



Illinois Solar for All (“SFA”) Program

REC Contract Webinar (www.illinoisSFA.com)

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ELEVATE ENERGY
Smarter energy use for all

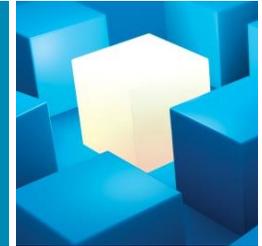
NERA
ECONOMIC CONSULTING

Agenda

- Overview of Contract Development Process
- REC Contract Structure and Basics
- Development and Energization Requirements
- Collateral Requirement and Seller's Performance Assurance
- Payment and Invoicing
- Performance and Reporting

Disclaimer

- Any statements herein or made on the call describing or referring to the draft agreement or governing documents are summaries only and are qualified in their entirety by the documents
- The draft agreement was posted on March 25, 2019 and participants bear full responsibility for reviewing and understanding the written agreement
- Governing documents include Public Act 99-0906, the IPA's Long-Term Renewable Resources Procurement Plan and ICC Order in Docket No. 17-0838



Contract Development Process

Two Standard Forms of REC Contract

- Under the Illinois Solar for All Program, there will be two standard forms of REC Contract as follows:
 - (i) REC Contract to be used between the Approved Vendor and an electric utility (AIC, ComEd or MEC)
 - Draft REC Contract issued on **March 25, 2019**
 - (ii) A separate REC Contract to be used between the Approved Vendor and the IPA
 - IPA-counterparty REC Contract will be issued at a later date
 - A separate announcement will be posted to website (www.illinoisSFA.com) when such draft becomes available

This webinar will focus on REC Contract between Approved Vendor and electric utility (AIC, ComEd or MEC)

Sub-Programs in this REC Contract

- This REC Contract is for **three of the four sub-programs** within Illinois SFA:
 1. Low-income distributed generation, for on-site solar projects
 2. Low-Income Community Solar, for off-site solar projects
 3. Incentives for non-profits and public facilities, for on-site projects
 - ~~4. Low Income Community Solar Pilot Projects~~

Additional information about Low-Income Community Solar Pilot Projects will be made available at a later date

Comment Process and Timeline

- **March 25:** Draft REC Contract used between the Approved Vendor and an Electric Utility Posted for comments
- **March 28:** Explanatory Webcast
- **April 2:** Comments Due
- **TBD:** REC Contract used between Approved Vendor and IPA (with Illinois State requirements)
- **End of April:** Final REC Contract expected to be released

If necessary, an additional round of written comments may be solicited

Contract Available at illinoisSFA.com



For Illinois Residents [For Vendors](#) | [Job Training](#) [Grassroots Education](#) [Environmental Justice Communities](#) [Consumer Protections](#)

JUMP TO → [IMPORTANT RESOURCES](#) [APPROVED VENDOR TYPES](#) [APPROVED VENDOR REGISTRATION](#)
[THE PROJECT APPLICATION PROCESS](#) [APPROVED VENDOR SUPPORT](#) [REQUIREMENTS](#) [APPLY](#)

Important Resources

- [Approved Vendor Manual v1.0](#)
- [Low-Income Distributed Generation Consumer Protections Guidelines v1.0 DRAFT](#)
- [Site Suitability Guide v1.0 DRAFT](#)
- [Program Resource Guide](#)
- [Renewable Energy Credit \(REC\) Contract DRAFT and Invitation for Comments](#)

Submit your comments by 5 PM on April 2

Comment Process

- Download materials at:
<https://www.illinoissfa.com/announcements/2019/03/proposal-and-invitation-for-written-comments-on-illinois-solar-for-all-renewable-energy-credit-rec-contract/>
- Submit your comments by email to comments@illinoisSFA.com
- Comments must be clearly indicated with tracked changes
- Provide explanatory notes either in a separate document or highlighted in tracked changes
- Comments will be posted online with identity of commenter redacted
- Comments will be reviewed by representatives from the IPA, the Program Administrator, AIC, ComEd, MEC, Staff of the ICC and NERA Economic Consulting

This process mirrors comment processes in other IPA procurements pursuant to the Public Utilities Act



REC Contract Structure and Basics

Key Milestones

Payments

- REC payment for system occurs upfront (one-time lump sum)
- 4 pre-specified dates in year for payments made by Buyer. After Energization, **Quarterly Netting Statement** indicates payment amount that cannot be exceeded under the REC Contract at that point

Batch approved by ICC

- REC Contract signed w/in 7 days
- Collateral due w/in 30 days
- Product Order for each batch
- Schedule A for each system

Annual Reviews

- REC Deliveries reviewed annually
- Drawdowns of collateral may occur for underperformance

System Energized

- GATS/MRETS Standing Order established
- Schedule B for each system

Apply to SFA

3 sub-programs

3 Key Levels of Information

Portfolio Level

- **REC Contract** ↔ Approved Vendor
 - Executed when vendor's first batch is approved by ICC

Batch Level

- **Product Order (“PO”)** ↔ Approved Batch ↔ Transaction
 - Executed when a batch is approved by ICC
 - Trade Date on PO is the date of ICC approval
 - Schedule C provides list of systems in batch

System Level

- **Schedules A & B** ↔ Designated System
 - Contains key information related to a given designated system

Time Elements

- **Delivery Year:** *June 1 through May 31*
 - REC Annual Reports due after each Delivery Year
 - System Performance and Drawdowns occur after each Delivery Year

- **Delivery Term:**
 - Commences in month after 1st REC Delivery and Ends 15 years thereafter
 - All RECs generated during Delivery Term belong to Buyer

- **Quarterly Period:** *Jun – Aug | Sep – Nov | Dec – Feb | Mar – May*
 - Invoicing and Payments occur on quarterly basis

REC Contract Is Between Approved Vendor (as Seller) and a Utility/IPA (as Buyer)

- Approved Vendor may submit multiple Batches to SFA
- A Batch must be for a minimum 50 kW of capacity generally and may be for one system or for multiple systems
- Each Batch is subject to ICC approval
- Approved Batches are assigned to a utility or IPA
 - Approved Vendors do not choose which of IPA or utility or utilities to sign the REC Contract with
- Subsequent Batches approved under the initial Long-Term Plan will be a Transaction under this REC Contract and only a new PO will be needed **if counterparty is the same**
 - New REC Contract is required if subsequent batches are with a different counterparty

No more than 1 REC Contract with a utility and each REC Contract may have multiple POs

Selected Defined Terms

REC Contract

- Effective Date / Term
- Maximum Allowable Payment
- Aggregate Drawdown Payment
- Performance Assurance Amount
- Surplus REC Account

Product Order / Schedule C

- Trade Date
- Transaction

Schedules A and B

- Scheduled Energized Date
- Delivery Term
- Delivery Year Expected REC Quantity
- Delivery Year REC Performance
- REC Purchase Payment Amount
- Delivery Year Shortfall Amount
- Drawdown Payment
- Contract Price
- Collateral Requirement

Cover Sheet (Section 13b) and Master REC Agreement (Article 1)

REC Contract Consists of Cover Sheet and 10 Exhibits

Cover Sheet

- **Exhibit A: Product Order**
 - Schedule A: Summary Information of Proposed System
 - Schedule B: Summary Information of Final System
 - Schedule C: Updated upon a size change or removal of a System
- Exhibit B: Bi-Annual System Status Form
- Exhibit C: Community Solar First Year Report
- Exhibit D: REC Annual Report
- Exhibit E: Form of Letters of Credit
- Exhibit F: Delivery Schedule Example
- Exhibit G: Surplus RECs and Drawdown Payments Example
- Exhibit H: Community Solar First Year Payment Adjustment Example
- Exhibit I: Community Renewable Energy Generation Project Subscription Information Access Authorization
- **Exhibit J: ABA-EMA-ACORE REC Purchase & Sale Agreement** (or the Master REC Agreement)

The Cover Sheet

- Main body of REC Contract that contains terms specific to the SFA including:
 - system requirements
 - payment terms
 - delivery obligations
 - penalties

- Modifies the Master REC Agreement (Exhibit J)
 - Introduces new definitions
 - Replaces existing provisions and definitions found in the Master REC Agreement

**Exhibit J contains governing provisions
unless modified by Cover Sheet**

Product Order Contains Schedules A, B & C

Schedule A System Level

- completed upon ICC approval
- summarizes **proposed** pricing and facility information related to a given system

Schedule B System Level

- completed upon Energization
- summarizes **final** pricing and facility information related to a given system

Schedule C Batch Level

- summarizes size information of Designated Systems within the Product Order
- updated upon a change in size or removal from REC Contract



Development & Energization

Designated Systems Under REC Contract

1. Distributed Renewable Energy Generation Device

- The Designated System's output is primarily used to offset the eligible End Use Customer's electricity load

↳ Covers two SFA sub-programs {
(i) Low-Income Dist. Generation
(ii) Non-profits and Public Facilities

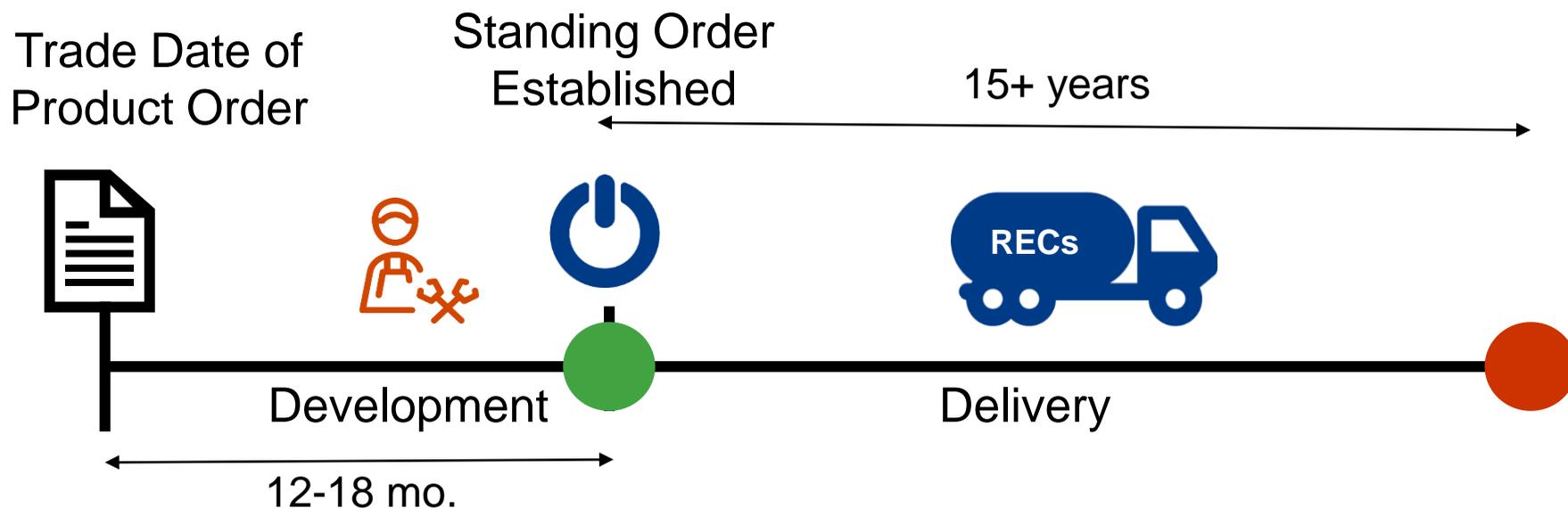
2. Community Renewable Energy Generation Project

- Credits the value of electricity generated by the facility to the subscribers of the facility:
 - (i) Anchor Tenant Subscriber is a single non-End Use Customer (optional)
 - (ii) End Use Customer Subscribers: eligible low-income residential customers under the SFA with a subscription
(RECs associated with shares not subscribed or that are subscribed by other subscribers are not eligible for payment and are not subject to delivery obligations)

There is no requirement for Seller to propose an Anchor Tenant in its Community Solar Project Application

Two Phases for each Designated System

System Level



All RECs (or associated with eligible subscription) generated during Delivery Term Belong to Buyer

Energization by Scheduled Energized Date

System Level

- Date of Final Interconnection Approval no earlier than June 1, 2017
- Scheduled Energized Date
 - 12 months from Trade Date for distributed generation projects
 - 18 months from Trade Date for community solar projects
- Extensions are allowed (see Cover Sheet Section 5b)
 - Schedule A updated with new Scheduled Energized Date
- If not energized by deadline, then system removed from REC Contract and collateral requirement forfeited

See Sections 4 and 5 of Cover Sheet

Payment Is Authorized Upon Energization

System Level

- Met all facility requirements under SFA
- Standing Order established by Scheduled Energized Date (See Section 12b of Cover Sheet)
 - Automatic recurring transfer of RECs from system during Delivery Term
- If Community Solar, then **at least 50% of Non-anchor Nameplate Capacity subscribed by End Use Customers**
 - Example: If 30% is subscribed by Anchor Tenant, then half of 70% (i.e., 35%) must be subscribed by End Use Customers

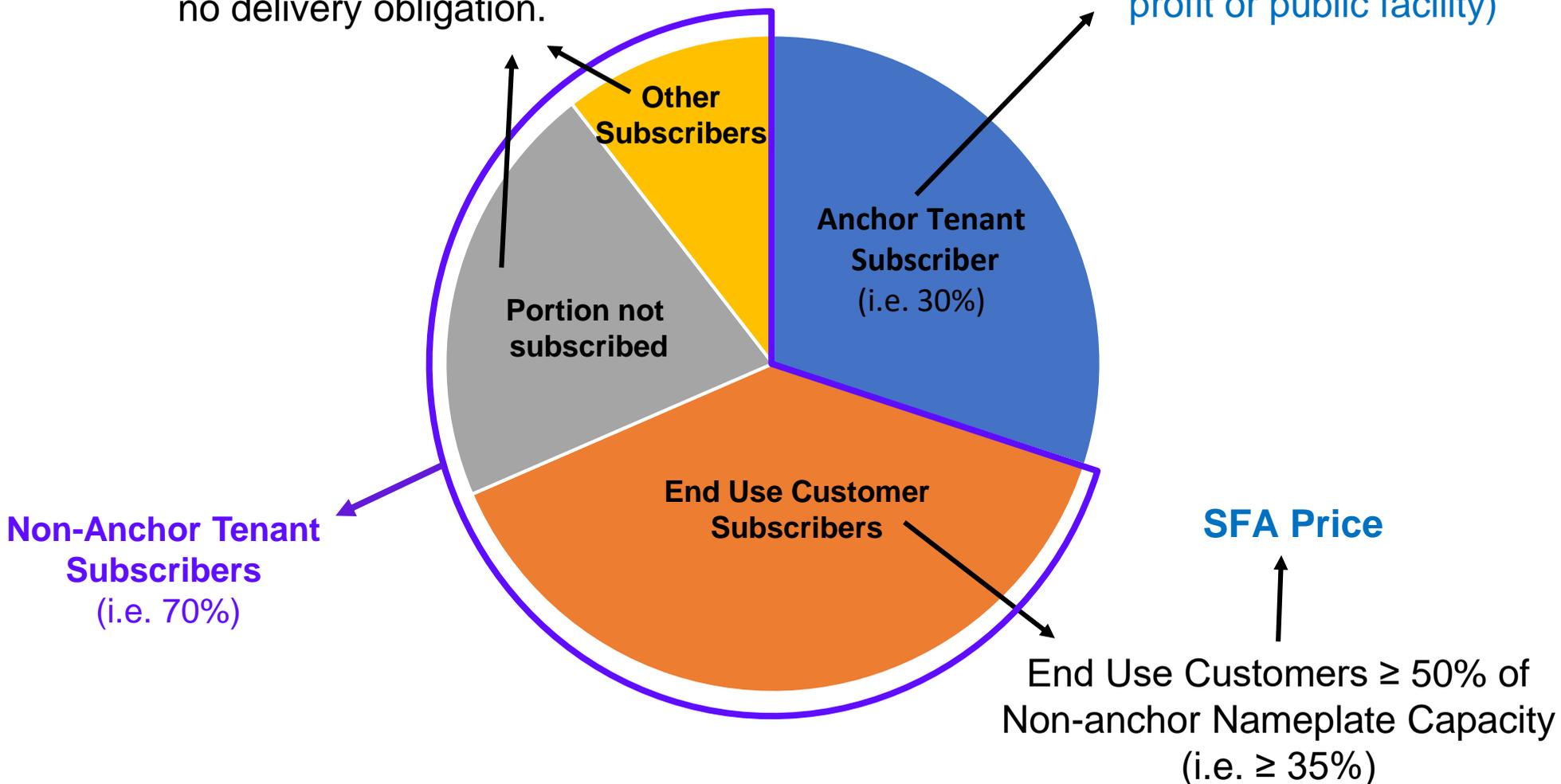
**Payment can only be authorized
when Standing Order is established**

Payments for Community Solar

System Level

Not eligible for payment;
no delivery obligation.

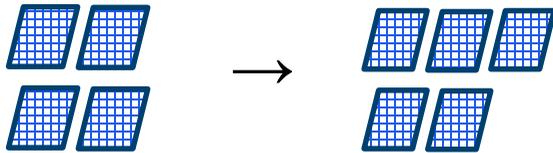
ABP Price (or SFA Price
if Anchor Tenant is a non-
profit or public facility)



Allowable Change: $\pm 25\%$ or $\pm 5\text{kW}$: Distributed Generation

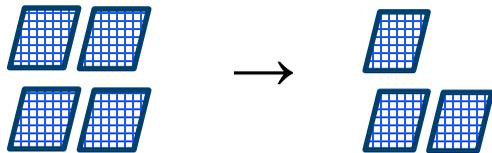
System Level

(Proposed Size < Actual Size)



- Contract Price = REC price applicable to final size under the SFA at Energization

(Proposed Size > Actual Size)



- No change to Contract Price (i.e., Proposed Price indicated in Schedule A)

REC Quantity =
lesser of proposed or final size x capacity factor x 8760 x 15

REC Payment = Price x Quantity

Allowable Change: $\pm 25\%$ or $\pm 5\text{kW}$: Community Solar

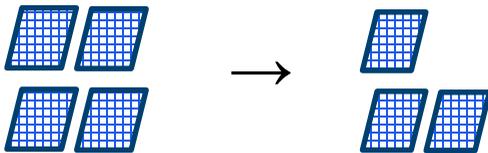
System Level

(Proposed Size < Actual Size)



- Anchor Tenant Contract Price: prevailing ABP or SFA price applicable to **final size** at Energization
- Non-Anchor Tenant Contract Price = SFA price applicable to **final size** at Energization

(Proposed Size > Actual Size)



- No Change to Anchor Tenant Contract Price and Non-Anchor Tenant Contract Price

Anchor Tenant REC Quantity = **lesser of proposed or final size** x cap factor x 8760 x 15 x % of **final size** subscribed by **Anchor Tenant**

Non-Anchor Tenant REC Quantity = **lesser of proposed or final size** x cap factor x 8760 x 15 x % of **final size** subscribed by **End Use Cust.**

Further Adjustments for Community Solar

System Level

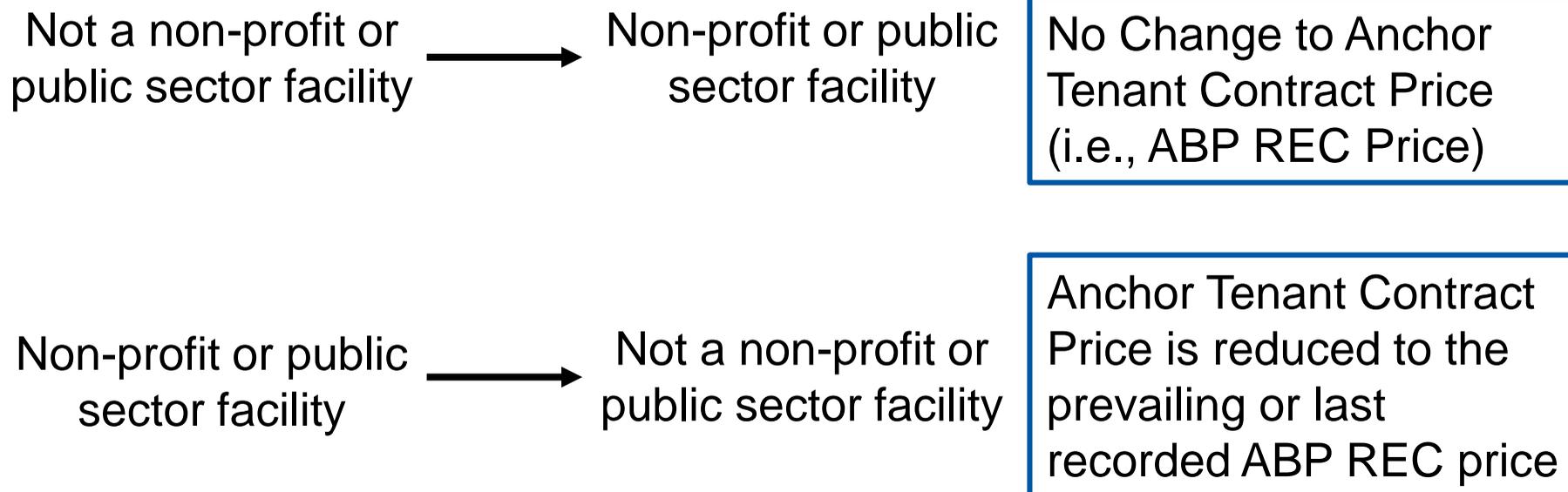
$$\text{REC Payment} = \text{Contract Price} \times \text{Quantity}$$

-
- Non-Anchor Tenant Contract Price is adjusted based on **Community Solar Subscription Mix**
 - Contract Price increases as percent of Actual Nameplate Capacity being subscribed by Small Subscribers increases
-
- Quantity is adjusted based on **Subscriber Rate** by the Anchor Tenant and the End Use Customers
 - REC quantity increases as percent of Actual Nameplate Capacity that is being subscribed increases
-

Community Solar Price and Quantity will be adjusted at energization and after the first year of Operations (Ex. H)

Change of Anchor Tenant

- Change of the Anchor Tenant may be granted by the IPA under **limited** circumstances



See Section 5(f) of Cover Sheet

Community Solar 100% Low-Income Subscriber Ownership

- An **additional \$5 per REC incentive** is paid if Community Solar achieves 100% Low-Income Subscriber Ownership within first 6 years of Energization
 - If the Designated System fails to remain a 100% Low-Income Subscriber Owned Project during the Delivery Term and such deficiency is not cured within a period of four consecutive months from notice, Seller shall return to Buyer such additional payment
 - Return payment is calculated on a pro-rata basis from the date such Designated System fails to remain a 100% Low-Income Subscriber Owned Project until the end of the Delivery Term
 - Designated System shall cease to be a 100% Low-Income Subscriber Owned Project thenceforth regardless of any other ownership changes

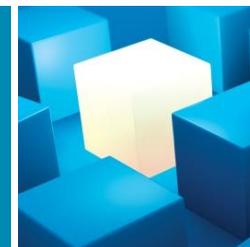
**4-month cure period may be extended for good cause
(See Section 5(f) of Cover Sheet)**

Removal of System and Application Resubmission

System Level

- If final size change is within allowable variance, Seller may request for system to be removed from REC Contract and resubmit application of system to SFA for prevailing SFA price
- If final size change is outside allowable variance, then system is automatically removed from REC Contract; Seller may resubmit application for system to SFA (optional)
- In either case, Seller forfeits collateral unless reapplication is successfully approved by ICC within 365 days of removal of system from REC Contract

See Section 5(g) of Cover Sheet



Collateral Requirement and Seller's Performance Assurance

Collateral Requirement – Cash or Letter of Credit

System Level

- Pre-Energization: $5\% \times (\text{Proposed Price}) \times (\text{REC Quantity based on Proposed Size})$
- Post-Energization: $5\% \times (\text{Contract Price}) \times (\text{REC Quantity based on Contract Size})$

Portfolio Level

- Seller's Performance Assurance = Sum of Collateral Requirement
- Due within 30 business days of Trade Date

Batch Level

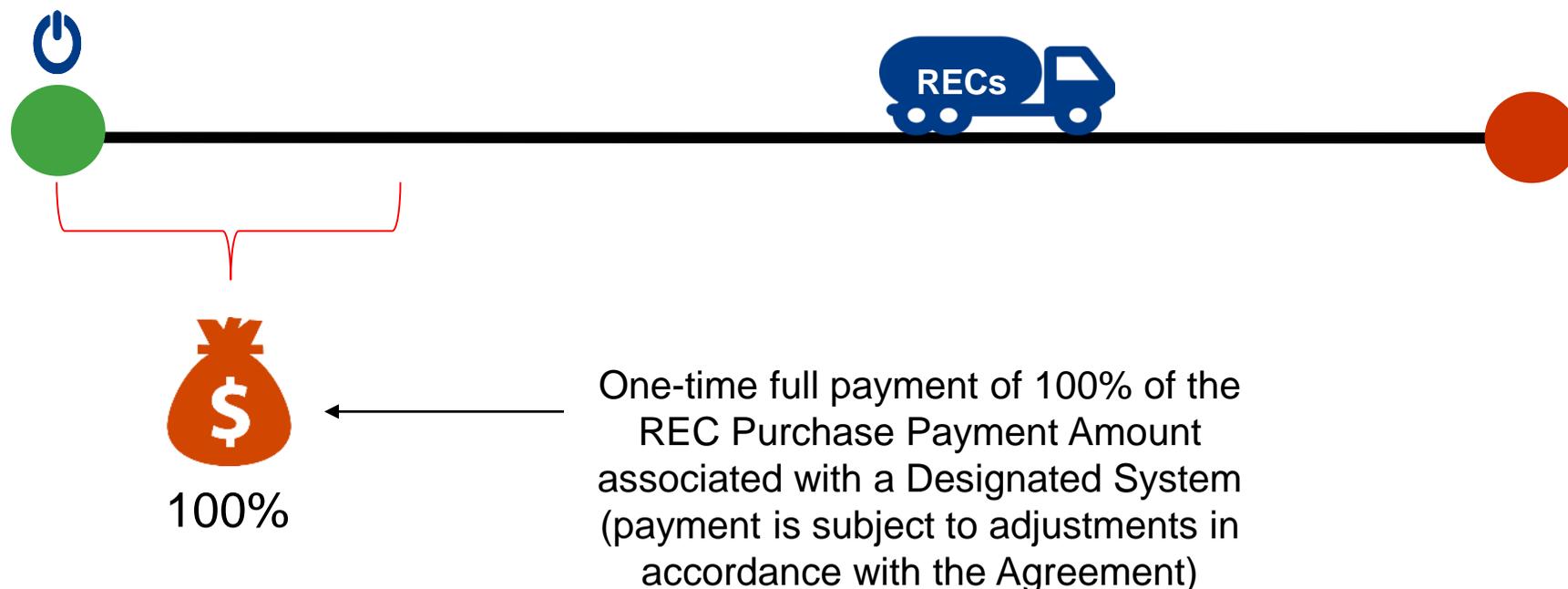
- Seller may request for reduction of Performance Assurance once all systems in Batch rolls off



Payment and Invoicing

One-Time Full Payment

System Level



**Payment occurs upfront when System is Energized
(See Section 2.2 of Master REC Agreement)**

Payments Made Based on Netting Payments Due Across Systems

Portfolio Level

Invoices are paid at end of month when invoices are received (except for the first payment under this Agreement, which is paid on the last day of the following month)



- IPA will issue to Buyer and Seller Quarterly Netting Statement prior to Invoice Due Date (e.g., Jun 1, Sep 1, Dec 1, Mar 1)
- Quarterly Netting Statement indicates maximum payment amount that cumulatively is authorized to be made under the REC Contract
- Buyer's payment to Seller cannot exceed cumulatively what is indicated in the Quarterly Netting Statement

**See Section 2.2 of Master REC Agreement
as modified by Cover Sheet**



Performance and Reporting

See Exhibit G for Drawdown Example

- At **system level**, after 3 Delivery Years have occurred after energization, REC performance is evaluated to determine if a system has a shortfall or a surplus in the Delivery Year
- For outperforming systems, REC performance in excess of expected delivery quantity will be deposited into a Surplus REC Account
- At **portfolio level**, RECs from Surplus REC Account are used to cover underperforming systems that have shortfall amount in the Delivery Year, starting shortfall of lowest contract price
 - Surplus REC Account is purely an accounting/reporting mechanism – RECs are not actually deposited into account
- Collateral drawdowns occur if a shortfall amount still remains

Concepts of Surplus/Shortfalls is to account for performance against contracted expected quantities

System Performance Reviewed Annually

System Level

Delivery Year Expected
REC Quantity

Delivery Year
REC Performance

- Indicated in Schedule B when System is energized
- Based on size, capacity factor and 0.5% degradation factor
- Calculations round down the REC for each Delivery Year
- Based on 3-year rolling average of actual deliveries from system

See Section 6 of Cover Sheet

Seller May Assign REC Contract

Batch Level

- Assignments is for one or more product orders in entirety
- Request may be made no earlier than 30 business days of Trade Date
- Request must identify Transferee and provide all pertinent information and documentation
- Transferee must be an Approved Vendor under the SFA

**See Section 9 of Master REC Agreement
as modified by the Cover Sheet**

Reports

- **Exhibit B – Bi-Annual System Status Form**
 - If system is not yet Energized, this report is to be submitted every 6 months after Trade Date to report on status of system development

 - **Exhibit C – Community Solar First Year Report**
 - After a community solar project is Energized, this report is due after the first year of operation

 - **Exhibit D – REC Annual Report**
 - This report is due by July 15 of each year and provides information for the Delivery Year that just concluded on May 31
 - 90-day window for review, clarification requests and deficiency cure.
 - The annual performance review is based on this report
-

Many of the reports are completed online
