IL EE Stakeholder Advisory Group (SAG)
Request for Comments on IL-TRM Policy Issue #2:

Renewable / Solar Generation

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Policy Issue #2, Question 1: Does the statutory definition of "energy efficiency" allow a solar as energy efficiency measure (i.e. rooftop solar generation) in the Illinois TRM?

The Illinois Power Agency ("IPA") has been made aware of ComEd's proposal to consider solar photovoltaic distributed generation projects as energy efficiency measures that may be included in the Illinois TRM—both through SAG discussions and in connection with legislative discussions this past Spring. While the IPA takes no official position on the merits of this proposal for the purposes of these comments, we provide these comments to (1) offer context on the growth of and means of financial support for solar photovoltaic distributed generation projects in the State; (2) update the SAG on the planning processes currently underway to advance our goals for facilitating additional projects over the next two years; and (3) ensure the SAG has visibility into the potential interactive and operational considerations that reclassification of distributed generation as an energy efficiency measure would have on our work and statutory mandate.

For background, the IPA manages implementation of the State's Renewable Portfolio Standard ("RPS") which is used to facilitate the development of new renewable energy resources. The IPA has been supporting the development of solar photovoltaic distributed generation projects since 2014 through the award of renewable energy credit ("REC") delivery contracts to provide incentive capital in exchange for the delivery of the environmental attributes associated with those projects' electricity production—whether used on-site or delivered to the grid. Through its planning and procurement activities, the IPA facilitates the procurement of Renewable Energy Credits by electric utilities to meet the State's goals of reaching 40% of retail electricity sales being met by renewable energy by 2030 and 50% by 2040. These goals are measured by the procurement

of RECs, which are tradable credits that represent the environmental attributes of one megawatt hour of energy produced from renewable resources, as a share of energy used by retail customers.

The IPA's programs and procurements result in the award of contracts through which RECs are purchased and retired by electric utilities. Under this structure, REC delivery contract revenues provide developers with the capital necessary to cover the difference between new project development and operational costs versus anticipated revenues, allowing for greater solar market growth in the state. For distributed generation projects, the IPA's REC pricing model[1] administratively establishes the incentive levels necessary to ensure those projects are financeable, dividing that total amount of additional capital needed by expected MWhs produced by the project (and thus expected RECs delivered by the project) to provide a per-MWh REC price.

While the Illinois RPS has been in existence since 2007, the qualitative and quantitative aspects of renewable energy procurement changed substantially through the passage of P.A. 99-0906, known as the Future Energy and Jobs Act ("FEJA") and P.A. 102-0662, better known as the Clean and Equitable Jobs Act ("CEJA"). Not only did those acts change the target volume of and budget for the purchase of RECs, they also facilitated a more equitable distribution of the benefits of a clean energy economy. The IPA, with support from stakeholders including the utilities and developers, has developed standard REC delivery contracts which provide for the utilities' purchase of RECs and the subsequent incentive payments to the counterparty developer entity. These incentive payments are tied to project requirements intended to benefit residents of Illinois, including laborers and those historically excluded from the energy economy. Approved vendors, the programmatic name for participating entities, are required to pay prevailing wage (unless exempted) and to comply with the Minimum Equity Standard, which mandates that a percentage of the labor force be Equity Eligible Persons.

As the IPA is not a regulatory agency and has no plenary authority to enforce compliance with these critical measures, the REC contract is the enforcement mechanism through which the General Assembly intertwined the goals of increased renewable energy and equitably distributed benefits of the energy economy. The failure to meet minimum equity standards, pay workers prevailing wage rates, follow consumer protection provisions, or otherwise meet requirements developed by the IPA may place REC delivery contract revenues at risk or result in a suspension from the ability to continue receive REC delivery contract awards. Any dilution in the importance of REC delivery contract revenues for supporting new projects (such as through splitting solar

[1] To set REC prices at a level that will cover the difference between the cost of a new DG project and its expected revenues, the IPA uses an adapted version of National Renewable Energy Laboratory's Cost of Renewable Energy Spreadsheet Tool ("CREST") – an economic cash flow model that estimates the cost of energy in terms of cents per kilowatt hour associated with specific input assumptions regarding technology type, location, system capital and various project financing variables. The model is approved by the Illinois Commerce Commission through the approval of the Agency's Long-Term Renewable Resources Procurement Plan in a docketed proceeding every two years.

incentives across multiple initiatives) hampers the IPA's ability to shape the clean energy economy in line with the State's vision, as project developers may wish to bypass these critical requirements by foregoing REC delivery contract revenues.

Since the launch of the IPA's Illinois Shines and Illinois Solar for All solar inventive programs in 2019, Illinois has seen an explosion in the development of photovoltaic distributed generation ("DG") projects like those considered in ComEd's proposal. IPA administers two programs that support photovoltaic distributed generation projects, Illinois Shines and Illinois Solar for All. As of July 7, 2025, Illinois Shines has already awarded contracts for over 95,000 projects, with more than 1400 MW AC of new capacity from DG projects that have been awarded contracts. Illinois Solar for All, which focuses on solar for income-eligible customers, has awarded nearly 3,000 contracts. The IPA's solar incentive programs now support between 15 – 20,000 projects annually with the current incentive structure in place; Illinois Shines is routinely oversubscribed.

At the time that the IPA launched Illinois Shines, the Illinois solar market was dormant; less than 100 MW of solar generation was installed statewide. Through work done to facilitate the development of distributed generation, community solar, and utility- solar projects, Illinois is now the Midwest leader in solar development, with over 6,000 MW of solar energized statewide. That leadership is primarily driven by the IPA's success in facilitating small-scale projects, with Illinois Shines contract awards alone more than doubling any Midwest state's total statewide number of solar projects. However complex or circuitous, this system of awarding REC delivery contracts to facilitate new solar project development has worked to flip Illinois from a solar laggard to a national leader in only 6.5 years time.

Looking ahead, the Agency is currently undertaking the process of developing its 2026 Long Term Renewable Resources Procurement Plan, through which the Agency will plan the implementation of the Illinois Shines Program, the Illinois Solar for All Program, and its competitive REC procurements for the upcoming two energy years. A draft version of that Plan is due to be published on August 15, and the ICC is expected to approve that plan in February of 2026. That Plan will govern the requirements applicable to the IPA's solar incentive programs over the 2026-27 and 2027-28 delivery years. Program size, category size, REC delivery contract requirements, REC prices, qualification requirements, and other matters will be determined through that Plan.

Turning back to ComEd's proposal to include solar as an energy efficiency measure, the IPA wishes to share some considerations on the potential interactions this measure might have with its Programs. Specifically, the IPA urges the SAG to consider (1) whether this proposal is consistent with current statutory language, (2) the potential operational challenges this approach might create for the existing state solar market and interactive effects it may have with the IPA's solar incentive programs, and (3) the maturity of Illinois' solar market.

First, the statutory definition of "energy efficiency" may not allow a solar as energy efficiency measure. 220 ILCS 5/8-103B states:

(a) It is the policy of the State that electric utilities are required to use cost-effective energy efficiency and demand-response measures to reduce delivery load. Requiring investment in cost-effective energy efficiency and demand-response measures will reduce direct and indirect costs to consumers by decreasing environmental impacts and by avoiding or delaying the need for new generation, transmission and distribution infrastructure.

For purposes of the section, "energy-efficiency", "demand-response", and "total resource cost test" have meanings set forth in Section 1-10 of the Illinois Power Agency Act. "[E]nergy efficiency" means measures that reduce the amount of energy required to achieve a given end use. "Energy efficiency" also includes measures that reduce the total Btus of electricity, natural gas, and other fuels needed to meet the end use or uses.

"Energy efficiency" is generally used to refer to measures that reduce the amount of energy needed to achieve a given end use, i.e. to cool a home. Rooftop solar would not *reduce* the total electricity needed to meet the end use, but would instead *generate* an equivalent amount of power to meet the end use on site. The watts used to accomplish the end use would not be lessened, their source would simply change. Considering rooftop solar as EE also does not reduce the need for new generation. Rooftop solar is, by definition, new generation.

In contrast, the IPA Act defines a "renewable energy resource" in part as energy and its associated renewable energy credits from wind, solar thermal energy, photovoltaic cells and panels, and other renewable energy generation technologies. It would seem confusing that drafters would develop the State's Renewable Portfolio Standard specifically to facilitate the development of projects leveraging renewable energy generating technologies while also envisioning that those *same projects* could participate under a parallel statutory regime intended to incentivize the reduction of end use generation.

Next, the IPA understands ComEd to propose effectively "splitting" environmental attributes from photovoltaic generation such that generation consumer behind the meter could constitute energy efficiency savings with those environmental attributes delivered under energy efficiency programs, while generation exported to the grid would be considered renewable energy generation qualifying for RECs to be delivered through IPA solar incentive programs. This approach appears to be inconsistent with the statutory language governing the Illinois Shines program. Under Section 1-75(c)(1)(L) of the IPA Act, Illinois Shines contracts are to be developed such that ". . . utility shall receive and retire <u>all</u> renewable energy credits *generated by the project*" through the REC delivery contract for the full contract term—and not merely environmental attributes associated with electricity delivered to the grid. Stated differently, state law does not appear to contemplate REC delivery contract awards for only a parsed portion of a project's energy production.

Further, the Agency frequently receives feedback that participating in its incentive programs is too complex, such that some participants have determined that they do not wish to participate, resulting in their exit from the Illinois market. SRECTrade, perhaps the leading national solar REC

aggregator, cited program and market complexity as its basis for leaving the Illinois market. Since then, the Agency has sought—where possible—to simplify participation in its programs. The Agency believes it is prudent to consider the effect that additional complexity through a new incentive stream may have on market participants who navigate these programs, especially small businesses who already struggle to navigate Illinois Shines and Illinois Solar for All requirements.

Beyond complexity, the Agency is also worried that such a proposal may dilute the value of a REC delivery contract. As discussed, the REC delivery contract is essential to ensure that the qualitative outcomes desired by the Illinois legislature are achieved, including those related to prevailing wage, the equity accountability system, and geographic diversity. The Agency is aware of Community Solar projects which have eschewed incentives in order to avoid equity, labor, and consumer protection requirements. The Agency is concerned that if the REC delivery contract value becomes less important to a distributed generation project's capital stack, the risk of those projects eschewing REC delivery contract incentive payments will increase.

On August 15, the IPA will release its draft Long Term Renewable Resources Procurement Plan for stakeholder feedback, ahead of filing it with the ICC for consideration this fall. This Plan outlines the implementation for the Agency's program and procurement activities over the next two years. A decision to allow a solar as energy efficiency measure in the Illinois TRM would significantly affect the activities covered by this Plan, as it would almost certainly require the Agency to rewrite the REC pricing approach, rebuild its REC delivery contracts to account for reshaped system output, and to require changes to the standing orders for all Approved Vendors if environmental attributes of system outputs must be parsed across both the Agency's Programs and ComEd's energy efficiency program. These are not minor procedural inconveniences; they would constitute a fundament shift to what have been very robust and successful solar incentive programs.

Finally, the Agency hopes that the SAG will consider whether this measure is needed, as robust incentives exist for the development of rooftop solar through the Illinois Shines and Illinois Solar for All Programs. Support for that development has successfully been scaled, as evidenced by the volume of projects and amount of new capacity that is consistently being added each year. The Agency urges consideration of whether additional, competing incentives are necessary (or beneficial) to scaling those technologies. The Agency further urges consideration of whether there are other technologies that do not have the same infrastructure of support as rooftop solar that may be better able to benefit from additional incentivization. The above constitutes the IPA's initial analysis of challenges inherent in having rooftop solar recognized as an energy efficiency measure; further discussion and analysis may reveal other barriers or opportunities.[2] The IPA appreciates

[2] For example, provisions in the recent federal budget bill serving to remove the Investment Tax Credit will mean that more state-administered financial support will be necessary to continue this trajectory of solar project deployment. While Spring's omnibus energy bill (SB 40) contained provisions both providing more RPS funds and allowing for future RPS budgets to be established through Integrated Resource Planning, we can understand how leveraging additional areas of funding to support continued solar growth may now be more inviting in light of federal changes.

the opportunity to offer these comments and is open to additional discussion across the coming months.