

## **Cypress Creek Lottery Strawman Comments – 9.27.18**

### **Introduction:**

Cypress Creek Renewables (CCR) is a developer of utility-scale and community solar (CS) generation. CCR is actively developing a portfolio of CS assets across Illinois, and have been working closely with landowners, local and state officials, trade groups and allies to ensure that our project pipeline is as advanced and “shovel-ready” as possible.

CCR appreciates the diligent work the Illinois Commerce Commission (ICC), Illinois Power Agency (IPA) and its procurement administrator InClimate have put into the development of this program, and we offer these brief comments in an effort to ensure program success. Certain aspects of the strawman are essential for a functioning market, including the numbering and the project switching. We also support launching the program as soon as possible, and urge the Agency to maintain the scheduled January 15<sup>th</sup> launch date.

### **General Recommendations:**

Overall, CCR believes the lottery is ill-advised. A lottery creates the distinct possibility that the Adjustable Block Program (ABP) could fail and leave an unfortunate black mark on Illinois’ Renewable Energy Standard just as it is getting started. Inherently, a lottery uses random chance to select winners rather than using price, grid benefits, interconnection queue position, project maturity, project quality, or any other factor that normally governs whether a project should be built. The lack of such qualitative factors could create cascading effects that lead to upset local officials, disappointed landowners, gaming, and projects that are selected but are never constructed.

Nonetheless, we do not at this time recommend that IPA or the ICC revisit or replace the lottery, as this would create more market instability and delay just months before the scheduled ABP launch. We instead offer these key suggestions to prevent the worst outcomes in the lottery process and ensure program success.

Many of CCR’s concerns were outlined eloquently in Trajectory Energy’s September 24<sup>th</sup> comments to the IPA, and we support most of the company’s recommendations. CCR also supports the September 28<sup>th</sup> comments of the Coalition of Community Solar Association.

### **Specific Recommendations: Pre-Bid Collateral**

All available information indicates the CS program is headed toward a lottery. Both major utilities are reporting interconnection queues with factors of magnitude more applicants than program capacity, and news accounts demonstrate that counties and municipalities have awarded massive numbers of local permits. These factors indicate that the number of megawatts qualified to bid into the program will far exceed available capacity, and that a lottery will ensue.

Two key factors have exacerbated the problem and incentivized developers to advance projects across the qualification thresholds without regard to whether those projects can reasonably be constructed:

1. Utilities' decision not to take interconnection deposits. In Summer 2018, both ComEd and Ameren informed applicants that they would no longer be taking deposits as a prerequisite for signing an interconnection agreement (IA). Such deposits are standard utility practice and require that developers make a financial commitment (often over \$100,000) to demonstrate belief that project can reasonably be constructed. The solar industry actively advocated last fall for lower collateral requirements from the IPA because it was expected that IA deposits would present a meaningful hurdle that developers believed projects were "real" before applying to enter it into the ABP.
2. The Strawman's proposal for Contract Reallocation or "swapping." While swapping can certainly boost market efficiency, the low bar of entry combined with the ability to simply swap a low-quality project for a better one incentivizes the private sector to submit deeply flawed projects to the ABP as "lottery tickets."

In order to add substance and accountability to projects entered into the ABP, Cypress Creek recommends that each project post a "bidding or bid assurance" collateral of \$100,000 per project to participate in the adjustable block program. We also add that the intent of the flexible terms set in the REC contract security, which the industry had input in, were in part a function of expected "skin in the game" from utility interconnection deposits, therefore we suggest that the IPA transfer these deposits to a REC contract security for projects awarded a contract or withhold the deposit for those who wish to maintain their position in the incentives program awaiting future blocks.

To Summarize:

The IPA will continue to hold the bidding collateral until:

- the project delivers its first RECs
- or is removed from both the incentive and interconnection queue
- projects that choose to remain in the incentive queue to wait for future block allocations will be required to maintain the deposit

Additionally, a project will forfeit its deposit if:

- An awarded project does not execute the REC contract within 14 days of receiving an award.
- A project executes the REC contract, but does not deliver a REC in the allotted time, OR removes itself from the queues.
- The Program Administrator, the IPA, or Commission determines that the project (or the batch containing the project) is not eligible for the Adjustable Block program REC contract after the cure period allowed in the strawman,

### **Specific Recommendations: 7-day swapping timeline and “re-study” extensions**

Cypress Creek agrees with the 7-day swapping window and believes that InClimate and the IPA should continue to quell the narrative that projects would have an extended time to be re-studied before making swapping and REC execution decisions. There is currently a narrative in the industry that all interconnection problems will be solved when the queue is re-shuffled and re-studied, but we believe this creates a problematic waterfall effect. Each re-shuffle and decision point would create a subsequent re-shuffle, that could lead to significant delays. Additionally, the thought that a re-study automatically lowers costs is incorrect and could lead to a significant number of REC contracts in default due to unfinanceable projects because of high interconnection costs. Developers should be willing to commit collateral and bid with the estimates as given, and while the costs of some estimates may be high compared to industry standards, re-studies will impact only projects who were behind others on feeders and substations where predicting the lottery results and decision-making process of those for which a project may be contingent on is impossible. Extended timelines for swapping and re-studying create a speculative bidding scenario that will lead to a high probability of failed projects. Cypress Creek believes the IPA should do its best to avoid this major program risk.

**Process Recommendations**

Due to the detailed nature of the ABP and the lottery, it is imperative that the IPA allow stakeholders to file reply comments no later than 10 days after the deadline of these comments. This second round of comments should not delay the overall program launch date.

**Conclusion**

CCR thanks IPA for the opportunity to provide comments and look forward to being part of the Illinois Adjustable Block Program.