



Adjustable Block Program

REC Contract Webinar

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InClime

NERA
ECONOMIC CONSULTING

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Insight in Economics™

Agenda

- Overview of Contract Development Process
- REC Contract Structure and Basics
- Development and Energization Requirements
- Collateral Requirement and Performance Assurance
- Invoicing and Payment
- 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 December 7, 2018 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



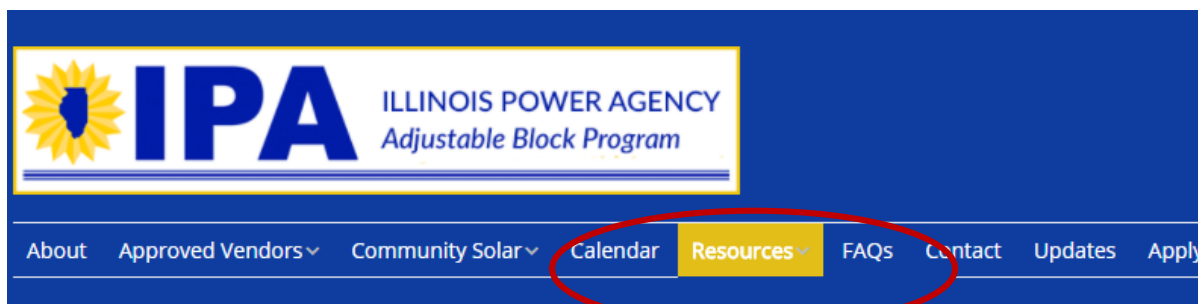
Contract Development Process

Comment Process and Timeline

- December 7: Draft REC Contract Posted for comments
- December 19: Comments received from 9 parties
- December 21: Comments posted on Program website
- December 21: Second Round Comment Period announced
- December 28: Explanatory Webcast
- December 31: Second Round of Comments Due
- January 11: Expected date for REC Contract release
- January 15: Expected date for Program Launch

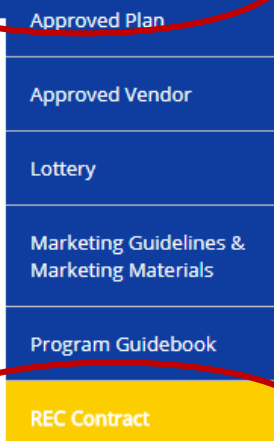
Submit your comments by 5PM on December 31

Contract available at IllinoisABP.com



REC CONTRACT

- Invitation to Comment on Draft REC Contract
- ABP Draft REC Contract
- Comments to the Draft REC Contract



Comments on the Draft REC Contract (December 19, 2018):

Note: The names of all commenters have been redacted

- Commenter 1
- Commenter 2
- Commenter 3
- Commenter 3 Redline Contract
- Commenter 4
- Commenter 5
- Commenter 5 Redline Contract
- Commenter 6
- Commenter 6 Redline Contract
- Commenter 7
- Commenter 7 Redline Contract
- Commenter 8
- Commenter 9

Comments are being evaluated at this time

Comment Process is same as first Round

- Download materials at: <http://illinoisabp.com/rec-contract/>
- Submit your comments by email to comments@illinoisabp.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 payments occur upfront (either in one payment or over 17 quarterly payments)
- After Energization, **Quarterly Netting statement** indicates payment amounts that cumulatively cannot be exceeded under the REC Contract at that point in time

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 ABP

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

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

- **Quarters:** *Jun – Aug | Sep – Nov | Dec – Feb | Mar – May*
 - Invoicing and payments occurs on quarterly basis
 - Community solar provides quarterly reports during first year of ops.

REC Contract is between Approved Vendor (as Seller) and a utility (as Buyer)

- Approved Vendor may submit multiple Batches to ABP
- A Batch must be for a minimum 100 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
 - Approved Vendors do not choose which 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

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

Selected Defined Terms

REC Contract

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

Product Order

- Trade Date
- Transaction
- Aggregate Drawdown Payment

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 8 Exhibits

Cover Sheet

– Exhibit A: Product Order

- Schedule A: Summary Information of Proposed System
- Schedule B: Summary Information of Final System

– Exhibit B: Bi-Annual System Status Form

– Exhibit C: Community Solar Quarterly 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: 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 ABP including:
 - system requirement
 - payment terms
 - delivery obligations
 - penalties

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

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

Product Order contains Schedules A and B

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

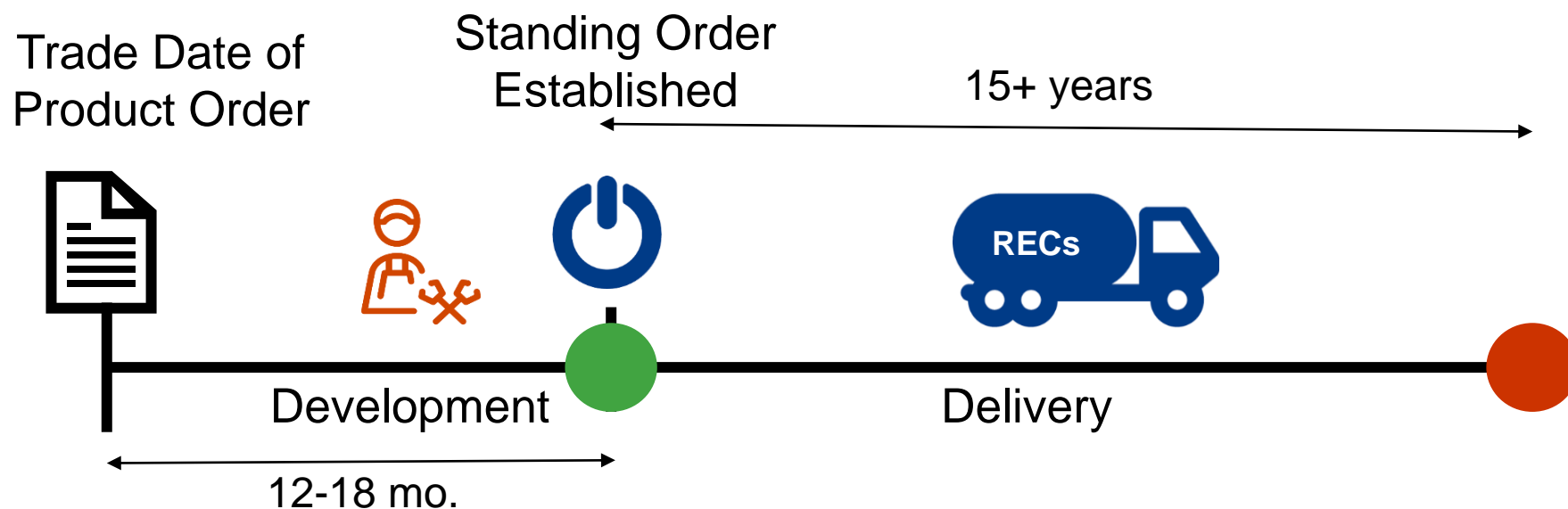
1 PO may contain multiple Schedules A & B



Development & Energization

Two Phases for each Facility

System Level



**All RECs generated during
Delivery Term Belong to Utility**

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

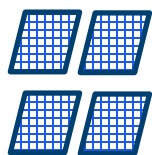
- Met all facility requirements under ABP
- Standing Order established by Scheduled Energized Date (See Section 12b of Cover Sheet)
 - Automatic recurring transfer of RECs from system during Delivery Term
- If Community Solar, then at least 50% of actual nameplate capacity is subscribed

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

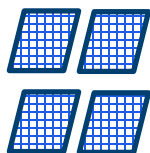
Final Size is different from Proposed Size?

System Level

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



- Contract Price = REC price applicable to final size under the ABP at Energization
- Quantity based on proposed size



- Contract Price = Proposed Price indicated in Schedule A
- Quantity based on final size

Allowable variance for size difference is greater of: 5% of Proposed Size or 1kW

Price Adjustments for Community Solar

System Level

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

-
- Contract Price is adjusted based on **Community Solar Subscription Mix**
 - Contract Price increases as percent of Contract Nameplate Capacity being subscribed by Small Subscribers increases
-
- Quantity is adjusted based on **Subscriber Rate**
 - REC quantity increases as percent of Actual Nameplate Capacity that is being subscribed increases

For Community Solar, Price and Quantity will be adjusted quarterly during first year of operations

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 ABP for prevailing ABP price
- If final size change is outside allowable variance, then system is automatically removed from REC Contract; Seller may resubmit application for system to ABP (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(f) of Cover Sheet



Collateral Requirement and Seller's Performance Assurance

Collateral Requirement

System Level

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

Portfolio Level

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

Batch Level

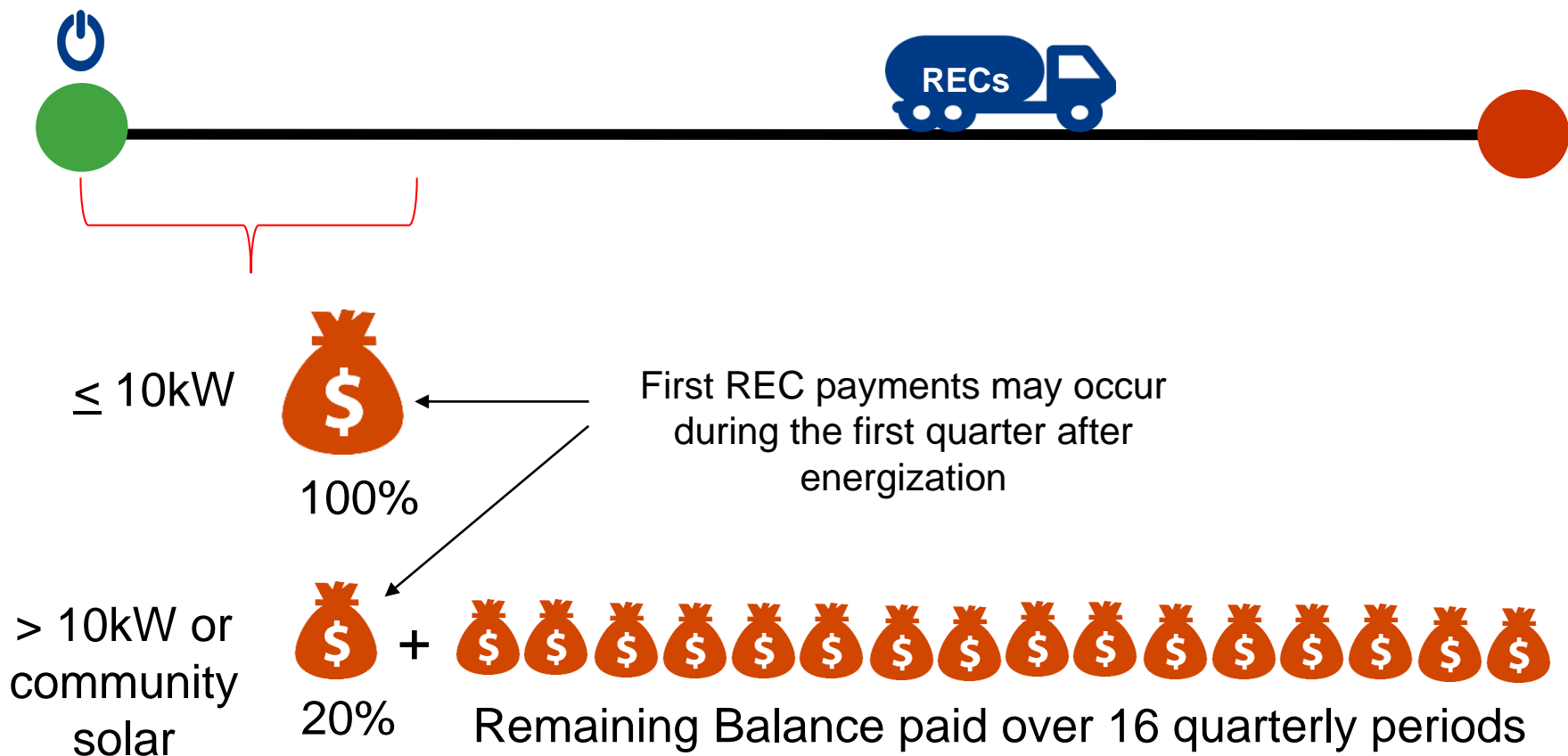
- Seller may request for reduction of Performance Assurance once all systems in Batch rolls off



Payment and Invoicing

Payments depends on System Size

System Level



Payment Occurs Upfront when System is Energized

Payments made based on netting payments due across systems

Portfolio Level

Invoices are paid at end of month
when invoices are received



- ABP administrator 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**, REC performance is evaluated to determine if a system has a shortfall or a surplus in the Delivery Year
- For outperforming systems, the RECs delivered in excess of the expected delivery quantity will be deposited into a Surplus REC Account
- At **portfolio level**, RECs from Surplus REC Account is used to cover underperforming systems that have shortfall amount in the Delivery Year, starting with the system with lowest contract price
- 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
- If system has not reached 3 full delivery years of operations, then an annualized average of actual REC deliveries is used

See Section 6 of Cover Sheet

Seller may assign REC Contract

Portfolio Level

- Assignments is for entire contract only
- Request may be made no earlier than 30 days of Trade Date
- No automatic assignments
- Request must identify Transferee and provide all pertinent information and documentation
- Transferee must be an Approved Vendor under the ABP

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

Reports

- **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 Quarterly Report**

- After a community solar project is Energized, this report is due after each quarter for the first year of operations

- **Exhibit D – REC Annual Report**

- This report is due by July 10 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
