

Illinois Pledges up to \$30 Million for Solar Renewable Energy Credits

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In 2014, the State of Illinois adopted its first solar renewable energy credit (*SREC*) program, establishing a “one-time supplemental procurement plan” (*Procurement Plan*) for SRECs. The Procurement Plan promotes solar development in Illinois and helps achieve the statutorily required 6 percent of the renewable portfolio standard (*RPS*) from solar sources. The RPS requires 25 percent of Illinois’ electricity to come from clean sources by 2025.

The new law, Public Act 98-0622, requires the Illinois Power Authority (*IPA*) to design the Procurement Plan to “ensure adequate, reliable, affordable, efficient, and environmentally sustainable renewable energy resources (including credits) at the lowest total cost over time, taking into account the benefits of price stability.” The Procurement Plan will benefit residential systems and solar facilities with up to 2 megawatts (*MW*) in nameplate capacity. The IPA will manage the sale of up to \$30 million in SRECs in 2015 and 2016.

SREC Procurements

Scheduled Auctions. The IPA will hold three procurements for five-year fixed price SRECs for “new” systems, defined as energized on or after the date of final approval of the Procurement Plan in January 2015. These systems are required to be energized within one year.

The IPA identified two distinct bidding categories based upon system size (1) sub-25 kilowatt (*kW*) and (2) 25kW to 2MW. The IPA has a nonbinding target of \$15 million of the SREC budget to sub-25 kilowatt systems. Residential bidders may submit bids for “speculative” systems (not in the process of construction) as well. For a speculative system, a winning bidder will be required to provide information on the specific system within six months of the procurement event.

The June 2015 auction is for smaller systems (up to 500 kW) and sets a maximum bid size of 5,000 SRECs for sub-25 kW systems over five years. The IPA allocated \$5 million for SREC purchases in this auction.

The November 2015 auction is open to bidders with up to 2MW systems with no cap on maximum SREC bid size. The IPA plans to award \$10 million in this auction. The final auction in March 2016 will distribute \$15 million in SRECs. In the event the full \$30 million in SRECs is not awarded, the IPA has an option to conduct another auction in early 2017.

Bidding Process

The IPA has selected NERA Economic Consulting (*NERA*) to conduct the SREC procurement. As procurement administrator, NERA will design and issue requests for proposals, develop standard contracts, respond to bidder inquiries and conduct SREC price negotiations. Within two days of a procurement event, NERA will submit a report listing the successful bids to the Illinois Commerce Commission for its review and approval. Winning bidders will then enter into standard form contracts with the IPA.

The Procurement Plan also details bidder eligibility criteria.

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System Size and Aggregators. As discussed above, systems must be no larger than 2MW, with a preference for sub-25kW systems. In addition, the Procurement Plan authorizes a third-party aggregator to submit bids to the IPA for SRECs acquired from multiple system owners. The IPA is statutorily required to solicit aggregator participation. Aggregators are allowed to bid in the procurements.

SREC Price. Bidders must propose a uniform price for SRECs generated from each system. This sealed bid price is not subject to later negotiation. Importantly, awards will be made to the lowest bids under the confidential benchmarks set by the IPA. Benchmark prices are based upon such factors as “observed market prices adjusted for expected local costs to develop and operate systems, available incentives, market returns on capital, and term of contract.” Following the June 2015 auction, the IPA will publish the weighted average winning bid prices for (a) sub-25kW systems and (b) 25kW to 2MW systems. These prices will guide future bidding.

SREC Calculation. Bids must also specify the number of SRECs for each system over 5 years. For a bid, SRECs are to be calculated using the formula in the Procurement Plan that sets the capacity factor at 14.38 percent. For example, a 10-kW system will produce about 63 RECs over five years ($0.010 \text{ MW} \times 14.38 \text{ percent} \times 8760 \text{ hours/year} \times \text{five years} = 63 \text{ RECs}$). The IPA may offer to purchase additional SRECs from systems that deliver all their contractual SRECs before the end of the five-year period.

System Requirements. Systems must be operational within one year of the procurement award. Each photovoltaic system must be listed by Underwriters Laboratories or Intertek. As is customary in the industry, system owners must utilize utility-grade meters and track and deliver SRECs using the Generation Attribute Tracking System (GATS) or the Midwest Renewable Energy Tracking System (M-RETS).

Qualified Installers. Systems must be installed by a “qualified person” as defined in the Illinois Power Authority Act. The qualified person must have completed certain training and perform “major activities and actions” in photovoltaic system installation. The Illinois Commerce Commission website has a list of certified solar installers.

Credit Requirements. Bidders must deposit \$16 per SREC (\$100 per kW) for “speculative” systems and \$8 per SREC (\$50 per kW) for all others. Bidders may delay paying up to half of their refundable deposit for up to 14 days after the auction.

Publication of Successful Bids. Names of successful bidders and the weighted average bid price for each category will be published by the IPA. The IPA may also publish the average size of the systems in each category.

Other Governmental Incentives

The IPA is also launching the 2015 Annual Procurement Plan for ComEd and Ameren Illinois. The IPA further recommends a one-year SREC procurement to meet ComEd and Ameren Illinois’ SREC procurement for 2015-16. Unsuccessful bidders in the Procurement Plan may qualify to bid in these SREC procurements.

Bidders receiving state or federal incentives may also be eligible to participate in the new SREC program provided that such incentives do not include the sale or assignment of SRECs.