



MEMORANDUM

To: Illinois Power Agency
From: Central Road Energy, LLC
Date: September 19, 2018
Subject: Lottery Program Comments

This memorandum provides comments on the IPA's draft procedure for the Adjustable Block Program (ABP) Block 1 Lottery. Our comments center on four topics:

- coordination of the interconnect queue with the lottery;
- reallocation of REC contracts;
- privacy concerns; and,
- the impact of the ABP lottery on the Illinois Solar for All program

Each of these are discussed below.

Coordination of the Interconnect Queue with the Lottery

We do not believe the current draft of the plan adequately considers how the lottery results and the interconnect queue will be coordinated. Will the queue be re-shuffled and if so, how? How will the revised costs for the interconnect be determined and when will these be available? How will the queue position for a project that is vying for an ILSfA contract be handled? The potential chaos resulting from a lack of coordination between the IPA and the utilities will reflect poorly on the ABP and all involved. Consequently, we do not believe it is prudent or appropriate to finalize a lottery plan without understanding how the utilities will handle the results of the lottery.

An interconnect agreement is good for one year. Experience in Illinois has been that you don't have to pay for the interconnect agreement until the project is under construction. This means an Approved Vendor could "queue squat" for as long as twelve months, preventing projects behind them on the queue from starting construction. How will the utility incentivize a project without a REC contract to surrender their position in queue? One possibility is to require them to pay a down payment on the interconnect. How much would that need to be to avoid "queue squatting"? What happens to a project that surrenders its place in the queue? Would the project be relegated to the back of the queue?

However the queue is reshuffled, the utility will need to re-perform the interconnect study to see how any new queue positions affect the work necessary for the feeder line and substation for a particular project. Would the utility need to repeat the entire Part 466 procedures? Does the developer need to pay another \$15,000 for this effort? It's currently taking six months in ComEd territory to get a new interconnect application approved. How long will the re-evaluation take? What happens to a project that gets a contract and has the interconnect agreement expire because the utility takes too long to re-evaluate the



queue in front of their project. In addition, REC delivery is supposed to start 12 months after the contract is awarded.

Without answers to these interconnect issues prior to organizing the lottery, the ABP has a much higher potential for project failure, litigation, and unhappy stakeholders. The organization and operation of the lottery could possibly help the utilities address interconnect queue issues. We advocate that the IPA coordinate the lottery rules with how the utilities intend to address the interconnect queue. The plans for the lottery and the interconnect queue should be issued together.

Contract Reallocation

It appears that the draft plan attempts to address some of the queue issues by allowing Approved Vendors to reallocate contracts amongst their proposed projects within seven days of the lottery. We believe that there are some benefits to this “Golden Ticket” approach and it should be kept. However, we advocate for the adoption of some restrictions, which would eliminate some of the more egregious abuses of the approach that may occur.

The current structure of the Golden Ticket approach allows Approved Vendors to shift projects to those locations that have more favorable lease agreements or zoning conditions. This may result in some unintended consequences. For example, many option agreements for leases were signed prior to the Agricultural Impact Mitigation Agreement (AIMA). These older option agreements may not require the posting of financial assurance for restoring farmland. It also possible that the projects gained zoning approval prior to the counties or local communities passing solar zoning ordinances. To avoid incentivizing these types of REC contract shifts, we suggest that the project to which the REC contract is being reallocated must include a lease agreement that meets or exceeds the requirements of the AIMA and that the project must meet the most current zoning standards and requirements of the community.

Another potential concern is that the bigger companies could concentrate their projects into a smaller geographic footprint. For example, based on ComEd’s interconnect queue, there are on the order of 1,000 MW of community solar projects chasing the 156 MW of ABP community solar REC contracts available in the first three blocks of the program. Consequently, a company with 25 projects in the lottery would be expected to win around four projects. Under the existing golden ticket rules, those projects could all be moved to a small geographic footprint or even onto the same utility feeder line. This project concentration runs counter to the stated objective of FEJA: the development of solar projects in varied geographic locations throughout the state. Project concentration could also “block” other smaller developer’s projects. A small developer with only one project location could get forced out of their project because the larger company has clogged the queue in front of them. To encourage geographic distribution of projects and avoid project blocking, we suggest that any reallocations must occur within the same county that the “winning” project was located. We also suggest that any project reallocations be required to go to feeder lines that do not have any other of the Approved Vendors winning projects interconnecting on them.

Lastly, if the goal of the Golden Ticket is to help untie the Gordian knot that is the interconnect queue, the reallocation must be required to occur to a project location that has a higher interconnect queue position than the “winning” project.



Privacy Concerns

The current plan does not specify whether the lottery results will be made public or kept private. We advocate that the results of the lottery should not be kept private. We believe the primary motivation for the advocates of a privacy policy is to prevent landowners, communities, and other stakeholders from getting upset if “their project” is selected for a REC contract but is then shifted to another project location by the Approved Vendor. Conversely, some stakeholders that did not desire a solar project may be upset that an Approved Vendor is shifting an unwanted project to their communities. We think an Approved Vendor should be required to defend their reallocation of a REC contract to the public. Furthermore, the lack of transparency for the lottery results that would result from any privacy policy invites accusations of corruption and political chicanery.

Impact on the Illinois Solar for All Program

It is very much apparent that there will be a lottery for the ILSfA community solar program. Most developers, especially the larger ones, have indicated that they are interested in participating in the ILSfA program. The IPA is currently allowing those community solar projects that do not receive a REC contract under the Adjustable Block Program to apply for a REC contract under the ILSfA program (assuming the projects meet the minimum requirements of the ILSfA program). With the ABP lottery projected to take place in January followed by the ILSfA program launch in March, there will be on the order of 850 MW of community solar that will not receive a contract for the first three years of the program. With pending expirations of the non-ministerial permits (1-3 years duration) and interconnect agreements (1 year), developers will be motivated to enter their community solar projects into the ILSfA program.

The current funding for community solar in the ILSfA budget can support, at maximum, about 6 MW of community solar projects. Even if 90% of the ABP losers do not qualify for or choose to pursue the ILSfA, that would still leave just over 85 MW vying for ILSfA REC contracts which undoubtedly results in a lottery scenario.

We think that the IPA should consider the potential impact of the ABP lottery on the ILSfA program. One potential solution is to delay the start of the ILSfA program for at least one year. Another possibility is to require that a community solar project can be submitted to either the ABP lottery or the ILSfA but not both. Both these approaches decrease or eliminate the ILSfA community solar program from becoming the loser’s bracket for the ABP community solar program. The former also allows the interconnect queue issues to sort themselves out.