

# 2023 Annual Report and Delivery Year REC Evaluation Informational Webinar

Presented by: Energy Solutions and  
Illinois Power Agency

May 9, 2023



# Today's Presenters



**Julie Hurewitz**  
Energy Solutions  
Sector Strategist,  
Large DG



**Keely Weiss**  
Energy Solutions  
Senior Project  
Manager, Operations



**David Beavers**  
Sunesty Energy  
Catalysts  
Founder and Principal

# Agenda

**1** Annual Report Overview

---

**2** REC Performance Evaluation

---

**3** Community Solar Parameters Evaluation

---

**4** Drawdown Process

---

**5** Questions



# Annual Report Overview



# What is the Annual Report?

On an annual basis, each Approved Vendor is required to submit an Annual Report of the contracts and systems in its portfolio, which serves as the basis for verifying that RECs are being delivered as required.

The report will include the following information:

1. Number of RECs delivered by each of the systems in the portfolio.
2. Status of all systems that have been approved, but not yet energized, including any extensions requested and granted.
3. Energized systems that have not delivered RECs in the year.
4. For Community Solar systems, a summary of subscriber information.
5. Balance of collateral held by each utility.
6. A summary of requests for REC obligation suspensions, reductions, or eliminations, due to force majeure events or other circumstances.
7. Information on consumer complaints received.
8. Workforce demographic information.

# 2023 Program Year Annual Report Overview

Between July 1 and July 17, 2023, all Approved Vendors submit Annual Report responses.

**Annual Report data will be issued to AVs via SharePoint. AVs must have access to their SharePoint folder to complete the Annual Report process.**

The Program Administrator will contact each AV to confirm access to each AVs SharePoint folder, allowing for permission removals and additions.

**Non-submission of the Annual Report is an Event of Default.**

**A step-by-step guide will be provided to assist AVs in the annual report process.**



# Annual Report Timeline Overview – Critical Dates

May 31, 2023	Bi-Annual Reports due (You have already received a direct email, if this applies to you).
May 31, 2023	Last day of the Delivery Year and the last day to have RECs delivered to count towards the 2023 Delivery Year Annual Report. (Make sure deliveries are in tracking registries by May 24)
June 10, 2023	Community Solar Subscriber Data due (You have already received a direct email, if this applies to you).

**Please note:** Once generated data is uploaded to GATS, it may take up to 7 days for the data to process and for a REC certificate to be created. Once created, the certificate needs to be transferred successfully. Keeping this in mind, please endeavor to have all available energy generation data uploaded to GATs at least 7 days before May 31, 2023, to allow time for REC certificate creation and transfer.

Generation data uploaded to M-RETS is processed instantly, creating and transferring RECs per a standing order within moments. Nonetheless, AVs may want to act early out of an abundance of caution.

Any RECs generated or transferred after the May 31, 2023, deadline will be counted towards the 2024 Delivery Year’s Annual Report.

# Annual Report Timeline Overview – Critical Dates

**June 16, 2023**

Step by step guide on filling out the Annual Report will be released. The process will be very similar to last year's utilizing Microsoft Forms and SharePoint folders.

**July 1, 2023**

Annual Report Response Period begins. AVs review reports on SharePoint and submit Annual Report responses. Non-submission of the Annual Report is an event of default under the REC contract.

**July 17, 2023**

Annual Report Response Period ends. This is the deadline to submit Annual Report responses. Not filing an Annual Report by the deadline may jeopardize an AVs standing in the Program.

**July 18, 2023**

Annual Report Cure Period begins. Program Administrator will contact AVs to cure any report discrepancies. Annual Reports that were not submitted during the preceding response period will not be accepted during this time. The cure period is limited to the curing of issues identified in already submitted Annual Reports.

**October 1, 2023**

Last day for Program Administrator to inform AVs of discrepancies.

**October 13, 2023**

Annual Reports are finalized. No modifications to submissions will be permitted after this date.

**November 15, 2023**

Program Administrator Collateral Adjustment Calculations complete.

# REC Performance Evaluation



# Preliminaries

- **CAUTION:** This portion of the presentation pertains to the 2019 Contract only!
  - **2019 Contracts are the only ones eligible for collateral drawdowns in 2023.**
  - Similar process in 2021 15-Year and 2022 15-Year Contracts, but there are differences in the details.
  - This process is not applicable to 2021-20 Year and 2022 20-Year Contracts.
- Evaluations are performed across the portfolio of Designated Systems in a 2019 Contract.
  - Drawdowns (if any) are also made over a contract.
- For purposes of describing the evaluation process, a hypothetical contract consisting of four Large DG and two Community Solar projects will be used.

# Purpose

## What is the purpose of the annual REC Performance Evaluation and Community Solar Parameters Evaluation?

Ensure that the Approved Vendor is meeting its obligations under the 2019 Contract.

- Provides leverage (via potential Drawdowns of collateral resulting from the REC Performance Evaluation) to make sure RECs are delivered in appropriate quantities over a 15-year term.
- The Community Solar Parameters Evaluation, and potential resulting Drawdown, provides an incentive to maintain subscriber and small subscriber levels consistent with levels in the 4th Quarterly Report.

As RECs are paid for in a lump sum, or rated payments over the first years of the term, there is no direct economic incentive for an AV to deliver RECs - other than the potential for a Drawdown.

# Roles



AVs are responsible for uploading generation data to GATS/M-RETS and making sure RECs are delivered to a utility account by the end of May.



The AV will provide data as needed for the issuance of an Annual Report (by July 15) and work with the Program Administrator to resolve any questions with the report.



The Program Administrator working on behalf of IPA, will perform the evaluations and calculate Drawdowns on the Performance Assurance (if any).



The Utility will implement Drawdowns (if required).

# REC Performance Evaluation: Overview

For each Designated System (DG or CS) assigned to an AVs contract:

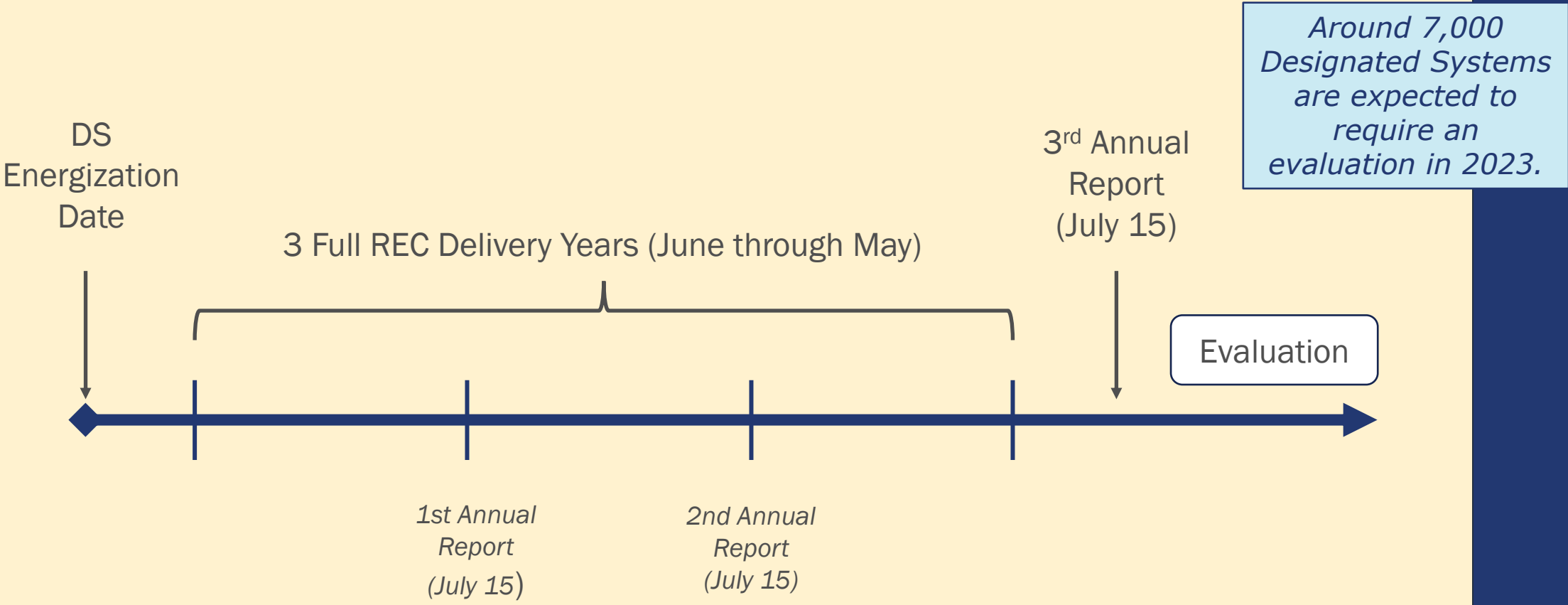
1. Identify the DS that are required to undergo an evaluation (i.e. DS with at least three full Delivery Years after Energization).
2. Calculate a three-year rolling average of REC deliveries for each DS based on the past three Annual Reports (“Delivery Year REC Performance”).
  - Note: For Community Solar, a two-year rolling average may be used in lieu of the three-year rolling average during the first ever evaluation.
3. Subtract the Delivery Year Expected REC Quantity from the three-year rolling average of REC deliveries to get a REC surplus or shortfall.
4. Assign REC surplus to DS with shortfalls until either:
  - a) All shortfalls are resolved by surplus and there is a net surplus over the contract, or
  - b) All the surplus is used up and there is a net shortfall and a Drawdown payment is calculated.

*Follows Section 6 (d) of the 2019 Contract*

*Also see: Exhibit G - Surplus RECs and Drawdown Payments*

# Step 1: Identify the DS that are Required to Undergo an Evaluation

Example timeline of DS required to undergo its first REC Performance Evaluation



# Step 2: Calculate a Three-year Rolling Average of REC Deliveries Using Annual Reports

Designated Systems under a hypothetical contract

DS ID	Class (DG or CS)	DY 1 RECs Delivered	DY 2 RECs Delivered	DY 3 RECS Delivered	Rolling 3-yr Avg (DY REC Performance) [Round Down]
1	DG	100	105	97	100
2	DG	103	107	100	103
3	DG	90	103	99	93
4	DG	105	109	102	105
5	CS	2,420	2,420	2,270	2,345
6	CS	2,300	2,390	2,000	2,230

(2-yr average is +2 over 3-yr average)

For Community Solar only, the first Annual Evaluation, a 2-yr Rolling Average of the most recent Delivery Years may be substituted for the 3-yr average.

# Step 3: Subtract the Delivery Year Expected REC Quantity from the Three-year Rolling Average

DS ID	Class (DG or CS)	Rolling 3-yr Avg (DY REC Performance)	DY Expected REC Quantity	REC Surplus	REC Shortfall
1	DG	100	100	0	
2	DG	103	100	3	
3	DG	93	100		(7)
4	DG	105	100	5	
5	CS	2,345	2,300	45	
6	CS	2,230	2,300		(70)
Totals				53	(77)

- REC Expected Quantities are available in the Schedule B to Exhibit A associated with the Designated System.
- Note: For most Designated Systems, the first Delivery Year will be partial, not full, and the fourth year in Schedule B will be used for the first Evaluation.
- See Exhibit G: Surplus RECs and Drawdown Payments

# Step 4: Assign REC Surplus to DS with Shortfalls

DS ID	Class (DG or CS)	REC Price	REC Shortfall	REC Surplus Assigned	Net REC Shortfall	Drawdown Payment [REC Price * Net RECs]
1	DG					
2	DG					
3	DG	\$70	(7)	7	0	(\$0)
4	DG					
5	CS					
6	CS	\$80	(70)	46	(24)	(\$1,920)
Totals			(77)	53	(24)	(\$1,920)

REC Surplus = Current REC Surplus + Previous Year's Surplus

(In this hypothetical, there is no Previous Year's Surplus)

REC Surplus = 51

Surplus assigned in order of the lowest REC Price

If the REC Surplus had been greater than the REC Shortfall, there would have been a net Surplus to carry forward to next year.

# Community Solar Parameters Evaluation



# Community Solar Parameters Evaluation: Overview

*2019 Contract, Section 6(e)*



**1. Identify Community Solar projects required to undergo an evaluation.**



**2. Determine if a Drawdown is needed.**

- a) Based on subscriber percentage (“actual Nameplate Capacity that has been subscribed”).
- b) Small subscriber percentage (“Solar Subscription Mix”).

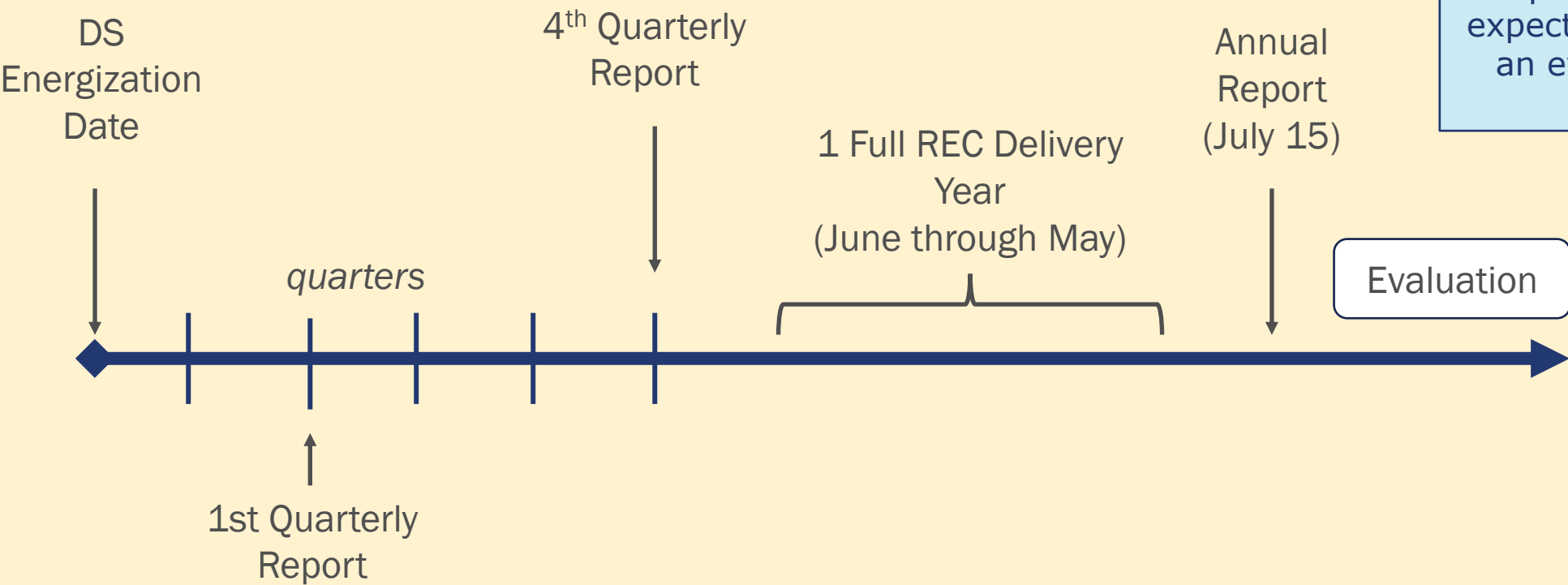


**3. Calculate Drawdown (if needed).**

Calculation similar to the Adjustment calculation associated with invoicing.

# Step 1: Identify the DS that are Required to Undergo an Evaluation

## Example timeline of DS required to undergo its first Community Solar Parameters Evaluation



32 Community Solar projects are expected to require an evaluation in 2023.

# Step 2: Determine if a Drawdown is needed

	DS 5	DS 6	
a) Did the Community Energy Generation Project maintain the Community Solar Subscription Mix required as indicated in the last Community Solar Quarterly Report?	<i>Small Subscriber %</i> 4th Q Report: 80% Annual Report: 77%  <b>YES! Did not drop below 75%</b>	<i>Small Subscriber %</i> 4th Q Report: 77% Annual Report: 73%  <b>No! Dropped below 75%</b>	<ul style="list-style-type: none"> <li>To avoid a Drawdown, “Yes” answers to both (a) and (b) are required.</li> </ul>
b) Did the Community Energy Generation Project maintain [or exceed] Actual Nameplate Capacity that has been subscribed as provided in the last Community Solar Quarterly Report, or exceed 90%?	<i>Subscriber %</i> 4th Q Report: 98% Annual Report: 92%  <b>YES! Stayed above 90%</b>	<i>Subscriber %</i> 4th Q Report: 92% Annual Report: 85%  <b>No! Subscriber % was not maintained, and did not stay above 90%</b>	<ul style="list-style-type: none"> <li>Small Subscriber % Contract bins [25%, 50%, 75%] for Price Adder.</li> </ul>
Did the Community Solar project pass the Drawdown test?	<b>YES!</b>	<b>NO!</b>	<div>           → “No” means a Drawdown is required         </div>

# Step 3: Calculate Drawdown Payment (if needed)

Drawdown for Hypothetical DS 6

	Schedule B associated with 4 <sup>th</sup> Q Report	Adj based on Annual Report	
Contract Capacity (kW)	2000	2000	
Capacity Factor	0.2381418200	0.2381418200	
Price	\$64.36	\$53.19	Drop from 77% to below 75% in the Small Subscriber% means a 17% drop in the REC Price!
Group (A or B)	A	A	
Adder	\$33.51	\$22.34	
4 <sup>th</sup> Q Sub%	92.0000%	85.0000%	Drop from 92% to 85% in the Subscriber% means an 8% drop in the lifetime Contract REC Quantity!
Designated System Contract Maximum REC Quantity	57,576	53,196	
Rec Purchase Payment Amount	\$3,705,591.36	\$2,829,495.24	
Delivery Year Contracted Payment	\$741,118.27	\$565,899.05	
	Drawdown Payment	(\$175,219.22)	Difference in Payment received by AV, and the payment they would have received using current Annual Report values.

# Putting it Together:

## Drawdown / Surplus RECs under the Contract

	Drawdown	Surplus RECs for 2024
Rec Performance Evaluation	(\$1920)	0
Community Solar Parameters	(\$175,219)	
Total	(\$177,139)	

# Drawdown Process



# Drawdown Process

**2019 Contract, Section 6(e)**

## Evaluation Complete

The Program Administrator, on behalf of IPA, completes the Evaluations by November 15, and notifies the Utility (“Buyer”) and AV (“Seller”) of the result.

## Payment / Drawdown

*Section 6(d)v(1), 2019 Contract*

Utility informs AV of the Aggregate Drawdown Payment by written notice.

If Seller’s Performance Assurance is less than the Aggregate Drawdown Payment, then Seller shall pay the Buyer the difference within ten (10) Business Days of notice by the Buyer (See Contract section for payment / drawdown options).

## Drawdown Threshold

*Section 6(d)v(1), 2019 Contract*

If this is not the last Delivery Year under this REC Contract and the amount of the Aggregate Drawdown Payment is less than \$5,000, then Buyer shall not draw on Seller’s Performance Assurance, but will track such amount and add such amount to the Aggregate Drawdown Payment for the subsequent Delivery Year or Delivery Years until the earlier of: the last Delivery Year or such time when the Aggregate Drawdown Payment is at least \$5,000.

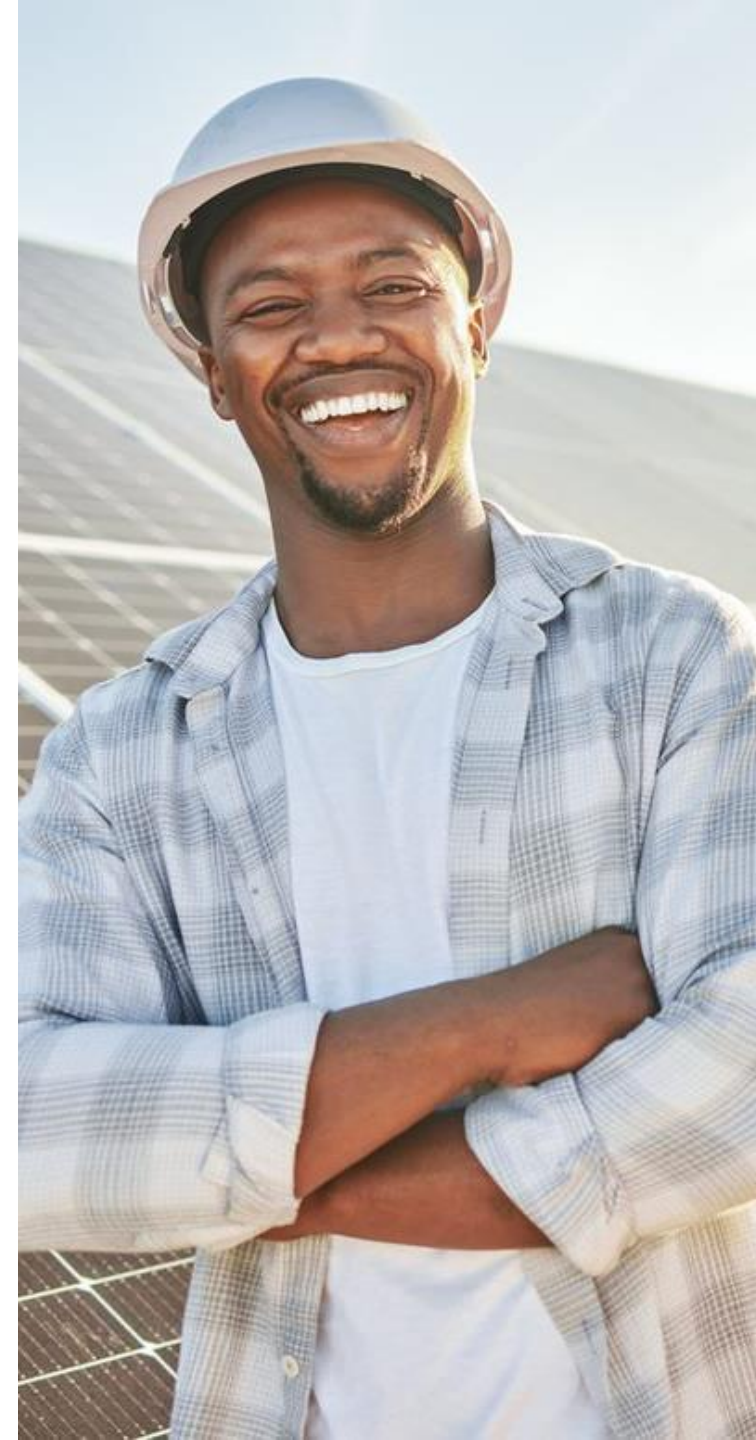
## Top Off Collateral

*Section 13(b), Performance Assurance, 2019 Contract.* “In the event Buyer draws on Seller’s Performance Assurance ... Seller shall be required, within ninety (90) days of such drawing, to post... additional collateral to maintain or restore the Performance Assurance Amount.”

# Keep in mind for 2024

## **Section 6 (d)v(2) 2019 Contract:**

- Any Designated System with a REC Shortfall in 2023 for which Surplus RECs were allocated, “..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.”
- Means the three-year rolling average will not be penalized in 2024 from a low REC Delivery in 2023.



# Keep in mind for 2024 *(continued)*

## **Section 6 (f) 2019 Contract:**

- If a Designated System is not performing at the level expected, “...Seller may submit a request to Buyer and the IPA to have the Delivery obligations of such Designated System reduced...”

## **Section 6 (g) 2019 Contract:**

- Surplus RECs are virtually tracked in the Surplus REC Account and shall remain in that account, except per:
  - **Section 9.2 2019 Contract:** any Surplus RECs the end of 15-year term can be refunded.



# Bibliography and Resources



## For Reference

- See Program website, Resources page, for:
  - 2019 Contract
  - Program Guidebook – October 18, 2022 version

## For Assistance

- See updated Annual Report Guide (June 16, 2023 publication)
- See weekly announcements for AV Office Hours
- Contact the Program Administrator at [admin@illinoisabp.com](mailto:admin@illinoisabp.com) or (877) 783-1820



# Questions



# Thank you!

