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Re: ForeFront Power Comments on Strawman Proposal for Adjustable Block Incentive Program Lottery

ForeFront Power applauds the Illinois Power Agency for its efforts in developing the Strawman Proposal for the Adjustable Block Program Lottery Process. We respectfully submit the following comments with the intent of advancing a fair and transparent process for all market participants.

ForeFront Power, a wholly-owned subsidiary of Mitsui Co., Ltd., is a leading community solar developer and provider of solar energy services, serving business, public sector, utility, and residential customers. We have invested heavily in the Illinois solar market and have a strong desire to see the state achieve its solar goals. As such, we present the following recommendations.

Background

Solar stakeholder discussions around the Strawman Proposal have been largely concerned with the challenge of ensuring that only high-quality, constructible projects enter the lottery. Siting costs, interconnection costs, permitting viability, and financing are all factors that affect whether a project will get built; consequently, the program rules correctly require that developers obtain site control, interconnection agreements, and all non-ministerial permits before entering the lottery, which is an initial bar to clear.

However, the principal issue at hand is that the interconnection estimates developers are receiving depend on upgrades that occur earlier in the queue. Since projects that are successful in the lottery will likely move forward while unawarded projects likely will not, the interconnection queue order and, consequently, the interconnection costs for each project will change. As of today, developers do not know the true interconnection costs for any project that is not first in queue, presenting the possibility that awarded projects may not get built if the interconnection restudy process results in interconnection costs that the projects cannot support.

ForeFront is generally supportive of mechanisms to improve the lottery process, raise the bar to entry for speculative projects that have very low likelihood of being built, and bring increased transparency to Commonwealth Edison's interconnection queue. Our specific comments as a means to achieving these outcomes are listed out below.



Maintaining the Program Open Date of January 15, 2019

ForeFront Power and other community solar developers have been active in Illinois since the passage of the Future Energy Jobs Act at the end of 2016. Collectively, these companies have invested significant time and resources (up to \$80,000 per project for permits and ISA) to responsibly develop projects to ensure the success of the Adjustable Block Incentive program. With the certainty of a program launch date on January 15, 2019, the companies have also started lining up financing, planning construction timelines, and generally working toward delivery of operational projects within the 18-month timeframe allocated by the Long-Term Renewable Resources Procurement Plan. If projects get pushed out past the 18-month window, this could put several at risk of not obtaining the full 30% federal Investment Tax Credit, which will step down to 26% on January 1st, 2020, affecting project viability.

Therefore, we advocate that changes to the lottery process do not come at the expense of a delayed Adjustable Block Program opening. Maintaining the January 15th, 2019 date should be the priority in consideration of any changes to the lottery structure resulting from this comment process.

Lastly, we support the Joint Solar Parties comments regarding the release of discretionary capacity so that solar developers may make informed decisions about their portfolio quickly and efficiently.

Implementing an Eligibility Cutoff Date of 9/10/2018

The recent introduction of the ability to swap projects led to a surge in sudden interconnection applications. Given the timing, it appears that many of these new additions to the interconnection queue consist of projects that developers are using as a “golden ticket” (i.e. a fungible award in the lottery) as opposed to actual, buildable projects. We propose a cutoff for projects that applied for interconnection after September 10th, 2018 (the date the IPA announced the project swap mechanism) as a reasonable and non-disruptive mechanism that will help to filter against speculative projects and protect the integrity of the lottery.

Bid Collateral

ForeFront Power recognizes the need for “skin-in-the-game” in the absence of interconnection deposits to set a barrier against speculative bids in the Adjustable Block Program.

This could be effectively accomplished through a refundable bid collateral requirement. We envision this as a requirement for developers to post a certain reasonable amount of security (e.g. \$100,000) per project bid that the IPA would hold until one of three outcomes:

- The project meets all successful milestones under the Adjustable Block Program and completes commercial operation within the 18-month timeframe (or after any allowable extensions permitted under Section 466 or the IPA)

- A developer swaps in a project for another which has been awarded incentives within the allowable window, and the swapped in project meets the criteria set forth in sub-bullet a. above. If the project that was swapped out drops out of the incentive and interconnection queue, then it will receive a refund of the collateral
- A developer pulls its project from the incentive and interconnection queues

If a project fails to meet its delivery milestones and COD date and it is not granted any relief from the IPA or ICC, then the collateral would be forfeited.

We regard the above as an appropriate screen for projects entering that would obviate the need for alternative proposals we have heard discussed in several stakeholder forums. Two proposals in particular we would like to call out specifically: prioritizing projects that are first in queue on their substations, and assessing non-refundable interconnection deposits. Firstly, prioritizing projects according to their queue position would reward a small subset of market players and constitutes a situation of “moving the goal posts” late in the game. Many developers who are committed to the program’s success have spent the past year and up to \$80,000 per project developing assets that are early in the queue (but maybe not first) with the expectation that they would have reasonable interconnection costs and receive equal footing in the lottery. Changing this expectation could result in considerable sunk costs for many developers and concentrate gains among a very few market players.

Regarding non-refundable deposits: these might be an effective solution if ComEd were to publish all the interconnection studies to date, allowing developers to use this information to develop their own estimates about how various lottery outcomes might affect their portfolio (see “Interconnection” section below). With this information, developers can make an informed decision about the interconnection viability of their projects and signal this decision via a deposit. However, without better interconnection cost information, a non-refundable deposit favors projects that are first in queue, once again creating a last-minute system of winners and losers and concentrating projects among a small subset of developers.

Interconnection

ForeFront Power recognizes that interconnection queue management is not the jurisdiction of the IPA. However, as interconnection is intimately tied to business decisions made after the lottery award process, we present the following comments with the hope that the IPA has some authority to help address a current pain point in the market.

As addressed in these comments, the results of the lottery will impact queue composition and ordering, with some, perhaps many, projects dropping out if they are not awarded incentives. This queue “shake out” effectively renders all interconnection costs received by developers up to this point inaccurate and this causes considerable uncertainty for developers. Generally, the risk of choosing which projects to advance in the Adjustable Block Program could be tolerable to developers



given sufficient data about the interconnection queue. We understand that ComEd does not want to release contingent cost information because projects vary in technology and other aspects, and the utility has also expressed its preference of restudying each individual project following the lottery closing. However, ForeFront believes that release of redacted (i.e. excluding developer name and project address) versions of all the studies ComEd has completed to date, or redacted spreadsheets, allows developers to use their own judgment and tools to create their own cost estimates by which to make educated decisions. Such decision-making will improve the efficiency of the lottery process and reduce the potential for chaos during the project switching window. It will also reduce ComEd's liability in providing incomplete information to developers when millions of dollars are at stake. The publication of interconnection studies is consistent with the rules in other utility markets, including utility scale procurements under PJM.

Timely construction of awarded projects requires an efficient queue clearing process. New York, facing a similar challenge, implemented a process where all participants in the queue had to pay 25% of their current interconnection cost estimate to remain in the queue. We recommend that developers pay 25% of each project's current interconnection cost estimate within 30 days of the lottery results. Projects that do not pay would be eliminated from the queue.

A certain degree of risk is inherent to solar development, but blind decision-making and a long queue clearing process could lead to unacceptable risk levels to both developers and the customers that will ultimately be served by community solar in Illinois. We urge that ComEd, the ICC, and the IPA to work together to provide for the release of data and the formation of a queue clearing process that will greatly improve the project selection and then implementation process.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "T. Lowder", is written over a horizontal line.

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