NRG ENERGY, INC.'S RESPONSE TO THE ILLINOIS POWER AGENCY'S REQUEST FOR COMMENTS

NRG Energy, Inc. ("NRG") appreciates the opportunity to provide comments on the Illinois Power Agency ("IPA") Draft 2022 Long-Term Renewable Resources Procurement Plan (the "Draft LTRRPP"). NRG's comments are specific to Section 6 of the LTRRPP which includes the IPA's proposal to implement the Self-Direct Portfolio Standard Compliance Program ("Self-Direct Program") as required under the Climate and Equitable Jobs Act ("CEJA"). NRG's proposed revisions to the Draft LTRRPP language are attached.

Prior to the passage of CEJA, the state's investor-owned utilities were required to purchase Renewable Energy Credits ("REC") from utility- and distributed-scale wind and solar resources that were selected by the IPA and approved by the Illinois Commerce Commission ("ICC"). Under CEJA, the IPA must now implement a Self-Direct Program to supplement REC purchases by the utilities with REC purchases by eligible energy consumers from qualified wind and solar resources to help the state meet its statewide Renewable Portfolio Standard ("RPS") targets.

The Draft LTRRPP recognizes the Self-Direct Program has the following attributes:

1. Under a self-direct program, RECs are received and retired by an individual customer through its own purchases, rather than by the electric utility itself, thus allowing for that customer to retire those RECs and itself make environmental claims regarding the use of renewable energy.
2. As that customer is meeting RPS requirements through its own REC purchases, each REC that it procures serves to reduce the denominator used to track the state's broader RPS compliance.
3. As that customer is engaged in its own REC procurement activities to support RPS progress, it is credited back for or excused from some portion of non-bypassable RPS charges levied to support RPS activities.

The Self-Direct Program aligns Illinois' RPS with the increasing and accelerating levels of REC purchases undertaken directly by consumers. Recently, the Clean Energy Buyers Association reported that corporations have continued to help drive the transition to a green economy, with over eleven gigawatts of renewable energy purchases secured by corporate energy buyers in the US in 2021. With a properly structured Self-Direct Program, Illinois can attract more private sector investment in renewable energy to the state, support prevailing wage jobs for Illinois workers, and bridge the gap between Illinois RPS goals and projected deliveries (Section 3.3.3 of the Draft LTRRPP reveals that gap is more than 22.3 million RECs for the 2025-26 program year).

NRG comments on IPA Proposal for Self-Direct Renewable Portfolio Standard Compliance Program.

NRG's comments are limited to Section 6 of the Draft LTRRPP.

NRG encourages the IPA to continue to consider the following guiding principles as it refines its approach to implementing the Self-Direct Program as required by CEJA:

- *Competitiveness.* Illinois consumers that are eligible for the Self-Direct Program can purchase RECs from renewable energy resources located anywhere in the US. The intent of the Self-Direct Program is to make Illinois a preferred location for such development, incentivizing green energy prevailing wage jobs in the state. The IPA can best meet CEJA's intent by maximizing the benefits that participating consumers can receive through the Self-Direct Program.

- *Certainty.* More eligible consumers will make the long-term commitments required to participate in the Self-Direct Program if the program provides a higher level of certainty regarding the value it provides to participants. CEJA recognized the importance of value certainty by setting forth a formula to calculate the Self-Direct Program rebate. The IPA can provide value certainty by establishing predictable, stable, and transparent values for RPS rebates for participants in the Self-Direct Program.
- *Simplicity.* CEJA imposes rational obligations on Self-Direct Program participants to ensure that project and offtaker qualifications are met. The IPA can help enhance program simplicity by ensuring that the application and reporting processes required of Self-Direct Program participants is neither unduly burdensome nor invasive.
- *Future Proofing.* Progress in fulfilling Illinois' RPS goals has been hampered by "boom and bust" cycles that have prevented renewable energy developers from fully investing in Illinois. The Self-Direct Program positions Illinois as a preferred market for long-term operation and growth for renewable energy development with well-paying prevailing wage jobs. The IPA can prevent future "boom and bust" cycles from undermining the benefits of the Self-Direct Program by establishing processes that will allow for a recurring review and volume expansion for the Self-Direct Program.

With these guiding principles in mind, NRG submits the following detailed comments to the IPA's Draft LTRRPP.

Section 6.2 – Self Direct Customer Eligibility

Section 6.2.1 Minimum Load Requirement of 10,000 kilowatts – Proof of Compliance. The IPA appropriately proposes that the 10,000 kilowatt threshold requirement to qualify for participation in the Self-Direct Program should be interpreted as non-coincident peak demand and evaluated based on customer billing information. To ensure clarity, the IPA should revise the Draft LTRRPP to state that it will accept any of the following documents from applicants to the Self-Direct Program as proof of compliance with the minimum 10,000 kilowatt threshold requirement:

- *Monthly Utility Bills.* The IPA should allow applicants to the Self-Direct Program to provide copies of original monthly utility bills issued in any of the twelve (12) months prior to application showing a level of non-coincident demand greater than 10,000 kilowatts in at least one of those twelve-monthly billing periods.
- *Utility Historical Consumption Report.* The IPA should allow applicants to the Self-Direct Program to provide copies of utility-issued reports of historical consumption that show a level of non-coincident demand greater than 10,000 kilowatts in the twelve (12) months prior to application.

Section 6.2.1 Aggregated Demand Limited to the Utility Service Territory Level. The IPA proposes that "as credits are specific to each individual electric utility, the aggregated demand must be for individual accounts within one of the utilities' service territories and cannot include individual accounts located across more than one utility service territory." However, CEJA does not make such a distinction regarding qualification for the Self-Direct Program.

CEJA states: "Eligible self-direct customer means any retail customers of an electric utility that serves 3,000,000 or more retail customers in the State whose total highest 30-minute demand was more than 10,000 kilowatts, or any retail customers of an electric utility that serves less than 3,000,000 retail customers but more than 500,000 retail customers in the State and whose total highest 15-minute demand was more than 10,000 kilowatts." (20 ILCS 3855/1-75(c)(1)(R)(1).) CEJA recognizes that "multiple retail customer accounts under the same corporate parent may aggregate their account demands to meet the 10,000 kilowatts threshold." (*Id.*)

The IPA's proposed requirement would artificially inhibit at least some sophisticated consumers that maintain statewide operations with facilities in multiple utility service territories and thereby fail to maximize the benefits that CEJA seeks to secure for Illinois with the Self-Direct Program. The IPA should eliminate this proposed requirement and allow consumers to combine multiple eligible accounts across multiple utility regions to meet the 10,000 kilowatts threshold requirement with any combination of accounts served by Ameren Illinois or Commonwealth Edison that are owned or controlled by a single parent entity.

Section 6.2.1 Governmental Units Meeting the Minimum Load Requirement. The IPA proposes to review applications to the Self-Direct Program by municipalities to determine whether multiple municipal accounts could be combined to meet the 10,000 kilowatts threshold load requirement. However, the IPA does not identify the standard that will be used to establish compliance with this requirement. The IPA should accept any of the following documents from a municipal applicant to the Self-Direct Program as proof of compliance with the 10,000-kW minimum load threshold requirement:

- *Resolution or Affidavit.* A certified resolution (passed by the governing body of the municipality) or affidavit signed by an appropriate municipal official that identifies the accounts that are controlled by the municipality should be accepted by the IPA as proof of eligibility for the 10,000 kilowatt threshold. The resolution or affidavit should be accompanied by the same documentation identified immediately above to demonstrate an aggregated minimum non-coincident peak load of at least 10,000-kW in the twelve (12) billing cycles prior to application to the Self-Direct Program (e.g., Monthly Utility Bill, Utility Historical Consumption).

- *Participation in Intergovernmental Cooperation Agreement for REC Purchases.* Section 3 of the Intergovernmental Cooperation Act states (in part): "Intergovernmental cooperation. Any power or powers, privileges, functions, or authority exercised, or which may be exercised by a public agency of this State may be exercised, combined, transferred, and enjoyed jointly with any other public agency of this State and jointly with any public agency of the other State or of the United States to the extent that laws of such other state or of the United States do not prohibit joint exercise or enjoyment and except where superficially and expressly prohibited by law." (5 ILCS 220/3.) In sum, the Intergovernmental Cooperation Act requires that a contractual opportunity for one municipality must be shared among any number of other municipalities.

  In the context of the Self-Direct Program, the Intergovernmental Cooperation Act requires that once one eligible municipality participates in the Self-Direct program with a REC contract with a qualified renewable energy project, then other municipalities may join that REC agreement as well and participate in the Self-Direct Program with their incremental loads being added to the original qualifying load of the initial municipality that met the 10,000 kilowatt threshold and other requirements.

  To ensure compliance with the Intergovernmental Cooperation Act, the IPA also should affirm that it will accept documentation from multiple and separate municipalities that are operating under an intergovernmental cooperation agreement to combine their collective non-coincident loads to meet the 10,000 kilowatts threshold requirement for participation in the Self-Direct Program. A group of municipalities certifying their qualification under the provisions of the Intergovernmental Cooperation Act should submit a copy of the executed agreement between the municipalities participating in the Intergovernmental cooperation group as well as a copy of a utility-issued historical consumption report that shows a level of non-coincident demand greater than 10,000 kilowatts in the twelve (12) billing cycles prior to application.

Section 6.2.1 Minimum 12-month Billing History Requirement. The IPA proposes that an account with less than 12 months of billing history "could not qualify for the self-direct program until at least 12 months of qualifying billing history has been established". However, this requirement is inconsistent with the language contained in CEJA which states that proof of eligibility "shall be based on the 12 consecutive billing periods prior to the year in which the application in filed." (20 ILCS 3855/1-75(c)(1)(R)(1).)

CEJA does not require that an applicant to the Self-Direct Program show evidence of receiving bills for 12 months; instead, CEJA requires that the requisite qualifications – such as the 10,000 kilowatt threshold – must be evidenced during the prior "12 consecutive billing periods". Billing periods are billing cycles defined by utilities and occur on a monthly basis and occur regardless of whether a bill was issued. Based on this, under CEJA a new utility account applying for the Self-Direct Program with a non-coincident demand greater than 10,000-kW in Month One of its existence would meet the minimum load requirement (e.g., the non-coincident demand greater than 10,000 kilowatts would have occurred in the twelve monthly billing cycles that pre-dated the application to the Self-Direct Program). Based on this, the IPA should eliminate the proposed 12-month minimum billing history requirement in favor of a requirement to demonstrate exceedance of the 10,000 kilowatts non-coincident peak demand level at any time in the 12 months prior to application to the Self-Direct Program.

Section 6.4 – REC Delivery Contract Eligibility

Section 6.4.2 Minimum 40% of Load Requirement. The IPA states in the Draft LTRRPP, "Thus, if a customer used 10,000 megawatt-hours in the previous delivery year, then the contracted delivery quantity must be at least 4,000 RECs. A customer can receive and retire additional RECs from that same facility, **although no additional credit is provided beyond the applicable published self-direct credit amount"** [emphasis added]. This phrasing could be interpreted as limiting the RPS rebate benefit to the Self-Direct Program participant to 40% of their load – even if the Self-Direct contract delivered RECs equal to a higher percentage of annual load. However, CEJA provides that "[e]ach renewable energy credit procured pursuant to this subparagraph (R) by a self-direct customer shall reduce the total volume of renewable energy credits the Agency is otherwise required to procure from new utility-scale projects pursuant to subparagraph (C) of paragraph (1) of this subsection (c) on behalf of contracting utilities where the eligible self-direct customer is located." (20 ILCS 3855/1-75(c)(1)(R)(3).) Since larger-than-40% commitments by Self-Direct customers will reduce further the costs of IPA's procurements, it is appropriate to give such customers a credit appropriately scaled to the effect on reducing IPA's cost.

For example, if the IPA were to determine that the portion of the RPS fee that is to be rebated to a Self-Direct participant that has committed to secure RECs equal to 40% of its load is $2.00/MWh, then higher levels of REC procurement by the Self-Direct Program participant should result in a proportionately higher level of rebate value. Table 1 conveys how such proportionate increases in rebate values would extend from an assumed value rebate value of $2.00/MWh for a Self-Direct Program participant offsetting the minimum volume of 40% of their load.

Table 1: Example of Proportionate Value for Self-Direct Program Participants

% REC Offset to Customer Load	Rebate Value for Self-Direct Program Participant ($/MWh)	Notes
40%	$2.00	Example value of REC rebate for 40% REC offsets
50%	$2.50	1.25 times the rebate value for 40% REC offsets
80%	$4.00	2.0 times the rebate value for 40% REC offsets
100%	$5.00	2.5 times the rebate value for 40% REC offsets

As reflected in Table 1, if the IPA were to determine that a Self-Direct Program participant offsetting the minimum volume of 40% of their load should receive $2.00/MWh, then a customer procuring RECs for 50% of its load under the Self-Direct Program would receive a rebate of $2.50/MWh [(50% Actual REC Deliveries / 40% Minimum REC Deliveries) * ($2/MWh)]; a customer procuring RECs for 80% of its load under the Self-Direct Program would receive a rebate of $4.00/MWh [(80% Actual REC Deliveries / 40% Minimum REC Deliveries) * ($2/MWh)]; and a customer procuring RECs for 100% of its load under the Self-Direct Program would receive a rebate of $5.00/MWh [(50% Actual REC Deliveries / 40% Minimum REC Deliveries) * ($2/MWh)], up to a full rebate of the customer's RPS charge. To prevent confusion, the IPA should clearly state that bill crediting amounts will be based on the project percentage of customer load that is matched by the Self-Direct contract.

Section 6.5 – Self-Direct Crediting and Accounting

Section 6.5.1.1 Annually Variable Bill Credit Values. NRG appreciates that placing a value on the bill credits for participants in the Self-Direct Program could be a complicated undertaking for the IPA due to timelines and the Indexed REC contracts approach required for utility-scale REC procurements under CEJA. However, the IPA's proposal to provide bill credit values for Self-Direct Program participants that change every year on a backward-looking basis would severely undermine the value of the Self-Direct Program for consumers. As noted above, long-term certainty will be a key requirement for the success of any program designed to promote the development of renewable energy resources - including the Self-Direct Program. Indeed, CEJA acknowledges the value of certainty by requiring that the IPA use an Index-REC approach where the combination of REC values and market prices guarantees a stable level of revenue for a minimum of 20 years for utility scale wind and solar projects. Apparently, the IPA agrees that long term stability is necessary for the deployment of utility scale renewable resources as it states in Section 3.3.5 of the Draft LTRRPP that "additionally, the Agency is hopeful that the shift to an Indexed REC pricing model as required under Section 1-75(c)(1)(G)(v)of the Act will reduce the development risk to new utility-scale projects, as those changes should helpensure revenue certainty for projects receiving REC delivery contracts." Participants in the Self-Direct Program should receive at least a similar level of certainty to justify their long-term financial commitments which are intended to aid Illinois in meeting its RPS goals.

Instead of resetting the value of all billing credits for the Self-Direct Program each year, the IPA should adopt an approach that would provide a Self-Direct Program participant with a fixed per kWh bill credit value that would extend through the entirety of the participant's REC contract. The IPA could generate a rebate credit value each year that would be applied to all Self-Direct Program applicants as follows:

1. Annually, the IPA would develop the confidential benchmark to evaluate strike prices (e.g., Index Price plus REC Price) for Index-REC contracts (described in Section 5.8).
2. Subtract from that confidential benchmark the projected Index Price for electricity supply for wind and solar for up to 20 years.
3. The resulting value represents the anticipated REC Price for utility-scale RECs for Index-based RECs for the next 20 years.
4. The resulting value should then be scaled up to account for any volumes that the consumer commits to above the 40% minimum threshold.

The IPA appears to have already performed this function with the publication of the projected costs and volumes of utility-scale wind and solar contracts for all program years through the 2035-36 program year in its Appendix B to the Draft LTRRPP. By repeating this projection in advance of each Program Year, the IPA can publish a unique and static REC price for utility scale wind and solar RECs which can then serve as the basis of the bill credit value for all Self-Direct Program applicants in each Program Year for the entire

term of their REC contracts. In so doing, the IPA can establish a firm forward budget for the Self-Direct Program to better manage RPS funds over the long term.

The IPA already performs a similar set of calculations based on the data presented in the Draft LTRRPP and Appendix B to the Draft LTRRPP. The IPA's "Addendum to the draft 2022 Long Term Renewable Resources Procurement Plan" issued on February 18, 2022, contains current budget projections for REC purchases from ABP and Utility-Scale wind and solar projects (listed as "Expenses (Annual $)" in Table 2 below). Appendix B to the Draft LTRRPP also conveys the current projections for REC purchases from ABP and Utility-Scale wind and solar projects (listed as "Incremental Purchases (RECs)" in Table 1 below). By dividing the Expenses and REC purchase volumes for each annual program year period, an average unit cost for REC purchases from ABP and Utility-Scale wind and solar projects can be discerned (calculated listed as "Unit Price ($/REC)" in Table 1 below).

Table 2: REC Volume, Cost and Unit Price Data through 2031-31 Program Year Calculations

Program Year	STATEWIDE TOTAL								
	Adjustable Block Program (Planned)			Utility Scale Program (Planned)			Total RPS Program (Planned)		
	2022-23 ABP	2024-30 ABP	Total	2022-23 Wind, Solar & Brownfield	2024-30 Wind, Solar & Brownfield	Total	2022-30 ABP	2022-30 Wind, Solar & Brownfield	Total
EXPENSES (Annual $)									
2025-26	$101,240,000	$252,540,000	$353,780,000	$14,090,000		$14,090,000	$353,780,000	$14,090,000	$367,870,000
2026-27	$101,000,000	$292,030,000	$393,030,000	$28,170,000		$28,170,000	$393,030,000	$28,170,000	$421,200,000
2027-28	$100,770,000	$329,830,000	$430,600,000	$28,170,000	$14,090,000	$42,260,000	$430,600,000	$42,260,000	$472,860,000
2028-29	$100,540,000	$366,030,000	$466,570,000	$28,170,000	$28,170,000	$56,340,000	$466,570,000	$56,340,000	$522,910,000
2029-30	$79,040,000	$400,680,000	$479,720,000	$28,170,000	$41,700,000	$69,870,000	$479,720,000	$69,870,000	$549,590,000
2030-31	$52,280,000	$433,850,000	$486,130,000	$28,170,000	$54,680,000	$82,850,000	$486,130,000	$82,850,000	$568,980,000
TOTALS	**$534,870,000**	**$2,074,960,000**	**$2,609,830,000**	**$154,940,000**	**$138,640,000**	**$293,580,000**	**$2,609,830,000**	**$293,580,000**	**$2,903,410,000**
INCREMENTAL PURCHASES (RECS)									
2025-26			6,432,874			7,440,000			13,872,874
2026-27			6,432,874			10,255,000			16,687,874
2027-28			6,432,874			13,070,000			19,502,874
2028-29			6,432,874			17,695,000			24,127,874
2029-30			6,432,874			22,320,000			28,752,874
2030-31			6,432,874			26,945,000			33,377,874
TOTALS			**38,597,244**			**97,725,000**			**136,322,244**
UNIT PRICE ($/REC)									
2025-26			$55.00			$1.89			$26.52
2026-27			$61.10			$2.75			$25.24
2027-28			$66.94			$3.23			$24.25
2028-29			$72.53			$3.18			$21.67
2029-30			$74.57			$3.13			$19.11
2030-31			$75.57			$3.07			$17.05
AVERAGE			**$67.62**			**$3.00**			**$21.30**

Thus, using the limited data provided in the Draft LTRRPP an average value of $3 for RECs sourced from utility-scale wind and solar resources can be calculated for the 7 years of data provided. Generating a similar calculation for the Self-Direct Program simply would require the IPA to extend the number of program year periods to greater than ten and to adjust the projected budget values and REC purchase targets annually to reflect the most current projections.

Section 6.6 – Self-Direct Program Size & Selection

Section 6.6.2 Establishing a Program Size. The IPA is considering a Request for Information process through which potentially interested self-direct customers could identify themselves to the Agency to help inform market size. However, the IPA voices concerns that soliciting interest from individual retail customers may not prove fruitful and is interested in thoughts on how to engage interested retail customers in feedback on this draft Plan. NRG very much supports the concept of soliciting market-based feedback to inform the IPA's program sizing exercise. Additionally, ARES operating in Illinois and trade

associations are well-positioned to assist the IPA in collecting data regarding consumer interest in participating in the Self-Direct Program. Such an approach would provide a better forward view of market demand for the Self-Direct Program than the backward-looking data available from the publicly available resources identified by the IPA.

Section 6.7 – Self-Direct Program Application Process

In the Draft LTRRPP the IPA commits: "For confidential, competitively sensitive information essential to determining whether the project, customer, or contract qualifies for the program, the Agency commits to maintaining the confidentiality of that information." However, the IPA does not define which data would be considered confidential. To ensure confidential treatment of Self-Direct Program applicant data, the IPA should deem any data submitted by the Self-Direct Program applicant and labelled as confidential as being confidential and not permissible for sharing – even under applications under the Freedom of Information Act (FOIA).

Section 6.8 – Self-Direct Program Opening. NRG notes that the calendar proposed by the IPA would approve application to the Self-Direct Program in 2023 but inform the applicants of the value for their bill credits in 2024. The scheduling disparity in this schedule could cause potential self-directing customers simply not to attempt to enroll in the program at all and serve to delay deployment of renewable energy projects in the near term – the primary objective of CEJA. As an alternative, the IPA should adopt the approach to setting bill credits identified by NRG in its comments to Section 6.5.1.1 to speed the decision-making process for Self-Direct Program participants. Additionally, the IPA should specifically state that consumers may enter REC contracts that are contingent upon the final valuation of bill credits as determined by the IPA.

Section 6.9 – Compliance Reporting. The IPA proposes a series of reporting requirements that would protect the integrity of the Self-Direct Program. To ensure clarity and simplicity for Self-Direct Program participants and related parties, the IPA should consider the following enhancements to the proposed reporting standards:

- Replace "actual usage" with "metered consumption" as the basis of compliance testing.
- Clarify that a renewable energy resource need not be located within the same utility service territory that serves the Self-Direct Program participant's utility accounts.
- Consider a process for re-admission into the Self-Direct Program if the applicant can demonstrate an unintended error was the basis of removal from the Program.
- Clarify the specific documentation required to satisfy the REC retirement requirement.

RENEWABLE RESOURCES

ILLINOIS POWER AGENCY

NRG ENERGY, INC.'S MARK-UP OF IPA'S 2022 Long-Term Renewable Resources Procurement Plan

Draft Plan

~~for Public Comment~~

~~January 13~~Febraury 28, 2022

Prepared in accordance with the
Illinois Power Agency Act (20 ILCS 3855), and the Illinois Public Utilities Act (220 ILCS 5).

6. Self-Direct Renewable Portfolio Standard Compliance Program

6.1. Introduction

Public Act 102-0662 also introduced new Section 1-75(c)(1)(R) of the IPA Act into Illinois law; this new subparagraph requires that the Illinois Power Agency "establish a self-direct renewable portfolio standard compliance program for eligible self-direct customers that purchase renewable energy credits from utility-scale wind and solar projects through long-term agreements." By law, and as described more extensively below, qualifying customers must meet certain size thresholds, while qualifying projects must be "new" projects sited in locations otherwise eligible for RPS compliance. This Chapter provides the IPA's discussion of this new self-direct program, including its proposals on items left by statute to be settled through this Long-Term plan.

6.1.1. Self-Direct Program Overview – What is a Self-Direct Program?

Since enactment of the Future Energy Jobs Act (P.A. 99-0906), RPS compliance in Illinois has been managed by the Illinois Power Agency through its administration of programs and procurements. Requirements applicable to those programs and procurements are outlined in Illinois law, with further refinements, requirements, and operationalized approaches for how to meet RPS goals and targets set forth through the IPA's biannually-developed Long-Term Renewable Resources Procurement Plan. Deliveries of renewable energy credits ("RECs") are brought under contract through the IPA's programs and procurements, with Illinois electric utilities serving as the Buyers and recipients of RECs produced by participating renewable energy projects. Funding to support the purchase of RECs is provided by Illinois electric utility ratepayers through volumetric, non-bypassable electric bill charges, with that funding providing needed revenue (and revenue certainty) back to developers of these of new renewable energy projects.

As a restructured state, electric utilities do not and cannot own these renewable energy projects (subject to limited exceptions), and do not supply electricity to support most retail customer load—most retail customer electric supply needs are instead met through competitive suppliers. Instead, those utilities receive and retire RECs associated with energy that, in many cases, is sold separately from the transfer of RECs, with the retirement of those RECs allowing for the state to measure its progress against percentage-based RPS goals (e.g., "25% by 2025," meaning that 25% of retail sales are to be met by REC retirements by 2025) or quantity-based targets (e.g., 2,000,000 RECs from new wind projects delivered annually by 2020). Progress toward meeting RPS goals has thus been measured exclusively through projects participating in IPA programs and procurements, featuring RECs purchased by, delivered to, and retired by Illinois electric utilities.

In general terms, an RPS self-direct program operates in contrast to the IPA-administered RPS activities in the following ways:

1. Under a self-direct program, RECs are received and retired by individual customers through its own purchases, rather than by the electric utility itself, thus allowing for that customer to retire those RECs and itself make environmental claims regarding the use of renewable energy.
2. As that customer is meeting RPS requirements through its own REC purchases, its portion of electricity usage is no longer included in the denominator used to track the state's broader RPS compliance.

3. As that customer is engaged in its own REC procurement activities to support RPS progress, it is credited back for or excused from some portion of non-bypassable RPS charges levied to support RPS activities.

As this RPS compliance occurs through private bilateral transactions entered into at the election of those private parties, rather than through a centralized planning process or by regulatory fiat, that RPS compliance pathway is viewed as "self-compliance" or "self-direct."

6.1.2. Prior RPS Self-Direct Programs in Illinois

Prior to the enactment of Public Act 99-0906, the Illinois RPS was met through centralized IPA planning only for those customers taking electric supply from Illinois electric utilities. For those customers taking supply from an alternative retail electric supplier, Section 16-115D of the PUA provided a different path for compliance. Each ARES—and not each individual customer—was required to satisfy a renewable portfolio standard requirement as a percentage of its electricity sales, but could satisfy its obligation by making alternative compliance payments at a rate reflecting that rate paid by default supply customers for no less than 50% of its RPS obligation. For the remaining 50% of its obligation, the ARES could either pay additional alternative compliance payments and/or self-procure RECs. Qualifying RECs needed to be sourced from facilities within the regional transmission territories of PJM Interconnection, L.L.C. ("PJM") and Midcontinent Independent System Operator, Inc. ("MISO"), a relatively broad geographic footprint, and from any qualifying renewable energy technology.

With ARES competing with one another for customers (and, for residential and small commercial customers, also competing against default supply service), this paradigm created an incentive for an ARES to comply at the lowest cost possible. Thus, alternative compliance payments were generally made for the minimum 50% amount (as the rate applicable to those ACPs reflected more expensive procurements made by the Agency to support new project development, such as through the 2010 Long-Term Power Purchase Agreements used to support new wind and solar projects), and the self-procurement obligation was not structured to lead to the development of new renewable energy generation. If RECs were available for purchase from facilities already built and financed, or from projects located in vertically-integrated states with development costs already covered by that state's ratepayers, then those RECs could be utilized for compliance.

This short-term, transactional incentive structure for ARES self-directed RPS compliance meant that very little new renewable generation was able to be developed through this compliance mechanism. Even though ARES were procuring millions of RECs in aggregate each year, the incentive structure facing those suppliers made it highly unlikely that those RECs would be sourced from anything other than the lowest-priced seller: these were generally facilities that had already been built and financed without reliance on this revenue stream, and potentially from projects in vertically integrated states with costs already being fully recovered through rates. By new contrast, supporting new development required long-term revenue certainty at REC prices likely higher than what already-constructed facilities could offer. Furthermore, the RPS budget volatility introduced by customer load switching to and from ARES supply service presented significant planning challenges, with long-term contracts needed to provide revenue certainty to new projects disfavored given the year-over-year uncertainty about the presence of funding supporting those obligations.

Public Act 99-0906 introduced a two-year sunset to this alternative ARES compliance mechanism, and by mid-2019, the entirety of RPS compliance (whether for default supply customers, ARES

customers, or hourly pricing customers) had transitioned to a centralized planning and procurement structured administered by the IPA.[239] Through new Section 1-75(c)(1)(R), Illinois law now allows for a return to self-direct structure—but with significant guardrails regarding the customer, qualifying facility, REC delivery contract, and self-direct benefit intended to ensure that participation in this self-direct program supports the spirit informing the Illinois RPS (namely, to support new renewable energy projects sited in areas that bring benefits back to Illinois residents and businesses). As the IPA believes that the challenges outlined above inform many of the requirements found in Section 1-75(c)(1)(R), this background is vital for understanding why self-direct RPS compliance in Illinois has taken this particular form.

6.2. Self-Direct Customer Eligibility

One such area where limitations on self-direct participation can be found is in which customers may qualify. By law, only "eligible self-direct customers" may qualify, and Section 1-75(c)(1)(R)(1) provides the following definitions to support

> *"Eligible self-direct customer" means any retail customers of an electric utility that serves 3,000,000 or more retail customers in the State and whose total highest 30-minute demand was more than 10,000 kilowatts, or any retail customers of an electric utility that serves less than 3,000,000 retail customers but more than 500,000 retail customers in the State and whose total highest 15-minute demand was more than 10,000 kilowatts.*

This definition offers a few key limitations: first, the customer must be a retail customer of either Commonwealth Edison company or Ameren Illinois; customers of municipal electric utilities, rural electric co-operatives, or other electric utilities (such as MidAmerican Energy Company) are ineligible. Second, the customer must be of at least a threshold size: 10,000 kilowatts of peak demand, which the IPA believes should be interpreted as non-coincident peak demand and evaluated based on customer billing information. Thus, the Illinois RPS self-direct compliance program is a *large customer* self-direct program for only customers of the largest Illinois electric utilities.

Additional requirements apply to both the renewable energy facilities with which these customers contract for RECs, as well as the REC delivery contracts executed by those customers, as discussed further in this Chapter.

6.2.1. Common Parents

Section 1-75(c)(1)(R)(1) also provides a definition of "retail customer" that allows for account aggregation in the case of common corporate parents:

> *"Retail customer" has the meaning set forth in Section 16-102 of the Public Utilities Act and multiple retail customer accounts under the same corporate parent may aggregate their account demands to meet the 10,000 kilowatt threshold. The criteria for determining whether this subparagraph is applicable to a retail customer shall be based on the 12 consecutive billing periods prior to the start of the year in which the application is filed.*

[239] One limited exception is Section 1-75(c)(1)(H)(i) of the IPA Act, which allows an ARES self-supply a finite quantity of RECs from qualifying renewable energy generating facilities owned by that ARES in exchange for a bill credit for its customers. See Section 3.6 for more information.

Thus, in the case of common corporate parents, multiple individual accounts from affiliated companies (such as individual retail branch locations from the same company) may be aggregated for purposes of meeting this size threshold, and by extension for purposes of establishing those customer accounts which may benefit from the self-direct program through a reduced RPS charge. For an individual retail account to be eligible to be aggregated under a corporate parent's application, the IPA proposes that an individual retail account entity must be a fully owned, integrated operation of the corporate parent or a subsidiary in which the corporate parent holds a controlling interest of more than 50 percent. As credits are specific to each individual electric utility, ~~the~~demand may be aggregated ~~demand must be~~ for individual accounts ~~within one of the utilities'~~across multiple utility service territories ~~and cannot include individual accounts located across more than one~~provided that credits will be adjusted to reflect the avoided cost of utility scale RECs secured in each utility service territory.

During stakeholder comments, one question that arose was whether multiple affiliated *government* accounts could be aggregated to meet this retail customer threshold. The IPA believes that, for example, the individual government buildings for a given municipality should be understood as featuring the same "corporate parent," but less obvious cases may require judgment once applications are reviewed. A municipal applicant may certify multiple accounts for aggregation with either a certified resolution (passed by the governing body of the municipality) or affidavit signed by an appropriate municipal official that identifies the accounts that are controlled by the municipality should be accepted by the IPA as proof of eligibility for the 10,000-kW threshold. The resolution or affidavit should be accompanied by utility billing information to demonstrate an aggregated minimum non-coincident peak load of at least 10,000-kW in the twelve (12) billing cycles prior to application to the Self-Direct Program.

Additionally, the IPA recognizes that the Intergovernmental Cooperation Act states, in part: "Intergovernmental cooperation. Any power or powers, privileges, functions, or authority exercised, or which may be exercised by a public agency of this State may be exercised, combined, transferred, and enjoyed jointly with any other public agency of this State and jointly with any public agency of the other State or of the United States to the extent that laws of such other state or of the United States do not prohibit joint exercise or enjoyment and except where superficially and expressly prohibited by law." (5 ILCS 220/3.) In sum, the Intergovernmental Cooperation Act requires that a contractual opportunity for one municipality may be shared among any number of other municipalities. In the context of the Self-Direct Program, the IPA acknowledges that the Intergovernmental Cooperation Act does allow that a REC contract between a qualified municipality and a renewable energy project that participates in the Self-Direct Program should be open to any other municipality. To ensure compliance with the Intergovernmental Cooperation Act, the IPA affirms that it will accept documentation from multiple and separate municipalities that are operating under an intergovernmental cooperation agreement to combine their collective non-coincident loads to meet the 10,000-kW threshold requirement for participation in the Self-Direct Program. Municipalities certifying their qualification under the provisions of the Intergovernmental Cooperation Act should submit a copy of the executed agreement between the municipalities participating in the Intergovernmental cooperation group as well as a copy of a utility-issued historical consumption report that shows a level of non-coincident demand greater than 10,000 kW in the twelve (12) billing cycles prior to application.

However, individual customer accounts assembled under an aggregationcontract (such as with opt-out municipal aggregation as contemplated under Section 1-92 of the IPAAct) cannot qualify, unless those customers could separately establish a common corporate parent.

The IPA ~~also~~ understands that ~~because~~ eligibility for the self-direct program is expressly required to be based on the prior 12 billing "cycles" (as indicated in statute) which indicates a one-year period of time and not the receipt of 12 utility for the 12 monthly billing periods~~, a customer lacking eligible billing history~~ prior to application to the self-direct program (such as a new customer or customers~~) could not~~). As such, a customer may qualify for the self-direct program ~~until~~if at least ~~12 months of qualifying billing history has been established. In practice,~~1 of the last 12 monthly utility bills issued to the customer's account(s) meets the qualifications for participation in the self-direct program (e.g., individual or aggregated load of over 10,0000-kW). The IPA recognizes this ~~may mean that new customers mustwait one additional year for qualification.~~same approach (e.g., use of the highest non-coincident demand for an account within the one year prior to application to the self-direct program) for the aggregation of loads by a common parent.

6.3. Project Eligibility

To qualify, an eligible self-direct customer must hold a long-term contract for the delivery of RECs from an eligible renewable energy generating facility. Section 1-75(c)(1)(R) also provides requirements applicable to those projects. As a threshold matter, only utility-scale (above 5 MW) wind or photovoltaic projects may qualify.

6.3.1. "New" Projects

Under Section 1-75(c)(1)(R)(2)(vi) of the Act, RECs must be sourced "from new utility-scale wind projects or new utility-scale solar projects." Unlike Section 1-75(c)(1)(C)(iii), which expressly provides that "new" projects are those energized after June 1, 2017, Section 1-75(c)(1)(R) provides no definition of a "new" project. However, because the definition of a new project found in Section 1-75(c)(1)(C)(iii) is stated as broadly applying "[f]or purposes of this Section," the IPA believes that energization after June 1, 2017 is the applicable threshold for whether a project may be considered "new" for self-direct RPS compliance purposes.

6.3.2. Locational Requirements

Section 1-75(c)(1)(R)(2)(ii) provides that RECs must be sourced from a facility compliant with "the geographic requirements as set forth in subparagraph (I) of paragraph (1) of subsection (c) as interpreted through the Agency's long-term renewable resources procurement plan, *or, where applicable, the geographic requirements that governed utility-scale renewable energy credits at the time the eligible self-direct customer entered into the applicable renewable energy credit purchase*

agreement." This first half of this requirement is relatively straightforward; in Chapter 4, the IPA describes its approach to qualifying renewable energy projects located in adjacent states under Section 1-75(c)(1)(I) of the IPA Act. Those facilities must meet a threshold score based on project application, and the Agency has a predetermination process for entities seeking to understand whether certain facilities qualify. The public interest criteria that the Agency takes into consideration for this scoring are as follows:

1. Minimizing sulfur dioxide, nitrogen oxides, particulate matter and other pollution that adversely affects public health in Illinois;
2. Increasing fuel and resource diversity in Illinois;
3. Enhancing the reliability and resiliency of the electricity distribution system in Illinois;
4. Meeting goals to limit carbon dioxide emissions under federal or state law; and
5. Contributing to a cleaner and healthier environment for the citizens of Illinois.

To assess whether a renewable generating facility located in an adjacent state that provides RECs to the self-direct customer so that the self-direct customer is eligible to participate in the program, the Agency assigns a maximum of 20 points to each of the five public interest criteria for a total of 100 possible points. For a renewable energy generating facility in an adjacent state to be able to supply RECs to a self-direct customer that would qualify to participate in the program, the adjacent state facility needs to demonstrate that it can achieve a total score of at least 60 points. As this criteria and scoring has remained unchanged across the IPA's Long-Term Renewable Resources Procurement Plans published in 2017, 2019, 2021, and now in 2022, the process for determining locational facility eligibility for projects falling under Section 1-75(c)(1)(I)'s requirements should by now be known and straightforward.

Less clear is the specific point in time at which this Section 1-75(c)(1)(I) criteria applied versus a preceding location construct. While the scoring methodology and threshold score under Section 1-75(c)(1)(I)'s public criteria were not finalized until the April 3, 2018 ICC approval of the IPA's Long-Term Renewable Resources Procurement Plan, Section 1-75(c)(1)(G) of the Act required the Agency to conduct "initial forward procurements" for RECs delivered from new utility-scale wind and solar projects in advance of that criteria's finalization (including as early as the Fall of 2017). In outlining requirements applicable to projects participating in those initial forward procurements, the Agency determined the Section 1-75(c)(1)(I)'s requirements still-to-be-determined through the Long-Term Plan approval process must nevertheless apply, and thus that any participating adjacent state projects risked being excluded after receiving a contract award pending final determination of adjacent state criteria. Thus, because the Agency previously applied these criteria to REC delivery contracts executed between June 1, 2017 (the effective date of P.A. 99-0906) and April 3, 2018 (the ICC's approval of the IPA's initial Long-Term Plan, and thus the point in time at which Section 1-75(c)(1)(I)'s locational criteria was finalized), June 1, 2017 constitutes the date at which Section 1-75(c)(1)(I)'s locational criteria became effective for Section 1-75(c)(1)(R) purposes.

While no qualifying facility can have an *energization date* pre-dating June 1, 2017, it is possible that some REC supply contracts were nevertheless *executed* before June 1, 2017 for projects still under development. In this case, the precursor to Section 1-75(c)(1)(I) was the "Illinois and adjacent state" preference then found in Section 1-75(c)(1) of the IPA Act—through which, under competitive procurements, RECs from Illinois and adjacent states were given selection priority, with consideration of RECs from elsewhere only provided if procurement quantities could not be met through Illinois and adjacent state projects. The IPA thus understands that should a qualifying REC

supply contract have been entered into *before* June 1, 2017, that facility may be located anywhere within Illinois or an adjacent state, but not outside of that footprint.

6.3.3. Labor and DEI Requirements

Section 1-75(c)(1)(R)(2)(vii) requires that, for self-direct REC delivery contracts entered into after the September 15, 2021 effective date of Public Act 102-0662, "the new utility-scale wind projects or new utility-scale solar projects must comply with the requirements established in subparagraphs (P) and (Q) of paragraph (1) of this subsection (c) and subsection (c-10)."

With respect to project labor requirements found in subparagraph (Q), projects will be required to comply with both the Prevailing Wage Act and to enter into a project labor agreement, as required for utility-scale wind and solar projects under Section 1-75(c)(1)(Q)(2) of the Act. For Prevailing Wage Act compliance, customers will be required to submit certified transcripts of payroll applicable to those facilities in a manner mirroring requirements applicable to projects under development under the Adjustable Block Program, as outlined in Chapter 7. For project labor agreements, the timing for the receipt of such agreements, and the content required within such agreements, will mirror requirements applicable to utility-scale projects participating in IPA procurements as outlined in Chapter 5. Additional details on processes for submittal will be made available as the IPA develops self-direct RPS program application forms and processes.

With respect to the diversity, equity, and inclusion requirements found in subsection (c-10), projects must comply with the minimum equity standard and the associated planning and reporting requirements detailed in Chapter 10. The self-direct customer shall submit a Minimum Equity Standard Compliance Plan with its application to the program and report on compliance as part of its annual report required pursuant to Section 1-75(c)(1)(R)(3) and discussed further in Section 6.9 below. The minimum equity standard that is in place at the time of approval of the customer's participation in the self-direct program will be the percentage standard applicable to the construction of the new utility-scale wind or solar project from which that customer receives and retires RECs.

With respect to the requirements of subparagraph (P), the IPA is not aware of discrete requirements that can be ported over to subparagraph (R) for qualifying self-direct projects; however, priority in selection can be given to applications featuring projects located in Energy Transition Community Grant communities should the program receive qualified applications exceeding program size. That approach is outlined in Section 6.6.3 below.

For this draft Plan, the Agency is interested in feedback for how to better sync Section 1-75(c)(1)(R)'s application and selection processes with the requirements found in subparagraphs (P) and (Q) of Section 1-75(c), as well as subsection (c-10).

6.4. REC Delivery Contract Eligibility

Even with a qualifying customer and qualifying project, certain Section 1-75(c)(1)(R) requirements also apply to the legal instrument through which that customer receives RECs from that "new," locationally-appropriate utility-scale wind or utility-scale solar facility. Notably, that instrument need not be exclusively for RECs; bundled agreements (including, e.g., delivery of energy) may also qualify, so long as REC delivery requirements are met through those instruments. By extension, delivery to the customer may also occur through an instrument executed with an intermediary, such

as an alternative retail electric supplier; however, any instruments executed with an intermediary (i.e., not with the qualifying facility itself) must be structured to ensure that sufficient quantities of RECs will be delivered from qualifying facilities across the minimum contract term—and cannot be open-ended as to the specific source of RECs.

6.4.1. Contract Term

Mirroring the long-term REC delivery contracts provided for elsewhere throughout Section 1-75(c)(1) of the IPA Act, Section 1-75(c)(1)(R)(2)(iii) requires that RECs "be procured through long-term contracts with term lengths of at least 10 years" from qualifying facilities. The IPA understands that this requirement is intended to help ensure that qualifying facilities may not have been built but for the REC delivery contract that provided long-term revenue certainty back to that facility, and thus that the Illinois RPS self-direct program provides benefits to credit new renewable energy project development.

Section 1-75(c)(1)(R)'s requirements do not apparently require 10 years of REC deliveries from the date of application into the program; instead, only that the contract term itself is at least 10 years in length. Consequently, the IPA understands that a customer could already be receiving RECs under a qualifying REC delivery contract at the time of application to the program in 2023 with less than 10 years of deliveries remaining, and benefit from self-direct participation for the remaining years of that contract. However, the IPA believes that should any aspect of that contract have been non-compliant with self-direct program requirements, then 10 years of deliveries under compliant terms is required to meet this contract length threshold.

As discussed further in this Chapter, to demonstrate compliance with these and other requirements, applicant customers will generally need to provide the legal instrument through which RECs are required to be delivered as supporting evidence.

6.4.2. Delivery Quantity Requirement

Section 1-75(c)(1)(R)(2)(iv) requires that RECs delivered to an eligible self-direct customer from a qualifying facility or facilities "be equivalent in volume to at least 40% of the eligible self-direct customer's usage, determined annually by the eligible self-direct customer's usage during the previous delivery year, measured to the nearest megawatt-hour." Thus, if a customer used 10,000 megawatt-hours in the previous delivery year, then the contracted delivery quantity must be at least 4,000 RECs. A customer can receive and retire additional RECs from that same facility~~, although no additional credit is provided beyond the applicable published self-direct credit amount.~~ If a customer fails to meet this 40% threshold, then no credit is provided, and the customer simply fails to qualify for the self-direct program.

This raises the question of whether that 40% threshold is determined annually for compliance as customer usage changes, or a one-time threshold determination for that customer's eligibility. In light of Section 1-75(c)(1)(R)(5)'s instruction that "[o]nce the Agency determines that a self-direct customer is eligible for participation in the program, the self-direct customer will remain eligible until the end of the term of the contract," and given the administrative burden of annually comparing customer usage to REC deliveries (and then possibly distinguishing between good faith non-compliance versus gaming), the IPA believes that an initial determination that the legal instrument is structured meet 40% of the customer's usage through REC deliveries will be generally sufficient. However, the Agency reserves the right to make inquiries of customers should it have reason to

believe that this threshold is consistently being missed and may take action under Section 1-75(c)(1)(R)(6) of the Act should that customer fail to provide documentation demonstrating ongoing compliance (including through required annual compliance reporting, as discussed in Section 6.9 below). Similarly, the Agency believes that eligibility should be based upon meeting the 10,000 kilowatt threshold at the time of application approval. Should the customer's demand subsequently decline below the 10,000 kilowatt threshold, that demand decline would not invalidate an approved customer's established eligibility.

6.5. Self-Direct Crediting and Accounting

As customers may already engage in any of the qualifying REC delivery contracting contemplated in Section 1-75(c)(1)(R), the benefit of self-direct RPS program participation for an eligible self-direct customer is simply a reduction in the non-bypassable charges levied by Illinois electric utilities to support RPS activities (or a "credit" against those charges). The methodology for determining those credits is outlined below.

Meanwhile, the benefit to the State of Illinois in providing the self-direct program is a reduction in the quantity of RECs required to be procured through IPA-administered utility-scale procurements, as "[e]ach renewable energy credit procured . . . by a self-direct customer shall reduce the total volume of renewable energy credits the Agency is otherwise required to procure from new utility-scale projects." Thus, while the self-direct program does result in a reduction of available RPS budgets, it also allows the Illinois RPS to recognized private sector renewable energy support through a reduction in required REC procurement quantities. Further, the requirement that contracts be at least 10 years in length reduces the year-to-year budget volatility resultant from other possible self-direct regimes.

6.5.1. Self-Direct Bill Crediting

Section 1-75(c)(1)(R)(4) authorizes a "reduction in the volumetric charges collected pursuant to Section 16-108 of the Public Utilities Act for approved eligible self-direct customers" as those customers' benefit for self-direct program participation. As this program operates as an self-direct RPS compliance program only, the IPA understands "volumetric charges collected pursuant to Section 16-108" to refer only to those charges utilized to support RPS program and procurement activities pursuant to Section 16-108(k) of the PUA, and not charges used to support the procurement of zero emission credits, carbon mitigation credits, Coal to Solar and Energy Storage Initiative Charges, or other collections and initiatives referenced in Section 16-108(k).

That reduction, or "credit," is calculated to be "equivalent to the anticipated cost of renewable energy credit deliveries under contracts for new utility-scale wind and new utility-scale solar entered for each delivery year after the large energy customer begins retiring eligible new utility scale renewable energy credits for self-compliance." Section 1-75(c)(1)(R)(4) further clarifies that the self-direct credit amount shall be "equal to the estimated portion of the cost authorized by subparagraph (E) of paragraph (1) of this subsection (c) that supported the annual procurement of utility-scale renewable energy credits in the prior delivery year using a methodology described in the long-term renewable resources procurement plan, expressed on a per kilowatthour basis."

6.5.1.1. Self-Direct Bill Crediting: Interpretive Issues

As described under this language, this calculation has multiple parts, including some contradictory elements. The credit back to that customer hinges then on the "anticipated cost of renewable energy credit deliveries under contracts for new utility-scale wind and new utility-scale solar entered for each delivery year after" that participation begins. But that credit must be must also be "the estimated portion of the cost authorized by subparagraph (E) of paragraph (1) of this subsection (c) that supported the annual procurement of utility-scale renewable energy credits in the prior delivery year." Reconciling this language is not easy, but certain framing principles emerge that the IPA believes are appropriate for implementation of the self-direct program.

First, self-direct bill crediting concerns *only* costs reflective of utility-scale wind and utility-scale solar procurements, and expressly not "costs associated with procuring renewable energy credits through existing and future contracts through the Adjustable Block Program, subsection (c-5) of this Section 1-75, and the Solar for All Program." This provides a defined universe of contract types. Second, self-direct bill crediting concerns *only* costs for contracts entered into after successful participation, and expressly not "costs associated with any contracts entered into before the delivery year in which the customer files the initial compliance report to be eligible for participation in the self-direct program." Thus, bill crediting is established through looking at utility-scale RPS contract costs for those contracts entered into after the customer's successful participation in the program.

One open question, then, is whether costs from utility-scale contracts concern those contracts entered into *directly after* the date of a customer's successful participation (which is before its first compliance report), or only beginning *with the delivery year* thereafter. Thus, if the customer begins self-direct program participation in the 2023 delivery year, utility-scale wind and solar contracts entered into within that delivery year "count" for that customer's self-direct RPS credit calculation? **The IPA is interested in parties' feedback on this topic; for present purposes, the Agency will assume that utility-scale RPS contracts utilized for crediting calculations will begin with those entered into directly after the customer begins participation.**

The next open question is whether a customer's credit level for an upcoming delivery year is based on looking backward at actual expenses resultant from eligible RPS contracts within that prior year, or forward based on anticipated expenses under those contracts for that upcoming delivery year. Here, again, statutory language can be interpreted either way, as it refers to both the "anticipated cost" of REC delivery contracts and costs "that supported" REC procurements "in the prior delivery year." Instructive text may also be found in process elements; those require that "[t]he Agency shall assist the Commission in determining the current and future costs," and that "[t]he Agency must determine the self-direct credit amount for new and existing eligible self-direct customers and submit this to the Commission in an annual compliance filing." The Commission must then "approve the self-direct credit amount by June 1, 2023 and June 1 of each delivery year thereafter."

This language, coupled with the "anticipated cost" language found elsewhere in Section 1-75(c)(1)(R)(4), appears to argue for the Agency being tasked with looking into the future for the upcoming delivery year's anticipated costs from utility-scale contracts executed after a participant's successful RPS self-direct program application and utilizing that anticipated cost for producing a self-direct crediting rate for the upcoming year. This approach requires the Agency to make assumptions about project energization timelines – costs do not begin until projects are energized and begin REC

deliveries to counterparty utilities – although prior experience with RPS implementation has now provided the IPA with more informed insights into utility-scale project energization timelines.[240]

This cost estimate is increasingly complex given that, under Section 1-75(c)(1)(G)(v) of the IPA Act, REC prices for utility-scale projects are no longer fixed; instead, those REC prices float based on wholesale energy prices. Section 1-75(c)(1)(G)(v)(3) already requires that the Agency estimate "the impact on the annual budget for the cost of indexed renewable energy credits for each delivery year" through calculating "the difference between (i) the sum across all relevant contracts of the applicable strike price multiplied by contract quantity and (ii) the sum across all relevant contracts of the forward price curve for the applicable load zone for that year multiplied by contract quantity;" this same calculation can be applied to only those contracts applicable to establishing a given self-direct crediting rate for purposes of estimating applicable costs.

6.5.1.2. Self-Direct Bill Crediting Example

Consistent with those interpretive decisions, the following is an example of how the Agency understands a self-direct crediting rate to be established. First, the self-direct customer begins "retiring eligible new utility scale renewable energy credits for self-compliance," which the Agency understands to be commensurate with a successful self-direct program application for the upcoming delivery year and the years thereafter. For illustrative purposes, assume that successful participation beginning with the 2023 delivery year (the first year of the program). For this example, the IPA thus understands that credited amounts concern a) utility-scale RPS contracts entered into beginning with the 2023 delivery year and from that point forward, and b) anticipated REC procurement costs associated with those contracts for the upcoming delivery year. Thus, the 2023 delivery year would likely not yet feature costs—but instead will feature procurement activities resulting in contracts that will *eventually produce costs*—and any self-direct crediting for the 2024 delivery year would be dependent on whether there are "anticipated costs" from those 2023 delivery year contracts for the upcoming 2024 delivery year. Similarly, self-direct crediting for the 2025 delivery year would be dependent on anticipated costs from those utility-scale contracts entered into during both the 2023 and 2024 delivery years, while self-direct crediting for the 2026 delivery year would be dependent on anticipated costs from those contracts entered into between 2023-2025. Anticipated costs would be determined through a) the Agency's estimate of by when those projects will become energized and begin delivering RECs, and b) the Agency's anticipated budget impacts from those contracts based on its forward price curve calculation under Section 1-75(c)(1)(G)(v).

One consequence of this approach is the absence of a single self-direct crediting rate: under the above example, for the 2026 delivery year, a customer with initial participation in 2023 would receive credits based on anticipated costs from REC delivery contracts entered into during the 2023-2025 time period. However, a customer with initial participation in 2024 would only receive credits based on anticipated costs for REC delivery contracts entered into during the 2024-2025 time period, as that later-selected customer has a different starting point for "each delivery year after the large

[240] Theoretically, another option would be for the Agency to reconcile a prior year's actual expenses as part of the upcoming year's crediting rate, although a) Section 1-75(c)(1)(R) does not appear to expressly contemplate any such reconciliation and b) that reconciliation would actually require a two-year lag, as the next delivery year's crediting rate would be set before the prior delivery year's actual costs will be known. Given the complexity and administrative burden of this reconciliation-based approach, the Agency believes focusing on good faith, data-driven estimates of an upcoming delivery year's applicable costs and using that cost to establish a self-direct crediting rate – with Commission approval through a compliance filing serving as an additional safeguard – better balances clarity and simplicity in calculation with the value of absolute precision.

energy customer begins retiring eligible new utility scale renewable energy credits for self-compliance." ~~While developing successively more self-direct crediting rates year over year of the self-direct program's operation may be inelegant and administratively burdensome, this appears to be the clear intent of the General Assembly in establishing this self-direct crediting regime.~~

To provide the certainty that consumers need to make the longer-term contractual and volumetric commitments required for participation in the self-direct program, the IPA will establish a singular annual per kWh value for the entire tranche of RECs (minimum 10 years) secured by participants in the self-direct program during for each program year. In so doing, participants in the self-direct program will be assured of a fixed bill credit value that would extend through the entirety of the participant's REC contract. The IPA has established its ability to generate the projected future values of REC over multiple years in Appendix B to this Draft LTRRPP. The IPA will calculate the singular annual projected rebate credit value each year which will be made available for self-direct applicants as follows:

1. Annually, the IPA would develop the confidential benchmark to evaluate strike prices (e.g., Index Price plus REC Price) for Index-REC contracts (described in Section 5.8).
2. Subtract from that confidential benchmark the projected Index Price for electricity supply for wind and solar for up to 20 years.
3. The resulting value represents the anticipated REC Price for utility-scale RECs for Index-based RECs for the next 20 years.

These anticipated delivery year costs would then be reduced down to a fractional amount of the amount of collections authorized under Section 1-75(c)(1)(E) of the Act. That fractional amount may be expressed as a percentage, and that percentage would then be used for a per kwh calculation of the credit due back to participating customers~~.~~ scaled upward for consumers that exceed the 40% minimum threshold established by statute. Thus, if the volumetric RPS charge authorized by Section 1-75(c)(1)(E) was 1 cent per kilowatt hour, and anticipated qualifying contract costs constituted 10% of the RPS expenditures for the year, then the applicable self-direct credit would be calculated as 0.1 cents per kilowatt hour~~.~~ for consumers meeting the 40% minimum threshold established by statute and progressively higher self-direct credits for customers exceeding that 40% minimum threshold. For example, if the IPA determines that the portion of the RPS fee that is to be rebated to a Self-Direct participant that has committed to secure RECs equal to 40% of its load is $2.00/MWh, then a customer procuring RECs for 50% of its load under the Self-Direct Program should receive a rebate of $2.50/MWh [(50% Actual REC Deliveries / 40% Minimum REC Deliveries) * ($2/MWh)]; a customer procuring RECs for 80% of its load under the Self-Direct Program should receive a rebate of $4.00/MWh [(80% Actual REC Deliveries / 40% Minimum REC Deliveries) * ($2/MWh)]; and a customer procuring RECs for 100% of its load under the Self-Direct Program should receive a rebate of $5.00/MWh [(50% Actual REC Deliveries / 40% Minimum REC Deliveries) * ($2/MWh)], Such escalation in credits would be capped at the utility's total RPS charge.

6.5.1.3. Self-Direct Bill Crediting: Compliance Filing

Section 1-75(c)(1)(R)(4) also requires that the IPA annually calculate the self-direct crediting amount(s) and "submit this to the Commission in an annual compliance filing," with the Commission required to "approve the self-direct credit amount by June 1, 2023 and June 1 of each delivery year thereafter." This provision raises a series of procedural questions, as outlined below.

The first question is in what proceeding the Agency should provide its compliance filing. The Agency believes that the proceeding featuring the most recently approved Long-Term Plan should be the proceeding in which a compliance filing is made. Thus, for 2023, the Agency will submit its self-direct

crediting calculation within the proceeding used to approve this Long-Term Plan.

The second question concerns how the Commission is to "approve the self-direct amount," as the Commission does not traditionally "approve" a compliance filing. Instead, a compliance filing is simply made to ensure compliance with a prior Commission directive; but unless prompted by a reopening or motion, no Commission action is required. Here, the IPA believes it can best manage the tension between Commission approval and the form of a compliance filing by a) engaging stakeholders in a comment process on the self-direct crediting rate prior to making its compliance filing, b) making its compliance filing early enough to allow for any parties to challenge that filing through petition to the Commission, and c) proposing that should no party successfully contest the filing, it shall be deemed "approve[d]" by the Commission.

The third question concerns timing: while the Commission must approve a self-direct crediting amount by June 1 – the start of a delivery year – the Agency understands that this amount must be known to Illinois electric utilities well before June 1 for application within the delivery year beginning June 1. The Agency has proposed a schedule for the first year of the self-direct program later in this Chapter and is interested in feedback on whether that schedule may accommodate the utilities' bill crediting calculation needs.

For the substance of the compliance filing, the Agency will include, at minimum, the following: anticipated costs of utility-scale REC delivery contracts by delivery year in which that contract was entered into, including the anticipated volumes of REC deliveries from those projects and aggregated assumptions about price (mindful of the confidentiality of individual bid prices) and a narrative explanation of how and why those calculations were made, as well as the self-direct credit applicable to customers based on year of successful application expressed as a per kilowatt-hour value.

6.5.2. Procurement Target Adjustments

Section 1-75(c)(1)(R)(3) provides that each REC procured pursuant to the self-direct program "shall reduce the total volume of renewable energy credits the Agency is otherwise required to procure from new utility-scale projects pursuant to subparagraph (C) of paragraph (1) of this subsection (c) on behalf of contracting utilities where the eligible self-direct customer is located." The Agency will include estimates of RECs procured in connection with the self-direct program, as well as anticipated RPS budget adjustments necessitated by self-direct program bill crediting, in its analyses of RPS Goals, Targets, and Budgets produced through its Long-Term Plans and interim updates posted on its website.

6.6. Self-Direct Program Size & Selection

Section 1-75(c)(1)(R)(3) requires that the Agency shall "annually determine the amount of utility-scale renewable energy credits it will include each year from the self-direct renewable portfolio standard compliance program." In making this determination, "the Agency shall evaluate publicly available analyses and studies of the potential market size for utility-scale renewable energy long-term purchase agreements by commercial and industrial energy customers and make that report publicly available." While the Agency does not seek to establish a fixed first-year program size through this Plan's approval, it provides the following analysis and discussion for stakeholder feedback on self-direct program size and hopes for high-level Commission direction on when and how program size should be established.

6.6.1. Current Publicly Available Analyses and Studies

Publicly available analyses and studies of the potential market size for utility-scale renewable energy

long-term purchase agreements by commercial and industrial energy customers include analyses of large commercial and industrial ("C&I") customer purchases of RECs or bundled renewable energy and RECs from utility-scale renewable resources through power purchase agreements ("PPAs") or virtual power purchase agreements ("VPPAs"). PPAs require the delivery of electricity sold under the agreement to the buyer, while VPPAs are financial transactions. VPPAs provide corporate buyers with flexibility in terms of the location of the renewable resource in that the renewable energy is not necessarily delivered to the buyer's specific location and allows the buyer to hedge exposure to wholesale market prices through a bundled financial transaction.

Data regarding the capacity and generation associated with large C&I PPAs and VPPAs announced or executed with utility-scale wind and solar projects are available from several sources,[241] although none of these data sources offer a comprehensive assessment of the potential size of the C&I self-direct market in Illinois specifically. Several relevant studies conducted by third parties are currently available.[242] The Agency can also utilize the latest C&I consumption and utility scale renewable generation data available from the U.S. Energy Information Administration ("EIA") to define the overall size of the commercial and industrial electricity markets, as well as the amount of utility-scale wind and utility-scale solar capacity and generation in Illinois.[243]

The EIA reported that for 2020, sales of electricity to ultimate customers in Illinois for the Commercial Sector amounted to 45,915,000 MWh, down from 49,279,000 MWh in 2019, and for the Industrial Sector 39,105,000 MWh in 2020, down from 43,250,000 MWh in 2019.[244] Generation from utility-scale wind and utility-scale solar projects for 2020 was reported as 17,204,000 MWh, reflecting utility-scale wind capacity of 6,329 MW and utility-scale solar capacity of 115.7 MW. Most of this generation and the associated capacity were not supplied directly to large C&I customers under PPAs or VPPAs. More specific data is available from various sources that typically report the amount of C&I renewable contract activity in terms of capacity, which can be converted to estimated generation using historical capacity factors relevant to each technology.

However, total capacity in operation in any year does not provide an accurate indication of the likely size of the Self-Direct Customer market. Historical annual capacity additions are a better indicator of what can be expected for the number of RECs that could be procured annually through the Self-Direct RPS Compliance Program. The Retail Industry Leaders Association, based on data obtained from the Clean Energy Buyers Association, the Solar Energy Industries Association, and the American Wind Energy Association, reported that the procurement of electricity from offsite third-party utility-

[241] The relevant data sources include S&P Global Market Intelligence, https://www.spglobal.com/marketintelligence/en/ , Clean Energy Buyers Association (CEBA), "CEBA Deal Tracker", "CEBA State of the Market Report.", and Green Biz Clean Energy Deal Tracker.

[242] In determining program size, the Agency plans to review the currently available or updated studies including (i) S&P Global Market Intelligence, RRA Regulatory Focus, 2021 Corporate Renewables Outlook, April 21, 2021., (ii) J.Kobus, A.I. Nasrallah, J. Guidera, Columbia, SIPA, Center on Global Energy Policy, "The Role of Corporate Renewable Power Purchase Agreements in Supporting U.S. Wind and Solar Deployment, March 2021.", and (iii) Retail Industry Leaders Association, "Corporate Clean Electricity Procurement Index 2020: State Leadership & Rankings.", March 2020. The Agency will also review other studies that may become available.

[243] For example, see U.S. Energy Information Administration Electric Power Monthly, November 2021, Tables 5.4.A. and 5.4.B. -- Sales of Electricity to Ultimate Customers by End-Use Sectors by State.
https://www.eia.gov/electricity/monthly/current_month/november2021.pdf

scale wind and utility-scale solar projects in Illinois increased from 175 MW in 2017 to 988 MW in 2020 or an annual average of 271 MW during that period.[245] Assuming a capacity factor of 30%, this would be equivalent to 712,188 RECs during each of those years.

S&P Global Market Intelligence indicated that as of early 2021 there were almost 3,300 MW of corporate renewable energy deals in place in Illinois.[246] Table 4-x provides a summary of the specific C&I renewable agreements with utility-scale wind and utility-scale solar projects in Illinois reported by S&P Global.

Table 6-1: Representative Corporate Agreements with Utility-Scale Wind and Utility-Scale Solar Projects in Illinois

Corporate Entity	Operation Date	Technology	Capacity under Agreement (MW)
Microsoft	2015	Wind	175
Verizon	2020	Wind	130
FB/Meta	2021	Wind	170
Amazon	2022	Solar	100
Amazon	2022	Wind	100
Amazon	2022	Solar	90

While this is not a complete list of the C&I renewable resource agreements with utility-scale wind and utility-scale solar projects in Illinois, it is representative of the deals in the market—which may provide an indication of the number of RECs that could be procured through the Self-Direct RPS Compliance Program. The reported Amazon deals would produce approximately 762,120 RECs in the first full year of operations for these projects.

[244] U.S. EIA, Electric Power Monthly, February 2021. www.eia.gov/electricity/monthly/.

[245] Retail Industry leaders Association, Corporate Clean Electricity Procurement Index 2020: State Leadership & Rankings.

[246] S&P Global Market Intelligence, "RRA Regulatory Focus, 2021 Corporate Renewables Outlook," April 21, 2021.

GreenBiz maintains an on-line blog that tracks and compiles major corporate renewable energy deals on a quarterly basis since the first quarter of 2018.[247] The information on renewable energy deals is based on corporate press releases, trade industry news alerts and media articles. Table 6-2 provides a summary of the information complied by GreenBiz through the third quarter of 2021.

Table 6-2: Major Corporate Renewable Energy Deals in Illinois Tracked by GreenBiz

Corporate Entity	Date Reported	Technology	Proposed Capacity (MW)
Bloomberg	2018	Wind	17
General Motors	2018	Wind	100
Comcast	2018	Wind	9
Salesforce	2018	Wind	80
Apple, Akamai, Etsy, Swiss Re	2018	Wind	125
Starbucks[248]	2018	Wind	14
Walmart	2018	Wind	50
Walmart	2018	Wind	123
Target	2019	Wind	79
St. Gobain	2020	Wind	120
Cargill	2020	Solar	200
FB/Meta	2020	Wind	130
Lowes	2020	Solar	250
JP Morgan Chase	2021	Wind	75
Mars, Inc.	2021	Wind	121

In 2020 a total of 700 MW of renewable energy contracts in Illinois were announced, which would produce approximately 1,839,600 RECs.

6.6.2. Establishing Program Size

The Agency plans to evaluate the studies and the data available from the sources discussed above, including updates to the studies and data, to produce an annual report which will include an assessment of the large C&I customer renewable energy market and estimates of the number of RECs expected to be available from eligible C&I customers each year. Analysis included in the report will also consider any applications from the prior year that could not be supported under that year's program size. That report will be made available by early January of each year—with the first such report to be published in January 2023—and followed by a brief stakeholder comment process. After the conclusion of that comment process, the Agency plans to announce the program size for the upcoming year delivery by February 1 of that calendar year. That program size will be published by RECs, as envisioned under the law ("The Agency shall annually determine the amount of utility-scale

[247] See www.greenbiz.com/blogs/enterprise/clean-energy-deal-tracker. Accessed 12/10/2021.

[248] Additional information for this PPA showed that the Starbucks agreement was with Enel Green Power North America, Inc.'s Hill Topper wind farm in Logan County which would supply 48,000 MWh for 340 Starbucks stores in Illinois. Smart Energy Decisions, "Starbucks reaches 100% RE in Illinois with wind power," August 9, 2019.

renewable energy credits it will include each year…"), but illustrative examples of installed capacity needed to meet those REC totals by technology will also be provided.

The Agency is also considering a Request for Information process through which potentially-interested self-direct customers could identify themselves to the Agency to help inform market size. The Agency is concerned, however, that attempting to solicit interest from individual retail customers (with which the Agency does not normally interact) may not prove fruitful and is interested in thoughts on how to most successfully engage potentially interested retail customers in feedback on this draft Plan. To ensure the greatest level of data collection to inform decision-making regarding program size, the IPA will also engage with retail electricity suppliers operating in Illinois and trade associations who are well-positioned to assist the IPA in collecting data regarding consumer interest in participating in the Self-Direct Program.

6.6.3. Selecting Between Competing Applications

Section 1-75(c)(1)(R)(3) also provides that "[i]f demand for participation in the self-direct renewable portfolio standard compliance program exceeds availability, the Agency shall ensure participation is evenly split between commercial and industrial users to the extent there is sufficient demand from both customer classes." This requirement contemplates that self-direct program applications will not be reviewed and approved on a rolling basis, but instead will feature an application window during which all applications are reviewed and determinations about selection – such as application of this C&I balancing requirement – will be made at the conclusion of that window closing. As explained later in this Chapter, the Agency proposes to structure its application process in accordance with this structure.

This balancing requirement will operate to ensure that should the Agency receive more qualifying applications than program capacity can support, priority shall be offered to ensure equal participation between commercial customers and industrial customers. Thus, if program size is 100x, and the Agency has received 70x of qualifying commercial customer applications and 50x of qualifying industrial applications, then the 20x of applications not selected should be taken from the commercial customer segment.

However, this does not provide direction between how to choose between competing applications *within* those categories. Informed by stakeholder comments received, the Agency proposes the following approach to application selection should qualified applications exceed self-direct program capacity:

First, the Agency will select applications in a manner consistent with the C&I balancing requirement—thus, if less than half of the program size is met through commercial or industrial customers, then all applications within that category will be considered selected. If both categories have applications exceeding 50% of program capacity, then applications shall be selected within a category consistent with the following paragraphs.

Next, customers with the highest percentage of RECs sourced from facilities located in Energy Transition Community Grant areas will be given preference. This approach will help support communities impacted by the closure of coal mines, fossil fuel and nuclear plants and provide the commensurate employment opportunities that come from project development. This approach aligns the self-direct program with Section 1-75(c)(1)(P) of the IPA Act prioritization of support for those communities.

To next choose between any leftover competing applications within a given category (for instance, if no customer's projects are located in Energy Transition Community Grant areas), the Agency shall give priority to those applications which demonstrate the highest percentage of qualifying RECs being retired relative to that customer's usage from the previous delivery year. Thus, a contract through which a customer's usage is entirely met through a bundled (REC + energy) PPA or PPAs would receive top priority.

Lastly, priority will be provided based on the total number of RECs planned to be procured and retired annually under the application.

Projects not selected will be placed on an ordinal waitlist ranked in accordance with the criteria above. Those projects will be required to reapply for consideration for the next program year, but once qualified, will be provided top priority in selection for that year.

6.7. Self-Direct Program Application Process

Section 1-75(c)(1)(R)(5) provides a minimum series of items required to be included on a customer's application be a self-direct customer; those are outlined below:

> (i) the customer's certification that, at the time of the customer's application, the customer qualifies to be a self-direct eligible customer, including documents demonstrating that qualification;
>
> (ii) the customer's certification that the customer has entered into or will enter into by the beginning of the applicable procurement year, one or more bilateral contracts for new wind projects or new photovoltaic projects, including supporting documentation;
>
> (iii) certification that the contract or contracts for new renewable energy resources are long-term contracts with term lengths of at least 10 years, including supporting documentation;
>
> (iv) certification of the quantities of renewable energy credits that the customer will purchase each year under such contract or contracts, including supporting documentation;
>
> (v) proof that the contract is sufficient to produce renewable energy credits to be equivalent in volume to at least 40% of the large energy customer's usage from the previous delivery year, measured to the nearest megawatt-hour; and
>
> (vi) certification that the customer intends to maintain the contract for the duration of the length of the contract.

Specific application forms will be developed by the Agency across late 2022 and early 2023, and guidance regarding acceptable supporting evidence and documentation will be provided prior to the program's opening for application. At first blush, the Agency believes that supporting documentation demonstrating (i) through (v) will include requiring a combination of customer billing information (which is already required under Section 1-75(c)(1)(R)(3)) and the underlying legal instrument through which the customer will procure RECs, with the applicant customer having the option of redacting any confidential, non-essential information. As Section 1-75(c)(1)(R)(5)(ii) contemplates situations where the customer merely "will enter into" such contracts "by the beginning of the applicable procurement year," a term sheet coupled with certification may be adequate to satisfy this requirement for initial application, but participation will be contingent on a binding REC delivery contract being provided to the Agency at least one month in advance of the start of the delivery year.

For purposes of demonstrating common corporate parent status, the Agency believes tax

identification numbers constitute appropriate proof, but not the only form of acceptable proof.

Alternative proof for meeting this requirement and other requirements may be considered on a case by case basis, but in all cases must be accompanied by a certification from a senior officer from the applicant customer.

For confidential, competitively sensitive information essential to determining whether the project, customer, or contract qualifies for the program, the Agency commits to maintaining the confidentiality of that information. To ensure confidential treatment of self-direct program applicant data, the IPA will deem any data submitted by the applicant and labelled as confidential as being confidential and not permissible for sharing – as allowed under the provisions of the Illinois Freedom of Information Act (FOIA).

6.8. Self-Direct Program Opening

Section 1-75(c)(1)(R) requires that the self-direct RPS compliance program "shall take effect in the delivery year commencing June 1, 2023." The IPA understands this to mean that customer participation will begin as of June 1, 2023, and thus that initial applications are required to be received across the months preceding that start date.

The IPA proposes the following timeline of required steps for the first year of the self-direct program:

- July 2022: ICC approval of IPA Long-Term Renewable Resources Procurement Plan
- Jan 2023: IPA publishes its analysis of self-direct program size, takes stakeholder comments
- Feb 1, 2023: IPA publishes final program size
- Feb 1, 2023: IPA publishes application forms
- Feb 15, 2023-March 15, 2023: Applications for self-direct program received
- March 15, 2023-April 15, 2023: Applications reviewed, program participation determinations made and communicated to both applicants and applicable electric utilities
- June 1, 2023: First program year commences
- March 2024: First compliance filing for determining credit rate for upcoming delivery year
- May 31, 2024: Conclusion of first program year
- July 30, 2024: Deadline for first program year compliance reports

The IPA could theoretically provide a compliance filing in early 2023 for establishing a credit rate for the 2023 delivery year. However, as that crediting rate is based on the "anticipated cost of renewable energy credit deliveries . . . entered for each delivery year after the large energy customer begins retiring eligible new utility scale renewable energy credits for self-compliance," and as no such retirements for "self-compliance" can occur until the customer's successful application to the self-direct program, that first year credit will have no value. Consequently, the IPA plans for its first compliance filing for establishing the self-direct credit rate to occur in early 2024. For clarity, given the lag between application to the self-direct program and notification of bill credits, the IPA accepts that applicants to the self-direct program may secure entry to the self-direct program with REC contracts that are contingent upon the final valuation of bill credits as determined by the IPA.

6.9. Compliance Reporting

Section 1-75(c)(1)(R)(3) provides that participating self-direct customers "shall file an annual compliance report with the Agency pursuant to terms established by the Agency through its long-term renewable resources procurement plan to be eligible for participation in this program." The self-direct customers participating in the program will be required to file an annual compliance report within 60 days after the conclusion of each delivery year of the program with the Agency in

order to remain eligible. This compliance report will provide updated information including:

1. The actual number of RECs retired in connection with the program for the self-direct customer over that delivery year;
2. Documented proof that the RECs supplied to the program were retired;
3. The ~~actual energy usage~~metered consumption at the facilities participating in the program during the previous year,based on the accounts of participating customers;
4. The total energy or RECs supplied to the self-direct customer by the renewable resource facilities under the self-direct customer's relevant contract(s) for the previous year; and
5. Any modifications or amendments to the contracts with renewable resource facilities.

Section 1-75(c)(1)(R)(6) provides that "[i]f a customer receives the self-direct credit but fails to properly procure and retire renewable energy credits as required under this subparagraph (R), the Commission, on petition from the Agency and after notice and hearing, may direct such customer's utility to recover the cost of the wrongfully received self-direct credits plus interest through an adder to charges assessed pursuant to Section 16-108 of the Public Utilities Act." Should a customer fail to submit its required annual compliance report, or should that annual compliance report not demonstrate compliance with program requirements, the IPA may petition the Commission to claw back wrongfully received self-direct credits from the non-compliant entity. Additionally, as also envisioned under Section 1-75(c)(1)(R)(6), the Agency may bar such entities from continued participation in the program.

All RECs qualifying for the program must be retired by or on behalf of the self-direct customer as verified by the appropriate REC tracking system, either PJM Generation Attribute Tracking System (PJM-GATS) or the Midwest Renewable Energy Tracking System (M-RETS).

As the first annual compliance reports will not be required to be filed with the Agency until the Summer of 2024, the Agency plans to provide additional guidance on compliance reporting closer to the date by which those reports must be filed. The IPA will engage with stakeholders within 6 months of the filing of a final version of the Draft LTRRPP to establish a process for re-admission into the Self-Direct Program if the applicant can demonstrate an unintended error was the basis of removal from the Program and to clarify the specific documentation required to satisfy the REC retirement requirement.