

## **[Commenter 6] COMMENTS ON SECOND DRAFT CONTRACT**

March 8, 2022

[Commenter 6] appreciates the opportunity to provide comments on the second draft Renewable Energy Credit Agreement (“REC Contract”) for Indexed Renewable Energy Credits (“indexed RECs”) product.

[Commenter 6] has two comments. First, while [Commenter 6] greatly appreciates the IPA’s sensitivity to uncertainty in the RTO queues and the importance of additional extensions to the start date for REC deliveries in the REC Contract, [Commenter 6] suggests some changes to disincentivize speculative projects that might seek to take advantage of these more flexible terms. Second, [Commenter 6] recommends that the procurement rules support project maturity requirements that include the status of distribution-level interconnection requests (under Part 467 of the Commission’s Rules) similar to the transmission-level/RTO interconnection status requirements.

### **1. The IPA Should Keep Its Modifications To Section 2.4 Except For Collateral Return**

[Commenter 6] appreciated the changes made to Section 2.4 to allow for additional time for development with guardrails (additional collateral, IPA discretion) to ensure that the developer remains on track. Developers who are willing to pour resources into projects—sometimes at substantial risk—should, generally speaking, be facilitated by these types of terms that allow them to continue to fight for their projects.

One specific aspect of the proposed changes, however, may also have the unintended consequence of encouraging speculative projects to bid: the full collateral return if the system has not delivered its first REC by May 31, 2029. [Commenter 6] recognizes that in order to get to that point the developer must have demonstrated good cause shown to the IPA under Section 2.4(b). However, a theoretical developer seeking to abandon a speculative project that never materialized could continue to apply for good cause shown extensions until May 31, 2029, in order to secure a return of all collateral pursuant to Section 2.4(d).

[Commenter 6] believes that the structure of Section 2.4 that (correctly) encourages developers to fight to develop projects with minimal artificial deadlines while still imposing accountability would be improved by simply reducing the amount of collateral to be returned on May 31, 2029. [Commenter 6] suggests that a return of the difference between the Increased Collateral Requirement and the Collateral Requirement would strike the right balance between encouraging developers to keep developing but to discourage speculative projects that may never materialize. That approach could be effectuated by the following change to Section 2.4(d):

(d) In the event that extensions to the deadline have been granted multiple times and the Project’s Date of First Operation has not occurred by May 31, 2028, then Seller may submit a written request to the IPA and Buyer for the Agreement to be terminated and its Performance Assurance to be returned. Such request will be subject to the approval of the IPA in its reasonable discretion. In the event that extensions to deadline have been granted multiple times and the Project’s Date of First Operation has not occurred by the date that is May 31, 2029, then Buyer shall

return to Seller the portion of Seller's Performance Assurance equal to the Increased Collateral Requirement minus the Collateral Requirement and terminate this Agreement with written notice to Seller. No Settlement Amount or Termination Payment shall be due from or to either party as a result of any such termination pursuant to this Section 2.4. In no event shall any extension under this Section 2.4 extend beyond May 31, 2029.

## **2. Bidding Rules Should Recognize Project Maturity For Distribution-Interconnected Systems**

[Commenter 6] recommends that in the bidding rules and the appropriate Part 1/Part 2 forms, in addition to RTO-level interconnection milestones, that Part 467 milestones are also explicitly included. For instance, in Section IV.5.1 of the bidding rules, the feasibility study (83 Ill. Admin. Code § 467.70(e)(1), the system impact study (83 Ill. Admin. Code § 467.70(e)(2)), and the facilities study (83 Ill. Admin. Code § 467.70(e)(3)) could be referenced as alternative methods beyond the RTO system impact study or signed interconnection agreement. This will be a more reliable indicator of maturity for distribution-interconnected systems than site control and require significantly less documentation in the Part 1 Proposal.