

ILLINOIS POWER AGENCY  
Indexed REC RFP

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**Invitation to Comment and Opportunity to Provide Feedback**

*The Procurement Administrator invites stakeholder feedback on any aspect of the documents posted on April 16, 2025 (including the **Draft Indexed REC Contract** and the **Preliminary Proposal Requirements**) as well as on three specified topics. Topic 1 (**Inflation Adjustment Mechanism**), Topic 2 (**Annual Quantity Adjustment Mechanism**), and Topic 3 (**General Feedback on Improvements**) are listed in Appendix A, accompanied by specific questions on which feedback is sought.*

Background

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.<sup>1</sup> The IPA issued a final 2024 Long-Term Plan in accordance with this Commission Order on April 19, 2024.<sup>2</sup>

As approved by the ICC, the 2024 Long-Term Plan provides for a procurement of renewable energy credits (“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 Summer 2025 (“Summer 2025 Indexed REC RFP”).

The Summer 2025 Indexed REC RFP will include two optional improvements stemming from a compliance filing by the IPA on February 19, 2025.<sup>3</sup> These two improvements are:

1. a one-time, post-award Inflation Adjustment Mechanism; and
2. a one-time, post-award change to the annual REC delivery quantity (“Annual Quantity Adjustment Mechanism”).

These two improvements have been developed and incorporated into the draft Indexed REC Contract and Preliminary Proposal Requirements that were posted on April 16, 2025. An overview of the mechanisms and specific questions are provided in Appendix A below. When considering and responding to the draft documents and mechanisms, stakeholders are encouraged to consider the goals of these two improvements. These goals

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<sup>1</sup> Docket No. 23-0714, Final Order dated February 20, 2024.

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

<sup>3</sup> The compliance filing and additional information related to stakeholder workshops held by the IPA on downstream negotiation is available on the Stakeholder Engagement page of the IPA website: <https://ipa.illinois.gov/renewable-resources/stakeholder-engagement.html>

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include reducing potential project attrition, reducing premiums/costs in bids related to uncertainty due to inflation, and encouraging participation and competition in the procurement events. Written comments are due by May 7, 2025 and will be considered when finalizing the Summer 2025 Indexed REC RFP Rules and Indexed REC Contract for issuance on May 28, 2025.

**Stakeholder Workshop**

A stakeholder workshop to facilitate stakeholder engagement on the Indexed REC Contract and Preliminary Proposal Requirements is scheduled for April 30, 2025 from 11AM to 1PM CPT. Participation information will be provided in a forthcoming announcement and will be posted to the procurement website as soon as available.

***Invitation to Comment***

**On April 16, 2025, the Procurement Administrator posted the Draft Indexed REC Contract and Preliminary Proposal Requirements for the Summer 2025 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 Fall 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 (***Inflation Adjustment Mechanism***), Topic 2 (***Annual Quantity Adjustment Mechanism***), 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 any interested party. 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](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 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 paragraph number of 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 May 7, 2025 and all comments 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 ([www.ipa-energyrfp.com](http://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. Similarly, some elements of the adjustment mechanisms described in Topics 2 and 3 stem from a compliance filing 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: Inflation Adjustment Mechanism

#### 1. General Overview

Beginning with the forthcoming Summer 2025 Indexed REC RFP, Bidders may choose to use the optional Strike Price Inflation Adjustment Mechanism (“IAM”) in the Indexed REC Contract for a winning Project. This election would be made during the procurement process. The IAM is implemented as follows:

- Three (3) unique formulas to apply to each technology type in the Indexed REC RFP have been developed: a unique formula for utility-scale solar and brownfield site photovoltaic projects (“solar projects”), a unique formula for utility-scale wind projects (“wind projects”), and a unique formula for hydropower projects (“hydro projects”).
- Exhibit G to the draft Indexed REC contract provides three (3) proposed technology-specific formulas, the historical U.S. Bureau of Labor Statistics (“BLS”) indices selected, details for the adjustment calculation, and the proposed adjustment cap.
- Section 2.7 of the draft Indexed REC contract provides that the adjustment is tied to a specific project development milestone and describes details related to determining and verifying this date has been reached. Specifically, the adjustment is proposed to take place after the Financial Closing Date for the Project.
  - If the actual Financial Closing Date for the Project occurs less than 6 months from the date for Commission approval, the Project is not eligible for such Strike Price adjustment.
- Paragraph 2.17 of the Preliminary Proposal Requirements explains that a Bidder will indicate its election to incorporate the IAM on the Bid Date.
- Paragraph 2.18 of the Preliminary Proposal Requirements provides the procedure to evaluate “Opt-in Bids” with “Opt-Out Bids” in a procurement event using a Forecast Factor. If the Bidder is electing to opt into the IAM, the Bid will be called an “Opt-in Bid.” If the Bidder is electing to not opt into the IAM, the Bid will be called a “Opt-out Bid.” It is proposed that the Forecast Factor (%) will be provided to Bidders no later than one week prior to the Bid Date.

#### 2. Formula Development Overview

As shown in Exhibit G, each of the three (3) technology-specific formulas include (1) a strike price adjustment based on the difference in prices for component capital costs (“component cost adjustment”), and (2) a strike price adjustment for changes in interest rates (“interest rate adjustment”). As described below, the estimated portion of the strike price that would be adjusted and the calibration of the weighting of the cost components in the formulas are based on publicly available reports and data and is not necessarily indicative or reflective of all projects that are presented in the RFP; however the estimate

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aims to be as closely aligned as possible with what would be expected to be typical project costs.

a. Component Cost Adjustment Overview

It is proposed that a portion of the strike price representative of typical capital expenditure, would be adjusted based on publicly available commodity indices for component costs. The portion of the strike price that would be adjusted is 85% for solar projects and 80% for wind and hydro projects. The remaining portion of the strike price is expected to include operating and maintenance costs and is proposed to not be adjusted by the IAM.

For the formulas related to wind and solar:

- The proposed weighting of the commodity indices were estimated based on publicly available cost breakdowns from National Renewable Energy Laboratory (“NREL”).
  - For solar, the Department of Energy’s (“DOE”) PV System Cost Model (“PVSCM”) was used to estimate a typical solar project’s capital cost breakdown. A description of the scope and purpose of the model, data collection process, and model is available on the DOE website [here](#). As further explained on their website, the capital costs are reported by the DOE two ways: Minimum Sustainable Price (“MSP”) and Modeled Market Price (“MMP”). The MMP data, which is the “actual price in the current market” and includes the “impact of tax and trade policies” was used for purposes of the formula development.
  - For wind, NREL's Cost of Wind Energy Review: 2024 Edition was used to estimate a typical wind project’s capital cost breakdown. The data is available [here](#). Slides 61 and 62 provide links to the capital cost data sources and assumptions used by NREL.
- The component costs from the NREL studies cited were assigned to commodity indices, such as BLS PPI commodities indices, that are expected to be closely correlated. For example, costs for the tower for a utility-scale wind project were assigned to an index that measures price changes for steel and costs for field work for a utility-scale solar project were assigned to an index that measures price changes for construction costs.
- Some component costs, such as fees that may not be tied to inflation and office work related to development that would be expected to be completed, or nearly completed, at the time of submitting the Bid such as outreach for land lease, were not assigned to an index and therefore would not be accounted for in the adjustment. These costs that were not assigned to an index represent 3% of capital expenditure for solar and 1% of capital expenditure for wind.

For the formula related to hydropower:

- Under the RFP, both modernized/retool projects and new hydropower projects at existing dams can qualify and a wide range of projects can meet the definition (i.e.,

pumped storage, diversion facilities, repurposed impoundments, installation of new turbines, etc.). A single metric CPI adjustment is proposed due to the wide range of project types. Although there may be common costs across these projects to index, it is expected that the weighting across the varying projects may vary widely. Common costs such as cement and construction costs are highly correlated with CPI.

b. Interest Rate Adjustment Overview

It is proposed that the entirety of the strike price would be increased (or decreased) to reflect changes in interest rates. For each of the three technologies it is proposed that a 1.00% change in interest rates would lead to a 3.50% adjustment in the strike price. This adjustment rate of 3.50% is based on the estimated change in the levelized cost of electricity for a solar and wind project in Illinois using the System Advisor Model™ (SAM™) from NREL due to a 1.00% change in interest rates for both project term debt and construction debt.<sup>4</sup>

c. Additional considerations

Additional considerations that were accounted for when developing the formulas include but are not limited to:

1. The formulas are not meant to absolve the developer of all risks related to potential price changes or to shift an unreasonable amount of risk to ratepayers. Developers should continue to be incentivized to manage risk efficiently, such as employing efficient sourcing strategies for hard costs.
2. The formulas should not neutralize the competitive advantage of developers that may have more in-depth market knowledge.
3. It's recognized that there may not be a uniform way to account for some costs that may be outside of the developer's control.
4. The adjustment may take place many years from the commission bid approval date and the formula must remain relevant to project development. It is not meant to adjust for short-term risks.
5. The formulas should not be so granular that they are not applicable to a range of projects that may be proposed in the RFP.

***3. Considerations of Indices Selected***

In order to measure the rate of change in prices of component costs and interest rates, the Procurement Administrator has selected publicly available price indices that are expected to track the capital component costs identified in the formulas from the Bureau of Labor

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<sup>4</sup> <https://sam.nrel.gov/>

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Statistics.<sup>5</sup> These indices are listed in Exhibit G of the draft Indexed REC Contract. All of the historical indices selected are updated on a monthly basis except for the index for interest rates, which is updated on a daily basis. Also, for all of the historical indices selected, a forecast is available from Moody's Analytics that would be used to calculate the Forecast Factor used in bid evaluation for each formula.<sup>6</sup> Moody's Analytics provides a wide range of forecasts for BLS PPI commodities indices on a quarterly and monthly frequency. A description of Moody's Analytics forecasting approach is available [here](#).

Additional considerations that were accounted for when selecting the indices include but are not limited to:

- The Procurement Administrator is unaware of a historical index that can be used to measure the change in the cost of solar modules. The portion of the capital cost associated with solar modules, which was estimated at 35% of the overall cost, has been assigned to PPI by Commodity: All Commodities.
- The indices were refined on the basis of availability of a forecast from Moody's Analytics.
- Most of the indices selected are available in two formats: seasonally adjusted and not seasonally adjusted. The BLS removes the effects of recurring seasonal influences when constructing the seasonally adjusted format. More information on seasonally adjusted and not seasonally adjusted formats is available [here](#). The BLS explains in their guide for contract price adjustments that, in general, seasonally adjusted indexes are not appropriate. The not seasonally adjusted format was selected for the Adjustment Mechanism.
- A simple average of six months of data is used to calculate  $Index_t$  and  $Index_f$  in the formulas. The most recent four months of data that would be used to calculate  $Index_t$  and  $Index_f$  in the formulas is considered preliminary data from the BLS.  $Index_t$  is finalized and provided to bidders prior to the Bid Date.  $Index_f$  is finalized after the Financial Closing Date for the Project. It is proposed to not make further adjustments to  $Index_t$  and  $Index_f$  based on further revisions from the BLS. The index should not be so granular that it may be based on few survey respondents. A more granular index is more likely to change between preliminary and final publication by the BLS and may also be more likely to be discontinued by the BLS.
- If the Financial Closing Date occurs 4 years after the Commission Bid Approval Date, then data used for calculating the final set of data for purposes of the Strike Price adjustment calculation shall be based on data from the forty-third (43rd) full calendar month through the forty-eighth (48th) full calendar month after the Commission Bid Approval Date.

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<sup>5</sup> Information on BLS indices and best practices for price adjustments is available on the BLS website: [Producer Price Index \(PPI\) Guide for Price Adjustment : U.S. Bureau of Labor Statistics](#)

<sup>6</sup> Information on Moody's Analytics approach to forecasting is available on the Moody's website: [Economic Forecasting Approach | Moody's Analytics](#)

#### *4. Evaluation Procedure*

The evaluation procedure in Paragraph 2.18 of the Preliminary Proposal Requirements explains that Opt-in Bids and Opt-out Bids for a technology will be evaluated together up to a single target in a procurement event. Thus, to compare Opt-in Bids to Opt-out Bids on an apples-to-apples basis, the Procurement Administrator would apply a Forecast Factor to the Opt-in Bids as a first step. The Forecast Factor is proposed to be the expected percent change in the strike price of an Opt-in Bid if the strike price adjustment were to be made 30 months from the Commission Bid Approval Date.

For each technology, a single Forecast Factor is proposed to be applied to Opt-in Bids from all projects and is used solely for bid evaluation. There is no common initial delivery date specified for all projects under the Indexed REC Contract and Projects may come online anytime through 2030, or even later in some circumstances. Additionally, Projects proposed during the RFP process may be at differing points of project development at the time of bid submission.<sup>7</sup> 30 months was selected as a reasonable assumption for bid evaluation based on typical development timelines for wind, solar and hydropower projects generally. This assumption means that the strike price for a Project for evaluation purposes will be adjusted based on a Financial Closing Date occurring 30 months from Commission Bid Approval Date, which may or may not align with the expected Financial Closing Date of Projects.

It is proposed that the Forecast Factor by technology that would be used for bid evaluation will be provided to bidders at least one week prior to the Bid Date. Bidders will have until the Bid Date to decide whether they are electing to submit an Opt-in Bid or an Opt-out Bid for the Project and therefore would be able to consider the Forecast Factor when making this determination.

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<sup>7</sup> The project maturity requirement is provided in the Preliminary Proposal Requirements on page 15 for utility-scale solar and wind projects and on page 24 for brownfield site photovoltaic projects.

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Questions specific to the formulas:

1. Please provide feedback on any aspect of the formulas proposed (i.e. percentage of the strike price that would be adjusted or weights used across the various indices). Please include any suggested improvements to the formulas and provide backup data or documentation when available.
2. Please provide any feedback on the interest rate adjustment (i.e. the percentage change due to a change in interest rates). Please include any suggested improvements to the interest rate adjustment and provide backup data or documentation when available.
  - Is the interest rate adjustment appropriate?
3. Please provide any feedback on the indices selected.
  - Is there a historical index that can be used to measure the change in the cost of solar modules that would be appropriate to use in the solar formula? If not, is PPI by Commodity: All Commodities an appropriate proxy?
  - Is a single metric CPI formula most appropriate for hydropower projects? If not, is there a breakdown of capital costs available that can be used to develop a more granular formula?
4. It is proposed for the adjustment to not exceed the absolute value of 15%. The symmetrical adjustment cap is meant to recognize that there should be risk sharing with ratepayers and would also enable more accurate budget estimation for purposes of setting procurement targets.
  - Is a 15% symmetrical adjustment cap reasonable?
5. The initial REC delivery deadline is May 31, 2030. It is proposed that if the Financial Closing Date occurs 4 years after the Commission Bid Approval Date, then data used for calculating the final set of data for purposes of the Strike Price adjustment calculation shall be based on data from the forty-third (43rd) full calendar month through the forty-eighth (48th) full calendar month after the Commission Bid Approval Date.
  - Is it reasonable to have a four-year bound on the amount of time for the adjustment?

Questions specific to the timing of the adjustment:

1. It is proposed that the adjustment would take place at the Financial Closing Date for the project.
  - Is this the most appropriate milestone to use for the timing of the strike price adjustment?
  - What is the most appropriate documentation to require for purposes of verifying the Financial Closing Date?
  - Do you foresee challenges with verifying the Financial Closing Date as defined in the draft Indexed REC Contract? If so, please explain.

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- Is there a more appropriate milestone to use for the timing of the strike price adjustment?

Questions specific to bid evaluation:

1. The evaluation procedure in Paragraph 2.18 of the Preliminary Proposal Requirements explains that Opt-in Bids and Opt-out Bids for a technology will be evaluated together up to the single target for such technology.
  - Please provide any feedback on the evaluation procedure provided in Paragraph 2.18 of the Preliminary Proposal Requirements and described in section 4 above.
2. An alternative option to evaluating Opt-in Bids and Opt-out Bids together using a forecast would be to either:
  - accept Opt-in Bids and Opt-out Bids in alternating procurement events (i.e. only Opt-in Bids are submitted in procurement events held in the Summer and only Opt-out Bids are submitted in Fall procurement events held in the Fall). It is planned for there to be two (2) procurement events in each year for the foreseeable future.
  - use separate targets for Opt-in Bids and Opt-out Bids in a procurement event.

Is one of these alternative options preferred over the proposed approach? Why or why not?

General questions:

1. Do you expect that the Adjustment Mechanism will achieve the following goals: reduce potential project attrition; reduce premiums/costs in bids related to uncertainty due to inflation; and encourage participation and competition in the procurement events. Why or why not?
2. Do you think the Adjustment Mechanism strikes a reasonable balance of risk between the developer and the ratepayer?

## **TOPIC 2: Annual Quantity Adjustment Mechanism**

Beginning with this Summer 2025 Indexed REC RFP, Bidders will have the option to request a one-time adjustment of its REC delivery obligation under the Indexed REC Contract for a winning Project in limited circumstances. Section 2.6 of the draft Indexed REC Contract provides that the adjustment only allows for a reduction in the delivery obligation, not an increase. The request for the adjustment is subject to the approval by the IPA on a case-by-case basis upon a demonstration of good cause by Seller to the satisfaction of the IPA at its sole discretion. The circumstances in which the Seller may request a one-time adjustment of its delivery obligation are: (a) changes to the land area being considered for the Project, (b) interconnection costs increase, (c) transmission upgrade or reconfiguration costs increase or (d) changes in availability of Project's construction materials, which must result in a significant reduction to the Nameplate Capacity or Project's generation output. Any request must be made prior to the start of the Project's construction.

### **Questions:**

1. Should there be a restriction on the maximum allowable delivery obligation reduction? If so, what amount is reasonable (e.g., 15% reduction of the initial annual quantity)? Please explain.
2. Please provide any additional feedback on the delivery obligation adjustment, including any suggested improvements.
3. Do you expect that this adjustment mechanism will achieve the following goals: reduce potential project attrition; reduce premiums/costs in bids related to uncertainty due to inflation; and encourage participation and competition in the procurement events. Why or why not?
4. Do you think the adjustment mechanism strikes a reasonable balance of risk between the developer and the ratepayer?

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

The Fall 2024 Indexed REC RFP was held on December 2, 2024. The quantities to be procured were 5,041,483 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 148,000 RECs delivered annually from new brownfield site photovoltaic projects. The results of the Fall 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 Fall 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 Summer 2025 procurement to facilitate participation.

In addition, following the Fall 2024 procurement event, Public Act 103-1066, which amends the Public Utilities Act and Illinois Power Agency Act, was signed into law and became effective on February 20, 2025.<sup>8</sup> The IPA released an update to the Renewable Portfolio Standard (RPS) REC and Budget forecast on February 27, 2025, which can be found [here](#). As stated in the IPA update, "P.A. 103-1066 makes several changes to the Illinois Power Agency Act including ensuring that existing REC delivery contract holders will continue to receive payment even if projections indicate the statutory annual rate impact cap may be exceeded, or is exceeded, in a given program year. It also permits the Agency to complete procurements for a program year before ceasing procurements given an identified potential for an RPS Budget overrun."

#### Questions:

1. If you chose not to participate in the Fall 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?

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<sup>8</sup><https://www.ilga.gov/legislation/BillStatus.asp?GA=103&DocTypeID=HB&DocNum=587&GAID=17&SessionID=112&LegID=142420>

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4. Has the passage of Public Act 103-1066 increased your confidence in the certainty of the RPS Budget? Does this increase the likelihood of your participation in future procurement events?