

Illinois Power Agency
Initial Forward Procurement:
AIC, ComEd and MEC
Wind and Solar RFP

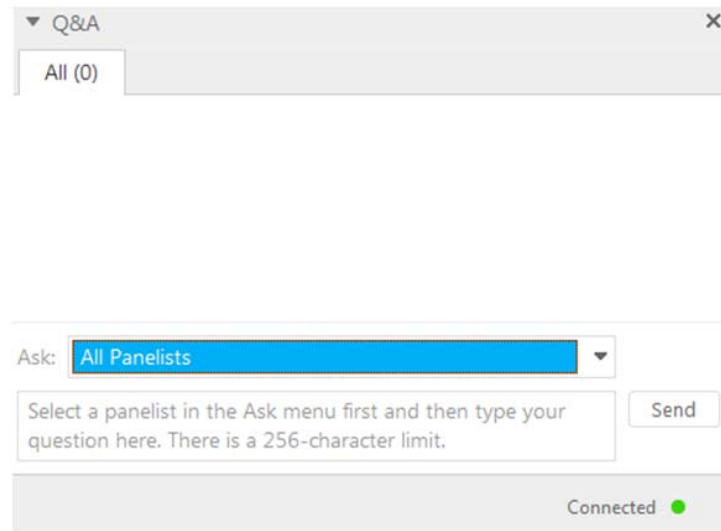
Draft (2) REC Contract
Wednesday, June 28, 2017

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Chantale LaCasse, NERA



Questions?

To submit questions to the presenters, please **locate the “Q&A” on the right hand side of your screen**, and select “All Panelists” in the “Ask” box; type in your question and click “Send” to submit your question



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Presentation Materials and Q&As will be posted to

www.ipa-energyrfp.com

Agenda

- **General Information**
- **REC Contract**
- **Key Changes**
- **Second Comment Process**



General Information

Wind & Solar RFP Schedule Extended

- **Second Round of Comments on REC Contract Solicited**
 - ◆ Draft (2) REC Contract posted: June 28
 - ◆ Comments Due: 6 p.m. CPT, July 10

Key Event	Date
Final Contract Posted	July 18
Webcast on RFP Process	July 19
Part 1 Window	July 20 – August 7 (noon)
Part 2 Window	August 15 – August 23 (noon)
Bid Date	August 31

The screenshot shows the 'Draft Documents' page of the Illinois Power Agency website. The left sidebar contains a navigation menu with 'Draft Documents' highlighted in blue. The main content area lists several draft documents, with three items highlighted in yellow boxes: 'Wind and Solar', 'Redline Comparison', and 'Initial Forward Procurement Virtual Contract Workshop'. Two callout boxes with arrows point to specific items: one points to the 'Redline Comparison' box, and another points to the 'Initial Forward Procurement Virtual Contract Workshop' box.

IPA
ILLINOIS POWER AGENCY

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Draft Documents

Standard Contract Form Comment Process (2)

- [Invitation to Comment \(June 28, 2017\)](#)

DRAFT (2) REC Contract

- [Draft \(2\) REC Contract \(June 28, 2017\)](#)
 - [\(AIC\) Optional Changes to the Guaranty \(June 28, 2017\)](#)
 - [\(ComEd\) Optional Changes to the Guaranty \(June 28, 2017\)](#)
 - [\(MEC\) Optional Changes to the Guaranty \(June 28, 2017\)](#)

Redline Comparison

- [Redline \(draft \(1\) from June 1 v.s. draft \(2\) from June 28\) REC Contract \(June 28, 2017\)](#)

Preliminary Proposal Requirements

- [Preliminary Proposal Requirements \(June 14, 2017\)](#)

Initial Forward Procurement Virtual Contract Workshop

- [IPA IFP Virtual Contract Workshop Presentation \(June 6, 2017\)](#)
- [IPA IFP Virtual Contract Workshop Recording \(June 6, 2017\)](#)

Redline showing changes from June 1 Draft REC Contract

First Virtual Workshop materials



REC Contract

Contract is awarded through RFP

- Seller indicates **purchase price** and **total number of RECs to be delivered annually** from each **specific Project** in the Proposal
 - ◆ Procurement Administrator allocates RECs from each winning Project among AIC, ComEd, and/or MEC

- **Bidders must be willing to sign contracts with each of the three utilities**
 - ◆ Bidders do **NOT** get to choose the counterparty
 - ◆ IPA is **NOT** the counterparty
 - ◆ Contract administered separately by each applicable utility

- Contract is for procurement of **RECs only**
 - ◆ Not for energy

Disclaimer

- Any statements herein or made on the call describing or referring to the draft REC Contract documents are summaries only and are qualified in their entirety by the draft REC Contract documents
- Draft (2) REC Contract is posted on **June 28** for supplier comments
- Final REC Contract taking into consideration supplier comments is expected to be posted on **July 18**
- When it becomes available, the final REC Contract will be the governing agreement and bidders bear full responsibility for reviewing and understanding the final REC Contract

REC Contract: Structure

- REC Contract:
 - ◆ Cover Sheet [CS §...]
 - ◆ **new!** Exhibit A: Example of Delivery Year Requirement Calculation
 - ◆ Exhibit B: Guaranty Form
 - ◆ Exhibit C: Letter of Credit Forms
 - ◆ Exhibit D: ABA-EMA-ACORE REC Purchase & Sale Agreement (Master REC Agreement) [MRA §...]

- **Cover Sheet is the main body** that includes:
 - ◆ specific terms related to project requirements, delivery obligations, payment terms
 - ◆ pricing and quantity details
 - ◆ modifications to the Master REC Agreement

Contract includes a 15-Year Delivery Term

- **Delivery Term** is for 15 years of REC deliveries
 - ◆ Starts on the later of: (a) date the first REC issued for the Project or (b) June 1, 2019
 - ◆ date the first REC is Delivered must occur no later than June 1, 2021

- Delivery Term is divided into **Delivery Years**
 - ◆ Starts in June and ends in May of following calendar year
 - ◆ Delivery obligations are accounted for in each Delivery Year

- Each Delivery Year is divided into **Delivery Months**
 - ◆ Invoices due by 10th day after each Delivery Month
 - ◆ Payments due by end of month of receipt of timely invoices



Key Changes

Credit Requirement Reduced

- [MRA §4.3] Collateral Requirement is reduced to:
 - ◆ Before June 1, 2019: ~~150%~~ **50%** of Annual Contract Value
 - ◆ On or after June 1, 2019: **100%** of Annual Contract Value
- [MRA §4.3] Deadline for delivery of Seller's Performance Assurance extended to **5 business days**
- [MRA §2.2] Interest at Default Rate on overpayment removed
- [MRA §2.2] Default Rate is ~~1%~~ **4%** over prime rate on late payment
- [MRA §5.1(g)] Cross Default Provision Removed
- [MRA §5.3] Termination Payment due only to Non-Defaulting Party
- [MRA §2.2] Netting Provision Removed
- [MRA §5.8] Set-off Provision Removed
- [MRA §4.3] Single unsecured credit line is granted to credit support provider for all REC Contracts pursuant to initial forward procurement

Project Requirements: Section 5 of Cover Sheet

Project Requirements

- **Resource types:**
 - ◆ Utility-Scale Wind ($\geq 2\text{MW}$)
 - ◆ Utility-Scale Solar ($\geq 2\text{MW}$)
 - ◆ Brownfield Site PV
- **New Project** with Date of First Operation after June 1, 2017
- Located in **Illinois** (or adjacent to Illinois and meet specific public interest criteria)
- **(Solar PV only)** installed by **Qualified Persons**
- $\geq 50\%$ of Project is located on identified site
- **NOT** a generating unit whose costs are being recovered through rate

Common Remedy for Failure to comply

Event of Default:

Notice of Termination

+

Loss of Collateral Requirement

Loss of greater of: Collateral Requirement or 110% of payments

Product Requirements: Section 3 of Cover Sheet

Product Requirements

- Standard RECs from **Project**
- Transferred to Buyer's PJM GATS or M-RETS account in **unretired** state
- Comply with Illinois RPS at the time of Delivery
- Delivery Term starts no earlier than **June 1, 2019** and no later than **June 1, 2021**
 - ◆ based on electricity generation anytime in the **15-year Delivery Term and 2 additional months** before the Delivery Term

Delivery Requirements

Event of Default if Seller:

- fails to deliver 1 REC by June 1, 2021
- fails to meet Delivery Year Requirement 3 or more times and cumulative Shortfall Amount \geq Annual Quantity
- withholds, sells or transfers RECs in Shortfall Year to another party

Notice of Termination

+ Loss of Collateral Requirement

Flexibility is Built in Delivery Obligations

Clarified! [CS §3(e)] Delivery Year Requirement for first 365 days is 50%

- Example moved to Exhibit A

Clarified! [CS §3(i)] Banking is allowed

- Excess RECs belongs to Seller
- Seller simply keeps excess RECs and Delivers in future to meet subsequent Delivery Year Requirements

New! [MRA §6] RTO Curtailment is now a Force Majeure Event

- cannot be claimed in first 5 Delivery Years
- must be reliability (and not economic) curtailment
- if amount of curtailment exceeds 5% of Annual Quantity in a Delivery Year

Cost Recovery Provisions [MRA §2.2]

- **In the event Buyer is not allowed to recover costs**
 - ◆ payment claw back provision has been removed
 - ◆ Buyer shall provide notice to Seller, and obligations will be suspended (not terminated) until Buyer is able to recover costs
 - ◆ Seller may sell or transfer RECs to third party during suspension period
 - ◆ Seller has right to terminate the contract after 365 days of suspension
 - ◆ Buyer has right to terminate the contract after 730 days of suspension
 - ◆ no Settlement Amounts or Termination Payment due to either Party

Other Changes Made

▪ **Changes**

- ◆ [CS §3, §5, MRA §5.1] automatic Termination provisions are removed to allow for a notice period and response by Seller
- ◆ [MRA §9.7] Confidentiality provisions expanded to allow for communications with prospective financing partners and lenders
- ◆ [MRA §1.7] Cure period for involuntary bankruptcy is extended to 60 days
- ◆ [MRA §1.27] Environmental Attributes do not include tax credits, incentives, deductions, benefits that are reserved exclusively for Seller

▪ **Clarifications**

- ◆ Purchase Order and Confirmation to refer to the Cover Sheet
- ◆ REC Contract is for one Transaction (not multiple transactions)
- ◆ No Replacement RECs



Comment Process for Draft (2) REC Contract

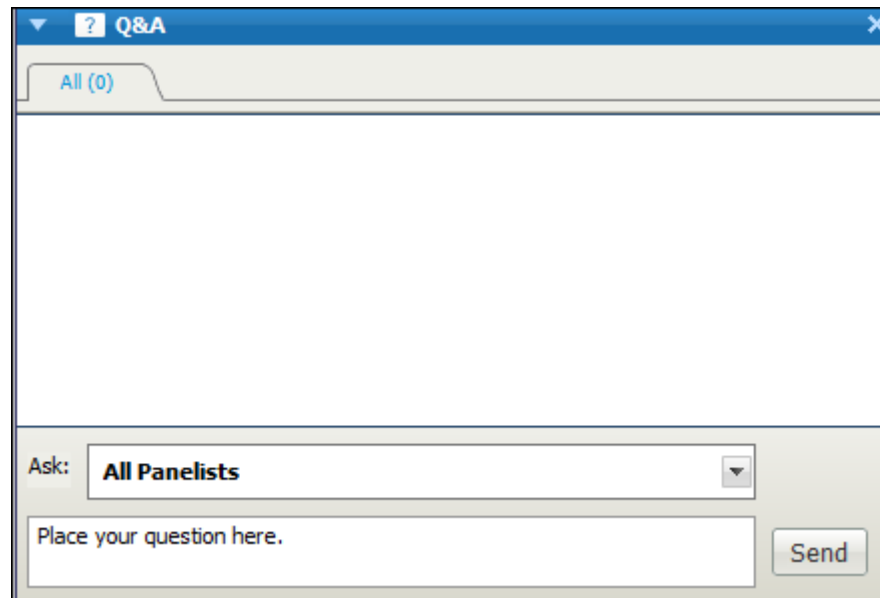
Comments are solicited for all Sections, especially changes

Deadline: 6PM CPT on July 10, 2017

- Download the Draft (2) REC Contract dated June 28 from the [procurement website](#)
 - Mark comments with **tracked changes** in Microsoft Word
 - Provide explanatory notes or comments to explain your proposed changes
 - Submit your comments by email to Procurement Administrator at Illinois-RFP@nera.com
-
- Redlines showing changes from Draft (1) vs. Draft (2) provided online to facilitate your review
 - For the guaranty, acceptable optional changes are made available online; please review before proposing new changes

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Contact: Illinois-RFP@nera.com