<sup>56</sup> Through net metering, customers receive credit for electricity generated using a photovoltaic system but not used by the customer. If the photovoltaic system produces more energy than the customer uses, net metering allows the customer to deliver that energy to the electric grid to financially offset the customer's net consumption at other times (when the customer uses more than the photovoltaic system produces).

Net metering programs are provided by the system owner's electricity provider, which may be the customer's electric utility or alternative retail electric supplier.<sup>57</sup> Systems up to 2 MW in size may participate in their electricity provider's net metering program, although the level of value received varies based on the customer's rate classification (a function of the customer's status – residential, commercial, etc. – and peak load size).<sup>58</sup> For customers in rate classes that have not yet been deemed competitive (primarily residential and small commercial customers), these customers may receive net metering credit calculated at the retail electric rate. Because it also recovers the costs of the transmission and distribution systems, the retail rate exceeds the commodity value of the electricity produced, providing more value back to a system owner for energy production.

While system owners may see value in participating in net metering, a distributed photovoltaic system owner's participation in a net metering program is not required for that system's participation in the IPA's supplemental PV procurement process.

### 2.3.2 Interconnection

Section 1-56(i) of the IPA Act is silent on the topic of interconnection. However, as discussed in Section 2.2.2, distributed photovoltaic systems must be behind the meter of a regulated utility, municipal utility, or rural electric cooperative located within Illinois. DG systems interconnecting with a regulated utility must follow the interconnection requirements outlined in Title 83, Parts 466 and 467 of the Illinois Administrative Code,<sup>59</sup> which in part requires DG system owners to submit an interconnection request with the electric distribution company with which the system intends to interconnect.<sup>60</sup>

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<sup>54</sup> 20 ILCS 3855/1-56(i)(3).

<sup>55</sup> The Agency may also recover procurement-related administrative expenses using the RERF. See 20 ILCS 3855/1-56(i)(9); 83 Ill. Admin. Code 1200.220(e).

<sup>56</sup> 220 ILCS 5/16-107.5(b).

<sup>57</sup> 83 Ill. Admin. Code 465.5.

<sup>58</sup> Id.

<sup>59</sup> Part 466 applies to DG systems with a nameplate capacity "equal to or less than 10 MVA," while Part 467 applies to facilities with a nameplate capacity "greater than 10 MVA (large distributed generation facility)." Most (if not all) systems potentially participating in this procurement and subject to the ICC's interconnection rules fall under Part 466.

<sup>60</sup> Note that proposed amendments to these rules are currently the subject to an open proceeding before the Illinois Commerce Commission. See generally Docket No. 14-0135.

For systems governed by Parts 466 and 467, all system owners should use interconnection request forms approved by the Commission and are responsible for all applicable fees to the applicable electric distribution company. For systems interconnecting with a municipal utility or rural electric cooperative, system owners should follow that entity's specific interconnection requirements and process.

### 2.3.3 Installer Certification

As described above, a statutory requirement of the Agency's supplemental PV procurement is that any "new" photovoltaic system from which the IPA procures RECs must be installed by a "qualified person." The criteria for qualification as a "qualified person" are set forth in detail in Section 1-56(i) of the IPA Act.

The IPA wishes to point out that the "qualified person" criteria outlined in Section 1-56(i) is distinct from, and arguably stronger than, the DG installer certification rules found in Title 83, Part 468 of the Illinois Administrative Code (which also contain a "qualified person" definition).<sup>61</sup> By operating in Illinois, installers of distributed photovoltaic systems participating in this procurement are still subject to the Commission's certification requirements as manifest in Title 83, Part 468 of the Administrative Code and Section 16-128A of the Public Utilities Act.

A list of certified DG installers can be found on the Illinois Commerce Commission's website at the following link: <http://www.icc.illinois.gov/utility/Certified.aspx?type=24>.

### 2.3.4 Grants, Incentives, and Tax Credits

Systems that participate—or have participated—in grant, incentive, rebate, or tax credit programs may still qualify for participation in the Agency's supplemental PV procurement so long as that participation does not include the sale or assignment of RECs. In fact, the Agency encourages participation in alternative programs. Grant, incentive, rebate, or tax credit programs help lower the installed capital costs of a DG system, and thereby potentially lower the price that system owners or aggregators will bid into the supplemental PV procurement. This is consistent with the Section 1-56(i) goal of procuring the lowest total cost resources over time.

For example, the Federal Solar Investment Tax Credit ("ITC") currently provides a 30 percent tax credit for solar systems on residential and commercial properties. This tax credit is scheduled to decrease to 10 percent in 2017. Since the tax credit that an owner of distributed solar generation would receive is not for the procurement of RECs, owners that take advantage of the ITC remain eligible for the Supplemental Procurement.<sup>62</sup>

The Illinois Department of Commerce and Economic Opportunity ("DCEO") offers two programs which provide additional incentives for distributed solar systems. DCEO's Solar and Wind Energy Rebate Program encourages utilization of smaller-scale distributed solar and wind energy systems in Illinois through project rebates. For photovoltaic systems, the rebates are capped as follows:

- Residential applications: \$1.50/watt or 25% of project costs.
- Commercial applications: \$1.25/watt or 25% of project costs.
- Not-for-profits and public applications: \$2.50/watt or 40% of project costs.

The maximum project rebate is \$10,000 for homeowners, \$20,000 for commercial installations, and \$30,000 for public sector and non-profit entities. This program features an early October application deadline.<sup>63</sup>

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<sup>61</sup> 83 Ill. Admin. Code 468.20.

<sup>62</sup> More information on the Solar Investment Tax Credit can be found at: <http://www.seia.org/policy/finance-tax/solar-investment-tax-credit>

<sup>63</sup> More information on the DCEO Solar and Wind Energy Rebate Program can be found at: <http://www.illinois.gov/dceo/whyillinois/KeyIndustries/Energy/Pages/01-RERP.aspx>.

To support the development and implementation of larger-scale distributed solar thermal, solar photovoltaic, and wind energy systems in Illinois, DCEO also administers a Large Distributed Solar and Wind Grant Program. For photovoltaic systems, rebates are capped as follows:

- For commercial applications: \$1.25/watt or 25% of project costs.
- For not-for-profits and public sector applications: \$2.50/watt or 40% of project costs.

The maximum grant award is \$250,000, and the Illinois Energy Office has allocated a budget of approximately \$2,500,000 to this program. This program features a competitive solicitation process with applications due to DCEO by mid-October.<sup>64</sup>

For both DCEO programs, participation is limited to “customers of an electric or gas utility that impose the Renewable Energy Resources and Coal Technology Development Assistance Charge.”<sup>65</sup> As neither program involves the sale, transfer, or assignment of the photovoltaic system’s renewable energy credits, participation in either program is compatible with participation in the IPA’s supplemental PV procurement.

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<sup>64</sup> More information on the DCEO Large Distributed Solar and Wind Grant Program can be found at:  
<http://www.illinois.gov/dceo/whyillinois/KeyIndustries/Energy/Pages/01aCommunitySolar.aspx>.

<sup>65</sup> A full list of utilities imposing this charge can be found in the rebate program application at:  
<http://www.illinois.gov/dceo/whyillinois/KeyIndustries/Energy/Documents/FY15%20RERP%20Rebate%20Guidelines-FINAL.doc>.

## 3 Products to be Procured

### 3.1 Resource Selection

Section 1-56(i) of the Illinois Power Agency Act provides, in part, as follows:

*(1) Within 90 days after the effective date of this amendatory Act of the 98th General Assembly, the Agency shall develop a one-time supplemental procurement plan limited to the procurement of renewable energy credits, if available, from new or existing photovoltaics, including, but not limited to, distributed photovoltaic generation.*

By this language, the General Assembly leaves two key decisions to the Agency in developing its plan: first, determining the balance of resources between new and existing photovoltaic resources; and second, determining the appropriate balance of solar RECs procured between DG and utility-scale generation (i.e., photovoltaic systems on the other side of—not “behind”—a regulated utility, municipal utility, or rural electric cooperative meter).

After review and analysis of the relative value of all available options, the IPA has determined that the supplemental PV procurement will be for RECs from “new” DG photovoltaic systems, with the goal that “to the extent available” half of DG RECs procured come from systems under 25 kW. The Agency believes that by focusing on the development of “new” photovoltaic systems, it is best positioned to meet the statutory goal of producing the “lowest total cost over time” and maximize the value of pooled alternative compliance payments in the RERF.<sup>66</sup> As discussed in Section 2.2.2, distributed photovoltaic systems must be behind the meter of a regulated utility, municipal utility, or rural electric cooperative located within Illinois.

Based upon input from stakeholders, the IPA believes that the funding available for this supplemental PV procurement (\$30 million) is insufficient to incent the development of new utility scale PV systems, and is thus best used to incent the development of new PV DG systems. Additionally, as the Agency is not entering into bundled REC/energy contracts or power purchase agreements through this procurement (and is statutorily prohibited from purchasing anything other than RECs using the RERF), REC-only contracts by themselves may provide an insufficient incentive for the development of new utility-scale generation. DG systems, alternatively, may receive sufficient value for energy through both on-site usage and net metering – which, coupled with REC contracts and other incentives (tax credits, grants/rebates, etc.), may drive the development of new systems and maximize the impact and value created through funds contributed to the RERF. The Agency notes that, due to the definition of DG in the IPA Act, these systems will be located within Illinois and therefore provide the maximum economic development value for the State.

For purposes of this supplemental PV procurement, the size of a system will be defined as the nameplate DC rating of the photovoltaic system on a kW basis. Systems must be Underwriters Laboratories (UL) listed or Intertek (ETL) listed. They must also include a utility-grade meter for the tracking the output from the system. Systems must register with either GATS or M-RETS for the issuance of RECs.

The supplemental PV procurement will consist of three procurement events with a fourth contingency event available if needed.<sup>67</sup> For the purpose of this supplemental PV plan, a system will be considered “new” if it has been energized on or after the approval date of the plan. Only “new” systems will be eligible to participate in procurement events of this supplemental PV procurement, and all must comply with the installation provisions regarding the use of “qualified persons” as described below in Section 4.4.<sup>68</sup>

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<sup>66</sup> The Agency notes that “existing” utility scale and DG photovoltaic systems may participate in its proposed SREC procurement using renewable resources budget funds, and “existing” DG photovoltaic systems may participate in its proposed DG procurement using hourly customer ACP funds. Both proposals, including the projected budget for each proposal, may be found in the IPA’s 2015 Procurement Plan currently being litigated in Docket No. 14-0588. This is discussed further in Section 3.2 below.

<sup>67</sup> See Section 5.1 for more information on the timeline.

<sup>68</sup> As described further below, existing systems may participate in the SREC and distributed generation procurements proposed in the Agency’s 2015 annual Procurement Plan

As described in Chapter 5 below, in evaluating bids in procurement events, the procurement administrator will apply a standard capacity factor to determine the number of RECs corresponding to a given system size. As described further in Section 2.2.3, the bid evaluation will be conducted with the goal of ensuring that, to the extent available, at least half the RECs procured are from systems of under 25 kW. To increase breadth of participation, the maximum size of a system qualified to supply RECs will be 500 kW for the first procurement event. For subsequent procurement events, systems may be up to 2 MW in size.

Fearing that intermediately-sized systems may not be competitive with systems up to 2 MW in size in a competitively bid process, some commenters suggested a need to accommodate intermediately-sized systems through the introduction of a separate procurement sub-category.<sup>69</sup> While the IPA understands there may be different economic considerations for intermediate sized DG systems than for large systems, the IPA is not convinced at this time that a separate procurement sub-category is needed. Additionally, the plain language of Section 1-56(i)(1) supports—if not mandates—the procurement of potentially more expensive RECs from sub-25 kW systems through an express procurement target for systems below 25 kW in size. No other size-based delineation is made in the law. While the IPA does not believe it is precluded from introducing a separately-sized sub-category, it is not directed to do so and does not believe a sufficiently compelling justification for preferring RECs from mid-sized systems has been offered.<sup>70</sup>

While the actual evaluation of bids will use only two categories of DG systems (below 25 kW, and 25 kW to 2 MW), the IPA does recognize that the 25 kW to 2 MW class may not be completely homogeneous. The IPA will track the number of projects in various categories (0-25 kW, 25-100 kW, 100-500 kW, 500-2,000 kW) and report these publicly to the extent possible. The IPA will use this information in the design of its contingency procurement event and in designing future procurement events for DG, which may include procurement from one of these additional subcategories.

The IPA believes that the priorities outlined in this supplemental PV procurement plan meet the goals envisioned by the General Assembly when it enacted Public Act 98-0672, which created the new Section 1-56(i) of the IPA Act. As shown in Appendix 6.2, it is also consistent with many of the provisions in other states that procure photovoltaic DG resources. By focusing on new DG projects, this supplemental PV procurement will maximize the economic development opportunities for Illinois while ensuring that there are opportunities for participation by interested households and businesses.

By holding a set of procurement events over a period of time, the plan allows for the market to expand in a more measured manner, avoiding elements of the “boom/bust cycle” that has been seen in other states’ PV procurements. In the same manner, the IPA is providing a model that will allow a combination of types of resources in various stages of project development to participate.

Through the workshop process and in taking comments, the Agency has received feedback that it should proceed mindful of the need to ensure broad participation and avoid inequities. This feedback has manifested itself in a variety of proposals from commenters. Among them include the following: specific carve-outs for models like community solar, which allow for broader ownership participation in solar systems; geographic balancing of participating system locations; ensuring that some participating systems are located in traditionally-underserved low income areas (and, conversely, that participating systems are not exclusively focused in high income areas); and the need for a procurement model focused on supporting Illinois businesses and panel manufacturing rather than large, out-of-state, “scaled” solar companies.

The IPA sympathizes with the interest of many non-homeowners in supporting photovoltaic development through community solar development or other means, as well as in specific incentives for placing solar generation on affordable housing. These concerns were raised in comments on the September 29, 2014 draft

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<sup>69</sup> In comments filed on the draft plan, ISEA recommends a 25 kW to 399 kW procurement sub-category, ELPC recommends a 25 kW to 200 kW sub-category, and the Sierra Club recommends a 25 kW to 500 kW sub-category.

<sup>70</sup> Additionally, it is unclear from comments how a mid-sized procurement category would be accommodated by the IPA’s competitive bid procurement process. Conceptually, possible models include separate budgets by size category, separate REC procurement targets by size category, or system size applied as a preference in some other way. No specific approach was offered by any party in comments.

Supplemental Procurement Plan, although no specific alternative wording or proposals were suggested. This Supplemental Procurement Plan is aimed at incentivizing the investment in, development of, and provision of sites for, distributed photovoltaic generation. The IPA believes that community solar and other project types are accommodated through the Agency's competitive procurement process, but does not believe adequate justification has been provided for special treatment through a carve-out, set-aside, or other means.

The Agency proceeds with this procurement sensitive to concerns on the need to ensure broad participation and avoid inequities. However, the photovoltaic market in Illinois is still a nascent, developing market. This plan cannot address all the needs of the market, or overcome all of the barriers. What this plan can—and does—do is set into motion a series of events in which \$30 million from the Renewable Energy Resources Fund is used to the full extent possible to purchase photovoltaic RECs, through a measured, open, and competitive process. Through this process, the Agency hopes to provide a template and learning opportunity for the ongoing development of future longer-term plans to support sound, equitable development of solar resources in Illinois.

### **3.2 Interaction with 2015 Procurement Plan**

Concurrent with the development of this supplemental PV procurement plan, the IPA has also developed its 2015 Annual Procurement Plan for ComEd and Ameren Illinois. In that Plan, the IPA has proposed a September 2015 DG procurement to assist ComEd and Ameren Illinois in meeting their currently unmet requirements under the Renewable Portfolio Standard using alternative compliance payments collected from the utilities' hourly service customers.<sup>71</sup> Additionally, the Agency has proposed a one-year SREC procurement using funds accumulated in the renewable resource budget.<sup>72</sup>

The IPA believes that procurement of RECs from existing systems is better accomplished through those procurement processes than through this supplemental PV procurement plan. The ability of existing resources to deliver RECs to the utilities with more immediacy (and thus more expediently meet statutory compliance targets) makes existing resources better suited for those procurements. Additionally, for the IPA's proposed DG procurement, existing resources may be more easily organized into procurement blocks sufficient to meet Section 1-75(c)'s statutory 1 MW aggregation block.<sup>73</sup> The current pool of existing DG resources in Illinois is not large and the IPA believes that the targets for the utility procurements should be sufficient to allow for participation for most, if not all, resources that chose to participate (subject to submitting bids at or below the procurement benchmark). The IPA's proposed DG procurement for the utilities will require systems to be identified prior to bidding and to commence delivery of RECs by the start of the 2016-2017 delivery year.

A system that is part of a successful bid in a procurement event held pursuant to this plan may not also be part of a bid for the utility DG procurement (and vice versa). A system that that is part of an unsuccessful bid may bid in the other procurement process.

### **3.3 Converting System kW Size into RECs**

This supplemental PV procurement plan is for the purchase of RECs from photovoltaic DG systems. Contracts will be based upon the delivery of certain quantities of RECs over a five year period at a price per REC set through competitive sealed bids selected by price and an effort to balance system size. RECs that are purchased shall be created in accordance with the operating rules or procedures of either GATS or M-RETS. As the IPA Act specifically discusses categorizing systems that provide RECs by system size, the IPA proposes that a standard capacity factor be used for calculating the number of RECs that would be produced over the life of the contract. Based on feedback received in comments on its draft supplemental PV plan, the Agency

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<sup>71</sup> This proposal can be found in Section 8.3.1 of the Illinois Power Agency's 2015 Procurement Plan, filed with the Illinois Commerce Commission on September 29, 2014 and currently being litigated in Docket No. 14-0588. Notably, that procurement is for RECs from DG systems generally, and not specifically photovoltaics.

<sup>72</sup> This proposal can be found in Section 8.1 of the Illinois Power Agency's 2015 Procurement Plan, filed with the Illinois Commerce Commission on September 29, 2014 and currently being litigated in Docket No. 14-0588.

<sup>73</sup> 20 ILCS 3855/1-75(c). No corresponding size requirement for aggregators exists under 20 ILCS 3855/1-56(i).

proposes a standard capacity factor of 14.38%<sup>74</sup> for converting the direct current nameplate capacity of a PV system into the number of RECs that the system is expected to produce. A standard capacity factor allows for ease of bid evaluation and reduces the administrative burden on bidders by limiting the parameters they must provide for bid evaluation.

The manner by which the standard capacity factor is used to convert the nameplate capacity of a system into the RECs bid into the procurement event can be illustrated as follows. A 10 kW system would be deemed to produce between 12 and 13 RECs per year, or 63 RECs during the contract term ( $0.010\text{MW} \times 14.38\% \times 8760\text{ hours} \times 5\text{ years} = \text{about } 63\text{ RECs}$ ). The bidder of that 10 kW system would offer 63 RECs and would provide a bid price in \$/REC that applies to all 63 RECs. This system for denominating bids is common in DG programs and should be familiar to industry participants.

As further described below, bids utilizing systems 25 kW to 2 MW in size must identify the specific systems as part of the bid. For systems below 25 kW, bids may include specific systems or blocks of RECs that will subsequently be converted into commitments for specific systems. This methodology will allow the procurement administrator to evaluate and benchmark bids based upon a price per REC.

The entire five-year REC output of a system using the standard capacity factor above must be included in a bid. The IPA will not accept bids for only a portion of the capacity of a larger system. Under the terms of the contract, title to all RECs from the system will be transferred to the IPA until the system budget is exhausted or until the five years have expired, whichever comes first. As described further in Section 4.1, there may be an option for the purchase of additional RECs at the original bid price if funds are available. The entire capacity of the system will be considered when determining the eligibility of a system to participate in a given procurement event or to qualify for the under 25 kW category.

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<sup>74</sup> This capacity factor was recommended by ISEA in comments on the draft plan and is supported by their analysis using the industry standard PV Watts calculator that averaged typical system outputs at various locations in Illinois.

## 4 Procurement Provisions

### 4.1 Key Contract Terms

Contracts entered into from winning and approved bids will provide for payment for RECs for a five year period starting at the time of the system energization date (defined as the first meter read registered in the applicable tracking system). RECs must be delivered via either the GATS<sup>75</sup> or M-RETs tracking system and must be transferred to the IPA's account prior to invoicing. The IPA will only retire RECs once payment has been made. If for any reason the IPA is unable to pay for RECs delivered to it, the IPA will return those RECs to the seller. Invoices will be accepted on a quarterly basis and the IPA will pay for RECs only upon delivery and invoice; its contracts will not feature payments prior to REC delivery (such as pre-payment at the execution of a contract or when a system becomes energized).

Contracts will be for up to the amount of RECs awarded. The IPA, at its own discretion and based upon the availability of funds, will offer to purchase additional RECs from systems that deliver all of their contracted RECs prior to the end of the five year period. Any such offer will be at the same REC price as the original bid, will have to be executed prior to the end date of the original contract, and will not include an extension of time for REC deliveries. Should a system deliver fewer than the contracted quantity of RECs during the five year contract period, the IPA will be under no obligation to extend the contract past the five year term in order to allow for the late delivery of remaining RECs.

Following the provisions of Section 1-56(i)(4)(D), further details regarding the contracts will be developed by the procurement administrator in consultation with the Agency, the Commission, and other interested parties and subject to Commission oversight, after the supplemental PV procurement plan is approved by the ICC. See Section 5.2.2 for more details on this process.

Contracts will also include a set of terms, conditions and certifications required by the State of Illinois. Appendix 6.3 contains a sample of these provisions, which may be subject to modification before contract execution based on any changes in state law.

### 4.2 Qualification of Systems to Deliver RECs

The IPA will create two categories of systems eligible to participate in procurement events. The first category is for systems under 25 kW, the second for systems between 25 kW and 2 MW. Different qualification processes will be used due to the market differences for the two categories. The IPA understands that the project/customer acquisition and development process for smaller systems, most notably at the residential scale, is fundamentally different from the process for larger systems. In order to allow sufficient participation by developers of smaller systems (e.g., in the sub-25 kW category), the IPA will accommodate bids that include a forecast of REC volume to be provided by systems not yet developed at sites or hosts not yet identified. This is described below as "speculative bidding," or "speculative RECs." Information on the specific installations will not be required at the time of bidding, thus allowing the speculative bidder time to convert the winning bid quantities into concrete systems. However, a winning bidder will be required to provide concrete information on actual systems within 6 months of the procurement event. Failure to do so will result in the forfeiture of the volume associated with any unidentified systems, the associated deposit will be lost, and the budgeted payments for RECs will be set aside for a subsequent procurement.

For offers of larger systems (25 kW and above), the IPA does not believe such flexibility is required for the development of photovoltaic systems suitable to participate in the proposed procurement events. Thus, for larger systems, speculative bidding will not be allowed.

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<sup>75</sup> GATS is the tracking system administered by PJM-EIS, a subsidiary of PJM Interconnection.

#### 4.2.1 Systems under 25 kW

A bidder may bid to provide RECs from systems under 25 kW at a uniform price per REC. Bids may include RECs from identified new systems, “speculative” bids for a quantity of RECs, or a combination of the two. The minimum bid size shall be 500 RECs (which roughly approximates to the REC output of sixteen 5 kW systems). In order to maximize participation, the first procurement event will feature a bid limit of 5,000 RECs per bidder of systems under 25 kW.

Within six months after the procurement event, a winning bidder must provide evidence to the IPA that all systems associated with the awarded bid have been identified (including site, host, and customer, where applicable), and are on track to begin generation of RECs as of the date stated on the contract. Evidence may include, but is not limited to, letters of intent, signed contracts, installation certification, site data and information, system ownership information, interconnection application, and net metering applications.<sup>76</sup> A bidder may request an extension of up to three months for demonstrated project delays outside their reasonable project development control (i.e., an event of force majeure); that extension will be granted only at the Agency’s discretion.

From the point where specific systems are identified, a winning bidder will have 12 months to demonstrate to the IPA that the system has been completed and energized and registered in an applicable tracking system to deliver RECs to the IPA. Again, a bidder may request a six month extension upon demonstration of project delays that do not otherwise jeopardize the successful completion of the project; any such extension will be granted only at the Agency’s discretion.

The methodology to estimate RECs per system is described in Section 3.3. As the winning bidder provides the IPA with documentation of specific systems under development, the IPA will track the projected RECs for each winning bidder.

Should a bidder fail to provide evidence of system development for speculative bids within the specified timeframe, the prorated share of the contract with the Agency shall be considered voided (in other words, the contractual REC volume will be reduced to the REC volume associated with identified systems), the deposit associated with unidentified RECs forfeited, and the budgeted payments for those RECs will be restored for a subsequent procurement. A higher deposit will be required for speculative RECs and the deposit will be reduced (with the amount of the reduction reimbursed) once the bidder has identified systems for speculative RECs. The deposit amounts are stated in Section 4.3.

#### 4.2.2 Systems 25 kW and over

For bids in the 25 kW and over category, a bidder must identify the specific system(s) that will provide the RECs prior to bidding. Evidence regarding the systems may include, but is not limited to, letters of intent, signed contracts, interconnection or net metering applications, and local permits.<sup>77</sup> The minimum bid size shall be 500 RECs (which roughly approximates to the REC output of two 40 kW systems). A winning bidder for larger systems (or for non-speculative sub-25 kW systems) will have 12 months from the bid date to demonstrate to the IPA that the systems bid have been completed, energized, and registered in an applicable tracking system to deliver RECs to the IPA. A bidder may request a 6 month extension upon demonstration of project delays that do not otherwise jeopardize the successful completion of the project; that extension will be granted only at the Agency’s discretion. Requests will be determined by the IPA on a case by case basis, but will be limited to circumstances outside the bidder’s control. Such circumstances may include delays in approval of interconnection requests, issuing of permits, and other events driven by delays in third-party processes. Should a system not be completed in the required timeframe, the prorated share of the bidder’s

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<sup>76</sup> The specific list of acceptable documents will be part of the model contract and will be developed as part of the standard contract development process outlined in Section 5.2.2. Participation of interested parties, experienced developers, and trade associations in that process is encouraged as such individuals and organizations will be able to provide critical feedback on the appropriate milestones.

<sup>77</sup> See above re: the development of the acceptable documents list.

contract with the Agency shall be considered voided, the associated deposit will be lost, and the budgeted payments for RECs will be set aside for a subsequent procurement.

Should a system that is included in a winning bid not be developed, the winning bidder may request to substitute the system with one or more systems so long as the total size is of similar nameplate capacity. The substituted system(s) must meet all the same requirements (e.g., use of “qualified person” for installation, qualifying as a “new” system, same development deadlines, not used to support prior awards) as the originally proposed system. The RECs to be delivered by the substitute system will be calculated using the standard capacity factor and the nameplate capacity of the substitute system. A substitute system will not be eligible to provide more RECs than the originally proposed system. Approval of such requests is at the discretion of the IPA.

### 4.3 Credit Requirements

The credit requirement for participating in this procurement is to provide a refundable deposit featuring the following characteristics:

- **Form:** the refundable deposit may be a cash deposit or an irrevocable standby letter of credit (“Letter of Credit”) delivered as part of the bid registration process.
- **Amount:** the amount of the refundable deposit is \$16/REC for speculative RECs and \$8/REC for RECs associated with identified systems. Based upon the standard capacity factor, this equates to approximately \$100/kW for speculative systems and \$50/kW for identified systems.
- **Delivery:** for both speculative and non-speculative RECs, the delivery schedule of the refundable deposit requires half of the refundable deposit amount associated with the bid due as part of the bid, and the balance of the refundable deposit amount due within 14 days after bid acceptance (with any remaining portion not required for delivery from unsuccessful bids). Deposits due after bid acceptance may be in cash or in the form of a new or a properly amended Letter of Credit.

Unsuccessful bidders who provide a cash deposit will have their deposits refunded. For a bidder who only is successful for a portion of their bid, the refund will be prorated. The IPA will endeavor to process refunds in a timely manner, but notes that payment of the refunds are processed through the Illinois Office of the Comptroller and thus the IPA cannot guarantee the exact refund disbursement schedule.

For winning bids, deposits associated with RECs from winning systems will be returned as part of the first payment for RECs. Any system that is not successfully developed will forfeit its deposit for those RECs (for both cash deposits and Letter of Credit), as will any system that does not achieve the required project development milestones. For speculative bids, upon demonstration of an identified project, the bid deposit will be reduced from \$16/REC to \$8/REC, with the decreased deposit amount returned to the bidder for cash deposits. If a bidder has successfully converted systems to energized projects and has a balance of fewer than 30 RECs remaining not associated with identified projects, the bidder may request a refund of any remaining deposit. Otherwise, the bidder will forfeit any remaining deposit that is not associated with energized projects less the amount associated with 30 RECs.

The counterparty under the contract will either be the owner of the system or an intermediary that will contract with the owner of the system. In either case, the party named during the procurement process will be the party that signs a contract with the IPA. Rights under the contract may be transferred or assigned with consent from the IPA. Such consent will be automatic if the ownership of the system changes, if the assignment is to an affiliate of the counterparty, or is for financing purposes. The counterparty will be required to effect such assignment or transfer in the event of bankruptcy or dissolution.

#### 4.4 Use of Qualified Persons for Installation

To provide RECs for this procurement, all new device installations must meet the provisions of Section 1-56(i)(1) regarding the use of “qualified persons” for the system installation. The term “qualified person” is defined within the law and connects back to the level and nature of the installer’s training and experience. Similarly, “install” is defined in the law as “the major activities and actions required” for delineated elements of the photovoltaic device installation.

As part of its supplemental PV procurement plan, the law calls for the IPA to “establish contractually enforceable mechanisms for ensuring that the installation of new photovoltaics is performed by a qualified person.” To comply with this language, the IPA proposes the following:

During the pre-qualification stage of the bidding process, all bidders will have to certify that they understand and will comply with these provisions. The Agency will provide standard certification forms for bidders for consent to compliance. After a bid is won, that bidder will be required to certify that a qualified person was used for the system installation by no later than the initial REC delivery date.

Should the IPA learn that a system was not installed by a “qualified person,” or should a winning bidder be found to not be in compliance with necessary disclosures and certifications, the IPA will have the right to void the contract and cease payments for RECs generated by the system. Additionally, all contracts executed with winning bidders will include a provision that allows the IPA to ask for proof and inspect books and records to confirm the use of “qualified persons.”

#### 4.5 Tracking and Transfer of RECs

All systems will be required to have a utility-grade meter as part of their installation and all RECs will be tracked and transferred using either GATS or M-RETS. Each system must be tracked through a single metering point. The bidder will be responsible for any fees related to registration with the tracking system. The IPA will pay for the retirement of RECs and the bidder will not be responsible for those costs.

The IPA is currently working with PJM EIS and M-RETS to clarify and simplify the registration process for Illinois-eligible DG systems. Guidelines on how to register DG systems will be published by the IPA prior to the first procurement event.

#### 4.6 Aggregators

Section 1-56(i)(1) discusses the use of aggregators as follows:

*In order to minimize the administrative burden on contracting entities, the Agency shall solicit the use of third parties to aggregate distributed renewable energy. These third parties shall enter into and administer contracts with individual distributed renewable energy generation device owners.*

The Agency understands this language to mean the following:

- Bidders need not be system owners. Instead, this language allows for “aggregators” to serve as an intermediary between an individual DG device owner and the IPA, participating as a bidder in the IPA’s procurement and serving as a counterparty to a REC contract with the IPA.
- As the Agency “shall solicit the use of” aggregators, the Agency has some statutory obligation not merely to permit third party participation, but to actively solicit it. Active outreach to identify and generate interest from potential bidders has regularly been part of IPA procurement events conducted pursuant to the IPA’s annual procurement energy plans. The IPA believes that active solicitation by the Agency may be accomplished by continuing those practices, as nothing in the statute provides that a distinct form or manner of solicitation must apply.

- While administrative burdens necessitate soliciting bids at or above a threshold bid size (the Agency's proposed minimum procurement bid size of 500 RECs), system owners may otherwise participate directly in the IPA's procurement process. The Agency believes that forcing the use of intermediaries onto willing system owners with sufficiently sized bids would be unnecessarily cumbersome, and would exacerbate the very administrative burdens that the use of "aggregators" seeks to minimize.
- Nothing in the statutory language prohibits an entity from serving both as a system owner and a third-party aggregator. So long as the bidder has or will develop valid title to RECs for transfer to the IPA (i.e., "contracts with individual distribution generation device owners"), a bidder may be a system owner, a third party, or both. An aggregator may also be a third party bidding the REC stream from a single DG system.
- The law creates no restriction on which entities may participate as an aggregator. The law does not require that aggregators be system installers or third parties providing financing or providing other services to DG device owners. Nor does the law limit aggregation to for-profit companies, not-for-profits, government entities, or private citizens. However, the law does require that, as counterparties, aggregators must meet credit requirements developed by the Agency. Additionally, as the law requires aggregators to "enter into and administer contracts with individual distributed generation device owners," compliance with this provision necessitates evidence that an aggregator does have contractual rights to RECs being transferred.

#### 4.6.1 Definition of Aggregator

Based on the foregoing, the IPA proposes to define an Aggregator as a third-party (i.e., non-system owner) that (i) owns or plans to acquire either unconditioned title to or rights to legally transfer renewable energy credits from distributed renewable energy devices through contracts with multiple system owners, and (ii) is willing to contract with IPA and accepts standard Illinois terms as well as procedures for contract administration.<sup>78</sup> The IPA is not proposing the use of a single Aggregator for this procurement; rather it proposes that an aggregator who meets this definition will be required to register and pre-qualify with the IPA and its procurement administrator in order to be eligible to participate in the procurement events. The IPA expects that multiple entities will be successful participants in these procurement events and awarded contracts to deliver RECs (subject to terms and conditions discussed further below). The procurement administrator will maintain a website where, among other things, a list of pre-qualified aggregators will be available to interested parties (i.e., homeowners who wish to use a pre-qualified aggregator). However, the IPA does not and will not endorse any specific aggregator.

Aggregators must pre-qualify with the IPA by meeting several provisions. At a minimum, in addition to the requirements stated above, an aggregator must demonstrate to the IPA that the aggregator is:

- Registered to do business in the State of Illinois;
- Able to ensure meter data is collected from aggregated systems ; and
- Is or will be registered with GATS and/or M-RETS upon contract award.

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<sup>78</sup> Under this definition, system owners may also participate directly in the procurement as bidders, so long as their bids meet all required qualifications (bid size, deposit requirements, etc.) as noted above.

## 5 Procurement Process

### 5.1 Procurement Timeline and Scale

The IPA proposes to hold three procurement events as part of this plan, with a fourth contingency procurement event. The budget for each event will increase so as to track anticipated growing demand by developers to supply RECs into the procurements and to accommodate market growth without bottlenecking the availability of REC contracts.

The approximate timeline and budget will be:

1. June 2015 (\$5 million; 5,000 REC maximum bid size for bids in the under 25 kW category, and 500 kW maximum system size for the 25 kW and above category).
2. November 2015 (\$10 million; no maximum bid size for bids in the under 25 kW category, and 2 MW maximum system size for the 25 kW and above category).
3. March 2016 (\$15 million; no maximum bid size for bids in the under 25 kW category, and 2 MW maximum system size for the 25 kW and above category).
4. Early 2017 (Contingency Event; balance of available funds, possible limitation on categories of systems that may participate).

The dates above are subject to change pending development of required contract documents, which could impact the date of the first procurement event and the time between each subsequent procurement event. Procurement dates will be finalized by the Agency in consultation with the procurement administrator, Commission Staff, and the procurement monitor, and will be publicly announced at least eight weeks in advance of the procurement event.

As discussed in Section 4.2, winning bidders must demonstrate progress towards project development or will forfeit deposits and the contractual rights to sell RECs to the IPA.

To increase the number of systems installed as a consequence of the Agency's first (and lowest-budget) procurement, and in an attempt to maximize compliance with the statutory goal for half of RECs procured to come from below 25 kW in size, the maximum size of systems bid will be 500 kW for the Agency's first procurement event. In addition, for the first procurement event in the under 25 kW size category, no bidder shall be awarded a contract for more 5,000 RECs.

A determination of whether to hold the contingency procurement event will be made by the IPA in consultation with ICC Staff, the procurement administrator, and the procurement monitor. If consensus cannot be reached, the IPA may petition the Commission for a determination regarding whether to hold the contingency procurement event. In the event that there is a contingency procurement event, the IPA and the procurement administrator will review the results of the prior procurements to determine if there should be a narrowing of size categories from which systems are to be procured. Should sufficient funds be available, new utility scale systems may also be considered. Criteria to be considered may include (but may not be limited to) the administrative cost of the procurement, the expected REC price, and the likelihood of a particular segment to result in successful completed projects.

### 5.2 Procurement Process

As permitted under Section 1-56(i)(4)(A) of the IPA Act, the IPA will use its current procurement administrator for Section 1-75 procurements (i.e., Ameren Illinois and ComEd energy and renewable resources procurements), NERA Economic Consulting, for the procurement events under this supplemental PV procurement plan. The process will be monitored by the ICC's designated procurement monitor.

In addition to the explanation below, the process for procurement events is further outlined in Section 1-56(i)(4)(C)-(G) of the IPA Act.

### 5.2.1 Solicitation, pre-qualification, and registration of bidders

The procurement administrator will develop the process for the solicitation, pre-qualification, and registration of bidders.<sup>79</sup> The pre-qualification and registration process is expected to be performed online. The pre-qualification process will ensure that bidders with identified systems provide documentation on the systems and are able to contract with the IPA. The registration process will include the tendering of the deposits. Details of the pre-qualification and registration process will be developed by the procurement administrator, in consultation with the IPA, ICC Staff, and the procurement monitor.

### 5.2.2 Standard contract forms and credit terms and instruments

All bidders will be required to agree to sign standard contract forms and credit support instruments upon the awarding of successful bids.<sup>80</sup> These include terms required by the State of Illinois as described in Appendix 6.3 as well as standard contract forms developed by the procurement administrator and may include credit support instruments. All bidders electing to provide a Letter of Credit in lieu of a cash deposit must use a standard Letter of Credit. The standard contract forms, Letter of Credit, and other credit support instruments will be developed upon Commission approval of this supplemental PV procurement plan in line with the process outlined in Section 1-56(i)(4)(D) which provides that “if the procurement administrator cannot reach agreement **with the parties** as to the contract terms and conditions, the procurement administrator must notify the Commission of any disputed terms and the Commission shall resolve the dispute” (emphasis added).<sup>81</sup>

As parties to contracts will not be established until after the development of contract terms and conditions and subsequent procurement events, the Agency understands the “parties” in this context to refer to the Agency, ICC Staff, and the procurement monitor. This reading is consistent with the resolution of disputes for contract terms and disputes in other IPA procurement processes. The IPA and the procurement administrator will hold at least one public meeting on the proposed contract forms and will provide for an opportunity for stakeholders to provide two rounds of written comments on draft contract forms. Written comments will be posted to the procurement website and the IPA may hold public meetings to explain how it has responded to such comments.

### 5.2.3 Requests for proposals; competitive procurement process

For each procurement event cycle, the procurement administrator will announce the date when bids are to be received (closing date) and hold a webinar and bidder training events prior to that date. The closing date will be announced at least eight weeks prior to the start of the procurement event cycle (which is typically several weeks long). No later than the bid date, bidders will provide via a secure website a sealed, binding, bid during a pre-specified bidding window. For an example of a similar bidding process, please see the website used for the energy procurements conducted by the IPA and its procurement administrator, [www.ipa-energyrfp.com](http://www.ipa-energyrfp.com).

Proper bids received by the closing date and time of the procurement event will be evaluated by the procurement administrator as follows: First, for a bid to be considered, it must be at or below the appropriate benchmark (see Section 5.2.4 below). Second, bids are ranked in order of price per REC until all bids have been ranked or until the budget is exhausted. If that step ended because the budget was exhausted, in a third step, the lowest priced sub-25 kW systems that have not yet been ranked replace the highest priced over-25 kW systems as needed to reach the objective of having 50% of the RECs for the procurement event from systems sub-25 kW systems (or vice versa, should the imbalance work in the opposite direction). This evaluation identifies the winning bids for review by the Commission.

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<sup>79</sup> See 20 ICLS 3855/1-56(i)(4)(C).

<sup>80</sup> See 20 ILCS 3855/1-56(i)(4)(D).

<sup>81</sup> Id.

#### **5.2.4 Benchmarks**

For each procurement event, the procurement administrator will develop a confidential set of benchmarks. Consistent with Section 1-56(i)(4)(F), benchmarks will be developed in consultation with the Agency, ICC Staff, and the procurement monitor.<sup>82</sup> Developed benchmarks will not require Commission pre-approval. As provided for in Section 1-56(i)(4)(E), no bid that exceeds the benchmark price shall be accepted by the Agency.<sup>83</sup> The developed benchmark price is confidential and unavailable to bidders at the time bids are submitted or anytime thereafter. To provide some limited guidance to potential bidders, the Agency indicates that factors that may be considered include, but are not limited to, the following: observed market prices for similar products adjusted for expected local costs to develop and operate systems, available incentives, market returns on capital, and term of contract (5 years).

#### **5.2.5 A Plan For Implementing Contingencies In The Event Of Supplier Default, Commission Rejection Of Results, Or Any Other Cause**

As described elsewhere in this Plan, the IPA proposes several mechanisms for contingencies.

First, winning bidders will need to show progress towards project development as described in Section 4.2. Failure to do so will result in loss of the prorated deposit and right to deliver the associated RECs from any project that does not show such progress, and the contract value of those RECs will be added to the available funding for subsequent procurement events or for the purchase of additional RECs from systems already under contract.

Second, should a bidder default after REC delivery starts, the bidder may, with the IPA's consent, assign the contract(s) to another individual or entity who shall assume the obligations and liabilities of the original bidder. That individual or entity will be required to accept all terms and conditions of the original contract, make all required certifications, and post appropriate credit assurances. Section 4.3 provides additional assignment provisions.

Third, the IPA is proposing a fourth, final procurement event (contingency procurement) should there be funds available after the third procurement event due to factors including, but not limited to, participation levels, Commission rejection of previous results, and failure of bidders to successfully complete systems. For the fourth procurement event, the Agency may propose alternative standards, such as product categories tied to more specific segments and possibly also procurement of RECs produced by new utility scale systems, as described in Section 5.1. Alternatively, the Agency may put unused funds towards the purchase of additional RECs from systems already under contract from the prior procurement events held pursuant to this Plan.

#### **5.2.6 Procurement Approval**

As described in Section 1-56(i)(5), the procurement administrator and procurement monitor will provide separate confidential reports to the Commission within two business days of each procurement event.<sup>84</sup> The Commission will vote on whether to approve the procurement results within two days of receiving those reports.<sup>85</sup>

Winning bidders will receive a preliminary notification that their bid has been recommended for approval within one business day after the procurement event. Formal notification will be made and contract packages

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<sup>82</sup> 20 ILCS 3855/1-56(i)(4)(F).

<sup>83</sup> See 20 ILCS 3855/1-56(i)(4)(E).

<sup>84</sup> 20 ILCS 3855/1-56(i)(5).

<sup>85</sup> Id.

for execution will be transmitted to winning bidders upon the Commission approval of the results. Bidders will have three days to execute contracts.<sup>86</sup> Post-bid negotiations are not allowed.

### **5.2.7 Published Information on Winning Bids**

As provided for in Section 1-56(i)(7), the IPA will publish the names of successful bidders after each procurement event, and will also publish the weighted average winning bid price for each product segment (sub-25 kW and 25 to 2000 kW).<sup>87</sup> To the extent possible, the IPA will also publish the average size of systems used to support the winning bids in each category. While bids will be kept confidential, the IPA notes that contracts entered into by the IPA may be subject to the Freedom of Information Act. Consistent with 1-56(i)(7), the Commission, procurement monitor, procurement administrator, Agency, and all participants shall maintain the confidentiality of all other supplier and bidding information.<sup>88</sup>

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<sup>86</sup> 20 ILCS 3855/1-56(i)(6).

<sup>87</sup> 20 ILCS 3855/1-56(i)(7).

<sup>88</sup> Id.

## 6 Appendices

### 6.1 Summary of Public Meetings and Comments on the Draft Plan

#### 6.1.1 Supplemental Photovoltaic Procurement Plan Public Workshop, August 7, 2014

On August 7, 2014, the Agency held a workshop as required by Section 1-56(i)(1) of the IPA Act to gather public feedback on this supplemental PV procurement plan. The meeting was attended by approximately 65 individuals representing a wide variety of organizations, businesses, and government agencies. A list of participating entities is provided below.

The workshop consisted of three presentations followed by public comment. The first presentation was given by IPA Director Anthony Star, who reviewed the provisions of new Section 1-56(i) of the IPA Act and provided initial view of the Agency. The second presentation was conducted by NERA, the IPA's procurement administrator, and summarized the solar photovoltaic procurement strategies of other states. The third presentation was conducted by GSM, the workshop's facilitator. GSM summarized public comments on questions posted by the Agency following the June 12 IPA workshop on DG that was held in support of the Agency's annual procurement plan.

Comments and questions from stakeholders covered a range of topics. Below is a synthesis of questions and concerns:

#### Procurement concerns:

- *Qualification*: E.g. What qualifications do bidders need?
- *Aggregation*: E.g. Should there be minimum qualifications or certification to be an aggregator? How should self-aggregation be addressed? Should there be minimum bid sizes for aggregators? Should there be different classifications of aggregators such as mega and smaller?
- *Products*: E.g. Should there be a distinction between residential and commercial, or by system size?
- *Evaluation*: E.g. Can you evaluate new and existing facilities the same way? Should there be a single or multiple procurement(s)? Does timing of when the procurement(s) are held matter?
- *Eligibility*: E.g. How will the Agency help municipalities bid in? Should residential customers be forced to use an aggregator?
- *Overlap*: E.g. How does this procurement interface with other incentive and rebate programs?
- *Payment*: E.g. Should payments be upfront with a claw-back or payment as delivered?

#### Policy impact concerns:

- *Boom and bust cycles*: E.g. How to guard against high REC prices or using up the allocated budget too quickly?
- *Social equity*: E.g. Should there be special treatment for disadvantaged groups? How to ensure equitable participation across all Illinois residents? Should there be considerations for minority owned businesses?
- *Jobs development*: E.g. Should job creation in Illinois be a goal? Should there be a geographic component to the procurement?

#### Photovoltaic system concerns:

- *New versus existing*: E.g. should the procurement only be for new generation or should existing be included? Should a grace period be given to systems currently under development?
- *Location of systems*: E.g. can a system outside of Illinois participate? Is this limited to solar projects just within ComEd/Ameren territories?

- *Size of system:* E.g. How to measure, for example, if it is less than 25 kW? Does nameplate capacity disadvantage multi-family facilities?
- *Types of products:* E.g. Should utility scale solar be included or just DG?

#### **Contract concerns:**

- *Length of contract:* E.g. Is the minimum five year contract terms designated in the legislation appropriate?
- *Budgeting:* E.g. How to make sure that payments are not exceeded?
- *Credit and deposits:* E.g. What should be the credit requirements for a bidder?

#### **6.1.2 Distributed Generation Workshop, June 12, 2014**

In addition to the public workshop for this supplemental PV procurement plan on August 7, 2014, the Agency also considered comments on DG procurement from a public workshop on June 12, 2014 and associated written comments (received by July 21, 2014) related to the Agency's 2015 Procurement Plan. While the June 12, 2014 public workshop took place before the Governor signed HB2427 into law, the comments from the workshop are relevant in understanding stakeholder input on distributed solar generation procurement.

The June 12, 2014 workshop's agenda addressed three items:

- Review of the 2012 workshop and 2013 IPA Procurement Plan DG recommendations.
- Discuss recent DG developments in other states applicable to Illinois.
- Overview and discussion of DG provisions of HB2427.

Following the June 12<sup>th</sup> Workshop, the Agency sought stakeholder feedback on sixteen questions. Eighteen different stakeholder groups responded through fifteen different sets of written comments, all of which are available on the Agency's website.<sup>89</sup> Below is a list of the questions:

1. Should procurements be held for more than one size category? Should other attributes be considered in determining categories?
2. How should IPA define distributed generation systems? Where is size of system defined, i.e., at meter, inverter, etc.?
3. If IPA holds separate procurements for new and existing systems, how should those terms be defined? If RECS from new systems are valued higher than those from existing systems, what could prevent there from being a short term impact on project development?
4. How long and what flexibility should the IPA allow for new systems to commence operation after the procurement event?
5. What are the advantages and disadvantages of REC contracts of 5 year terms and those of a longer duration? Be specific by market segment/size, new vs existing.
6. What are the trade-offs between contract terms for new systems that pay for RECS as they are delivered vs terms that would allow for some upfront payment upon system going commercial, but with commensurate enhanced credit requirements and claw back provisions?
7. What elements may be necessary to include in claw back provisions to ensure that Agency, ratepayer, and stakeholder interests are properly protected?
8. What are the perceived risks that developers, property owners, lending institutions, utilities, utility ratepayers, and other stakeholders may be exposed to as a consequence of the IPA entering into REC procurement contracts with terms of more than 5 years?
9. What credit requirements may be appropriate for aggregators and other counterparties (i.e., self-aggregating system owners)? Should these requirements vary based on REC portfolio size and system size? If so, how?

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<sup>89</sup> Written responses to the questions can be found here: [http://www2.illinois.gov/ipa/Pages/Plans\\_Under\\_Development.aspx](http://www2.illinois.gov/ipa/Pages/Plans_Under_Development.aspx)

10. Are there timing considerations other than those related to DCEO rebates, state and federal tax incentives that the IPA should consider?
11. If aggregators are allowed to bid speculatively what would be a reasonable length of time for aggregators to be given to provide evidence of viable projects and what provisions should be considered to reallocate quantities of RECs to other aggregators if an aggregator is not able to verify progress on project development?
12. What additional provisions, if any, should be included to allow entities to be their own aggregator?
13. Given the framework of the Illinois RPS and provisions of the new Section 1-56(i), what models that the IPA should be aware of to avoid, and why?
14. Should the IPA consider tracking RECs using systems other than PJM-GATS and M-RETs?
15. Are there policies and procedures for tracking DG RECs (e.g., system certification) that need updating under current M-RETs and PJM-GATS frameworks?
16. Are there additional entities that should be engaged in this stakeholder process other than those engaged in the June 12th workshop?

### 6.1.3 Workshop Participants

The following organizations participated in one or both workshops:

Organization	June 12	August 7
Acciona Energy		X
Affordable Community Energy		X
Ameren Illinois	X	X
Illinois Attorney General	X	
Barnes & Thornburg	X	X
Boost Your ECO		X
City of Chicago		X
ComEd	X	X
Community Green Energy		X
Constellation/Exelon		X
CS2 Renewable Energy	X	
CUB	X	X
DCEO	X	X
Delta Institute	X	X
Eco Solar		X
EDF		X
Elevate Energy	X	X
ELPC	X	X
Geronimo Energy		X
Gett Us Energy		X
Giordano & Associates	X	X
Helpanswers.org	X	
Iberdrola Renewables		X
IL Sierra Club	X	X
Illinois Commerce Commission	X	X
Illinois Solar Energy Association	X	X
IMA	X	
Integrays Energy Services		X
IPA	X	X
Juhl Energy	X	
Kenjiva Energy Sys	X	X
LIUNA		X

Organization	June 12	August 7
MC2 Energy Services	X	
Metropolitan Mayors Caucus		X
Microgridsolar	X	X
MidAmerican		X
MRC and Associates	X	
NERA	X	X
New Generation Power	X	
New Grid Energy Solutions		X
Nextera Energy		X
NRG Energy	X	
PA Consulting	X	X
PJM	X	
Skyview Ventures		X
Social Service		X
SoCore Energy	X	X
SolarCity	X	X
SRECTrade		X
Straight Up Solar	X	X
SunEdison		X
SunRey Solar Energy		X
Sunrun		X
The Accelerate Group	X	X
The Law Offices of Paul G. Neilan	X	X
Tipping Point Renewable Energy		X
Urban Green Technologies	X	
VGI Energy	X	
WanXiang New Energy		X
West Monroe Partners	X	
Wind on the Wires		X
Wind Solar USA		X
Ziegler Securities		X

**6.1.4 Summary of Comments Received on the Draft Supplemental Photovoltaic Procurement Plan**

- Allow for prepayment [Sierra Club]
- Allow participation by existing systems and by utility scale systems [ComEd, Exelon Generation]
- Automatic purchase of additional RECs [Wanxiang New Energy]
- Change definition of “new” to an earlier date [ELPC, ISEA, Sierra Club, and SRECTrade]
- Clarify AC versus DC rating of systems [ICC Staff]
- Clarify benchmarks [ELPC]
- Clarify definition of aggregators [Sierra Club, SRECTrade]
- Clarify required bidder information/documentation [ELPC, ISEA]
- Create standard offer/single aggregator for below 25 kW systems [ELPC, ISEA]
- Encourage community solar, PV for affordable housing and prioritization for social benefits [Elevate Energy]
- Increase capacity factor [ELPC, ISEA]
- Longer contract terms [Wanxiang New Energy]
- Lower deposit requirements [ELPC, ISEA, Sierra Club]
- Lower minimum bid size [Sierra Club]
- Subcategories for the 25 kW to 2MW category [ELPC, ISEA, Sierra Club]

**6.2 Comparison to SREC Procurements in Selected Other States**

Parameters	Illinois	New Jersey <sup>90</sup>	Connecticut <sup>91</sup>	Delaware <sup>92</sup>
<b>Size Segments</b>	<ul style="list-style-type: none"> <li>&lt;25 kW</li> <li>≥25 kW-2,000 kW</li> </ul>	<ul style="list-style-type: none"> <li>&lt;50 kW</li> <li>50-2,000 kW</li> </ul>	<ul style="list-style-type: none"> <li>&lt;100 kW</li> <li>100-250 kW</li> <li>250-1,000 kW</li> </ul>	<ul style="list-style-type: none"> <li>&lt;30 kW</li> <li>30-200 kW</li> <li>200-2,000 kW</li> </ul>
<b>Definition of new resources</b>	Energized on or after the date of approval of the Supplemental PV Procurement Plan	Not yet interconnected	Built on or after July 1, 2011	Determined in each solicitation. Most recently (in 2014 procurement): interconnected on or after April 12, 2013
<b>Credit Requirements (to be refunded once system is operational)</b>	Speculative bids: \$100 per kW Identified projects: \$50 per kW	\$75 per kW	Small: 5% of contract value Med: 10% of contract value Large: 20% of contract value	\$100 per kW
<b>Maximum purchase quantity determination</b>	14.38% capacity factor applied to nameplate capacity (DC rating) for each contract year	15.41% capacity factor applied to nameplate capacity (DC rating) for each contract year	16.88% (for PV) factor applied to name plate capacity (AC rating) and 5 percent adder for each contract year	110% of estimated annual SREC production levels for each year. Estimation based on PV WATTS with 0.5% annual degradation factor for subsequent years.
<b>Contract Duration</b>	5 years	10 years	15 years	20 years
<b>Buyer has option, but not obligation, to buy surplus RECs</b>	Yes	Yes	Yes	Yes for projects under 200 kW
<b>Metering requirements</b>	Revenue grade meter required	Revenue grade meter required	Revenue grade meter required	Revenue grade meter required
<b>Frequency of procurements</b>	1 per 6 months	3 per year for 3 years	1 per year for 6 years	1 per year (approved on an annual basis)
<b>Time to energize from Procurement Event</b>	1 year	<50 kW: 6 months 50-2000 kW: 1 year	1 year	1 year

<sup>90</sup> Based on the SREC Based Financing Program of JCP&L, ACE and RECO. For this purpose, information for the landfill/brownfield segment under the program is not included.

<sup>91</sup> Based on Connecticut Light & Power and United Illuminating Company ZREC Long Term Contracts Program.

<sup>92</sup> Based on the Delaware SREC Pilot Procurement Program.

### 6.3 Required State Documents

The following documents are provided in a separate file available at [http://www2.illinois.gov/ipa/Pages/Plans\\_Under\\_Development.aspx](http://www2.illinois.gov/ipa/Pages/Plans_Under_Development.aspx):

- Attachment D: Standard Terms and Conditions
- Attachment G: Standard Certifications
- Attachment H: Financial Disclosure and Conflicts of Interest
- Attachment I: Disclosure of Business with Iran
- Attachment J: Taxpayer Identification Number

These documents are required by the State of Illinois to be included with any contract filed with the Office of the Comptroller. The IPA will only be able to pay for RECs from contracts successfully filed by the IPA with the Comptroller.

These documents are included to provide information to potential bidders and other stakeholders on what will be required from winning bidders, and may be updated between the time of the release of this plan and the procurement events (such as to reflect any changes in Illinois law or administrative rules). As these provisions are required by state law, they are non-negotiable.

In addition to these documents, standard contract documents and forms specific to the delivery of RECs will be developed by the procurement administrator as part of the process described in Section 5.2.2.