



Renewable Energy Credits(RECs) in Illinois Explained

- What is a renewable energy credit? It is an environmental attribute. For every 1,000 kWhs that a system produces, the system owner earns (1) renewable energy credit (REC). The state is presently contracting with clean energy system owners for 15 years of REC integration into Illinois' grid system.
- Why is the state doing this? Back in 2007, legislators passed what is called the Renewable Portfolio Standard (RPS) that mandated that the investor owned utilities (Ameren and ComEd) have 25% of their electricity portfolio coming from renewable sources by 2025. Legislation recently (The Climate and Equitable Jobs Act) passed that sets a state goal of 100% renewables by 2050!
- Why do only Ameren and ComEd have this requirement? The investor owned utilities have legislative oversight that is administered by the Illinois Commerce Commission (ICC). Municipal and rural cooperative utilities are independently owned/operated and governed by their boards and/or city councils. Accordingly, the state cannot mandate that they participate in the RPS.
- What is the funding mechanism for the REC program? Ameren and ComEd rate payers have a line item rate payer assessment on their bills each month that goes into the funding pot to pay clean energy system owners for their renewable energy credit contracts. Even though municipal and rural electric cooperative customers do not pay into this fund (because they cannot be regulated to do so), they are eligible to participate in the renewable energy credit program as legislators understand that these incentives should apply to all Illinoisans to help us, as a state, get to our stated goals.
- How does the program work? A solar developer works with an "Approved Vendor" (fancy words for 'middle man') to submit applications and upload required documents. The Approved Vendor is responsible for reviewing applications and accompanying documentation to ensure that everything submitted is accurate. They then forward it to the Illinois Power Agency's (IPA) Administrator (the state agency tasked with administering the program) for processing and approval. For this, the Approved Vendor charges a fee of 10% of the gross REC proceed. They stay in the middle between the customer and the IPA for the full 15 years of the contract until it has been successfully executed.
- How are the payments determined? The solar developer provides a 15-year production estimate in terms of kWhs that a system will produce. That number is then divided by

1,000 to determine the number of renewable energy credits that are applicable to that customer's contract. The number of RECs is then multiplied by the current Block price and that is the gross contract amount.

- How and when are payments made? For systems that are up to 25kW AC, the payment comes in one lump sum about 6-9 months after the system is energized. For systems that are 25kW - 2 MW AC, payments are made over seven years with the first payment coming about 6-9 months after the system is energized and the balance being paid out quarterly until the contract is paid in full.
- Are there any fees associated with this contract? There are two fees as follows:
 1. Application Fee- This fee is based on the size of inverter being used which determines what is referred to as the AC system size. The fee is \$10/kW of inverter capacity i.e. 10kW inverter = \$100 application fee. This fee is non-refundable.
 2. Collateral Requirement- Because system owners receive compensation for 15 years of clean energy integration to Illinois' grid system in either one lump sum for small systems or over the course of seven years for larger systems, the utilities wanted some assurance that system owners would keep their systems operating for the full 15 years and also deliver the production they were estimated to produce over that time per their contracts. Accordingly, the IPA built in what is called "collateral requirement". This is 5% of the gross contract amount and is held in "escrow" for the entire 15 year contract. Assuming the system remains operational for the full 15 years and/or meets its estimated production for the contracted period, this amount gets refunded at the end of the 15 year period. For energized systems, the collateral requirement can be withheld from the first REC payment. For systems that have yet to be built, it is generally collected up-front from the Approved Vendor at the time of contracting. A credit card authorization, as part of the REC contracting process, is also required to cover any "dip in" to the collateral pot that may be necessary for systems that do not deliver the production that was estimated, upon which the system owner was paid, in actual production to make up the difference between the two. This evaluation process starts in year 3 and is based upon a 3 year average of estimated production versus actual production/RECs delivered.
- What happens if I sell my home within the 15 year contracted period? Your REC contract is transferred to the new owner and they assume the responsibility of maintaining it/meeting production estimates. For doing so, at the end of the 15 years they also receive the refund of the collateral requirement. There are two options for transfer of system ownership that will be outlined in the REC contract. 1) Pay \$25/kW and keep the contract at the 15 year term, or 2) increase the contract period another five years to 20 years. We recommend Option 1.