

ILLINOIS POWER AGENCY
Indexed REC RFP

**Invitation to Comment on
Benchmark Categories of Inputs, Assumptions and Data Sources**

Procurement Event Overview

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. Public Act 103-0380 became effective on January 1, 2024 and authorizes the Agency to procure RECs from certain hydropower projects.

The IPA’s 2024 Long-Term Renewable Resources Procurement Plan provides for a Summer 2024 procurement of RECs from new utility-scale wind projects, new utility-scale solar projects, new brownfield site photovoltaic projects, and new hydropower projects at an existing dam or modernized or retooled hydropower projects at an existing dam (the “Summer 2024 Indexed REC RFP”). NERA Economic Consulting serves as the Procurement Administrator for the Summer 2024 Indexed REC RFP.

Comment Process Background

Section 1-75(c)(1)(D) of the IPA Act requires that RECs procured through Indexed REC RFPs “do not exceed benchmarks based on market prices for like products in the region.” These confidential benchmarks are developed by the Procurement Administrator “in consultation with the Commission staff, Agency staff, and the procurement monitor,” and are subject to ICC approval.

In response to concerns raised seeking some transparency into benchmark development and allowing for potential bidders to provide information to the Procurement Administrator for review, Chapter 5.8 of the 2024 Long-Term Plan describes a new comment process to be held as part of the benchmark development process for each Indexed REC procurement event. Recognizing that potential bidders have a strong interest in understanding and helping shape the inputs and assumptions informing benchmark development, while also balancing that interest against the need to maintain the confidentiality of benchmarks and ensure the integrity of the competitive bidding process, potential bidders and other stakeholders will be provided an opportunity to comment on:

- Categories of cost, revenue, and other inputs and assumptions utilized within the benchmark development methodology; and
- General data sources potentially utilized by the Procurement Administrator, without revealing any specific data points or values anticipated to be utilized and without linking any specific data source to any specific input category.

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As further discussed below, the benchmark prices themselves must remain confidential under Section 1-75(c)(1)(D) of the Illinois Power Agency Act (“IPA Act”) and Section 16-111.5(e)(3) of the Public Utilities Act. The IPA and the Procurement Administrator hope that this process will provide increased transparency into the Indexed REC procurement process.

Overview of Benchmark Development Process and Use in Competitive Procurement Events

As part of each competitive procurement process, the Procurement Administrator develops benchmarks for each category of project to be used in the evaluation of bids. The development and use of benchmarks in competitive procurements is a statutory requirement in Illinois and is not new.¹ Benchmarks have been used in each competitive procurement held since CEJA’s passage in 2021, in competitive procurements for RECs held from 2017-2021 after the passage of Public Act 99-0906 (the “Future Energy Jobs Bill” or “FEJA”), and in all competitive procurements held prior to FEJA including those for RECs from distributed generation.

The benchmark development process involves many parties. Benchmarks are developed by the Procurement Administrator in consultation with Commission staff, the IPA, and the Procurement Monitor. The Commission has retained Bates White, LLC as the Procurement Monitor for the Summer 2024 Indexed REC RFP. The final benchmark methodology, including all inputs, assumptions, and data sources, are fully described in a report that is submitted to the Commission for review and approval on a confidential basis prior to the day that bids are due.

As required by the IPA Act, during bid evaluation, a strike price that fails to meet or beat the benchmark will be eliminated from consideration. Benchmarks are market based, reflect the costs and risks specific to project development in Illinois under the Indexed REC contract, and rely on current data. Also, benchmarks are kept confidential. Section 1-75(c)(1)(D) of the IPA Act provides guidance on benchmark development:

“Renewable energy credits shall be cost effective. For purposes of this subsection (c), “cost effective” means that the costs of procuring renewable energy resources do not cause the limit stated in subparagraph (E) of this paragraph (1) to be exceeded and, for renewable energy credits procured through a competitive procurement event, do not exceed benchmarks based on market prices for like products in the region. For purposes of this subsection (c), “like products” means contracts for renewable energy credits from the same or substantially similar technology, same or substantially similar vintage (new or existing), the same or substantially similar quantity, and the same or substantially similar contract length and structure. Benchmarks shall reflect development, financing, or related costs resulting from requirements imposed through other provisions of

¹ Additional background on the statutory timeline and requirements related to benchmarks is provided in Section 5.8 of the 2024 Long-Term Plan.

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State law, including, but not limited to, requirements in subparagraphs (P) and (Q) of this paragraph (1) and the Renewable Energy Facilities Agricultural Impact Mitigation Act. Confidential benchmarks shall be developed by the procurement administrator, in consultation with the Commission staff, Agency staff, and the procurement monitor and shall be subject to Commission review and approval. If price benchmarks for like products in the region are not available, the procurement administrator shall establish price benchmarks based on publicly available data on regional technology costs and expected current and future regional energy prices.”

Some additional information regarding the application of benchmarks during bid evaluation will be provided by the Procurement Administrator in the Indexed REC RFP Process and Rules, which will be posted to the procurement website by April 26, 2024. Currently posted is a high-level description of the evaluation procedure in paragraph 2.18 of the Preliminary Proposal Requirements on the [draft materials](#) page.

Invitation to Comment

In the next section, the Procurement Administrator provides:

- **Categories of cost, revenue, and other inputs and assumptions utilized within the benchmark development methodology;**
- **General data sources potentially utilized by the Procurement Administrator; and**
- **Specific questions to potential bidders and interested stakeholders regarding the information and data.**

The Procurement Administrator invites feedback on any of the information provided from participants of past procurement events for RECs, prospective participants, and other interested parties. Commenters may provide new data sources, inputs (specific numbers or categories of inputs, for example), or other insights, which will be reviewed for consideration by the Procurement Administrator, Procurement Monitor, IPA, and ICC staff in the development of benchmark prices used for the upcoming Summer 2024 Indexed REC RFP.

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

- Please submit an attachment with your comments 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.

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- **Please indicate the category of project for which your comment applies:** utility-scale wind project (projects over 5 MW), new utility-scale solar project (projects over 5 MW), new brownfield site photovoltaic project, or new hydropower project at an existing dam or modernized or retooled hydropower project at an existing dam.
- If applicable, please provide any link to a new data source or backup documentation with your submission. Please contact the Procurement Administrator if you require a secure upload for submission.

The deadline to provide comments is on Wednesday, April 24, 2024 and all comments should be sent to Illinois-RFP@nera.com.

All responses will be made public and published on the Procurement Administrator's website (www.ipa-energyrfp.com), subject to the redaction process explained herein. Commenters may designate confidential, proprietary, or commercially sensitive portions of their comments as confidential, in which case only redacted versions of those comments will be published. Independent of that designation, if the IPA or the Procurement Administrator determines that a response contains confidential information or other information that should not be disclosed in connection with a competitive procurement event, the IPA and Procurement Administrator reserve the right to provide their own redactions.

The IPA and Procurement Administrator will review and consider any comments received. The proposed benchmark prices submitted to the ICC for approval will remain confidential, and the impact of the comments received on the proposed benchmarks will remain confidential.

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

Benchmark Categories of Inputs, Assumptions, and Data Sources

The inputs, assumptions, and data sources below are used in benchmark development for the Indexed REC RFP. Commenters should not feel limited to commenting only on the information referenced below.

While preparing comments it may be useful to review project eligibility requirements and contract terms under the Indexed REC RFP. On March 15, 2024, the Procurement Administrator posted a draft Indexed REC Contract, Preliminary Proposal Requirements, and a term sheet to the [draft materials](#) page.

Comments should relate one or more project categories eligible for participation, namely a utility-scale wind project (projects over 5 MW), a new utility-scale solar project (projects over 5 MW), a new brownfield site photovoltaic project, or a new hydropower project at an existing dam or a modernized or retooled hydropower project at an existing dam.² The inputs, assumptions and data sources below may apply only to a particular project category and not across all project categories.

Table 1. Categories of cost, revenue, and other inputs and assumptions utilized within the benchmark development methodology

Regional Technology Costs	Financing Costs	Other inputs and assumptions
Capital costs	Debt/Equity %	Project size
O&M costs	Cost of capital	Project life
Taxes		Capacity factor
Insurance		Required rate of return
Labor	Revenues and Incentives	Depreciation schedule
Additional capital costs related to ground conditions at brownfield sites	Energy revenues	Inflation
Component pricing	Capacity revenues	Basis risk
Project decommissioning	Ancillary services revenues	Policy risk
Permitting and acquiring site control	Tax credits	RPS budget uncertainty
	Other incentives	Interconnection costs
		Supply chain risk
		Procurement Event Supplier fees

List of general data sources potentially utilized by the Procurement Administrator:

- U.S. Department of Energy (“DOE”) and Lawrence Berkley National Laboratory (“LBL”) Utility-Scale Solar report
- U.S. DOE and LBL Land-Based Wind Market Report
- U.S. DOE and Oak Ridge National Laboratory (“ORNL”) U.S. Hydropower Market Report
- ORNL Baseline Cost Model (“BCM”) for Hydropower
- LevelTen Energy PPA Price Index reports

² The term “new” refers to the general rule that a project that started operations prior to June 1, 2017 is not eligible for participation in the Indexed REC RFP. With respect to a modernized or retooled hydropower project, the date by which all activities related to the project have been completed may not be prior to June 1, 2017.

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- National Renewable Energy Laboratory (“NREL”) Industry Updates, Cost Benchmarks, Financing, Annual Technology Baseline
- NREL Feasibility Studies for the RE-Powering America’s Land Initiative
- Wood MacKenzie
- MISO and PJM historical data and capacity auction results; MISO and PJM websites
- Inclusive Economics Potential Impacts of the Prevailing Wage on Solar Costs in Illinois
- Inflation Reduction Act
- Bureau of Labor Statistics
- Congressional Budget Office
- Lazard Levelized Cost of Energy
- BloombergNEF
- Illinois Department of Revenue
- Internal Revenue Service
- Federal Reserve
- U.S. Customs and Board Protection
- Intercontinental Exchange
- S&P Capital IQ

Questions:

- What categories of cost, revenue, and other inputs and assumptions should be considered in benchmark development?
- What data sources should be used to ensure the most relevant, up-to-date market information is used for benchmark development? Please provide links to any data sources and include information as to whether the information is publicly available or behind a paywall.
- Please provide your comments and insights on any category of cost, input (specific numbers or categories of inputs, for example), and/or assumption and how it impacts current project development costs in Illinois or an adjacent state.