

ILLINOIS POWER AGENCY
Indexed REC RFP

**Invitation to Comment on
Proposed Contract Form and Preliminary Proposal Requirements**

Background

Public Act 102-0662 (the “Climate and Equitable Jobs Act” or “CEJA”) was signed into law and became effective on September 15, 2021. CEJA provides for the procurement of Indexed Renewable Energy Credits (“RECs”) through 20-year delivery contracts. On January 1, 2024, Public Act 103-0380, related to the procurement of RECs from certain hydropower projects, was signed into law and became effective.

In accordance with Section 16-111.5(b)(5)(ii)(B) of the Public Utilities Act, the Illinois Power Agency (“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.

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 Summer 2024 (“Summer 2024 Indexed REC RFP”).¹ The quantities to be procured are 1,116,666 RECs delivered annually from either new utility-scale wind or hydropower projects, 666,666 RECs delivered annually from new utility-scale solar Projects, and 43,333 RECs delivered annually from new brownfield site photovoltaic Projects. NERA Economic Consulting serves as the Procurement Administrator for the Summer 2024 Indexed REC RFP.

On March 15, 2024, the Procurement Administrator posted the Draft Indexed REC Contract and Preliminary Proposal Requirements for the Summer 2024 Indexed REC RFP. The Preliminary Proposal Requirements provide an overview of the proposal submission process and draft requirements to qualify a project under the RFP. A single round of written comments has been planned to finalize the Summer 2024 Indexed REC RFP Rules and Indexed REC Contract. This is the request for the written comments on the draft contract terms and preliminary proposal requirements. **Written comments are due by Friday, April 5, 2024.**

¹ 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. Additional information on project eligibility is provided in the Draft Preliminary Proposal Requirements.

Invitation to Comment

On March 15, 2024, the Procurement Administrator posted the Draft Indexed REC Contract and Preliminary Proposal Requirements for the Summer 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 Fall 2023 has also been posted.

The Procurement Administrator invites stakeholder feedback on any aspect of the posted documents as well as on three specified topics. Topics 1-3 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 is 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.
- 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 Friday, April 5, 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

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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: Optimizing the Procurement from Projects Located in Energy Transition Community Grant Communities

Section 1-75(c)(1)(P) of the IPA 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.” To “optimize” procurement from those areas, the Agency proposed in the 2024 Long-Term Plan, similar to in prior plans, that bids received through competitive procurements for proposed projects located in Energy Transition Community Grant communities would receive a downward price adjustment of 10% of the lowest bid received for use in ranking bids received, thus making those bids more competitive on the basis of price.

Beginning with this Summer 2024 Indexed REC RFP, in order to receive the downward price adjustment in the bid evaluation, utility-scale solar and utility-scale wind projects must be located **at least 50%** within an Energy Transition Community Grant community. In past RFPs, the requirement was for the project to be located **100%** within such a community.

This change aims 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.

Questions:

1. Is relaxing the requirement that the project must be located in at least 50% (as opposed to 100%) of an Energy Transition Community Grant community consistent with the objectives of CEJA and the Energy Community Reinvestment Act? Are there any potential detrimental effects to relaxing this requirement?
2. Is there a more appropriate percentage requirement than 50% or 100%? If so, what percent is ideal and why?

TOPIC 2: Hydropower Project Definition

Public Act 103-0380, related to the procurement of RECs from certain hydropower projects, was signed into law and became effective on January 1, 2024. In accordance with the IPA’s 2024 Long-Term plan, this Summer 2024 Indexed REC RFP includes a new project category related to hydropower projects at an existing dam or modernized or retooled hydropower projects at an existing dam.

Section 3.3 of the Preliminary Proposal Requirements defines a hydropower Project eligible to participate in this Summer 2024 Indexed REC RFP as:

- A hydropower Project is either:

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1. a new hydropower facility, including impoundment facilities, diversion facilities, and pumped storage facilities that use the flow of water to generate electricity or storage, at an existing dam; or
2. 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.

Questions:

1. Is this definition clear and inclusive of the types of projects envisioned by Public Act 103-0380?

TOPIC 3: Supporting Documentation for Hydropower Projects

Section 3.3 of the Preliminary Proposal Requirements requires a hydropower Project to provide a description of the project and milestones that have been reached in project development (e.g. permit application submitted, interconnection application submitted, etc.).

1. What supporting documentation is available and appropriate for verifying modernized and retooled hydropower projects are eligible for participation in the Indexed REC RFP, including projects related to construction, repair, maintenance, or significant expansion of turbines at an existing hydropower facility or of an existing hydropower dam?
2. Should a bidder be required to provide supporting documentation related to a new hydropower project at an existing dam or a modernized or retooled hydropower project at an existing dam? For example, is it reasonable to require a bidder to provide an application with the Federal Energy Regulatory Commission (“FERC”) for a preliminary permit or a preliminary permit granted by FERC?
3. Would requiring supporting documentation under the FERC licensing process for hydropower projects be prohibitive for certain types of hydropower projects, such as modernized or retooled hydropower projects, that should be able to qualify?