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Thank you for the opportunity to participate in the Illinois Power Agency's ("IPA") Lottery Stakeholder Process and to submit these comments on the September 10, 2018 IPA Strawman Proposal for the Block 1 Lottery ("Strawman" and "Lottery").

Chapman Energy Strategies ("CES") is a consulting company which helps clients navigate the utility and solar regulatory spheres. We are submitting these comments to hopefully help further the discussion on how best to facilitate a long-term, healthy solar market in Illinois in accordance with the Illinois General Assembly and Illinois Commerce Commission's ("ICC") goals and direction in the Future Energy Jobs Act ("FEJA") and its relevant ICC dockets. [1]

CES would like to start by commending the hard work that the IPA and its Administrator has put into this process. It has been a long road of many years to reach this point and now Illinois solar future does look bright. CES is encouraged by the level of solar activity throughout the state spurred by FEJA, especially the increase in education and excitement at the local levels.

The general consensus throughout the industry, supported by utility filings at the ICC,[2] is that at least the Community Solar Lottery will be significantly oversubscribed. This shows the interest of companies to accept the risk of committing serious work to begin projects in a new and uncertain market. It also indicates the state is on its way to initial success in meeting FEJA's goal of jump starting the solar market in Illinois and ending the so-called "solar wars". Illinois certainly will benefit from community solar generation that all can enjoy, even if solar behind their meter is not feasible for them.

This encouraging momentum in our nascent solar market is not without its challenges. CES is concerned about the potential negative impacts of recent policy proposals and company strategies for the Lottery. For example, the large number of community solar projects applying for interconnection in ComEd is evidence that IPA's Community Solar ABP may be unbalanced. As a result, good projects and companies may be crowded out of selection in the Lottery by companies aiming to get Lottery tickets instead of ensuring all of their projects are viable.

[1] We are not submitting these comments on behalf of, or in conjunction with, any party. We do, however, look forward to working with the IPA, advocates, and industry to promote beneficial policies and help companies secure approved vendor status and remain in compliance with the Adjustable Block Program ("ABP") and Solar for All program.

[2] E.g., as of September 12, 2018 ComEd had received "more than 600 interconnection requests from developers of potential community solar projects, most or all of which do, or will, seek to participate in the [ABP]." ICC Docket No. 18-1503, Verified Petition for Wavier of Rules at 4

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The IPA's stated goals for the ABP was to have a mechanism that steps down the REC incentive prices in a known and predictable way if the market is overheated and oversubscribed. This aims to balance promoting robust market growth with not overpaying for projects. Now, the IPA is faced with a situation in which all three blocks of Community Solar Capacity might be accounted for in the Lottery.[3] It certainly seems that this situation is exacerbated because of the advantage of, and little disincentive to, companies submitting as many projects as possible for the Lottery. CES believes this could lead to inefficiencies in the market, possible unbeneficial market concentration, increased risk overall, and could act as a possible damper on the local and state-wide excitement for this beneficial technology. To mitigate the chances of adverse outcomes, CES recommends that the IPA should modify their Strawman to swing the balance back towards tightening up the market, being more fair, and choosing the best projects over a more diverse selection of AVs. Since any of the numerous projects already submitted to the utility interconnection queues could be placeholder projects CES believes there is a real need for this modification.

In this document, CES is respectfully putting forth one more detailed proposal and some additional broader comments aimed at helping to preserve the flexibility the IPA seeks while still prioritizing cost effectiveness. The more detailed proposal is a change the Lottery mechanism and the comments concern other disincentives to AVs submitting projects which are speculative or have a low chance of being built in accordance with the public interest.[4]

Lottery Structure Proposal

The Strawman allows an AV to replace some or all of its selected systems by choosing from its (or its Affiliates') non-selected systems in the same Group/category, up to but not exceeding the selected project's capacity.[5] During the September 17th webinar ("the Webinar") the IPA's Administrator indicated that the Strawman included this reallocation mechanism to address the uncertainty of the interconnection queues and to promote more cost effective projects. CES believes there is a better way to maintain that flexibility while de-emphasizing the total number of projects (and thus mitigating the

[3] Some seem to think most if not all of that capacity might even go in the small subscriber portion of the Lottery.
[4] We applaud the effort the IPA and stakeholders have put into the LTRRPP and ABP processes and have an open mind and would fully support alternative proposals that achieve the same goals.
[5] Strawman at 4.

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advantage of submitting projects that are unlikely to be built) while also being more fair,[6] encouraging the selection of a diverse range of companies and geographies.[7]

CES proposes conducting the Lottery in a way so that the Approved Vendors ("AV") themselves are awarded locations in what we will call the Lottery Queue ("the Queue"),[8] which is used to select projects for REC incentives going forward by choosing, when funds are available, the next Project from the lowest position to the highest. CES's proposal incorporates an additional queue concept, which we will call a "Drawing Queue", which is the mechanism that is used repeatedly to select a winner for each ordinal position in the Queue.[9] As we are proposing, a random number generator separately populates the Drawing Queue for each and every position in the Queue.[10] In the drawing for the first position in the Queue, each AV (and all Affiliates) has one "ticket",[11] or slot in the "Drawing Queue," and the winner of that drawing gets that position in the Queue.[12]

This process automatically repeats for each spot in the Queue except for one factor. An AV can only win as many times as they have accepted project applications. So once an AV (and all Affiliates) has "won" as many times as they have projects they are taken out of the drawing queue and the chances that any remaining AV would win a subsequent Queue position would increase as more drawings are conducted.[13] The drawings continue until every AV has earned Queue locations in equal number to the number of its accepted projects.

[6] E.g., See ComEd's commentary, "[t]he goal of that lottery process is to give developers that propose feasible projects and equal and random chance to be selected for participation in the initial tranche of projects." ICC Docket No 18-1503, First Amended Verified Petition for Waiver of Rules at 4

[7] CES believes it would help increase geographical diversity since presumably different AVs would not all have favorable interconnection queue locations in the same locations. This is not certain, however.

[8] This is the ranking or list contemplated in, among other places, the paragraphs numbered three and six on page three of the Strawman

[9] CES is open to different mechanisms for populating the ABP Queue with AVs.

[10] I.e., each ordinal ranked position would have a separate "drawing". Position one would have a "drawing", then position two, then position three and so on until there has been a number of "drawings" equal to the total number of projects with an accepted application. We envision this process would be handled automatically through a transparent algorithm.

[11] As discussed below, if a compromise position is desired the IPA could modify the amount of "tickets" that each AV gets in the Drawing Queue.

[12] As we have put forth, each slot in the Drawing Queue gets a random ordinal number. The AV receiving the ordinal number one (or some other comparable, transparent, and prior-known selection methodology) then earns that spot in the Queue.

[13] If it helps explain the idea, the second to last drawing for the second to last spot in the Queue would be a 50/50 chance drawing between only two AVs and the last spot would not need a drawing at all since only one AV would remain in the Drawing Queue.

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Since the AVs, and not specific projects, are earning selection spots the IPA's goal of promoting more cost effective projects through flexibility is preserved while incentives for padding project numbers are diminished. The AVs would have seven days to say which projects get which of their spots. At the end of this seven-day period the Queue, which would be used to determine the order for funding projects going forward, would be set.

Under this proposal a "project" is still the ultimate "winner" of a position in the Queue. This is necessary since a project is what is selected to receive the REC incentive dollars according to its particular characteristics and it is what must meet site control, interconnection and other requirements. The Approved Vendor, however, can easily be used to initially allocate the Queue positions since it is the one taking the obligation for its projects and shows the requirements have been met. Additionally, both the AV and its projects are already tied to affiliates,[14] which can alert the IPA to any attempt to game the proposal by unduly making more than one AV per company structure or Affiliates tied by other agreement.

CES ran some simple simulations[15] of the potential impact of switching Lottery structures on a hypothetical ComEd scenario very loosely based off their current known numbers. [16] In the simulations using the Strawman proposal the average percentage of any AV's projects selected was similar no matter how many projects that AV had submitted—roughly the ratio of the number of projects selected over the total number of projects submitted. In our overly-simplistic model 22% of an AV's projects were selected.[17] For an AV with a few projects this could mean none or one selected (an average of .37

[14] If AVs try to blur the line on what Projects are related by a common effort the IPA can use the publically available information concerning which project developer secured site control, permitting, and the interconnection agreement as a check. CES supports requiring AVs to submit documentation attesting to all three of these as part of the project application process.

[15] We ran two scenarios through repeated simulations to get an average result. In both we used 528 accepted projects submitted by 26 AVs. In each scenario they were vying for 117 spots in the Queue. The Distribution of the projects among the AVs were: five AVs with one to two projects, four AVs with five projects, ten AVs with ten projects, five AVs with twenty projects, one AV with 100 projects, and one AV with 200 projects. The disparity between the AVs with the most projects and the rest is probably more pronounced than what the IPA will see in the Lottery and if the majority of the projects are 2MW then they will be vying for roughly half as many spots to begin with. But these scenarios help Illustrate the differences between the two proposals, especially the advantage of additional placeholder projects in the Strawman.

[16] Even though the numbers are only indicative, we will use ComEd as an example because at this time more is known to us about the status of their Interconnection Queue and of the build up to the opening of the incentive blocks. We anticipate that Ameren Illinois is having similar issues. We also support the IPA's preference for the program using the same rules in both territories and propose the same relief for both territories.

[17] This is not the percentage we estimate could get approved under the IPA Strawman scenario but is an indicative result to compare the proposals.

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projects selected), but if an AV submitted 100 or 200 projects they had an average of 22 or 44 projects selected, respectively, during 100 simulations.

Under CES's proposal, while the percentage of an AV's projects selected varied widely, AVs that had submitted ten or more projects all averaged around five projects selected.[18] While these results are put forth only for comparison purposes they show the power in changing the Lottery structure in making things more fair and more "equal and random" that an "AV" would be selected. In this way the proposal emphasizes diversity of companies and business models to allow each AV to bring their best projects, rather than giving advantage to an AV with the most projects overall or one bolstered by unrealistic placeholder projects.

Additionally, as mentioned above, by modifying the number of "tickets" or "slots" in the Drawing Queue that any AV would get, for example based on their total number of projects, the IPA could tweak the impact of this proposed structure. This could be set up in tiers (e.g., AVs with 1-5 projects would get five "tickets", and 6-20 would get seven "tickets", and 21-50 would get eight, etc.) or by ratios (e.g., the bottom 20% of AVs in terms of # of projects would get five "tickets", the next 20% would get seven, the next eight, and the last 40% nine). We have not run simulations to explore the impacts of modifying these variables and recommend adopting our proposal.

Other Comments on Reducing Placeholder Projects

Modifying the Lottery structure only does so much to mitigate the incentive to submit projects that have little to no chance of being built, especially for AVs that do not have many projects in the first place. Because of this and to further deter submission of placeholder projects there are other changes the IPA could make to further tighten up the Lottery and avoid significant oversubscription due to inferior projects.

During the Webinar the Administrator indicated that projects should already be under way and that Interconnection should have already been sought. CES has heard that there was a rush of Interconnection requests after the Strawman detailed the reallocation mechanism. Since ComEd had already indicated that its three initial Blocks might be oversubscribed by a factor of roughly ten,[19] the IPA should consider excluding this rush from the Lottery. While it may be the case that these projects will not have enough time to be studied by the utilities anyway, the IPA should consider formally excluding them.

[18] After 745 simulations AVs with one to two projects averaged 1.6 projects selected, AVs with five projects averaged 4.2, 10 averaged 5.4, 20 averaged 5.4, 100 averaged 5.5, and 200 averaged 5.3 projects selected.
[19] Generally, 117MW AC in initial available funding, 500 to 600 projects, which for all intents and purposes will almost all be 2MW each.

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More importantly, the IPA should make sure that AVs have "some real skin in the game" since they may still be possibly using superfluous projects to diminish the selection chances of more cost effective projects (regardless of Lottery structure). CES is concerned that currently an AV or project developer has little risk or upfront costs for putting projects into the queue. The IPA should make additional collateral requirements for this one-time Lottery, or use some other mechanism to make sure that projects are serious.

Additional Comment

In the Webinar some stakeholders expressed concern about ID and information disclosure requirements that would make public the physical address of a Project. CES understands that Distributed Generation behind the meter Projects, especially for residential customers, may need extra privacy considerations. For Community Solar projects, however, we encourage the IPA to stick with the current proposal. This information should generally already be publicly available either through the local authorities' website or via a FIOA request. More fundamentally, these projects should be touted and promoted as being part of and benefiting the communities they serve. They should herald the promotion of a more environmentally friendly Illinois that can be shared by any utility customer in Ameren or ComEd regardless of whether behind the meter solar is feasible for them. When projects are built in a community AVs should be proud and their location should be known so residents can become more educated about them and comfortable with them. They should not be hidden.

Conclusion

Thanks to the IPA and its Administrator for the opportunity to comment, and for all of the work those organizations and all stakeholders have put in to promote a healthy, long-term, and beneficial solar market for Illinois. It is clear that FEJA will lead to great benefits for the state of Illinois. Thank you for your consideration of CES's comments which aim to help make the Lottery process fairer for all.

Respectfully Submitted,

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