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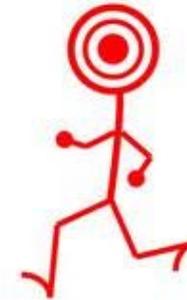
Distributed Generation Procurement Background and Principles

Presentation to the IPA DG Workshop
June 12, 2014



The Illinois RPS – A moving target...

- RPS adopted in 2007
- Extended to ARES in 2008
- Solar carve-out added in 2009 (SB2150)
- Solar “ramp-up” added in 2010 (HB 6202)
- DG carve-out added in 2011 (SB1652)
- Municipal aggregation took off in 2013.
- **NO DG PROCUREMENTS HAVE TAKEN PLACE.**

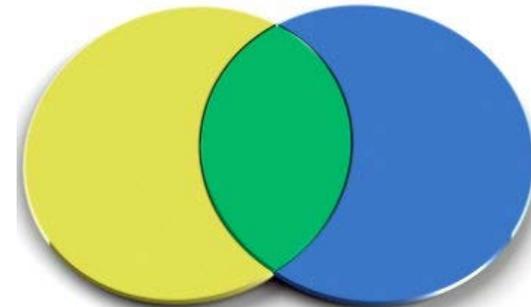




Solar and DG Requirements

- The solar and DG carve-outs are overlapping, but independent requirements.

Year	Overall RPS	Solar % of RPS	DG % of RPS
2014	9.0%	3%	0.75%
2015	10.0%	6%	1.0%
2016	11.5%	6%	1.0%
2017	13.0%	6%	1.0%
2018	14.5%	6%	1.0%





No Progress on DG

- We've made some progress towards the solar goal, but none towards the DG goal.

	Solar REC goal	Solar RECs already purchased	% of Solar Goal Met	DG REC Goal	DG RECs already purchased	% of DG Goal Met
2014	249,000	37,000	15%	83,000	0	0%
2015	468,000	38,000	8%	78,000	0	0%
2016	532,000	40,000	8%	88,000	0	0%
2017	597,000	34,000	6%	99,000	0	0%
2018	661,000	31,000	5%	110,000	0	0%



DG kills two birds with one stone.





DG also has significant benefits



Saves on expensive and polluting conventional power



Saves on investment in transmission and distribution infrastructure



Reduces electricity lost over the wires



Saves on cost of managing power delivery



Saves on cost of meeting carbon and renewable requirements

Benefits

But traditional competitive procurements don't work for DG.



- Customer acquisition “chicken & egg”
- More projects = more transaction costs
- Smaller stakes, less payoff per project.
- Costs and complexity of participating in an auction are high.

IPA held workshops in 2012 to address these challenges.



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- Takeaways:
 - Transparency of goals and budget is critical
 - Keep it simple.
 - Keep transaction costs low.
 - Be flexible with aggregation requirements.
 - Acknowledge market segment differences.
 - Look to best practices in other states.



IPA's proposal from 2012

- Hybrid program modeled on Connecticut “ZREC” program:
 - Competitive procurement for larger systems
 - “Standard offer” for smaller generators.
 - “Standard offer” price derived from competitive procurement using “scaler.”