



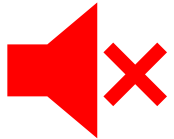
ADJUSTABLE BLOCK PROGRAM REC Contract Stakeholder Workshop

SEPTEMBER 11, 2020

Benjamin Chee, NERA



House Keeping Items



Please mute yourself when you are not speaking.



If you would like to respond to the comments made, please simply unmute yourself and respond.

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 first draft agreement was posted on July 24, 2020. The second draft agreement was posted on September 4, 2020. Participants bear full responsibility for reviewing and understanding the written agreement.
- Governing documents include Public Act 99-0906, the IPA's Revised Long Term Renewable Resources Procurement Plan, and ICC Order in Docket No. 19-0995

Download contract materials, this presentation and audio recording: IllinoisABP.com/rec-contract/

Agenda



1 Background and Objective

2 Summary of Topics

3 Discussion



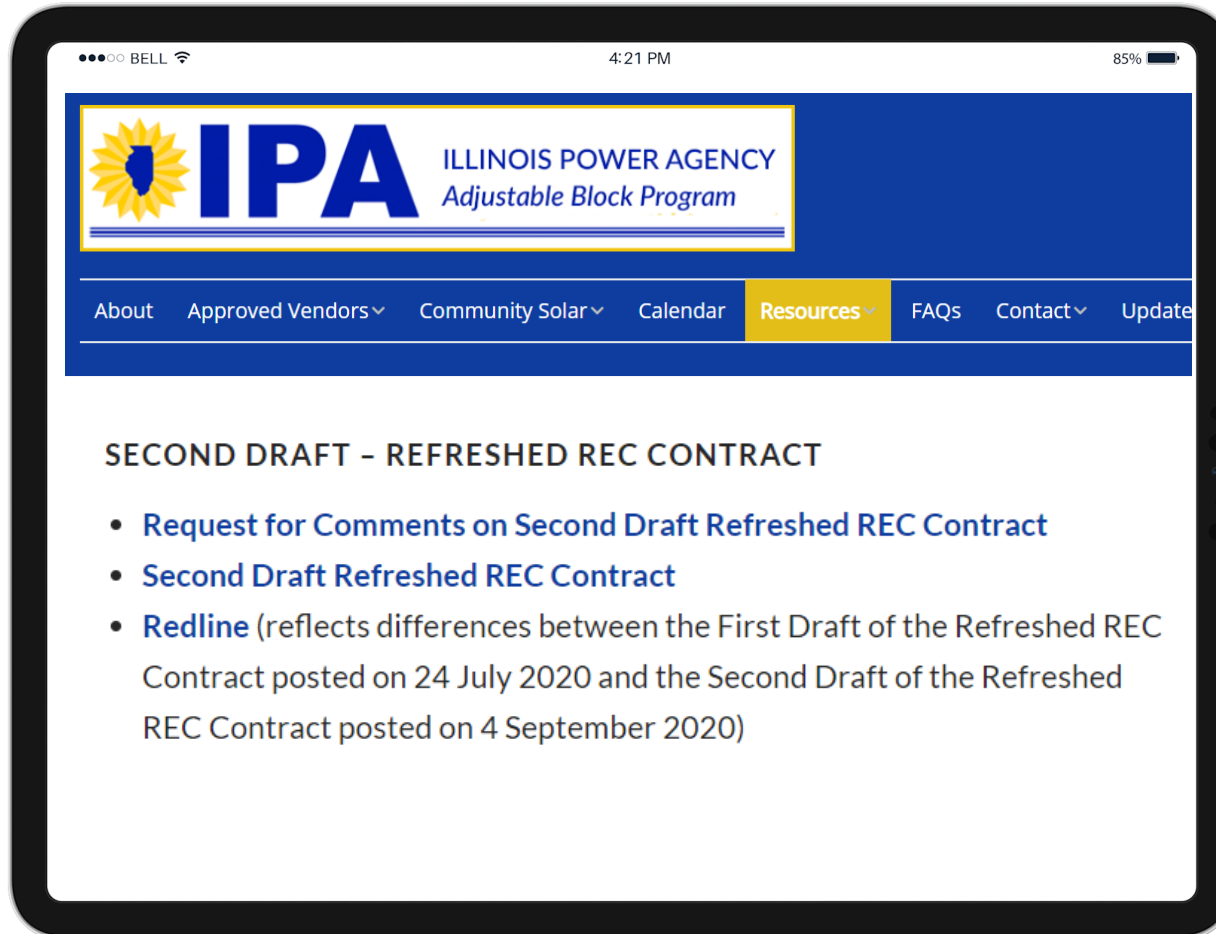
01 | Background and Objective

Comment Process and Timeline

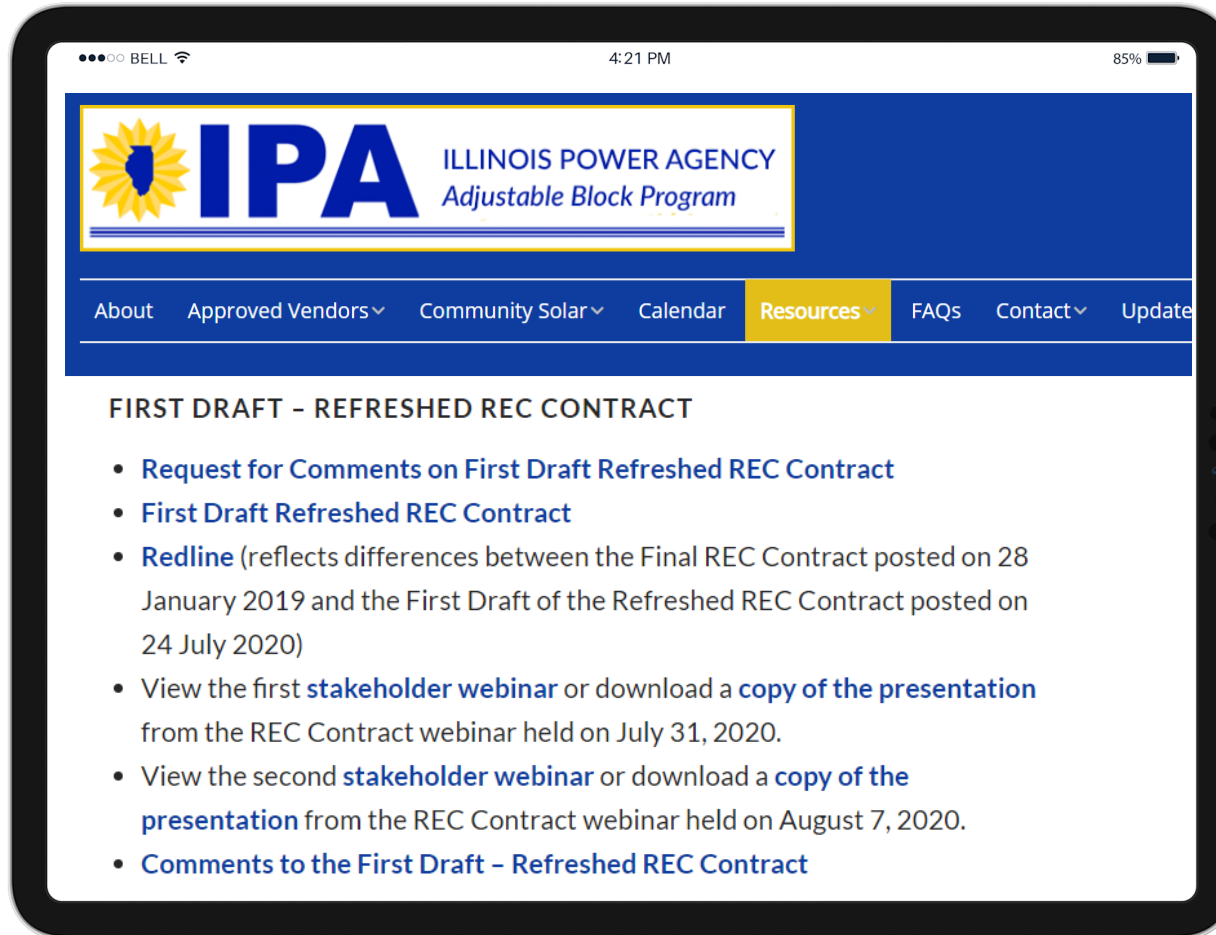
- **Apr-May:** IPA solicited written comments on specific questions
 - written comments are available on the ABP website
 - **July 24:** First Draft of refreshed contract posted
 - **July 31:** Explanatory Workshop
 - **August 7:** Virtual Stakeholder Workshop to discuss First Draft
 - **August 14:** Written Comments on First Draft due
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- **Sept 4:** Second Draft of refreshed contract posted
 - **Sept 11:** Virtual Stakeholder Workshop to discuss Second Draft
 - **Sept 18:** Written Comments on Second Draft due
 - **TBD:** Final refreshed contract posted

Interactive dialogue

Comments on Second Draft Refreshed REC Contract due September 18



The recording of this stakeholder workshop will be posted online



Materials related to the first draft, including the stakeholder webinar and the comments received, are already posted

Comment Process



Sept. 18

- download materials at: <http://illinoisabp.com/rec-contract/>
- email written comments: IPA.Solar@illinois.gov
- use tracked changes; provide explanatory notes in a separate document or highlight in tracked changes
- comments will be posted online

Today's workshop is about hearing from stakeholders. **Please provide any comments you make today in writing as well.**



02 | Summary of Changes in Second Draft

Summary of Contract Changes and Discussion Topics

A	Timing of the Implementation of the Refreshed Contract
B	Updated Definitions – Article 1
C	Tracking of RECs transferred prior to Energization – Section 2.3 (f)
D	Community Renewable Energy Quarterly Payment Adjustment – Section 2.6
E	Delivery Year REC Performance Calculation – Section 4.2 (c)
F	Reference to Quarterly Netting Statement Calculations Example (Exh F-4) – Section 5.1
G	Cost Recovery – Section 5.4
H	Credit and Collateral Requirements – Article 7
I	Net Out of Settlement Amounts – Section 9.4 (b)
J	Inclusion of Pandemics as Force Majeure (Section 10.1)
K	Updates to Exhibits
	Other Pertinent Issues?

Redline between ~~First (July 24)~~ vs. Second (September 4) draft is posted online.



03 | Discussion

A. Timing of the Implementation of the Refreshed ABP REC Contract

- Section 6.7 of the Revised Plan states that once the refreshed REC Contract is finalized,

“projects approved by the Commission after the contract finalization date would use the new contract, regardless of application date. The Adjustable Block Program will also provide an “off-ramp” option offered for any already applied projects that were expecting to be subject to the original contract and could now be nonfinanceable (or otherwise unable to be developed) under the updated contract.”

- **Proposal:** At this time, the Agency is proposing that the Refreshed REC Contract will not be formally finalized until such time as funding is available to allow for the opening of additional blocks of capacity (block 5 for community solar and large distributed generation, block 4 for small distributed generation). In this way the current REC Contract will continue to be used for current blocks of capacity including projects selected off waitlists.

B. Updated Definitions – Article 1

- Typo corrections
- Updates to definitions include:
 - “Delivery Term”: added clarity about the Delivery Term being 180 months
 - “WHO”: introduced a definition for the World Health Organization (used in Article 10 – Force Majeure)

C. Tracking of RECs transferred prior to Energization – Section 2.3 (f)

- AV must initiate Standing Order request for REC transfer as part of its ABP Part 2 Application and Buyer may accept the properly submitted Standing Order once it is received. The parties acknowledge the following:
 - RECs may begin to transfer prior to the date of Energization (i.e., prior to Part 2 Application approval).
 - All RECs transferred are retired by Buyer and shall not be returned to Seller (regardless of whether designated system is approved for Energization or not).
 - Unless the designated system is Energized, the Delivery Term shall not be deemed to have commenced.
 - Upon Energization, the Delivery Term shall be deemed to have commenced in the month after the 1st REC transfer occurred and shall end 180 months after (i.e., Delivery Term may commence prior to the Date of Energization.)

D. Community Renewable Quarterly Payment Adjustment – Section 2.6

- Quarterly Payment Adjustment
 - Contract price and REC Quantity used for calculating REC Payments are based on the **greater of**:
 - a. the Community Solar Subscription Mix and subscriber rate on the last day of the preceding Quarterly Period; **or**
 - b. the average of the 15 highest daily values observed (such daily values do not need to be consecutive) in the preceding Quarterly Period
 - There remains a cure period if the calculated subscriber rate for the fourth Quarterly Period is < 50%.

E. Delivery Year REC Performance Calculation – Section 4.2 (c)

- Additional clarity on the Delivery Year REC Performance in future Delivery Years:

(B) For purposes of calculating the Delivery Year REC Performance in future Delivery Years, each Designated System that has a Delivery Year Shortfall Amount for which such Delivery Year Shortfall Amount is covered by Surplus REC(s) and/or for which a payment from Seller or from Seller's Performance Assurance has been applied to the Drawdown REC Quantity, such Designated System is deemed to have Delivered REC quantities equal to the Delivery Year Expected REC Quantity in such Delivery Year each such Delivery Year accounted for in the Delivery Year REC Performance calculation that resulted in the Delivery Year Shortfall Amount.⁴⁵

⁴⁵ As such, the REC Deliveries in each of the Delivery Years accounted for in the Delivery Year REC Performance (i.e., the 3-year rolling average) will be deemed to have the same REC Deliveries in each such Delivery Year (i.e., thereby netting out any specific year underperformance or overperformance) for purposes of calculating the Delivery Year REC Performance in future Delivery Years.

E. Delivery Year REC Performance Calculation – Section 4.2 (c) (cont'd)

1. Calculate the Delivery Year REC Performance

Designated System ID	Delivery Year 2021-2022	Delivery Year 2022-2023	Delivery Year 2023-2024	Delivery Year REC Performance
1000	127	133	136	132 RECs

3-year rolling average

2. Determine whether a Designated System is underperforming or outperforming

Designated System ID	Contract Price (\$/REC)	Delivery Year Expected REC Quantity	Delivery Year REC Performance	Surplus REC / (Delivery Year Shortfall Amount)
1000	73.23	135 RECs	132 RECs	(3)

3. Once Surplus RECs and/or drawdown payment has been applied to the Shortfall Amount, then Seller is deemed to have delivered the DY Expected REC Quantity in all years for which the rolling average is based.

Designated System ID	Delivery Year 2021-2022	Delivery Year 2022-2023	Delivery Year 2023-2024
1000	127 135	133 135	136 135

All overperformance and underperformance are netted out

F. Reference to Quarterly Netting Statement Calculations Example (Exhibit F-4) – Section 5.1

- Exhibit 4: Quarterly Netting Statement Calculations Example

Exhibit F-4
Quarterly Netting Statement Calculations Example
(All Prices and Quantities are Illustrative only)

The IPA shall endeavor, on a commercially reasonable efforts basis, to issue to Seller such Quarterly Netting Statement specifying the Maximum Allowable Payment by the first (1st) Business Day of the month following the conclusion of a Quarterly Period if there is a change to the Maximum Allowable Payment that can be made under such Quarterly Payment Cycle since the last issuance of the Quarterly Netting Statement for such Quarterly Payment Cycle.

The example provided below is for illustrative purposes only and has been simplified to facilitate the understanding of the Quarterly Netting Statement applicable to a Quarterly Payment Cycle at one point in time.

- If designated system is Community Renewable Project, Quarterly Netting Statement will include **payment adjustments** (see Section 2.6).

G. Cost Recovery – Section 5.4

- Section 5.4 was updated with additional clarifying language:

“Payment obligations for contracts executed pursuant to 20 ILCS 3855/1-75(c)(1) and associated expenses within a given delivery year exceeding the actual balance of collections made to date under Section 16 -108(k) within that delivery year would not provide a valid basis for non-payment by Buyer, unless Buyer's compliance with such payment obligations would cause Buyer's cumulative payments for RECs in a given Delivery Year to exceed the amount of the Available Funds for that Delivery Year.”

H. Credit and Collateral Requirements – Article 7

No change to existing concepts:

- Initial Performance Assurance for a batch is collected within 30 days of Trade Date (i.e., 5% of value of expected payments of all designated systems in such batch)
- Performance Assurance is held on a portfolio basis (at contract level across batches)
- Collateral Requirement is 5% of “remaining” value (i.e., decreases over time). It is typical for Performance Assurance Requirement \leq Performance Assurance Amount
- Amounts held by Buyer are generally not reduced or adjusted over time unless there is a triggering event (see Section 7.1(e)) and are generally returned only after all designated systems within a batch roll off.

Clarification added:

- Collateral that is returned is based on Collateral Requirement calculated at time of triggering event. For example, when all designated systems within a batch have rolled off, the returned amount shall be based on the Collateral Requirement calculated for the last Delivery Year of a given designated system (then summing across the calculated Collateral Requirement of all such rolled-off systems).

I. Net Out of Settlement Amounts – Section 9.4 (b)

- Clarity added:
 - Unless Seller pays the Termination Payment in full during the 20 Business Day period, Seller's Performance Assurance held by Buyer shall be applied to the Termination Payment and any excess Performance Assurance Amounts shall be returned to Seller
- Exhibit F-5:
 - Example of Settlement Amounts and Termination Payment Calculations provided

J. Inclusion of Pandemics as Force Majeure (Section 10.1)

- Force Majeure includes pandemics as declared by the WHO

K. Updates to Exhibits

- Typographical corrections and clarity added (where applicable)
- Language and requirements made consistent with contract provisions
- Exhibit F-5 added (related to Settlement Amounts and Termination Payment)

Other Pertinent Issues





Contact | IPA.Solar@illinois.gov