



October 17, 2018

VIA: COMMENTS@ILLINOISABP.COM

InClime, Inc. Program Administrator,
Adjustable Block Program

RE: Adjustable Block Program Block 1 Lottery Request for Follow-Up Comments

Program Administrator:

Nexamp, Inc. is pleased to offer the following comments as follow-up to the comments we submitted on September 28th. We appreciate the effort to improve upon the initial lottery straw proposal, but we remain concerned about several of the provisions proposed--most importantly- -the provisions governing project “swapping.” Nexamp would like to reiterate the following key points from our initial comments.

First, while Nexamp welcomes the multiple proposals from the Program Administrator (“PA”) to address speculative bidding, we continue to believe that allowing for swapping in any form distorts developer behavior and will result in projects being bid into the Adjustable Block Program (“ABP”) solely to increase a developer’s odds of securing REC Capacity.

Second, we continue to believe the best way to address the myriad concerns raised by the interaction between the ABP and the Utility Interconnection queue is to allocate the remaining capacity under the ABP to community solar.

Finally, Nexamp would like to voice its support, again, for pre-bid collateral to ensure developers have a financial commitment in the projects they are bidding into the ABP. In particular, we would like to support the Coalition for Community Solar Access (“CCSA”) proposal aimed at addressing the concerns of less well capitalized developers through an adjusted cost by quantity of projects proposed.

We have endeavored to provide feedback on most of the concepts/ideas put forth by the PA; where we are silent on a proposed change, we anticipate little to no impact on our projects/operations.

I. PROJECT SUBSTITUTION/REALLOCATION

As stated above and previously, Nexamp is opposed to swapping. Even with thoughtful proposals put forward by the PA and other parties, swapping provides an incentive for developers to submit marginal projects to the ABP, adding risk and cost for all involved. This was true when swapping was a one-time event and it is especially true of the PA proposal below.

■ *A new proposal to consider allowing project substitutions beyond the one-time substitution date (including for previously-substituted projects) should projects either:*

- *Receive significantly higher updated interconnection costs than included on their initial interconnection agreement (if so, what percentage higher?); or*
- *Receive an updated interconnection cost estimate above a certain threshold (if so, what is the correct interconnection cost threshold?)*
- *Please comment on the extent to which this proposal helps mitigate the uncertainties around the interconnection process, or if this new proposal creates unintended consequences and inappropriate gaming opportunities.*
- *Please also comment on if there should be maximum time limits for any or all aspects of this new proposal.*

The above proposal adds additional uncertainty and complexity to an already complex and challenging development and regulatory landscape. Beyond that uncertainty, it is difficult to see how the utilities could be asked to respond in real time to the multiple different scenarios presented by a matrix of developer choices. In short, as CCSA and others note, at some point, if projects cannot proceed, even with a REC award, the proponent must acknowledge that and allow the program to move forward.

With respect to the PA’s specific inquiry (above) as to whether the new proposal “creates unintended consequences and inappropriate gaming opportunities,” we believe that any provision that provides for project swapping will result in both. Any proposal that allows Developer A to trade out one of its projects in one location for a project in another location gives Developer A leverage over another developer who would otherwise benefit from Developer A’s project not moving forward in either location. Developer A could readily use this advantage to exert influence over Developer B. Alternatively, Developer A could use its ability to swap projects to re-approach project stakeholders (e.g. landlords and host counties) to re-negotiate deal terms as a precondition of moving forward with a project in a given location. We do not think the program should encourage this type of behavior or allow for such a result.

II. SYNCHRONIZATION OF THE IPA LOTTERY WITH THE UTILITY INTERCONNECTION QUEUE PROCESSES

Nexamp agrees with CCSA that a project should no longer be considered qualified for the Adjustable Block Program if it exits a utility’s interconnection queue. This proposal would have the result of allowing developers the benefit of participating in the program or its successor, without having to take on the burden of a non-refundable deposit. This is not how this works in other markets where to move forward in a program, a project must prove that it is passing the necessary project milestones with the interconnecting utility.

While we appreciate the intent behind the proposal, we think it is too far down the road towards project launch to try to synchronize the interconnection and program queues. Nexamp appreciates the effort to align goals of the ABP and management of the utility interconnection queues. However, we do not believe the proposal below, or any alternative thereto, would further

the broadly shared goal of creating “an open, stable marketplace for renewable energy investment.”

To the extent that the utilities will require non-refundable deposits for projects to remain in the queue upon publishing of lottery results, the Agency is considering allowing for a project to still be considered qualified for the Adjustable Block Program by virtue of its prior-executed interconnection agreement submitted at the time of the initial application to the Program, even if the project officially exits the utility interconnection queue (i.e., it may exit the interconnection queue and not pay a non-refundable deposit, thereby forfeiting its interconnection agreement, but still be considered viable by the Agency for a substitution or later program selection—acknowledging that it may have to reapply for interconnection with the applicable utility).

If anything, this proposal would hinder that goal, rewarding speculative bids into the ABP aimed solely at increasing individual firms’ odds of securing a REC award for their preferred project, via swapping. Aligning state incentive programs with utility interconnection practices is important work that should not be driven by speculation and gaming.

III. REDUCING APPLICATIONS FROM SPECULATIVE PROJECTS

Nexamp applauds the effort to reduce applications from speculative projects which could undermine the success of the Adjustable Block Program. We generally believe that the lottery and the program will benefit from having a robust queue of higher-quality, more mature projects. We are therefore supportive of efforts to raise the bar for project entry.

A. Developer Cap

Many markets have established developer caps early in their formulation to ensure the participation of a broad, diverse set of businesses. Given the goals of FEJA, we believe the proposal to limit Approved Vendors (“AV”) to applications totaling the capacity of the known blocks is important to ensure a robust market.

B. Program Cutoff Date

Using September 10th as a cutoff date, although blunt, is necessary to ensure that developers do not exploit the regulatory loophole presented by permitting swapping. Nexamp has heard anecdotal evidence that a significant number of projects were submitted to the interconnection queues upon publication of the Block 1 Lottery Strawman Proposal, which introduced the possibility that developers could swap projects. While we cannot know the intentions of those developers, it is reasonable to assume that some of those projects were submitted to take advantage of the swapping provisions. To minimize the risk that a lottery with swapping will yield non-viable projects, Nexamp supports the September 10th cut-off date for project applications. Projects that were submitted after the cut-off should still be eligible for subsequent block capacity but would otherwise be barred from participating in the Block 1 lottery.

We note that applications that were originally received before the September 10th deadline, but were ultimately returned to a developer for technical corrections should still be eligible as they were first submitted before the cutoff date.

C. Small Subscriber Platform

Nexamp wholeheartedly endorses this proposal and believes that AVs should have to show success of having secured such subscribers in the past or commitment to partner with organizations that have.

FEJA's legislative findings and declarations state community solar will help expand renewable energy access to Illinois' residents. It is not surprising then that the IPA's Order demonstrates a preference for encouraging robust residential offtake through both the creation of a residential-adder and the preferential lottery position given to projects that intend to elect the residential-adder. Given this, it is appropriate to require AV's that wish to benefit from these two policies to demonstrate they are capable of fulfilling their commitment to acquire and manage projects with greater than 50% residential off-take.

These projects can pose unique challenges for developers. In contrast to large commercial anchor tenants, residential subscriptions have significantly higher customer acquisition and retention costs. A larger volume of customers per project requires additional resources for billing and customer service inquiries and a greater sensitivity to consumer protection interests. A lack of experience in these areas could result in projects that fail to deliver high-residential penetration and projects that yield poor customer experiences--both outcomes undermine the promise of community solar.

Nexamp proposes the following be required of AVs that seek to qualify for the preferential lottery position for projects with 50% or more residential-offtake:

1. Evidence that an AV has a marketing plan in place, as well as experience acquiring customers from diverse economic backgrounds;
2. Evidence that an AV has deployed or selected a customer management platform and has previous experience providing customer support to residential customers in Illinois or other community solar markets that rely on aggregation of residential and small C&I customers.

D. Proof of Permits In-Hand

Nexamp supports the proposal requiring proof of permitting completion. Many other markets require a similar showing before program qualification.

E. Proof of Lease or Option

Nexamp supports the requirement of submission of a signed lease. Many other markets require a similar showing before program qualification.

IV. “GROUPING” OF PROJECTS INTO A SINGLE LOTTERY ENTRY

Nexamp has no objection to this proposal.

V. TRANSPARENCY OF INFORMATION

Nexamp has no objection to this proposal.

VI. LOTTERY WITHIN 45 DAYS

Nexamp, like many other stakeholders, anticipates that Block 1 will fill quickly to 200% capacity—definitely before the proposed 45-day window, and almost certainly before the original 14-day window. Nevertheless, should we be wrong, we urge the lottery be held as soon as is practicable to allow projects to continue moving forward as expeditiously as possible.

VII. DISCRETIONARY CAPACITY

As noted above in multiple sections, unnecessary program delays of any variety (protracted lottery windows, extended swapping periods, long interconnection study review timelines) all threaten the Adjustable Block Program’s success. Pent-up enthusiasm and interest in this program mean developers are lining up (figuratively) to build community solar projects. Developers seek and benefit from predictable markets, so the sooner additional capacity is allocated in the Adjustable Block Program, the sooner developers can begin identifying additional opportunities to build and Illinoisans can benefit from the promise of FEJA.

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As always, Nexamp is grateful for the opportunity to share our feedback in hopes of ensuring a successful Adjustable Block Program. We look forward to staying engaged as the Program Administrator finalizes additional program requirements for the community solar program.

Thank you.



Kelly Friend
Director, Policy and Regulatory Affairs