



**COMMENTS OF VISTRA CORP.
IN RESPONSE TO ILLINOIS POWER AGENCY'S
REQUEST FOR STAKEHOLDER FEEDBACK
CONCERNING THE INDEXED REC RFP**

Vistra Corp. (Vistra) is providing these comments in response to the Illinois Power Agency's (IPA) Request for Stakeholder Feedback concerning the upcoming (in 2022) Indexed Renewable Energy Credit (REC) Request for Proposal (RFP) for RECs from new utility-scale wind and solar projects and brownfield site photovoltaic projects, issued on December 6, 2021. As a potential participant in the Indexed REC RFP procurement event, Vistra appreciates the opportunity to provide comments in response to the IPA's Request for Stakeholder Feedback.

I. Vistra Comments on Specific Topics in the IPA's Request for Stakeholder Feedback

Topic 1 – Project Maturity Requirements

The IPA indicates that in prior procurement events for RECs from new utility-scale wind, new utility-scale solar, and new brownfield site photovoltaic projects, it has required evidence that a project has either (i) reached a certain point in the interconnection process, or (ii) demonstrated sufficient control of the project site, in order to participate in a procurement event. The IPA requests comment on the appropriateness of the "project maturity" requirements in the preliminary proposal requirements for the Indexed REC RFP (pp. 9-10 and 14) for demonstrating that a project is sufficiently advanced in development to be eligible to bid; and requests suggestions as to any alternative criteria.

Vistra Comments: With respect to interconnection status/progress, the preliminary proposal requirements state that a project in the PJM region should have completed the System Impact Study; and a project in the MISO region, if it is in the DPP (Definitive Planning Phase)-2020-Cycle 1, has completed DPP 1. Vistra believes that a project should be in a more advanced stage of the interconnection process in order to participate in a procurement event. Specifically, if a project is in the PJM region, it should be in (at least) the Facility Study Process; and if the project is in the MISO region, it should be in MISO DPP 2019 or earlier.

With respect to site control, Vistra believes that the developer of a utility-scale solar project should be required to show site control of 5 acres times the MW capacity (AC rating) of the project, which is consistent with data points utilized in MISO's site control requirements for Decision Point 2. Vistra has no comment on the acreage of land under control that should be required for a proposed utility-scale wind project. The required acres of site control should be required to be substantiated with some or all of the following documentation, as applicable: leases with landowners; easement agreements with landowners; and/or documents showing fee ownership of property by the developer.

Reaching these stages in the respective PJM and MISO interconnection processes, and achieving this amount of site control (for utility-scale solar projects) requires substantial effort and expenditure of funds by the developer. However, requiring the project to be at these more advanced stages of the RTO interconnection process and with greater acreage of site control will help to ensure that only developers that are committed to and financially capable of bringing their renewable energy projects to completion will be able to participate in the procurement event, be selected for REC contracts, and ultimately bring their projects into operation to provide renewable energy for Illinois and help meet the State's RPS goals.

Topic 3 – Election of Index Price by Seller

The IPA requests comment on its proposal that for purposes of payment under the REC contract, the Index Price shall be tied to either the real-time market prices of the PJM-NIHUB or the real-time market prices of MISO-IL, at the election of the Seller, regardless of whether the project is located in the PJM service territory or the MISO service territory.

Vistra Comments: Vistra supports this proposal. In particular, the PJM-NIHUB is a deeper, more active market with more participants and transactions than the MISO-IL market, and is thereby viewed by many participants as providing more accurate and less volatile pricing and greater liquidity. Although many new utility-scale projects may be located in the MISO region of Illinois due to land availability and cost and other factors, allowing developers of projects in the MISO region to choose the PJM-NIHUB to be used in determining the Indexed REC prices for their projects will provide additional incentives for development of projects in the MISO region.

Topic 6 – Forward Price Curve to Determine Annual Payment Cap for the REC Contracts

The IPA requests comment on the methodology for calculating the forward price curve and the annual payment cap under the REC contracts, proposed by the IPA's Procurement Administrator.

Vistra Comments: Vistra shares the IPA's concerns that the annual payment cap may discourage participation in the utility-scale and brownfield site procurement events. The annual payment cap reduces to some extent the benefits, in terms of financing new projects, of the use of Indexed RECs. Unfortunately, this requirement is specified in the statute, in recognition of the capped funding source for the REC contracts, and so must be adhered to.

Vistra's only specific comment on the proposed methodology for developing forward price curves and calculating the annual payment caps is that while, per the statute, the indexed REC price is to be based on real-time prices at the hub selected by the Seller, the forward price curve is proposed to be based on the day-ahead markets at PJM-NIHUB and MISO-IL, as applicable. The statutorily-prescribed methodology for the forward price curve (IPA Act §1-75(c)(1)(G)(v)(3)) does not appear to require the use of day-ahead prices. Typically there can be material differences between real-time and day-ahead prices. It would provide greater consistency to use real-time prices both for determining the indexed REC prices (as specified in the statute) and for developing the forward price curves.

II. Vistra Comments on Specific Provisions in the Preliminary Proposal Requirements and Draft Key Contract Terms

2.3 – Bid Participation Fee

A Bid Participation Fee of \$500 is proposed as a condition of completing the Part 1 Proposal.

Vistra Comment: The Bid Participation Fee should be substantially higher than \$500. First, Vistra understands that fees charged by the IPA in connection with procurement events should cover the IPA's costs of conducting the event (including review of Part 1 submissions), which include the costs to retain Procurement Administrators. It seems highly unlikely that a \$500 fee, collected from potential participants, comes anywhere close to covering these costs.

Second, higher Bid Participation Fees are one of several ways in which the IPA can help to ensure that only committed bidders and developers, who are financially capable of successfully bringing renewable energy projects to completion and operation, will participate in the procurement events.

2.6 – Bid Assurance Collateral

A participant will be required to submit bid assurance collateral in the form of cash or a letter of credit to each utility to support its bid.

Vistra Comment: While the Preliminary Proposal Requirements and Draft Key Contract Terms document does not discuss specific bid assurance collateral amounts, Vistra urges the IPA and the Procurement Administrator to consider higher collateral requirements. This is an additional tool to help ensure that only committed developers, who are financially capable of successfully bringing their renewable energy projects to completion and operation, will participate in the procurement events, thereby increasing the likelihood that participant selections and REC contract rewards will ultimately result in the production of clean electricity in Illinois to meet the State's RPS goals.

As an example from another State which is aggressively pursuing renewable generation development including solar development, Vistra has participated in procurement events (Requests for Offer) held by the California electric utilities in which the range of collateral (cash or letter of credit) required when signing the contracts has been between \$35/kW to \$65/kW for both pre-delivery (or development) term security and delivery term security. For a 100 MW project, this would result in a collateral requirement of between \$3.5 million to \$6.5 million.

2.17 – Capacity Factors for Calculating the Maximum Annual Full Quantity of RECs

To calculate the maximum annual full quantity of RECs to be delivered under a REC contract, capacity factors of 45% for utility-scale wind projects and 26.5% for utility-scale solar projects and brownfield site photovoltaic projects are specified.

Vistra Comment: Vistra agrees with the capacity factors proposed for calculating the maximum annual full quantity. Based on Vistra's experience with and observations of renewable energy projects around the country, these capacity factors are optimistic but achievable, for both utility scale wind projects and for utility-scale solar projects and brownfield site photovoltaic projects. Therefore, the capacity factors are appropriate to use to calculate *maximum* annually full quantities of RECs from a project.

Brownfield Site Photovoltaic Location Requirements (p. 15 of Preliminary Proposal Requirements)

The draft proposal requirements state that a brownfield site photovoltaic project must be entirely contained within the brownfield site.

Vistra Comment: While Vistra does not disagree with a requirement that a brownfield site photovoltaic facility must be located entirely in a brownfield site, this requirement needs further clarification. Specifically, a location, such as for example a former industrial plant site or a former waste disposal site, may have more than one brownfield site located within the overall property. If a developer places renewable energy facilities on multiple brownfield sites located within the overall property, and ties the renewable energy facilities together electrically to a single point of interconnection with the transmission system, the aggregated renewable energy facilities on the multiple brownfield sites at the location should be considered a single brownfield site photovoltaic project and be eligible to participate as such in the procurement event and be awarded a single REC contract encompassing all the renewable energy facilities located on the brownfield sites on the property.

Excess RECs (p 18 of Preliminary Proposal Requirements)

The preliminary proposal requirements state that Excess RECs above the annual contract quantity in a Delivery Year are not eligible for payment and cannot be used to cover a shortfall in another Delivery Year.

Vistra Comment: Vistra is puzzled by this requirement. Vistra is aware that previous REC contracts awarded by the IPA in procurement events have allowed the Seller to use RECs produced in excess of the annual contract quantity to be delivered to make up for both prior years' and future years' shortfalls. Previous contracts have also allowed for delivery of more RECs than the annual contract quantity, subject to a cap on the excess RECs that can be delivered. Further, both of these types of provisions are consistent with general industry practice, in Vistra's experience. Recognizing the need to account for the possibility that funding for a REC contract may ultimately be constrained by the statutory budget limitations, Vistra recommends that the REC

contracts allow the Seller to (i) deliver excess RECs in a year up to 10 percent of the annual contract quantity, and (ii) deliver excess RECs in a year to cover prior or subsequent year shortfalls, up to 10 percent of the annual contract quantity.

Vistra stands ready to discuss its comments with the IPA (or the Procurement Administrator), to provide additional information in support of its comments, or to respond to additional questions or requests for feedback posed by the IPA. Please contact the undersigned representative.

VISTRA CORP.

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