

ILLINOIS POWER AGENCY  
Indexed REC RFP

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**Stakeholder Request for Feedback**

Public Act 102-0662 (the “Climate and Equitable Jobs Act”) was signed into law and became effective on September 15, 2021 (the “Act”). The IPA Act, as amended by Public Act 102-0662, establishes a subsequent forward procurement for indexed renewable energy credits from new utility-scale wind projects, new utility-scale solar projects, and new brownfield site photovoltaic projects. As defined in the Act, an Indexed REC means a tradable credit that represents the environmental attributes of one megawatt hour of energy produced from a renewable energy resource, the price of which shall be calculated by subtracting the strike price offered by bidders from an index price in a given settlement period. This Spring 2022 Indexed REC RFP is the first procurement event held to procure Indexed RECs. Draft versions of the Indexed REC Contract and Indexed REC RFP are expected to be issued by January 7, 2022.

**On December 6, 2021, the Procurement Administrator posted the Preliminary Proposal Requirements and Draft Key Contract Terms.** This document provides an overview of the Proposal submission process, draft Part 1 and Part 2 Proposal Requirements for participation in the RFP (starting on page 8), and draft contract terms that are anticipated at this time to be part of the contract (starting on page 17). The process, requirements and contract terms are based on Public Act 102-0662, as well as past procurement events for RECs, and comments received in response to the IPA’s stakeholder requests for feedback related to these past events.

**The Procurement Administrator invites stakeholder feedback on any aspects included in the Preliminary Proposal Requirements and Draft Key Contract Terms. The Procurement Administrator also seeks stakeholder feedback on Topics 1-6 below.** Topics 1-6 are listed in Appendix A, accompanied by specific questions on which feedback is sought. Commenters need not respond to every question (some may not be applicable) and commenters should not feel limited by these questions in providing feedback. Comments are welcome from both participants past procurement events for RECs, as well as from other interested parties.

The timeline and process for interested parties to provide comments is as follows:

- Please submit an attachment with your comments on the draft Part 1 and Part 2 Proposal Requirements and draft Key Contract Terms by email to the Procurement Administrator at: [Illinois-RFP@nera.com](mailto:Illinois-RFP@nera.com)
- Please provide telephone and e-mail contact information in the event that the Procurement Administrator seeks clarification regarding your comments.
- If providing feedback on aspects not included in Topics 1-6 below, please include a reference to the section name, from the left-hand column of the respective table, that is applicable to the requirement for which you are providing comment(s).

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**Responses are due by December 17, 2021 and should be sent to [Illinois-RFP@nera.com](mailto:Illinois-RFP@nera.com).**

In general, responses will be made public and published on the Procurement Administrator's website (<https://www.ipa-energyrfp.com/>). However, should a commenter seek to designate any portion of its response as confidential, that commenter should provide both public and redacted versions. Independent of that designation, if the IPA or the Procurement Administrator determines that a response contains confidential information that should not be disclosed in connection with a competitive procurement event, it reserves the right to provide its own redactions.

Some elements of the Indexed REC RFP are prescribed by Public Act 102-0662 and cannot be changed.

Please direct all questions to the Procurement Administrator at: [Illinois-RFP@nera.com](mailto:Illinois-RFP@nera.com)

## Appendix A

### TOPIC 1: Project Maturity Requirement

The project maturity requirement used in prior procurement events for renewable energy credits from new utility-scale wind, new utility-scale solar, and new brownfield site photovoltaic projects has been to either: (1) provide evidence that the project has reached a certain point along the interconnection process, or (2) demonstrate sufficient site control.

The project maturity requirement included in the preliminary proposal requirements posted on December 3, 2021 for each type of project is provided in the applicable tables in Section 3.

- a. Please comment on the appropriateness of these requirements for demonstrating that a project is sufficiently advanced in its development to be eligible to bid, or suggest alternative criteria for consideration. If you propose alternative criteria, please explain your rationale in detail.

### Topic 2: Brownfield Site Photovoltaic Project Definition and Requirements

The definition of brownfield site photovoltaic project includes a second category underlined below. Under Section 1-10 of the IPA Act as modified through Public Act 102-0662, that definition now reads "Brownfield site photovoltaic project" means photovoltaics that are either:

- (1) interconnected to an electric utility as defined in this Section, a municipal utility as defined in this Section, a public utility as defined in Section 3-105 of the Public Utilities Act, or an electric cooperative, as defined in Section 3-119 of the Public Utilities Act; and (2) located at a site that is regulated by any of the following entities under the following programs:
  - (A) the United States Environmental Protection Agency under the federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended;
  - (B) the United States Environmental Protection Agency under the Corrective Action Program of the federal Resource Conservation and Recovery Act, as amended;
  - (C) the Illinois Environmental Protection Agency under the Illinois Site Remediation Program; or
  - (D) the Illinois Environmental Protection Agency under the Illinois Solid Waste Program; or
- (2) located at the site of a coal mine that has permanently ceased coal production, permanently halted any re-mining operations, and is no longer accepting any coal combustion residues; has both completed all clean-up and remediation obligations under the federal Surface Mining and Reclamation Act of 1977 and all applicable Illinois rules and any other clean-up, remediation, or ongoing

monitoring to safeguard the health and well-being of the people of the State of Illinois, as well as demonstrated compliance with all applicable federal and State environmental rules and regulations, including, but not limited, to 35 Ill. Adm. Code Part 845 and any rules for historic fill of coal combustion residuals, including any rules finalized in Subdocket A of Illinois Pollution Control Board docket R2020-019.

- a. In regards to category (2), under the preliminary proposal requirements, projects will be required to describe milestones in the development of the project that have been reached to date including the status of remediation of the project site. An interpretation of category (2) implies that in order to participate in the RFP, the clean-up and remediation obligations are required to have been completed. Is this interpretation unduly restrictive? If so, at what point in the closure activities, clean-up, or remediation process should sites be required to have reached?
- b. The IPA is considering requiring the submission of documentation as evidence of having “demonstrated compliance with all applicable federal and State environmental rules and regulations, including, but not limited, to 35 Ill. Adm. Code Part 845 and any rules for historic fill of coal combustion residuals, including any rules finalized in Subdocket A of Illinois Pollution Control Board docket R2020-019”.
  - i. Based on your response to (a), what documentation is appropriate evidence of having “demonstrated compliance with all applicable federal and State environmental rules and regulations, including, but not limited, to 35 Ill. Adm. Code Part 845 and any rules for historic fill of coal combustion residuals, including any rules finalized in Subdocket A of Illinois Pollution Control Board docket R2020-019”?

### **Topic 3: Election of the Index Price by Seller**

It is proposed that for purposes of payment under the contract, the Index Price shall be tied to either the real-time market prices of PJM-NIHUB or the real-time market prices of MISO-IL, which shall be at the election of Seller regardless of whether the Project is in the PJM service territory or the MISO service territory (i.e. A Seller with a Project in PJM could choose the Index Price tied to the real-time market price of MISO-IL, and vice versa). A Seller will make this election in the bid form and the election cannot be changed.

- a. Please comment on the appropriateness of this proposal. If there are potential drawbacks to this proposal that should be considered, please explain in detail.

### **Topic 4: Hourly Generation Data to be provided by Seller**

For purposes of calculating the monthly REC price, the IPA will require the hourly MWh production data for the Project to be provided on a monthly basis. In order to verify the

production data provided, what other information could be submitted to the IPA from PJM and MISO? (For example, could read-only access to Seller's PJM Power Meter system for the Project be granted to the IPA and Buyer?)

### **Topic 5: Standing Order**

It is proposed that a Standing Order be established within GATS or M-RETS to facilitate the automatic, recurring transfer of RECs from the Project.

- a. Please comment on the appropriateness of this proposal. If there are potential drawbacks to this proposal that should be considered, please explain in detail.

### **Topic 6: Forward Price Curve to establish the Annual Payment Cap**

Section 1-75(c)(1)(G)(v)(3) of the IPA Act describes the development of a forward price curve as a way to estimate the annual cost of the contracts for Indexed RECs. Further, Section 1-75(c)(1)(G)(v)(3) of the IPA Act provides that "the contracting utility shall not assume an obligation in excess of the estimated annual cost of the contracts for indexed renewable energy credits." A proposal related to the forward price curve and annual payment cap has been included in the Draft Key Contract Terms.

#### Proposed calculation of the annual payment cap:

- It is proposed that there will be two forward price curves: one will be based on forward prices for the day-ahead market in PJM-NIHUB and another will be based on forward prices for the day-ahead market in MISO-IL. If a supplier elects the PJM-NIHUB index price for purposes of payment, the forward price curve based on forward prices in the PJM-NIHUB shall be used. If a supplier elects the MISO-IL index price for purposes of payment, the forward price curve based on forward prices in the MISO-IL shall be used.
- Each forward price curve is proposed to be calculated as a single 24 x 7 price for the applicable trading hub (PJM-NIHUB and MISO-IL) based on a simple average of monthly forward peak and off-peak day-ahead prices for the months of the delivery year.
- For each of PJM-NIHUB and MISO-IL, an initial forward price curve is expected to be calculated and published in April or May 2022 so that Parties are informed of the payment cap applicable to the Delivery Year starting June 1, 2022 and ending in May 31, 2023. The forward price curve is subject to an annual adjustment so that the payment cap applicable to each subsequent Delivery Year may be calculated based on updated forward prices and published prior to such Delivery Year.

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- For each of PJM-NIHUB and MISO-IL, the forward price curve will be agnostic to technology; there are no additional adjustments to be applied to the forward prices.
- The annual payment cap for a delivery year will be calculated as the multiplicative product of (a) the difference resulting from subtracting (i) the forward price curve from (ii) the strike price, and (b) the annual contract quantity.

Proposed application of the annual payment cap:

- During the Delivery Year, Buyer shall not be obligated to pay more than the annual payment cap established for that Delivery Year.
- Given payments can flow both ways, any payments made by Seller to Buyer shall have the effect of increasing the annual payment cap for the remainder of that Delivery Year.
- Even if the annual payment cap has been reached during a Delivery Year, Seller will be required to continue delivering the RECs during the Delivery Year until it has delivered the annual contract quantity of RECs.
- At the end of the Delivery Year, any unpaid RECs (i.e. RECs that would have been paid except for the application of the annual payment cap) shall be returned to Seller.

An example that shows how the annual payment cap may affect payments in a delivery year is provided below (see Exhibit A). Please see the Draft Key Contract Terms for additional information.

- a. The forward price curve is a newly introduced item in Public Act 102-0662 that has not been used in past procurement events for RECs. With an annual payment cap established through multiplying the annual delivery quantity by the difference between the strike price and the forward price curve, REC revenues may be capped should energy revenues be lower than the expected revenues based on the forward price curve. REC revenues may be capped such that the sum of the combined revenues from RECs and energy that a developer would receive is less than the strike price multiplied by the annual delivery quantity for that delivery year. The IPA has serious concerns that this restriction may adversely impact procurement participation or the competitiveness of bids received.
  - i. Please provide feedback on the calculation of the forward price curve and the annual payment cap as proposed by the Procurement Administrator. Please describe any recommended adjustments to the calculation and the rationale behind them. What alternative approaches, developed consistent with Section 1-75(c)(1)(G)(v)(3) of the IPA Act, could be employed by the Procurement Administrator?
  - ii. Please comment on the application of the annual payment cap described above. If there are additional potential drawbacks to this proposal that should

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be considered, please explain in detail. If there are improvements that should be considered, please explain in detail, noting the need to maintain consistency with governing law.

EXHIBIT A

Annual Payment Cap Example

*(All Prices and Quantities are Illustrative only)*

Project Characteristics		
(a)	Date of First REC Issued	July 29, 2022 (June 2022 vintage)
(b)	Project Type	Utility-Scale Solar Project
(c)	Project Size (MW)	25.00
(d)	Capacity Factor	21%
(e)	RFP Awarded Annual Quantity (RECs)	45,990
(f)	Zone	AMIL.STWF

REC Agreement Characteristics		
(g)	Delivery Term start date	June 1, 2022
(h)	Index Hub	MISO-IL
(i)	Strike Price (\$/MWh)	\$35.00
(j)	Forward Price Curve <sup>1</sup> (\$/MWh) data applicable to the Jun 2022- May 2023 delivery year	\$28.13
(k)	Annual Payment Cap <sup>2</sup> (\$) [(i – j) x e]	<b>\$315,951.30</b>

<sup>1</sup> The forward price curve means a forward price curve for electricity at the applicable trading hub (in this example it is MISO-IL Hub). The forward price curve shall be calculated consistent with the methodology in Section 1-75(c)(1)(G)(v)(3) of the IPA Act and shall be updated on an annual basis and published by the IPA prior to the start of each delivery year.

<sup>2</sup> The annual payment cap is equal to the product of (a) the difference resulting from subtracting (i) the forward price curve from (ii) the strike price, and (b) the annual delivery quantity.

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<b>Vintage</b>	<b>Invoice Amount</b>	<b>Invoice Amount Paid (from Buyer to Seller)</b>	<b>Unpaid Amount (by Buyer)</b>	<b>Remaining Budget</b>
Jun-22	-\$48,668.08	\$48,668.08	\$0.00	\$267,283.22
Jul-22	-\$25,186.98	\$25,186.98	\$0.00	\$242,096.24
Aug-22	-\$46,323.74	\$46,323.74	\$0.00	\$195,772.50
Sep-22	-\$38,637.95	\$38,637.95	\$0.00	\$157,134.55
Oct-22	-\$38,419.50	\$38,419.50	\$0.00	\$118,715.05
Nov-22	-\$40,311.60	\$40,311.60	\$0.00	\$78,403.45
Dec-22	-\$49,975.22	\$49,975.22	\$0.00	\$28,428.23
Jan-23	-\$44,607.78	\$28,428.23	\$16,179.55	\$0.00
Feb-23	-\$54,321.59	\$0.00	\$54,321.59	\$0.00
Mar-23	-\$65,393.63	\$0.00	\$65,393.63	\$0.00
Apr-23	+\$10,000.00	\$0.00	\$0.00	\$10,000.00
May-23	-\$56,921.03	\$10,000.00	\$46,921.03	\$0.00

**Notes:**

- The invoice amount is the product of (i) the REC Monthly Price and (ii) the quantity of RECs Delivered of the Vintage applicable to the REC Monthly Price. The REC Monthly Price may be either positive or negative. Payment shall be made from Seller to Buyer if the REC Monthly Price (and invoice amount) is positive and payment shall be made from Buyer to Seller if the REC Monthly Price (and invoice amount) is negative.
- The annual payment cap for the delivery year 2022-2023 is \$315,951.30. Buyer has sufficient budget to pay all invoice amounts for RECs with vintages of June 2022-December 2022. The annual payment cap is reached with the payment for RECs with vintage of January 2023. The total invoice amount for RECs with vintage of January 2023 is \$44,607.78 due from Buyer to Seller, but Buyer only has budget remaining to cover \$28,428.23. Buyer can only pay \$28,428.23. The unpaid amount for this month is \$16,179.55.
- Even though the annual payment cap has been reached for RECs associated with vintage of January 2023 (and payment cannot be made for all January 2023 RECs), RECs will continue to be delivered via the Standing Order for the remainder of the Delivery Year. The invoice amounts for RECs with a vintage of February 2023 and March 2023 are negative, but Buyer cannot pay for such RECs at this time because the annual payment cap has been met.
- The REC Monthly Price (and invoice amount) for RECs with a vintage of April 2023 is positive, so Seller must make payment to Buyer. Once Seller makes payment of \$10,000 to Buyer following the applicable invoice, the payment cap increases by \$10,000.
- The REC Monthly Price (and invoice amount) for RECs with a vintage of May 2023 is negative. Buyer pays \$10,000 remaining in the payment cap and the unpaid amount for this month is \$46,921.03.

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- All RECs are accounted for at the end of the Delivery Year and any unpaid RECs at that time will be returned to Seller. In this example, RECs with vintages of January 2023-March 2023 and May 2023 that were not paid for will be returned to Seller.

The Project is connected to the AMIL.STWF Zone. During the 2022-2023 delivery year, the Project received \$1,090,000.00 in energy market revenues.

Delivery Year	2022-2023
Energy Market Revenue	\$1,090,000.00
Revenue for RECs (net)	\$315,951.30
Total Revenue for Energy and RECs	\$1,405,951.30