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

Instructions:

- Using this template, send written comments on IL-TRM Policy Issue #2 to the SAG Facilitator, Celia Johnson: Celia@CeliaJohnsonConsulting.com **by Friday, July 11**.
- Include "TRM Policy Issue Feedback" in the subject line of the email.
- Following the July 11 written comment deadline:
  - All comments will be posted on the SAG website, and circulated to SAG.
  - Next steps will be reviewed following the comment deadline, including whether a follow-up meeting is needed, or whether a non-consensus comparison exhibit should be prepared.
- Deadline Reminder:
  - The goal is to resolve IL-TRM policy issues before the August 1, 2025 IL-TRM deliverable.

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Policy Issue #2: New Measures Involving Renewable / Solar Generation

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?

Joint Response:

No. "Energy efficiency" (EE) is defined under Illinois law as follows:

> "Energy efficiency" means measures that reduce the amount of electricity or natural gas consumed in order to achieve a given end use. "Energy efficiency" includes voltage optimization measures that optimize the voltage at points on the electric distribution voltage system and thereby reduce electricity consumption by electric customers' end use devices. "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. 20 ILCS 3855/1-10.

Customer-sited rooftop solar (or photovoltaic/PV) does not reduce the amount of electricity consumed. Rather, it changes the source of production of the electricity that is consumed. ComEd appears to be interpreting the language on "reduction in consumption of electricity" to mean a reduction in electricity demand at a customer's meter or a reduction in the amount of electricity that needs to be delivered to a meter. However, that is not what the statute says. If legislators had intended the definition to mean a reduction in electricity delivered to a meter, rather than a reduction in electricity consumed by one or more end uses, they could have written the definition to say that – but they did not.

Beyond this fundamental legal concern, we have significant policy concerns with ComEd's proposal:

First, while there are certainly advantages to the grid of increased distributed PV uptake, we are concerned about funding distributed PV out of a fixed budget for EE. If ComEd is allowed to count even portions of customer-sited PV output as EE, every dollar ComEd might invest in supporting distributed PV will mean one less dollar is invested in measures that actually increase the efficiency of electricity consumption. ComEd might suggest that is acceptable if the cost of acquiring a kWh of PV output is less than the cost of acquiring a kWh of true electric efficiency. However, we disagree because the statutorily capped 8-103B budgets are the only source of funding for true electric efficiency investments while there are other funding streams that can and are being used to support distributed PV incentives.

Today, ComEd customers are already subsidizing solar programs through other surcharges. For example, the RPS surcharge is an adjustment related to electricity generated by renewable energy sources (e.g., wind or solar). The Rider DG (Distributed Generation) surcharge effectuates provisions in Section 16-107.6 of the Public Utilities Act (Act) to allow the Company to recover all the costs it incurs associated with the provision of distributed generation rebates. Clearly, the General Assembly did not envision solar panel and rebate subsidies to be expanded through the energy efficiency program surcharges collected each month on top of existing funding streams.

Second, the way that ComEd has proposed to count PV as EE – including the portion of PV output that is used on-site and excluding PV output that is exported to the grid – effectively means that on-site battery storage can become an EE measure as well. That is because storage would allow for a higher percentage of PV output (if not all PV output) to be used on-site and therefore allow a larger portion of PV output to

be counted as EE. We understand ComEd to have agreed to this point in recent SAG discussions. Again, as with PV, there are strong advantages to having more distributed storage. However, there are also other funding streams that can be used to support investment in distributed storage, but no other significant funding sources for investment in true electric efficiency upgrades.

Relatedly, if ComEd's interpretation of the statute is accepted, then *any on-site generation* could be defined as energy efficiency – as long as it reduced demand at the customer's meter. That could include diesel generators at commercial or industrial sites, or even back-up fossil fuel-fired generators at residential sites. ComEd may not be proposing such measures be added to the TRM now, but their legal interpretation of statute would allow for such proposals in the future. That would be highly problematic given that one of the stated goals of the efficiency statute is to reduce environmental impacts.

Third, ComEd has suggested that only rooftop PV would qualify as EE because it is the only PV behind customer meters; community solar would not qualify. If rooftop PV is to become an EE measure and be incentivized via EE channels, this policy could distort the market, artificially and inappropriately pushing homes, particularly income-qualified homes, towards rooftop units even in cases when community solar programs may make more logistic and financial sense.

Fourth, ComEd joining the solar promotion market through its EE programs raises a myriad of consumer protection concerns. The Illinois Power Agency (IPA) offers the Illinois Shines and Solar for All programs, pursuant to statute (20 ILCS 3855/1-20 *et seq*.), and guided by Commission-approved Consumer Protection rules. Section 8-103B envisions no adjacent program under the guise of ratepayer-funded energy efficiency programs. These concerns cannot be underestimated. The Consumer Financial Protection Bureau issued a nationwide alert and "issue spotlight" in August of 2024 "finding that some residential solar lenders are misleading homeowners about the terms and costs of their loans, misrepresenting the energy savings they will deliver, and cramming markup fees into borrowers' loan balances."[1] The Federal Trade Commission issued a similar consumer alert at the same time.[2] It is unclear how and to whom ComEd would market any solar program, and under what rules or guidelines. The aforementioned references to fraudulent marketing issues are not meant to denigrate solar as a resource, but rather to highlight the importance of minimizing the potential for customer confusion via utility EE channels when the IPA has already been assigned responsibility for implementing solar programs.

[1] See "CFPB Report Finds Lenders Cramming Markup Fees and Confusing Terms into Solar Energy Loans", issued August 7, 2024, available at: https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-finds-lenders-cramming-markup-fees-and-confusing-terms-into-solar-energy-loans/ As noted in the CFPB website statement, "The report describes how fees often increase loan costs by 30% or more above the cash price, and that lenders often misrepresent the impact of the federal tax credit for solar installations. These loans are generally facilitated by lenders in partnership with solar installers and door-to-door sales companies." *https://www.consumerfinance.gov/about-us/newsroom/cfpb-report-finds-lenders-cramming-markup-fees-and-confusing-terms-into-solar-energy-loans/*

[2] "Don't waste your energy on a solar scam," Larissa Bungo, Senior Attorney, Federal Trade Commission, August 7, 2024, available at: https://www.ftc.gov/business-guidance/blog/2024/08/dont-waste-your-energy-solar-scam

Finally, and related to the points above, it is unclear how ComEd's proposal would ultimately affect the electric grid. If some or all of the PV that is counted as EE would have been installed anyway under currently available PV funding, the grid might be worse off than if PV was not counted as EE (after accounting for the reduced investment in actual electric EE).

Instead of adding rooftop PV as an EE measure, we would like to support better coordination for customer education and delivery of ComEd's EE and rooftop solar programs, including community solar, so that customers are made aware that each program exists and can bundle the opportunities, when it makes sense for them at the lowest possible cost. Importantly, ComEd's proposal, if adopted, threatens to reduce the budget available for zero-cost, whole-building weatherization programs that would otherwise serve those with the highest energy burdens within ComEd's and Ameren's service territories and achieve true energy efficiency. When energy efficiency funds are available, there is consumer value in first ensuring that homes and buildings are equipped with electric efficiency upgrades in order to reduce the size and cost of the PV system installed.

Policy Issue #2, Question 2: Does the statutory definition of "energy efficiency" allow a solar thermal measure (i.e. solar hot water and solar air heaters) in the Illinois TRM?

Joint Response:

Yes. Unlike PV, solar thermal measures actually reduce the amount of electricity consumed to meet one or more end uses. That is because they use the sun to generate heat rather than to produce electricity. The heat that they generate displaces heat that would otherwise have had to be generated with electricity (or natural gas).

Solar thermal measures are much more akin to other common efficiency measures than PV. For example, ground source heat pumps are much more efficient than electric resistance heating because they extract heat from the ground (which typically stays at a constant temperature once one gets below the frost line) and move that heat to a building (or the reverse in cooling mode). Similarly, air source heat pumps extract heat from the air and move it into a home in heating mode or extract it from the home and move it outside in cooling mode. Passive solar design optimizes the use of heat from the sun through solar gain (through windows) to minimize the amount of heating that electricity or natural gas would need to produce to keep the building at a comfortable temperature in winter. Incorporating "daylighting" into the design of a new building reduces the amount of electricity needed to generate light. Like solar thermal technologies, these are all measures that do not generate electricity but instead use natural sources of heat or light to reduce the amount of electricity and/or natural gas needed in buildings. All of them have been supported by utility-funded EE programs across the country for decades.

Background Information

See the statutory definition of "energy efficiency"- excerpted from Illinois Power Agency Act (20 ILCS 3855/1-10) and Public Utilities Act (220 ILCS 5/8-104(b)):

> "Energy efficiency" means measures that reduce the amount of electricity or natural gas consumed in order to achieve a given end use. "Energy efficiency" includes voltage optimization measures that optimize the voltage at points on the electric distribution voltage system and thereby reduce electricity consumption by electric customers' end use devices. "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.

June 23 Large Group SAG meeting materials:

- Facilitator Introduction to June 23 SAG Meeting
- ComEd Presentation
- Discussion Slides for June 23 SAG Meeting

Additional SAG meeting materials related to the "Solar as EE" policy issue:

- ComEd Presentation (June 9 SAG meeting): Solar as Energy Efficiency
- ComEd Follow-up: Solar as EE in Other States
- ComEd Follow-up: Position on the grouping of solar PV and solar thermal technologies/measures
- Solar as Energy Efficiency – Residential New Measure (ComEd – updated following June 9 meeting)
- Solar as Energy Efficiency – Commercial & Industrial New Measure (ComEd – updated following June 9 meeting)
- Spreadsheets that support the solar as EE workpapers:
    - EE Residential Solar
    - PV Watts ETDF Calculations
    - Simultaneous Adjustment Factor Analysis – Residential

Additional IL-TRM workpaper related to renewable policy issue:

- Residential Solar Water Heater New Measure (Ameren Illinois)