

Illinois Power Agency

Initial Forward Procurement:

AIC, ComEd and MEC

Wind and Solar RFP

Draft REC Contract
Tuesday, June 6, 2017

Anthony Star, Illinois Power Agency

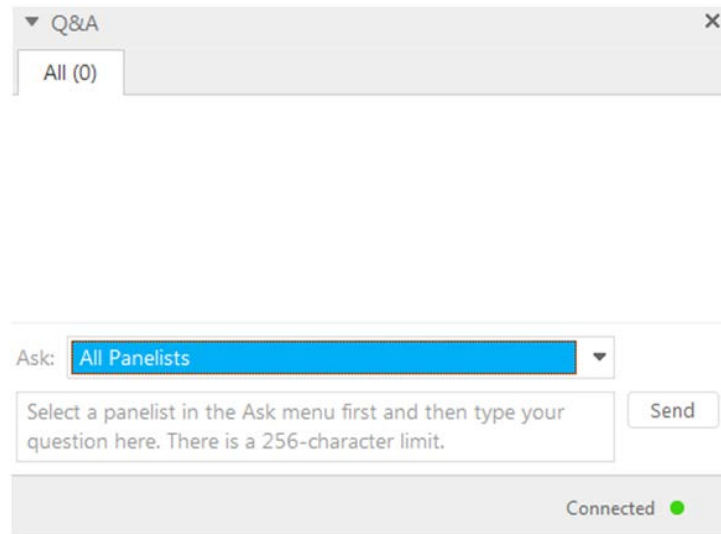
Benjamin Chee, NERA

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



The screenshot shows a web interface for a Q&A session. At the top, there is a tab labeled "Q&A" with a close button (X). Below the tab, there is a dropdown menu currently set to "All (0)". In the main area, there is an "Ask:" label followed by a dropdown menu set to "All Panelists". Below this is a text input field with the placeholder text "Select a panelist in the Ask menu first and then type your question here. There is a 256-character limit." To the right of the text field is a "Send" button. At the bottom right of the interface, there is a "Connected" status indicator with a green dot.

Presentation Materials and Q&As will be posted to

www.ipa-energyrfp.com

Agenda

- **Overview**
- **REC Contract**
- **Delivery and Invoice**
- **Other Provisions**
- **Comment Process**

Overview

Regulatory Background

- Public Act 99-0906 (the “Future Energy Jobs Act”) was signed into law in December 2016 and became effective **June 1, 2017**
- The IPA to develop long term renewable resources plan
- In interim, the Act provides for Initial Forward Procurement of:
 - ◆ **1 million RECs** annually from New Utility-Scale Wind;
 - ◆ **1 million RECs** annually from New Utility-Scale Solar & Brownfield Site PV projects
 - ◆ Contract is for 15-year delivery of RECs with initial delivery:
 - June 1, 2019 earliest – June 1, 2021 latest
- Procurement events
 - ◆ New Utility-Scale Wind: one event
 - ◆ New Utility-Scale Solar & Brownfield PV: multiple events
 - ◆ Bid Date for first procurement event scheduled for August 10, 2017

Sources of Information

Procurement Website for contract, rules, calendar and announcements

www.IPA-energyRFP.com

IPA
ILLINOIS POWER AGENCY

Home
Announcements
Fall Block Energy and Capacity
Fall Utility DG
Wind and Solar
Zero Emission Credits
Calendar
FAQs
Contact Us
Previous RFPs
Qualification Forms

Announcements
ANNOUNCEMENT – Upcoming Procurement Events!
June 2, 2017
Wind and Solar RFP – INVITATION to Comment on the Draft Standard Contract Form
June 1, 2017
Wind and Solar RFP – ANNOUNCEMENT: PROCUREMENT EVENT BEGINS
June 1, 2017

Illinois Power Agency RFPs

For Electric Supply and Renewable Energy Products

This website provides information for prospective energy suppliers to Ameren Illinois Company d/b/a Ameren Illinois ("Ameren" or "AIC"), Commonwealth Edison Company ("ComEd"), and MidAmerican Energy Company ("MidAmerican" or "MEC"). This website contains the documents and announcements related to the Requests for Proposals ("RFPs") for electric supply and renewable energy products. This website is currently managed by the Procurement Administrator retained by the Illinois Power Agency ("IPA"). The IPA has retained NERA Economic Consulting ("NERA") to act as Procurement Administrator. In this role, NERA coordinates the IPA's procurement activities on its own behalf as well as for AIC's, ComEd's, and MEC's portfolios.

IPA's Website for information on planning and implementation of RPS

www.illinois.gov/sites/ipa

IPA
ILLINOIS POWER AGENCY

Energy Procurement **Renewable Resources** Municipal Aggregation IPA Reports Announcements Contact Us

Welcome to the Illinois Power Agency

Changes Coming to the IPA

[Public Act 99-0906](#) (the "Future Energy Jobs Bill") was signed into law by Governor Rauner on December 7, 2016 and will take effect on June 1, 2017. This legislation will make the following changes to the duties of the Illinois Power Agency.

- **Zero Emissions Credits (new Section 1-75(d-5) of the Illinois Power Agency Act)** The Agency will develop a plan to procure ten-year contracts for Zero Emissions Credits in a quantity equal to 16% of the energy delivered by utilities in 2014. Selection of the credits will be based upon a "public interest criteria." The price paid for the credits will be based on the "Social Cost of Carbon" with adjustments as described in the law. The plan will be released for public comment after June 1, 2017.
- **Renewable Portfolio Standard (revised Sections 1-56(b), and 1-75(c) of the Illinois Power Agency Act)** The Illinois Renewable Portfolio Standard will be revamped to include new plans, procurements, and programs administered by the Illinois Power Agency. In addition, there will be revisions to net metering, a new rebate for smart inverters for photovoltaic projects, and new compliance obligations for Alternative Retail Electric Suppliers. See the [Renewable Resources](#) page for more information.

More information will be available as the Agency begins to develop and implement plans and processes to implement this legislation.

Announcements

- June 1, 2017 – Illinois Power Agency seeks Deputy Legal Counsel
- June 1, 2017 – Initial Forward Procurement draft contract released for comment, and June 6 informational webcast announced
- May 16, 2017 – Renewable Resources Workshop Information
- February 15, 2017 – 2017 Procurement Schedule Announced
- February 15, 2017 – Fiscal Year 2016 Illinois Power Agency Annual Report Released
- [More Announcements](#)

Today's presentation is to explain the draft contract and the comment process

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 its Proposal
 - ◆ Procurement Administrator allocates RECs from each winning Project among AIC, ComEd, and MEC

- **Bidders must be willing to sign contracts with all 3 utilities**
 - ◆ Bidders do **NOT** get to choose the counterparty
 - ◆ IPA is **NOT** the counterparty
 - ◆ Winning bid price is purchase price in each contract
 - ◆ 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 are summaries only and are qualified in their entirety by the draft REC Contract
- Draft REC Contract was posted on **June 1** for supplier comments
- Final REC Contract taking into consideration supplier comments is expected to be posted on **June 27**
- 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
 - ◆ Exhibit A: Guaranty Form
 - ◆ Exhibit B: Letter of Credit Forms
 - ◆ Exhibit C: ABA-EMA-ACORE REC Purchase & Sale Agreement (Master REC Agreement)

- **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

Project Requirements

- Must meet one of these **resource types**
 - Utility-Scale Solar (> 2MW)
 - Utility-Scale Wind (> 2MW)
 - Brownfield Site Photovoltaic
- **New Project** with initial meter read date as recorded by **PJM EIS GATS or M-RETS** after June 1, 2017
- **NOT** a generating unit whose costs are being recovered through rates regulated by Illinois or other state(s)
- Located in **Illinois**; or located in states adjacent to Illinois and meeting specific public interest criteria
- Site of project substantially as described in Bidder's Proposal
- **(Solar PV only)** must be installed by **Qualified Persons**

Product Requirements

- **RECs delivered are:**
 - **Standard RECs** that includes all environmental attributes
 - **from Project** selected through RFP
 - transferred to Buyer's **PJM EIS GATS or M-RETS** account in **unretired** state
 - allow Buyer to comply with the **Illinois RPS**
 - Delivered no earlier than **June 1, 2019** (first REC delivery no later than **June 1, 2021**)

Sample Transaction Quantities

- **Annual Quantities** across utilities sum up to the annual quantity that Seller bid to offer from such winning Project
- **Maximum Contract Quantity** is Annual Quantity x 15 years

Example.

- Seller wins to deliver **6,000 RECs annually** from a Project at **\$200**
- Allocation across utilities

Buyer	Annual Quantity	Purchase Price
AIC	1,350 RECs	\$200 / REC
ComEd	3,650 RECs	\$200 / REC
MEC	1,000 RECs	\$200 / REC

Example: MEC Contract

Project Information	Class of Resource: <input type="checkbox"/> Utility-Scale Solar Project <input type="checkbox"/> Utility-Scale Wind Project <input checked="" type="checkbox"/> Brownfield Site Photovoltaic Project Site Description: [Site Location and details]
Annual Quantity	1,000 RECs
Maximum Contract Quantity	15,000 RECs (i.e., Annual Quantity x 15 years)
Purchase Price (\$ per REC)	\$200.00
Certified by Tracking System	PJM EIS GATS or M-RETS

Credit Requirements

- Collateral Requirement
 - ◆ Before delivery: **150%** of Annual Contract Value (i.e., Annual Quantity x Purchase Price)
 - ◆ After 1st REC delivery: **100%** of Annual Contract Value
 - ◆ Collateral Requirement is subject to \$50,000 minimum through the first 10 Delivery Years
- Unsecured Credit granted to entities that are investment grade (or that rely on guarantor that is investment grade)

S&P	Moody's	Fitch	Collateral Threshold
BBB- or above	Baa3 or above	BBB- or above	\$2,500,000
Below BBB-	Below Baa3	Below BBB-	\$0

- ◆ Standard forms for Guaranty and Letter of Credit are provided as exhibits to REC Contract

Delivery and Invoice

Contract includes a 15-Year Delivery Term

- **Delivery Term** is for 15 years of REC deliveries counting from the first REC issued by PJM EIS GATS/M-RETS for the Project
 - ◆ Earliest: June 1, 2019
 - 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
-
- RECs delivered in Delivery Year:
 - ◆ must allow Buyer to comply with Illinois RPS
 - ◆ need not be from same Delivery Year as long as REC is based on electricity generation anytime in the **15-year Delivery Term and 2 additional months** before the Delivery Term

What are my Delivery Obligations ?

- The obligation is the **Delivery Year Requirement, which is the Annual Quantity in each** Delivery Year except:
 - ◆ First 365 days where you are required to deliver at least 50% of Annual Quantity (or adjusted if period straddles 2 Delivery Years)
 - ◆ Last Delivery Year (if DY does not consist of 12 full months)

- **Excess RECs** are the property of the Seller:
 - ◆ May be sold elsewhere
 - ◆ May be delivered in a future Delivery Year

- **If:** (a) you fail to meet the Delivery Year Requirement in any 3 or more Delivery Years **and** (b) the amount of shortfalls equals or exceeds the Annual Quantity
 - ◆ Contract with that utility is terminated
 - ◆ You lose your Collateral Requirement

Delivery Year Requirement Example

- **Delivery Year Requirement** is the sum of Daily Quantity for each day in the **Delivery Year**
- **Daily Quantity** is Annual Quantity divided by 365 days
 - ◆ If leap year, divided by 366 days
 - ◆ can be reduced to 50% for the first 365 days of the Delivery Term

Example.

- Annual Quantity: 3,650 RECs
- Delivery Term
 - Aug. 1, 2020 – Jul. 31, 2035
- First 365 days
 - Aug. 1, 2020 – Jul. 31, 2021
 - 5 RECs ≤ Daily Quantity ≤ 10 RECs

$$10 \text{ RECs} = 3,650 \text{ RECs} / 365 \text{ days}$$

$$5 \text{ RECs} = 10 \text{ RECs} \times 50\%$$

Delivery Year	Delivery Year Requirement
1 Aug. 1, 2020 – May 31, 2021	min: 1,520 RECs (5 RECs x 304 days) max: 3,040 RECs (10 RECs x 304 days)
2 Jun. 1, 2021 – May 31, 2022	min: 3,345 RECs 5 RECs x 61 days (Jun. 1, 2021–Jul. 31, 2021) + 10 RECs x 304 days (Aug. 1, 2021–May 31, 2022) max: 3,650 RECs (10 RECs x 365 days)
3 – 15	3,650 RECs
16 June 1, 2035 – Jul. 31, 2035	610 RECs (10 RECs x 61 days)

Force Majeure

- Force Majeure
 - ◆ External event (acts of God, war, acts/threats of terrorism)
 - ◆ Failure or disruption of Certification Authority

- **NOT** Force Majeure
 - ◆ ability to sell at a price greater than the Purchase Price
 - ◆ curtailment by RTO
 - ◆ insufficiency of Wind or Solar
 - ◆ breakdown of equipment
 - ◆ loss of tax credits, denial of deductions or impositions of additional taxes

Other Provisions

Events of Default

- **REC Contract is terminated** and additional remedies include:

Event	Section in REC Contract	Remedies
No RECs delivered by June 1, 2021	Section 3(d)	Collateral Requirement
Shortfall of 3+ years & total Shortfall Amount \geq Annual Quantity	Section 3(g)	Collateral Requirement Other remedies available to Buyer
Withheld or sold or transferred to other parties in Shortfall Years	Section 3(g)	Collateral Requirement Other remedies available to Buyer
Cost recovery through rates regulated by Illinois or other states	Section 5(b)	Greater of: (1) 50% Annual Contract Value; or (2) 110% of total payment
Project is in state adjacent to IL and does not meet public interest criteria	Section 5(d)	Collateral Requirement

This is not a full account of events that constitute an Event of Default

Comment Process

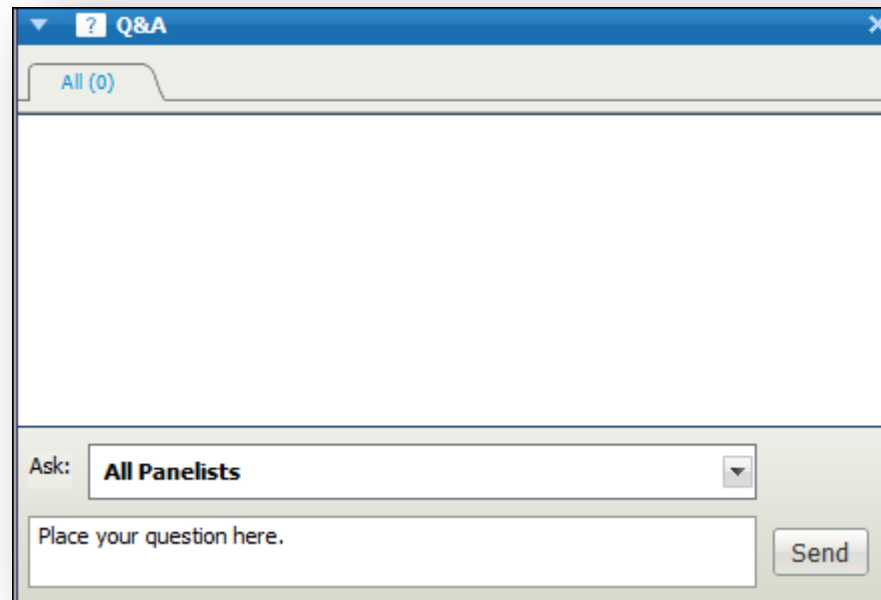
Comments are solicited for all sections in the REC Contract

Deadline: 6PM CPT on June 14, 2017

- Download the draft REC Contract posted on the [procurement website](#)
- Key sections include:
 - ♦ **Section 3** (Deliveries and Quantity)
 - ♦ **Section 5** (Project Information)
 - ♦ **Section 10** (Master REC Agreement Cover Sheet) – includes definitions and modifications to the Master REC Agreement
- Mark comments with **tracked changes** in Microsoft Word
- Submit your comments by email to Procurement Administrator at Illinois-RFP@nera.com

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



The image shows a screenshot of a web-based Q&A interface. The window title is "Q&A" with a question mark icon. Below the title bar, there is a tab labeled "All (0)". The main content area is currently empty. At the bottom of the window, there is an "Ask:" label followed by a dropdown menu showing "All Panelists". Below this is a text input field with the placeholder text "Place your question here." and a "Send" button to the right.

Contact: Illinois-RFP@nera.com