

ILLINOIS POWER AGENCY
Indexed REC RFP

Invitation to Comment and Opportunity to Provide Feedback

*The Procurement Administrator invites stakeholder feedback on any aspect of the posted documents (including the **Proposed Contract Form** and the **Preliminary Proposal Requirements**) as well as on three specified topics. Topic 1 (**Energy Transition Community Grant Areas**), Topic 2 (**Modernized or Retooled Hydropower Project Requirements**), and Topic 3 (**General Feedback on Improvements**) are listed in Appendix A, accompanied by specific questions on which feedback is sought. Additional information on each topic for comment can be found below.*

Background

Public Act 102-0662 (the “Climate and Equitable Jobs Act” or “CEJA”) became effective on September 15, 2021. CEJA provides for the Illinois Power Agency’s (“Agency” or “IPA”) procurement of Indexed Renewable Energy Credits (“RECs”) through 20-year delivery contracts. Additionally, Public Act 103-0380 became effective on January 1, 2024 and authorizes the Agency to procure RECs from certain hydropower projects.

In accordance with Section 16-111.5(b)(5)(ii)(B) of the Public Utilities Act, the IPA filed the 2024 Long-Term Renewable Resources Procurement Plan (“2024 Long-Term Plan”) with the Illinois Commerce Commission (“ICC” or “Commission”) on October 20, 2023. The Commission released a Final Order approving the 2024 Long-Term Plan with modifications on February 20, 2024.¹ The IPA issued a final 2024 Long-Term Plan in accordance with this Commission Order on April 19, 2024.²

As approved by the ICC, the 2024 Long-Term Plan provides for a procurement of RECs from new utility-scale wind projects (projects over 5 MW), new utility-scale solar projects (projects over 5 MW), new brownfield site photovoltaic projects, and new hydropower projects at an existing dam or modernized or retooled hydropower projects at an existing dam this Fall 2024 (“Fall 2024 Indexed REC RFP”). The quantities to be procured are 2,700,000 RECs delivered annually from either new utility-scale wind or hydropower projects, 666,666 RECs delivered annually from new utility-scale solar Projects, and 74,000 RECs delivered annually from new brownfield site photovoltaic Projects.³ NERA Economic Consulting serves as the Procurement Administrator for the IPA and will administer the Fall 2024 Indexed REC RFP.

¹ Docket No. 23-0714, Final Order dated February 20, 2024.

² <https://ipa.illinois.gov/content/dam/soi/en/web/ipa/documents/final-2024-long-term-renewable-resources-procurement-plan-19-apr-2024.pdf>.

³ These quantities are subject to change.

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On August 9, 2024, the Procurement Administrator posted the Draft Indexed REC Contract and Preliminary Proposal Requirements for the Fall 2024 Indexed REC RFP. The Preliminary Proposal Requirements provide an overview of the proposal submission process and draft requirements to qualify projects under the RFP. A single round of written comments has been planned to finalize the Fall 2024 Indexed REC RFP Rules and Indexed REC Contract. This is the request for the written comments on the draft contract terms, preliminary requirements, and specific questions related to three topics fully described in Appendix A. **Written comments are due by August 30, 2024.**

Invitation to Comment

On August 9, 2024, the Procurement Administrator posted the Draft Indexed REC Contract and Preliminary Proposal Requirements for the Fall 2024 Indexed REC RFP. For convenience of stakeholders, a redline showing changes between the draft contract proposed and the contract used in the prior procurement event held in Summer 2024 has also been posted.

The Procurement Administrator invites stakeholder feedback on any aspect of the posted documents as well as on three specified topics. Topic 1 (Energy Transition Community Grant Areas), Topic 2 (Modernized or Retooled Hydropower Project Requirements), and Topic 3 (General Feedback on Improvements) 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 of past procurement events for RECs, as well as from other interested parties. To facilitate the reviewer's understanding and consideration of the comments, stakeholders are strongly encouraged to provide comments in the form of redlines against the posted documents along with explanatory notes either in a separate document or highlighted in tracked changes.

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

- Please submit an attachment with your comments on the Draft Indexed REC Contract and the Preliminary Proposal Requirements by email to the Procurement Administrator at: 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 the Draft Indexed REC Contract, please submit your comments with track changes in Microsoft Word. We strongly encourage you to provide explanatory notes either in a separate document or highlighted in tracked changes.

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- If providing feedback on the Preliminary Proposal Requirements, 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).

The deadline to provide written comments is on August 30, 2024 and all comments should be sent to Illinois-RFP@nera.com.

In general, responses will be made public and published on the Procurement Administrator's website (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 the 2024 Long-Term Plan and cannot be changed.

Please direct all questions to the Procurement Administrator at: Illinois-RFP@nera.com

Appendix A

TOPIC 1: Energy Transition Community Grant Areas

Section 1-75(c)(1)(P) of the Public Utilities Act requires the IPA to develop “a method to optimize procurement of renewable energy credits from proposed utility-scale projects that are located in communities eligible to receive Energy Transition Community Grants pursuant to Section 10-20 of the Energy Community Reinvestment Act.” Under the Public Utilities Act, the Illinois Department of Commerce and Economic Opportunity (“DCEO”) is the agency responsible for administering the Energy Transition Community Grant Program, and not the IPA. As stated by the DCEO, “the program funds are designed to meet the needs of individual localities to address the economic and social impacts of plant closures and can be used on a variety of initiatives and investments, including workforce investments, housing support, business attraction efforts, and much more.” Additional information on the program is available on the DCEO website: [Illinois Department of Commerce and Economic Opportunity - Home](#).

In each of the three Indexed REC procurement events held since 2023, if a project is a utility-scale solar project or a utility-scale wind project and the project site is located within an Energy Transition Community Grant Area (“ETCGA”), the project qualified for a downward strike price adjustment of 10% of the lowest strike price received for use in ranking bids, thus making those bids more competitive on the basis of price.⁴ The ETCGAs used for purposes of the Indexed REC RFP were the host villages, cities and counties provided by the DCEO in an information release dated December 16, 2022.⁵ This information release was made when the DCEO first launched the Energy Transition Community Grant Program. The host villages, cities and counties used are applicable to 22 fossil fuel facilities, nuclear facilities, and coal mines that were identified by the DCEO at that time as qualified for the Energy Transition Community Grant Program.

In practice, the DCEO considers the communities eligible to receive grants under the Energy Transition Community Grant Program as the area covered by a 30-mile radius around qualifying fossil fuel facilities, nuclear facilities, and coal mines. Additionally, the list of qualifying fossil fuel facilities, nuclear facilities, and coal mines is updated on an annual basis and therefore subject to change each year. This annual update is made because Public Act 102-0662, which provides guidance to the DCEO on eligibility for the program, includes a recency requirement. For example, Section 10-20(c) of Public Act 102-0662, states that in regard to fossil fuel and nuclear facilities, an eligible area “contains a fossil fuel or nuclear power plant that was retired from service or has significantly reduced service within 6 years before the application for designation or will

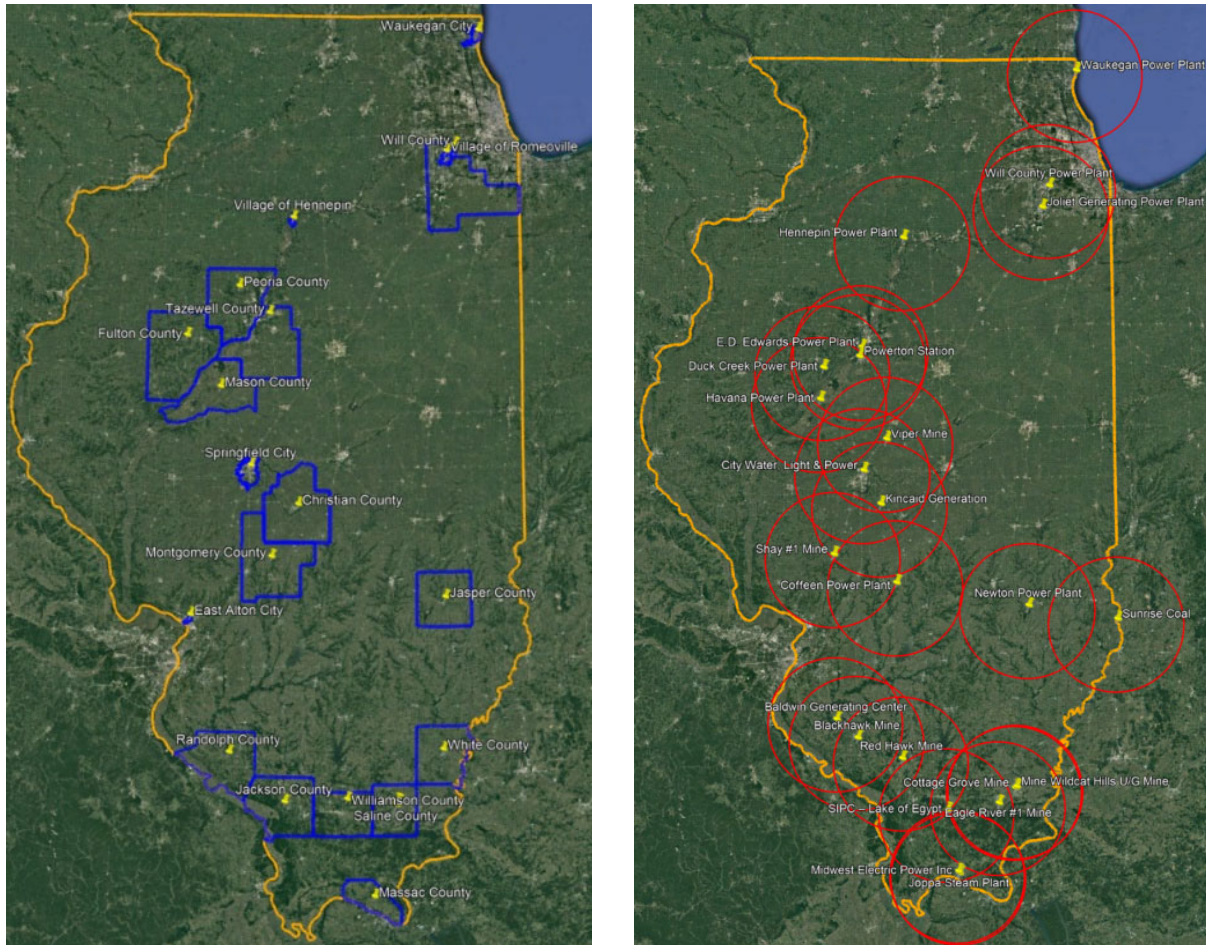
⁴ For the procurement events held in 2023, the requirement was for 100% of the project site to be located within an ETCGA and beginning in 2024, the percentage requirement was reduced to at least 50% of the project site. This change aimed to support the build of a larger number of projects within Energy Transition Community Grant communities while continuing to promote the objectives of CEJA and the Energy Community Reinvestment Act. The downward strike price adjustment is used for purposes of bid evaluation only. Winning bidders are paid under the contract based on the actual strike price submitted with their bid.

⁵ [Pritzker Administration Launches \\$40 Million in Funding for the Energy Transition Community Grant Program as Part of CEJA \(illinois.gov\)](#)

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be retired or have service significantly reduced within 6 years following the application for designation.”

Two maps are provided below. The map on the left displays the boundaries of the villages, cities and counties in blue that have been used for purposes of determining qualifying ETCGAs in past Indexed REC RFPs. The map on the right displays the area covered by a 30-mile radius around qualifying fossil fuel facilities, nuclear facilities, and coal mines in red. The lists of applicable villages, cities and counties (left map) and qualifying fossil fuel facilities, nuclear facilities, and coal mines (right map) are provided in Appendix B.



The Procurement Administrator and the IPA are requesting feedback at this time as the two methodologies are being evaluated for purposes of determining ETCGAs in future RFPs, beginning with the Fall 2024 Indexed REC RFP. As seen in the maps above, a change to determine ETCGAs using the area covered by a 30-mile radius around qualifying fossil fuel facilities, nuclear facilities, and coal mines may have a significant impact. First, using this expanded definition may enable additional projects that are located further away from a qualifying facility or mine to qualify for the downward strike price adjustment. Thus, this change may divert Indexed REC contract revenues from projects in localities most closely impacted by plant closures. Second, generally as

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additional projects may qualify, this change may decrease the significance of the bid evaluation price reduction for a project relative to past events.

Questions:

1. For purposes of future RFPs, including the Fall 2024 Indexed REC RFPs, should the Energy Transition Community Grant Areas be determined using the area covered by a 30-mile radius around fossil fuel facilities, nuclear facilities, and coal mines qualified by the DCEO as opposed to the host villages, cities and counties applicable to these qualifying facilities and mines? Why or why not?
2. Using a 30-mile radius around qualifying facilities and mines would extend some of the areas into states adjacent to Illinois. If a project is located in a state adjacent to Illinois (not located in Illinois) and within the 30-mile radius, should the project be eligible for the downward strike price adjustment? Why or why not?
3. The list of qualifying fossil fuel facilities, nuclear facilities, and coal mines is updated by the DCEO on an annual basis due to the recency requirements under Public Act 102-0662. The current list of qualifying facilities and mines is provided in Table B in Appendix B. For purposes of the Indexed REC RFP, should all facilities and mines qualified historically by the DCEO be used in determining the ETCGAs? For example, should a coal facility that was qualified by the DCEO in 2023, but not in 2024 due to the recency requirement, continue to be used for determining ETCGAs? Why or why not?
4. Please provide any other comments or feedback related to this topic.

TOPIC 2: Modernized or Retooled Hydropower Project Requirements

In accordance with the IPA's 2024 Long-Term plan, Modernized or Retooled Hydropower Projects at an existing dam are eligible to participate in Indexed REC RFPs beginning with the Summer 2024 Indexed REC RFP. A Modernized or Retooled Hydropower Project is a project that involves construction, repair, maintenance, or significant expansion of turbines at an existing hydropower facility, including impoundment facilities, diversion facilities, and pumped storage facilities that use the flow of water to generate electricity or storage, located at an existing dam or of an existing hydropower dam.

Currently, under the RFP, if a bid for a Modernized or Retooled Hydropower Project is selected and approved by the ICC, all RECs from the hydropower facility upon completion of the Modernized or Retooled activities are deemed eligible for Illinois RPS compliance. Thus, specific terms and requirements were developed for a Modernized or Retooled Hydropower Project under both the draft Indexed REC Contract and the Preliminary Proposal Requirements to: (1) ensure the Modernized or Retooled activities will directly result in energy generation at the existing facility (and therefore directly result in the generation of RECs); and (2) require the Modernized or Retooled activities meet a "materiality" threshold.

This materiality threshold requires bidders to demonstrate that the Modernized or Retooled activities will result in an increase to: (1) the installed capacity of the existing hydropower facility at the point of qualifying to bid in the RFP, and (2) the annual energy production of the existing hydropower facility on an ex-post basis under the Indexed REC Contract. Specifically, under the Indexed REC Contract, the Seller of a winning Modernized or Retooled Hydropower Project must demonstrate that the Actual Production of the existing hydropower facility has increased by at least 30% as a result of the newly Modernized or Retooled activities such that the annual Actual Production for at least one (1) Delivery Year shall meet or exceed the Hydropower Refurbishment Threshold within the first three (3) full Delivery Years after the Hydropower Refurbishment Completion Date, as these terms are defined in the Indexed REC Contract. See section 6.5 of the Indexed REC Contract for additional information on the Hydropower Refurbishment Threshold.

As described in the Preliminary Proposal Requirements, at the point of qualifying, the Bidder must describe the Modernized or Retooled activities and provide one of the following documents applicable to the project: a filed application with the Federal Energy Regulatory Commission ("FERC") for a relicense; a filed application with the FERC for an amendment to a current license; or a filed application with the FERC for an exemption from licensing. The documentation must provide evidence that there will be an increase in the installed capacity of the existing facility as a result of the Modernized or Retooled activities. The documentation and detailed description of the Modernized or Retooled activities provided must reasonably demonstrate that the project will meet the Hydropower Refurbishment Threshold under the Indexed REC Contract.

Questions:

1. Is the requirement for proposed Modernized or Retooled activities to meet a materiality threshold appropriate or too stringent? Why?
2. Are the requirements to demonstrate an increase in both capacity and energy production at the existing facility as a result of the Modernized or Retooled activities appropriate to ensure materiality?
 - a. If yes, is a 30% increase in energy production of the existing facility upon completion of the activities appropriate? Should there be a minimum threshold requirement (MW) for an increase in the installed capacity of the existing facility in addition to the minimum threshold for energy production?
3. Should alternative or additional requirements be considered? If so, what requirements are appropriate and what supporting evidence is available for purposes of verifying the requirement is or will be met?

TOPIC 3: Feedback on Potential Improvements to the Indexed REC RFP

The Summer 2024 Indexed REC RFP was held on July 18, 2024. The quantities to be procured were 2,700,000 RECs to be delivered annually from either new utility-scale wind, new hydropower projects at an existing dam, or modernized or retooled hydropower projects at an existing dam; 666,666 RECs to be delivered annually from new utility-scale solar projects; and 74,000 RECs delivered annually from new brownfield site photovoltaic projects. The results of the Summer 2024 Indexed REC RFP can be found [here](#).

The targets for RECs from brownfield site photovoltaic projects, and utility-scale wind or hydropower projects were not met in the Summer 2024 procurement event. In accordance with the IPA's 2024 Long-Term plan, the IPA may request stakeholder feedback after a procurement event that does not meet REC targets to consider changes to the procurement requirements that could be made outside of updating of the Long-Term Plan. Thus, the IPA and the Procurement Administrator are seeking stakeholder feedback on improvements to consider for the upcoming Fall 2024 procurement to facilitate participation.

Questions:

1. If you chose not to participate in the Summer 2024 Indexed REC RFP, what factors influenced your decision? For example, were there specific eligibility requirements or procurement processes that affected your decision to participate? Please explain.
2. Please provide feedback for improvements to the procurement requirements.
3. How did you learn about the Indexed REC RFP opportunity? Are there other venues or mediums through which information could have been published that would have made it easier for you to learn about the procurement event?

Appendix B

Table A. Energy Transition Community Grant Areas used through Summer 2024
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HOST VILLAGE, CITY AND COUNTY IN ILLINOIS		
Christian County	Montgomery County	Village of Hennepin
East Alton City	Peoria County	Village of Romeoville
Fulton County	Randolph County	Waukegan City
Jackson County	Saline County	White County
Jasper County	Springfield City	Will County
Mason County	Tazewell County	Williamson County
Massac County		

Table B. Current list of eligible fossil fuel facilities, nuclear facilities, and coal mines

NAME OF FACILITIES AND COAL MINES		
Baldwin Generating Center	Havana Power Plant	Powerton Station
Blackhawk Mine	Hennepin Power Plant	Red Hawk Mine
City Water, Light & Power	Joliet Generating Power Plant	Shay #1 Mine
Coffeen Power Plant	Joppa Steam Plant	SIPC – Lake of Egypt
Cottage Grove Mine	Kincaid Generation	Sunrise Coal
Duck Creek Power Plant	Midwest Electric Power Inc	Viper Mine
E.D. Edwards Power Plant	Mine Wildcat Hills U/G Mine	Waukegan Power Plant
Eagle River #1 Mine	Newton Power Plant	Will County Power Plant