

Indexed REC RFP

Response to Illinois Power Agency Request for Stakeholder Feedback

December 17, 2021

Company:

Invenergy LLC (“Invenergy”) is a leading privately held developer and operator of sustainable energy solutions headquartered in Chicago. Invenergy has completed development on 17 sustainable energy projects in Illinois and is pursuing additional opportunities in the state. Proud of our Illinois roots, Invenergy has long looked to provide value to the state by siting some of our most innovative projects on Prairie State Soil. Our Grand Ridge Energy Center, three energy technologies co-located at a single site, received Power Engineering and Renewable Energy World Magazines’ 2015 Project of the Year Award for Best Renewable Project as well as Energy Storage North America’s Innovation Award.

Through our growth journey, the state of Illinois and the Illinois Power Agency (“Agency”) have been crucial partners. Invenergy commends the efforts of the state to expedite the decarbonization of our energy grid and the thoughtful expansion of renewable energy deployment.

Invenergy submits the following responses and respectfully request that the Agency consider the feedback provided below.

TOPIC 3: Election of the Index Price by Seller

It is proposed that for the 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.*

RESPONSE: Sellers should be allowed to change their election between PJM-NIHUB or MISO-IL real-time market prices once annually throughout the lifetime of their projects to provide Sellers with commercial flexibility.

TOPIC 4: Hourly Generation data to be Provided by Seller

- a. *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?*

RESPONSE: It is standard for MISO and PJM to provide read-only access to the seller's power meter. Any additional information beyond this is redundant, out of scope, or would place unnecessary administrative burden upon the RTOs and the Agency.

TOPIC 6: Forward Price Curve to establish the Annual Payment Cap

- a. *The forward price curve is to establish an annual impact of each REC contract on the RPS budget. It also serves as an "annual payment cap" on the contract; 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 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.*

RESPONSE: The language in Section 1-75(c)(1)(G)(v)(3) of the IPA Act clearly states that the use of a forward price curve is purely for "procurement planning purposes." Nowhere in the legislative language does the bill state that the forward price curves should be used to calculate a cap on the total amount paid out to a generator under an indexed REC contract.

Below is the full context of the language to which the Agency is referring in this question:

"For procurement planning purposes, the impact on the annual budget for the cost of indexed renewable energy credits for each delivery year shall be determined as the expected annual contract expenditure for that year, equaling the difference between (i) the sum across all relevant contracts of the applicable strike price multiplied by contract quantity and (ii) the sum across all relevant contracts of the forward price curve for the applicable load zone for that year multiplied by contract quantity. The contracting utility shall not assume an obligation in excess of the estimated annual cost of the contracts for indexed renewable energy credits. Forward curves shall be revised on an annual basis as updated forward price curves are released and filed with the Commission in the proceeding

approving the Agency's most recent long-term renewable resources procurement plan. If the expected contract spend is higher or lower than the total quantity of contracts multiplied by the forward price curve value for that year, the forward price curve shall be updated by the procurement administrator, in consultation with the Agency, Commission staff, and procurement monitors, using then-currently available price forecast data and additional budget dollars shall be obligated or reobligated as appropriate."

First, the paragraph clearly notes at the outset that the determination of the estimated annual cost of the indexed REC contracts is for budget *planning* purposes. The Agency seems to have focused on the single sentence in this section that states "the contracting utility shall not assume an obligation in excess of the estimated annual cost" without fully considering the context in which it appears. Planning for an obligation is very different than paying out for the total cost of that obligation once the price is known, which will only occur post the planning process. The language goes on to state that if the total contact spend is higher or lower than expected "the price curve shall be updated *and additional budget dollars obligated or re-obligated as appropriate,*" meaning that in every instance generators shall remain whole and receive the full amount owed for the indexed REC contract, even if budget funds need to be re-allocated and re-obligated from other planning buckets.

No cap on payment for indexed REC contracts exists in Public Act 102-0662 and reading such a cap into the law is at odds with Section 1-75(c)(1)(G)(v)(4), which states that the Agency *may* consider the institution of a price collar. The General Assembly would not have placed a cap on the cost of contracts on the one hand and then stated that a collar could also be proposed by the Agency on the other. Further, the collar must be proposed via the Agency's long term renewable resources procurement plan, socialized with stakeholders and approved by the ICC. **The Agency may not unilaterally read such a cap into the law.**

The goal of the implementation of indexed REC contracts versus fixed REC contracts in Public Act 102-0662 was to put in place a contracting structure that provided the certainty necessary for financing utility scale projects, by making those projects whole up to a strike price and eliminating the need for those projects to go out and find off-takers for their energy (separate from the RECs). The Agency's reading of a cap into this contracting process will frustrate the very intent of the change in law and further exacerbate the financing and contractual issues that were already challenging the Agency's ability to run successful utility scale procurements prior to the law's passage.

The Agency should take every step to avoid an interpretation at odds with the intent and purpose of a bill provision that many energy stakeholders worked hard to advocate for and pass over the past two years.