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Comments on REC Price Model Cost Inputs

Carbon Solutions Group (CSG) is a proud participant in the Adjustable Block Program. At present, CSG appreciates the opportunity to provide stakeholder feedback on REC Price Model Cost Inputs. The IPA's efforts to invest in these Program updates, bolster consumer protection, and generally optimize Program operations is laudatory. It is CSG's hope that the following comments, respectfully submitted, may support the IPA's objectives in this regard.

Response to feedback request #1C: *"Are there additional considerations that stakeholders wish to convey to the Agency related to cost inputs to the REC Pricing Model?"*

Behind-the-meter projects present significant logistical challenges to granular data collection.

When it comes to REC pricing design, the desire to implement state-level cost inputs is understandable. However, such a methodology may not be logistically well-suited for behind-the-meter projects.

While standardized large-scale front-of-the-meter projects do align organically with aggregated state data, smaller installations often lack the economies of scale and streamlined accounting practices typical of those front-of-the-meter projects. Rather highly variable, site-specific behind-the-meter costs—influenced by factors like installation size, customer requirements, and local conditions—make granular data less representative in aggregate. More so, due to the inherent variable nature of smaller projects, default factors and standard cost assumptions are harder to define in the first place.

However, should the IPA remain firm in its decision to aggregate behind-the-meter cost inputs into the REC model, CSG proposes an alternative approach that would strike a balance between data collection needs and the administrative burden inherent in complying with such needs. CSG believes this approach would foster greater equity across the industry.

Rather than collecting granular data for every project, CSG respectfully recommends that Approved Vendors (AVs) could instead leverage the current annual reporting requirements as an alternative basis for data collection. Specifically, AVs could report average project costs for each Adjustable Block Program year, thereby providing sufficient insights without overburdening stakeholders. These average project costs could be set at a high standard, such as collecting data for 80–90% of projects for each AV. CSG believes this would be the practical approach to meet the IPA's data collection objectives while avoiding novel obstacles to clean energy deployment in Illinois.

Increased administrative burden may disincentivize installer participation in Program.

While purely logistical challenges present a near-term concern with the IPA's proposed data collection strategy, this data collection strategy may also inadvertently introduce negative dynamics that would adversely affect the State of Illinois' ability to meet its long-term clean energy objectives.

Namely, requiring solar companies to provide detailed cost analyses for each project risks disincentivizing participation in the Adjustable Block Program, particularly among smaller solar companies. These small, independently-owned businesses often lack the administrative capacity and resources to collect and submit such granular data reliably. Implementing accounting practices to calculate these costs on a project-by-project basis could take these companies several weeks or even months—thereby increasing company costs significantly. For example, certain cost categories are not always tracked on a per-project basis. The category of *Structural and Electrical Balance of System* may require the implementation of new inventory management systems, an investment that many smaller companies are not equipped to make for accurate reporting. As a result, this administrative burden could lead to smaller companies opting out of the Adjustable Block Program entirely.

The long-term effects of disincentivizing Illinois small business owners would be the entrenchment of larger corporate interests and, more significantly, a likely slower pace of solar installation in Illinois. To reiterate, these effects, in aggregate, could make it much more difficult for the State of Illinois to realize its clean energy objectives.

Similar to the alternative AV proposal stated previously, reliable data could be collected based upon a company's average expenses, whether those averages be monthly, quarterly, or annually.

Granular data collection presents potential privacy vulnerabilities and liabilities.

Requiring the disclosure of sensitive cost data, even with confidentiality guarantees, presents significant risks, especially under the Freedom of Information Act ("FOIA"). To our knowledge, similar data is neither collected nor disclosed in other state programs, and doing so could reveal proprietary information, potentially benefiting larger competitors.

In addition to competitive FOIA requests, cybersecurity vulnerabilities are endemic to every organization in this period of time in which data breaches and other forms of malicious cybercrime have exponentially increased. Therefore, the accumulation of data that includes personal identifiable information (PII), financial data, real estate data, and sensitive competitive information, should be limited to that data that is absolutely essential to Adjustable Block Program effectiveness.

Stranded customer contracts should be granted a waiver from granular data collection requirements.

Addressing stranded customers already imposes a considerable administrative burden on AVs and designees. Requiring detailed cost data for these cases would amplify the workload, making the process especially onerous. CSG recommends the adoption of a standardized Cost Data Waiver, similar to the existing Demographic Waiver, that AVs could use when prior cost data cannot be obtained from a former AV or designee.

Response to Feedback Request #3: "***The Agency is requesting stakeholder feedback on the following proposal for cost data to be collected, specifically if cost data should be collected utilizing the NREL Cost Categories or only the CREST Cost Categories. The Agency is also requesting input on whether the explanations of categories are sufficient or if additional guidance is required to provide clear and accurate data. If further explanations are necessary, please provide detailed recommendations clarifying what explanations are needed."***

Granular data collection will lead to data inconsistency and skewed pricing insights.

CSG is concerned that the proposed cost input categories are overly granular and, in many cases, nearly impossible to calculate accurately as a result. Moreso, because of the granularity of requisite data points, companies will inevitably adopt different methodologies for determining these figures. These differences in methodologies will, in turn, lead to significant variability in results.

For one example, small independently owned companies cannot be directly compared to structured corporations or larger LLCs, because small business owners may not take a salary, whereas corporate employees would take a salary—in turn impacting project costs much differently.

Similarly, *Sales and Marketing (Customer Acquisition)* costs are challenging to isolate per project, as they involve variable factors such as commissions for salespeople, lead generation expenses, and differences based on market segment, company size, experience, and location. Likewise, overhead costs, such as *General and Administrative* expenses, vary widely depending on the company's size and accounting practices. Different companies categorize expenses like permitting or sales and marketing differently, adding further inconsistency. These costs are often averaged over a period, making it impractical to allocate them accurately to individual projects.

Finally, *Net Profit* calculations are rarely done with the granularity required for this proposal. Most companies calculate profit on a quarterly or annual basis, and smaller businesses, in particular, lack the systems to track it with precision at the project level. When combined with the variability of other cost inputs, this lack of granularity further reduces the feasibility of implementing such requirements.

The end result of these data collection inconsistencies would likely manifest in skewed and unreliable data that could obscure accurate analysis and thus distort pricing. Without data consistency any insights gleaned from such data must be considered inconclusive at best.

Response to Feedback Request #4: "*The Agency is requesting feedback on whether there are input assumptions important to the REC Price Modeling process not listed above which should be collected for use in the 2025-2026 Program Year REC price update."*

Administrative burden may increase labor hours inputted into model.

Implementing this proposal may necessitate tracking additional labor hours during project development to accurately record cost categories, potentially driving up REC prices. For example, if collecting this data requires an estimated 2–5 additional labor hours per project, these costs may be incorporated into installation prices, increasing REC prices unnecessarily. The increases in labor costs may be more significant for smaller companies who will need to build out entirely new administrative processes.

CSG submits this feedback with the greatest respect for the IPA and the Adjustable Block Program. Please do not hesitate to reach out if further information or clarification is needed.

Sincerely,

Dylan DeBiasi