



## Comments of IGS Solar on Block 1 Lottery IPA Strawman Proposal issued September 10, 2018

September 28, 2018

Dear Mr. Star,

IGS Solar appreciates the opportunity to provide comment on the draft lottery proposal. We have worked with SEIA and ISEA on their comments but want to also take the opportunity to provide individual comments in case our positions have been lost in the shuffle of developing trade association positions. IGS is working in all market segments in the Illinois Adjustable Block Program – Community, Large DG, and Small DG. These comments focus primarily on the community solar segment due to the likelihood that applications into the Adjustable Block Program for this segment will far outstrip available capacity.

The lottery creates many challenges, but these are all exacerbated by the fact that there is an order of magnitude more demand than available capacity. In some respects, this should be seen as a huge success and celebrated – FEJA has unleashed significant interest from private capital to invest in solar energy in the state. In other respects, it creates risks that are beyond the control of any one developer. The purpose of having to submit a signed interconnection agreement in order to apply for the ABP was to ensure that a developer understood the largest cost drivers for a given project. Because the interconnection cost estimates are so out of whack – for some reasons that are lottery related and some that are not – this critical price signal is not being sent to the market.

There are many shapes and forms of companies participating in this market – and the position each company takes in this process are necessarily largely informed by their position. It is impossible for the IPA to consider all of these business interests. Instead, when making decisions about the final form of the lottery proposal, IGS suggests that the IPA should consider the perspective of a medium sized developer that has a handful of viable projects.

### **Lottery Process**

Institute a developer cap in community solar. Because interest from developers far outstrips available capacity, IGS believes that a developer cap should be instituted in the community solar program, such that no Approved Vendor could receive REC contracts for more than 20% of the capacities of Blocks 1-3 as identified in the updated LTRPP. We also suggest this carry on into future, yet to be identified Blocks. This will require some diligence on behalf of the IPA and InClimate to make sure shell companies and affiliates are not set up to circumvent the requirement.

De-prioritize the second project on co-located sites. While co-location has certain benefits, for the specific and limited purpose of diversifying lottery results, we believe it prudent to limit the second of co-located projects from getting queue position in the currently allocated Block 1-3 capacity. The second 2MWac project in a co-located projects can still participate through a final group of the lottery but should only be added back in to the lottery process after the currently allocated Block 1-3 capacity is awarded.



Allow for grouping or batching up to 2MW ac. Grouping or batching of projects for the purpose of the lottery should be allowed only up to 2MW ac total. In other words, each 'lottery ticket' should be limited to 2MWac. The IPA should not allow batching of projects such that a draw of the lottery ball removes more than 2MWac from the available capacity for the remaining lottery balls. If some lottery balls pull out more capacity than others, this negatively impacts the odds of winning for all remaining projects. During the stakeholder webinar discussing this draft proposal, some seemed to argue that they wanted to batch projects in the lottery because they wouldn't go forward with one if the other didn't also get a REC contract. The IPA structured the REC payments based on system size; if a project can't make the economics work based on the REC payment for its specific size, then the IPA should not change the rules to favor these projects at the detriment of others that are economical. To this end, projects that are batched should all receive the 2MWac REC pricing.

Weighting of projects that are not contingent on projects from other Approved Vendors. As a way to bring some order to the interconnection queue process, we would support some weighting of projects that are not contingent on upgrades from projects from other Approved Vendors, but only if there is also a meaningful developer cap as this weighting would benefit those first movers in the market. To clarify this, if a single Approved Vendor had projects 1, 2 and 3 on a given feeder, all these projects should be weighted similarly – because the Approved Vendor has it under their control to decide which and how many of these projects would be chosen in the case switching is allowed or whether or not to maintain the interconnection position of a project if switching is not allowed. On the flip side, a project that is in the 3<sup>rd</sup> queue position on a feeder under an Approved Vendor who does not also have projects 1 and 2, would be deprioritized in a similar manner to the deprioritization of the second project in co-located projects.

IPA should not include a bid deposit. The purpose of bid collateral is to discourage projects from entering the lottery if the project developer is not intending to build a project. If a bid deposit is refundable, then it does not encourage this behavior because it can just be refunded. In this case, it only creates barriers to entry based on a company's ability to put up collateral. However, if a bid deposit is non-refundable in any way for a project not selected in the known available capacity, then any non-refundability is for something beyond the developer's control – whether or not their lottery ball is chosen. In the current scenario, if 600 projects are bid into the lottery for one of the 60 available slots, then any given project would have a 90% chance of losing some of its bid deposit – for a reason they cannot control. Developers have already put significant capital at risk to bring projects to the stage to submit their application – requiring a non-refundable bid deposit just creates a high-stakes game of chicken – if you're willing to put in money to bet that others will withhold a project due not necessarily to it being uneconomic but rather because of the risk tolerance of the developer, thereby increasing your odds of winning.

In reviewing any bid deposit suggestions or similar concepts, the IPA should think through these issues carefully. Furthermore, if they were inclined to include something like this, IGS strongly urges the IPA to put any such suggestion out for stakeholder review and comment. It is just too critical of an issue with too many potential unintended consequences and too much of a departure from the status quo to not allow for such review.

As stated elsewhere in our comments, IGS definitely sees a need for the IPA and InClime to guard against potential gaming of 'fake' projects being selected – before they are able to be switched out for



‘non-fake’ projects. The ability to switch projects increases the incentive to game the process and the need for vigilance on the part of IPA and InClime.

IPA should consider removing the ability for winning projects to switch. IGS understands that there is a lot of support for switching projects, and there are ways in which this increases the economic efficiency of the program particularly in light of the lottery process and the lack of solid information on interconnection costs. However, switching also incentivizes some of the exact behavior that some are looking to avoid via proposals such as a bid deposit – it incentivizes developers to submit projects that they would not build given the information that is available to them. All the uncertainty about interconnection costs aside, a project that a developer does not intend to build should it receive a winning lottery ticket should not be put into the lottery. IGS urges the IPA to revisit this issue and re-think through the pros and cons of switching to determine whether, on balance, switching provides for a better or worse market.

### **Project Verification**

To limit the possibility of gaming, we strongly recommend the IPA and InClime take the appropriate time to fully verify that projects have submitted the required information before switching is allowed (assuming it is), and that there are not repeat applications for the same project. Each project should have a signed interconnection agreement, all non-ministerial permits, and definitive site control from a signed Option Agreement and/or Lease Agreement. The LTRPP only requires proof of site control/host acknowledgement, but for community solar projects this should be strengthened. This is of particular concern for territories where there is no zoning or permit required to move forward. In these situations, a developer could have an eligible project with just a letter of intent and an interconnection agreement. This is not the intent or spirit of the barriers to entry outlined in the LTRPP, and we therefore encourage the IPA and InClime to clarify this for community solar projects. If the IPA and InClime need additional time after the lottery is triggered to verify that projects are indeed eligible, they should take such time. We applaud the IPA and InClime for striving to hold the lottery within 35 days of program opening, but if another few weeks is needed to verify eligible projects (especially if additional factors are included, such as readiness and co-location), then the IPA and InClime should take the time to do so.

Further, we highly encourage the IPA to have a No Tolerance policy for gaming. If a developer puts in an application for a 2 MW rooftop community solar project and can’t prove that the rooftop can actually hold 2 MW, thereby providing evidence that the developer only put in the project to get an extra ticket, that developer should be banned from the Adjustable Block Program. Similarly, any gaming of the co-location rules should be banned from participating in the program. This is not the intent of the law. We understand there may be a fine line distinguishing a “gamed” project and a project that currently has high interconnection but may someday be viable. We nonetheless suggest the IPA do the necessary due diligence to weed out the blatantly bad actors

### **Affiliates**

We support the ability of an Approved Vendor to switch projects within its discreet portfolio. We do believe there will be attempts at gaming of this situation, particularly if additional conditions or caps are



employed. We therefore suggest that the IPA and InClimate be vigilant to such gaming and penalize Approved Vendors that game the system.

**Privacy**

We respectfully disagree with the IPA and InClimate's decision to release project specific information after the lottery. We do not believe that addresses of projects ever need to be released, but certainly it should not be released until after switching has finished.

**Reply Period**

Finally, we encourage the IPA and InClimate to allow a short, limited reply period. We do not want to delay the Program Opening, but this process is too important to not get another chance to offer comments. To that end, we encourage a very short time period for replies, and a requirement that replies are limited to discussion topics addressed in initial comments. Furthermore, if the IPA issues significant changes to its lottery proposal, such as the inclusion of a bid deposit of some form, the IPA should open up a comment period on such changes. If this requires a brief delay in the opening of the program, this delay should be limited only to community solar, with the Large DG and Small DG programs opening per the current schedule.

Thank you again for the opportunity to provide comment.

Sincerely,

Katie Bolcar Rever  
Director, Legislative and Regulatory Affairs  
IGS Solar  
krever@igs.com