



## **Carbon Solutions SREC**

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InClimate, Inc. - Program Administrator

### **Comments Draft REC Contract**

Thank you for the opportunity to provide stakeholder feedback. We appreciated the work that has gone into developing an updated streamlined REC contract. Our comments include this cover letter and a redline copy of the contract also attached.

### **Pooling of Surplus RECS and Collateral Across Contract Versions**

One of the primary ways Approved Vendors can manage REC delivery risk is through a portfolio of projects. More project diversity in size, location, and type helps prevent any one factor causing major issues across the whole portfolio. For example, if there is an extremely cloudy year in Southern Illinois or an extremely snowy year in Northern Illinois the production from those areas of the state can be significantly lower. A diverse portfolio can help to balance out lower REC generation in one region. The same is true with residential vs commercial systems which perform differently over time. Businesses and homes are sold at different rates and employ different maintenance schedules. World events like pandemics impact electricity usage differently for residential vs commercial use.

For these reasons and the ones listed in our redline version of the contract we ask that Approved Vendors be given the option to pool the Surplus RECS and Collateral required across multiple versions of the REC Agreement between the same two counterparties (Approved Vendor and Utility).

## Timing of launch of new contract

Updating the REC Contract with only Small DG blocks available creates some problems for Approved Vendors. We appreciate the IPA's approach to update and streamline the REC Contract. However, given that well over two thirds of the program capacity has been allocated, and only Small DG blocks are open, we recommend that the updated REC contract not be implemented until all current blocks have been filled.

Updating the contract process not only changes the risk profile for Approved Vendors, as addressed above, but it also adds complexity and some confusion to the market. Approved Vendors offerings and contracts will need to change based on this updated REC Contract. An immediate implementation of the REC Contract could leave many customers, approved vendors, and sales people learning the updated contract requirements shortly before the ABP capacity is filled.

Given the current funding available and rate of project submission it is unlikely that additional blocks will open up before another two year revision process has been completed. Absent new legislation this potentially leaves a very small number of systems using this version of the REC contract. That creates more complexity for Approved Vendors, the ABP Admin, the IPA, and utilities. For these reasons we ask that the updated contract not be implemented until additional blocks of ABP capacity are available.

## Comments on Letter of Credit

One of our designees has attempted to get a qualifying letter of credit with Fortress Bank to cover some of their systems. I am including the following note from Fortress Bank in our comments to help clarify some of the issues banks have had in the past issuing the letter of credit.

Nick Esser - Fortress Bank

*Mandating a credit rating is going to limit you to the largest banks, that creates issues for smaller developers like you. I'm not an expert but I also noticed a couple items that I think most banks would find troublesome.*

*Jurisdiction, I would imagine any bank issuing a LC would want jurisdiction to match the underlying note. For example our jurisdiction would be Illinois, and a bank based in Ohio would be Ohio.*

*Automatic extension by 30 days if place of presentation was closed on the last date to make presentment- not sure why they would need a full 30 days. If a bank is closed for 30 days, not just a branch but the entire bank- there are bigger issues here. Guessing they*

*wouldn't be credit rated at that time. I think if the last date falls on a weekend or recognized federal holiday extending the presentment to the following regular business day would make sense.*

Thank you again for the opportunity to give feedback on the contract.

Sincerely,

Dylan DeBiasi