

LOTTERY COMMENTS OF THE JOINT SOLAR PARTIES

The Solar Energy Industries Association and the Illinois Solar Energy Association (collective the Joint Solar Parties, or JSP) respectfully submit responsive comments to the lottery proposal circulated by the Illinois Power Agency (“IPA”) on September 10, 2018.

I. Lottery Structure

Before discussing the IPA’s specific proposal, the JSP wish to provide additional context to their viewpoint on the lottery. While the JSP understand that the Illinois Commerce Commission (“Commission”) has approved the Long-Term Renewable Energy Resources Plan (“LTRRPP”) in ICC Docket No. 17-0838, subsequent events have shown substantial issues with implementation. Specifically, the JSP understand that project capacity in the interconnection queue for community solar in both Group A and Group B outnumbers available capacity in Blocks 1-3 by a ratio of at least 10:1. In addition, interconnection rules and practices—particularly in the ComEd service territory—have made evaluating whether a project is viable difficult to impossible in many cases (in fact, most cases in which a project is not first in the interconnection queue). The JSP note that most of these issues are the result of legal or technical constraints, all of which do not appear to have been adequately considered in the LTRRPP approval docket. To the extent that the IPA agrees that the lottery will be problematic but assesses that it does not have discretion to revise its lottery proposal based on the Commission’s Final Order in ICC Docket No. 17-0838, the JSP urge the IPA to work with stakeholders to present the Commission with an alternative approach for the Commission to approve.

Given more time, the JSP believe it would have been possible—even likely—that the solar industry would have coalesced around one or a handful of improvements to the lottery process. However, given short timeframes and split resources attempting to address issues with the interconnection queue in parallel, the JSP were unable to develop a full consensus around any single approach. Among the approaches the JSP considered but ultimately were not able to recommend at this time include bidder fees/bidder collateral, switching fees, and project readiness standards. Each approach can be adopted in many different ways, each of which had pros and cons for both the market and individual developers.

That said, the JSP did achieve near consensus on one item: a project cut-off date. Simply stated, the JSP are concerned that developers were incentivized to try to jam as many projects in as possible—without an intention to build them—into the lottery to increase the number of “lottery tickets” once the IPA announced project switching on September 10. As a result, the JSP recommend that no project that applied for interconnection on or after September 10, 2018 should be eligible for a lottery. Nothing should prevent those projects from those projects being considered at a later date.

II. Responses To IPA Proposal

Notwithstanding the discussion above, JSP supports the following aspects of the lottery proposal and recommend that the IPA include the following in its final proposal (to the extent the IPA does not opt for major structural changes):

- **Up to 200% of Block 1 capacity receiving Block 1 pricing.** JSP agrees with allowing up to 200% of Block 1 capacity to receive Block 1 pricing. Specifically, JSP agrees with the IPA’s three-part approach outlined below:
 - If projects totaling more than 200% of Block 1 capacity are submitted within the first 14 days of Block 1 open, that projects totaling 200% of Block 1 capacity receive Block 1 pricing;
 - If projects totaling more than 100% but less than 200% of Block 1 capacity are submitted within the first 14 days of Block 1 opening, then all of those projects submitted within the first 14 days receive Block 1 pricing, with Block 2 pricing in effect for the first project(s) submitted thereafter;
 - If projects totaling less than 100% of Block 1 capacity are submitted within the first 14 days of Block 1 opening, Block 1 pricing remains open until 100% of Block 1 is filled.

The JSP oppose the following aspects of the lottery proposal:

- **Identification of projects by address.** JSP are concerned about customer and host privacy, especially for behind-the-meter projects. Instead, the IPA should use a unique identifier for each project. The JSP recommend the serial number provided by each utility for the interconnection queue—which provides the added benefit of developers having transparency into which projects in front of them in the interconnection queue have won lottery spots (or were switched into).
- **Held back program capacity.** The JSP oppose the IPA’s proposal on both legal and policy grounds.
 - As an initial matter, the IPA’s proposal for the timing of the holdback is inconsistent with the Commission’s Final Order in ICC Docket No. 17-0838. In the Final Order, the Commission held: “Therefore, the Commission adopts the proposal of the Joint Solar Parties to hold 25% of the Adjustable Block Program capacity by megawatt in reserve. They have raised a valid concern regarding the appropriate reaction of the IPA if a particular block becomes oversubscribed. By reserving 25% of the capacity, as outlined in the IPA’s BOE (IPA BOE at 31 -32), the IPA can better respond to the market.” (Final Order at 60.) In the section of the IPA’s BOE, the IPA stated: “. . . the Agency does not take exception to the Proposed Order’s conclusion adopting the Joint Solar Parties’ approach,” with the caveat that the Final Order should clarify that “this general allocation strategy, withholding 25% by megawatt of total intended program capacity of 666 MW, is what the Commission intends to direct.” (IPA Brief on Exceptions at 31-32.) However, the JSP recommendation did not just request the holdback, but also the timing of the holdback as summarized in the Final Order: “The remaining 25% would sit idle until the IPA concluded in its own discretion that expanding existing blocks or adding new blocks would be a prudent step, *but no later than one of the block categories filling up all three blocks*. In that event, the remaining 25% of Adjustable Block capacity would be used to create an additional block once the last available block in a block category filled up or when, in the IPA’s discretion, *Approved Vendor demand in earlier blocks warrants expanding Block 3 or offering subsequent blocks, whichever comes first.*” (Final Order at 56 (emphasis added).)

The IPA should follow the letter of the Final Order and adopt the JSP proposal as summarized by the Final Order.

- In addition to the legal basis, releasing the holdback immediately for oversubscribed portions is the best approach from a policy perspective. Such a release would reduce uncertainty surrounding projects not selected for the initial allocation of the IPA but that are assigned a “lottery number” that indicates the project is likely to be built. This will reduce the number of projects that have an incentive to linger in the interconnection queue but that—under the IPA’s proposal that does not have time limits or standards for how or when the IPA will release additional capacity—have no way to evaluate when or at what REC value their project could be built. Particularly in the ComEd service territory, relieving the interconnection queue will reduce the uncertainty for projects that are selected in the lottery (subject to project switching) that have uncertain interconnection costs until the projects in front of them in the queue make a go/no go decision.
- **Switching window.** The JSP do not oppose a seven-day switching window in the abstract. However, as highlighted by issues encountered in the ComEd service territory with interconnection estimates, the JSP are concerned that many projects—including, the JSP believe, most all projects that are not first on the interconnection queue—do not have accurate interconnection costs. At minimum, the JSP expect substantial changes in interconnection costs in ways that developers cannot predict once projects start dropping out, because there is currently limited information about contingent costs (i.e. the cost of the upgrades assumed to have been made by projects earlier in the interconnection queue). The IPA should align the switching window with the timeframes in which the utilities—all participating utilities and particularly ComEd—are able to provide updated information that provides better insight into project costs. While a full restudy with a clear understanding of the costs of contingent work to be performed ahead in the queue is ideal, the JSP urge the IPA to work with utilities to understand how soon updated information will be available and align the switching window.

On the item below, the JSP lack enough information to form an opinion, and seek clarification of the following issue:

- **Project Switching.**
 - The JSP recommend that the IPA clarify how project switching will impact both projects involved in the switching transaction. The JSP recommend that the projects simply swap positions—for instance, if a developer has Project A with lottery position 1 and Project B with lottery position 500, a switch of the two would lead Project B to have lottery position 1 and Project A to have lottery position 500.

III. Request for Replies

The JSP have consistently requested that Block 1 open take place as soon as practicable, and do not recommend that the IPA take any steps to push back Block 1 open. However, to the extent that it can be done without pushing back Block 1 open from January 15, 2019, the JSP recommend that the IPA allow for replies by stakeholders to each others’ September 28, 2018 comments. The JSP believe that this increases the chance for consensus and allows parties to point out the unintended consequences or risks in other proposals.