

September 28, 2018

InClime, Inc.
Illinois Adjustable Block Program Administrator
comments@illinoisabp.com

Via Electronic Mail

Dear Project Administrator Staff:

As a leading community solar developer, Nexamp is grateful for the opportunity to submit comments in response to the Program Block 1 Lottery Strawman Proposal (“Proposal”) recently released by the Illinois Power Agency (“IPA”) and InClime (“Program Administrator”, or “PA”). Nexamp recently participated in the subsequent webinar held by the IPA and Program Administrator on September 17th. While Nexamp supports some components of the Proposal and many aspects of the Joint Solar Parties (“JSP”) response, but also has several concerns with respect to the proposed provisions under the Proposal.

Nexamp was founded in Massachusetts in 2007 and has grown from a small system installer to a fully integrated solar development company that owns and operates nearly 150 MW of solar installations across 5 states. More recently, Nexamp has become a leader in the burgeoning community solar marketplace, with thousands of active subscribers over nearly 30 operating projects. Together, our residential, small businesses, non-profit, and municipal customers realize millions of dollars in annual savings while supporting local sources of renewable energy. Nexamp has invested heavily in the development of our community solar assets and the infrastructure necessary to acquire and maintain participating customers, especially residential consumers.

Comments

Throughout this process, Nexamp has been supportive of the JSP comments, working with our industry partners to help craft and shape a unified message. In this most recent round of comments, we remain in agreement with the JSP on two key points. First, we appreciate the clarity provided in the Proposal that all potential 200% of Block 1 Capacity, will receive Block 1 pricing. Second, we agree with the JSP that the held back capacity should be allocated as soon as possible and that doing so would be consistent with the ICC Order. Increased capacity is the simplest, most efficient means to addressing a variety of the underlying concerns all parties have around program launch and success. Increased capacity reduces issues raised by the intersection of interconnection queue management and lottery results. Increased capacity gives more developers, more certainty to invest and grow in Illinois. The combination of increased capacity, along with Block 1 pricing clarity that has already been provided, would significantly increase the chances for a successful program as soon as possible.

Swapping

While Nexamp agrees with the JSP on program capacity and appreciates the IPA's clarity on Block 1 Pricing, at this critical juncture, we believe it is important to break on a specific matter. Given Nexamp's depth of experience in community solar project development, we are troubled by the decision to permit developers to swap projects that are not selected for the Adjustable Block Program ("ABP") lottery with projects that have been selected. We foresee the following issues with such a decision:

- I. Project swapping is antithetical to the IPA's goals of the Long-Term Renewable Resources Procurement Plant (LTRRPP)

As stated by the IPA, the goal of the ABP was the creation of an open, stable marketplace for renewable energy investment. The LTRRP specifically states that the Adjustable Block Program is not a procurement event, but a "transparent schedule of prices and quantities ... to enable the market to scale up."³ Based on market activity in Illinois, this is clearly attractive to developers and other market participants. However, project swapping incentivizes developers to try to game the lottery, thereby undermining the integrity of ABP and the lottery itself. More importantly though, these bad behaviors threaten market stability and could impede the program's success.

- II. Project swamping creates perverse incentives that undermine the intent of the lottery

The ABP is a critical component of the LTRRPP, which was created to fix Illinois' broken renewable portfolio standard ("RPS"). We appreciate that the main aim of these programs was for the State to meet its ambitious climate goals through large scale deployment of renewable energy resources. This is only possible if those renewable energy industries see Illinois as a stable, functioning market in which to invest.

Project swapping jeopardizes this by creating perverse incentives for developers thereby eroding investor confidence in the market. For example, since the project swapping provision was first announced during the September 17th webinar, based on conversations with representatives of Com Ed and Ameren, dozens, if not hundreds, of additional projects were submitted to the two major utility interconnection queues. It is possible that this is a coincidence. What is far more likely is that speculative developers realized they could increase their odds of success in the lottery by submitting non-viable projects, comfortable in the knowledge that they can swap projects if a non-viable project is selected.

The IPA, Illinois Commerce Commission, and the renewable energy stakeholder community have invested significant time in the ABP's creation and refinement—all with the aim of ensuring a successful program. Project swapping would undue these attempts to provide a stable, attractive market for investment.

Project swapping, in and of itself creates market instability and erodes investor confidence. When swapping is combined with ambiguity around interconnection queue management, it is a recipe for a chaotic and disorderly process.

³ LTRRPP, p. 31

III. Project swapping creates unnecessary project delays

As discussed previously, the LTRRPP was created to fix Illinois' broken RPS. In choosing to structure the ABP as an open program with no solicitation windows, the IPA hoped to avoid some of the issues that contributed the previous RPS failures.¹ Specifically, in creating an open, continuous program, the IPA hoped to “design a system of adjustable blocks with prices that will elicit the maximum amount of deployment at the least possible cost, with a high level of certainty and transparency for consumers and market participants.”²

While Nexamp is pleased that the IPA and the PA have made significant process in moving towards program launch, the proposed project swapping provisions are likely to lead to further delays, increased confusion, and unnecessary complexity.

* * * * *

Additional Proposals

Finally, Nexamp is supportive of two other steps that could be taken to ensure a robust solar market, maximizing economic and environmental impacts for all Illinois residents.

- I. Developer Cap – a developer cap at 20% of each Block would ensure the benefits of the program are not concentrated. Diversity among awarded companies would necessarily ensure that multiple business models and strategies are pursued. In particular, in Community Solar, this will lead to competition for subscribers and benefits for consumers.
- II. Pre-Bid Deposit or Collateral – Nexamp supports multiple proposals that have been offered to require a pre-bid deposit or other form of collateral. Such a requirement, while not ideal, in the presence of a lottery, and especially if project swapping is maintained, is necessary to avoid developers submitting speculative projects, solely to increase their lottery odds.

Nexamp is committed to helping the IPA accomplish the many goals outlined in the LTRRPP and contribute to the growing clean energy economy in Illinois. The IPA has succeeded in creating an attractive market for investment; the interconnection queue is proof of that. It is for these and the above-stated reasons that the lottery process must prohibit project swapping. Swapping will create uncertainty at a time when developers need to feel confident in their investments and incentivizes speculation at a time where the program needs rational actors.

We thank you for your consideration.

Sincerely,

Kelly Friend
Director of Policy and Regulatory Affairs

¹ Final order, page 97.

² Final order, page 97.