



Stakeholder Advisory Group

Policy

Working Group Report

Oct 29, 2015

Policy Working Group Participants

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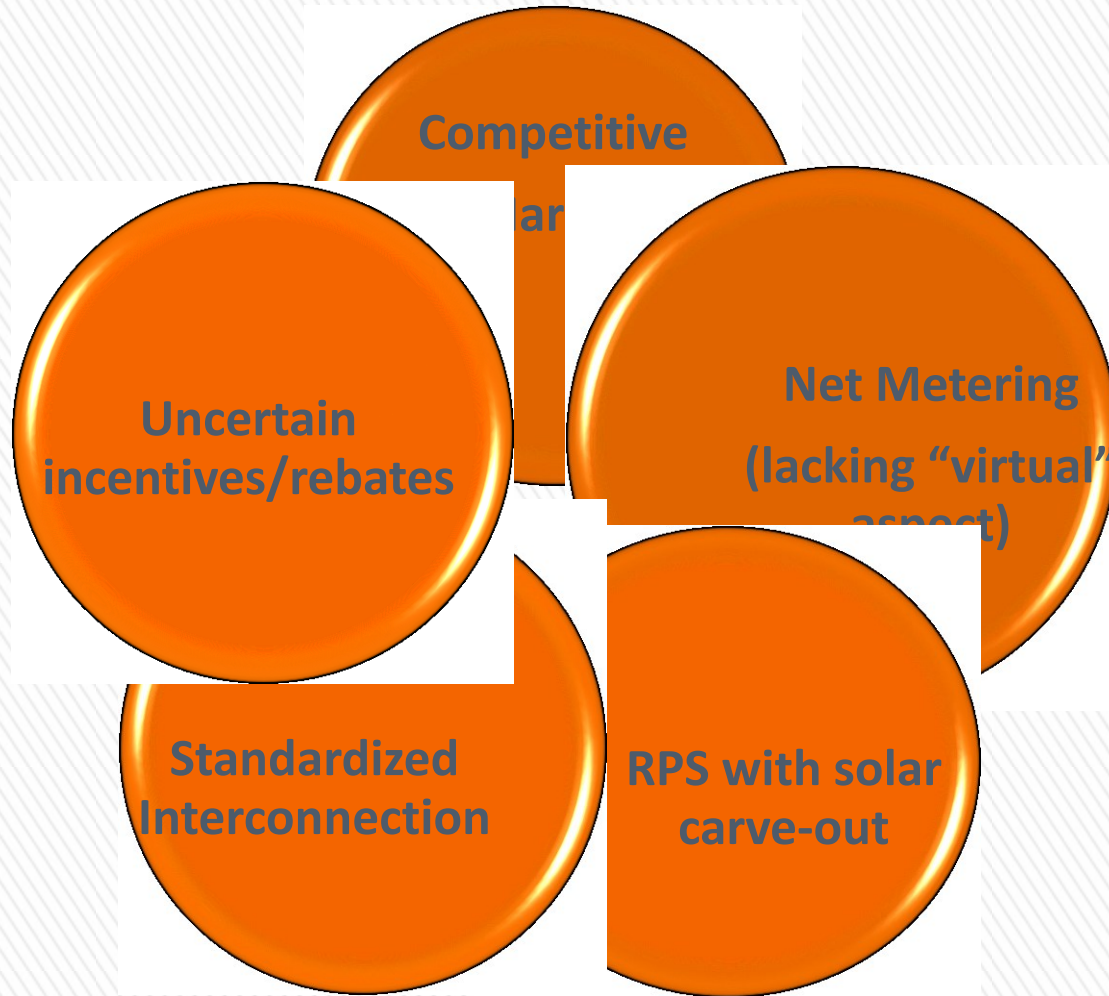
Policy Working Group Goals

- Identify the key policy and regulatory variables that foster the growth of the community solar industry
 - Minimum policy requirements necessary to ensure feasibility of community solar in Cook County
 - Critical policy issues to be addressed
 - Best practices that may be implemented in Illinois
- Build policy frameworks
 - To be used in modeling different scenarios, measuring impact, and shaping pilots



Existing Policy Framework

Current Policy Landscape



The current policy framework is not sufficient to produce a thriving community solar market, otherwise that market would already exist.

Additional policy support is necessary.



Pending Policy Activity

These possible changes, which are under discussion in IL, have the potential to improve our policy landscape, making it more supportive of community solar

- RPS “fix” and other legislative energy proposals
 - Long term renewable procurement plan
 - Community solar program with utility tariff for bill credits
 - Declining block incentive for community solar participants
- Net metering reform at the ICC
 - “Virtual net metering” pilots
 - “Consideration” of meter aggregation projects
- Rate design & regulatory reform
 - Fixed charges, residential demand charges, TOU, etc
 - Energy system of future? Performance-based rates?



Customer Value Stream

Consensus: A bill crediting mechanism is critical to the success of community solar, but VOST is complicated

(Virtual) Net Metering

Billing mechanism that credits solar energy system owners for the electricity they add to the grid. “Virtual” refers to the ability to credit customers who are not physically connected to the PV system generating the electricity for which they are receiving credit

- The “virtual” aspect of net metering greatly facilitates the ease with which community solar participants can be credited for their generation
- One key issue is whether participants should be credited at the full retail rate of electricity, which includes charges for transmission, distribution, and reliability

Value of Solar Tariff (VOST)

Rate design policy that gives customers credit for the electricity generated by their PV system based on a pre-determined value of solar which incorporates its benefit to stakeholders net its costs.

- Under the current implementation of VOST (MN and Austin, TX), customers continue to purchase all of their energy at the utility's retail rate, but are compensated for solar PV generation at a separate VOST rate in dollars per kilowatt hour (\$/kWh)
- May better account for the full spectrum of costs and benefits of incorporating solar into the grid

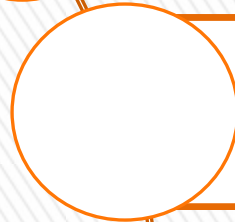
Supplemental Financial Policies

These policies represent opportunities for additional support to community solar.

Some, like tax credits & incentives, are of higher importance in the early stages of developing the market



PACE



Tax Exemptions

- IL has a sales tax exemption
- Other states offer property tax exemption

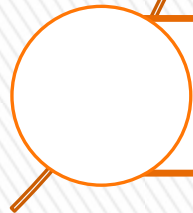


Tax Credits

- Federal ITC is expiring, and will drop from 30% to 10% of eligible project costs after 2016



Incentives



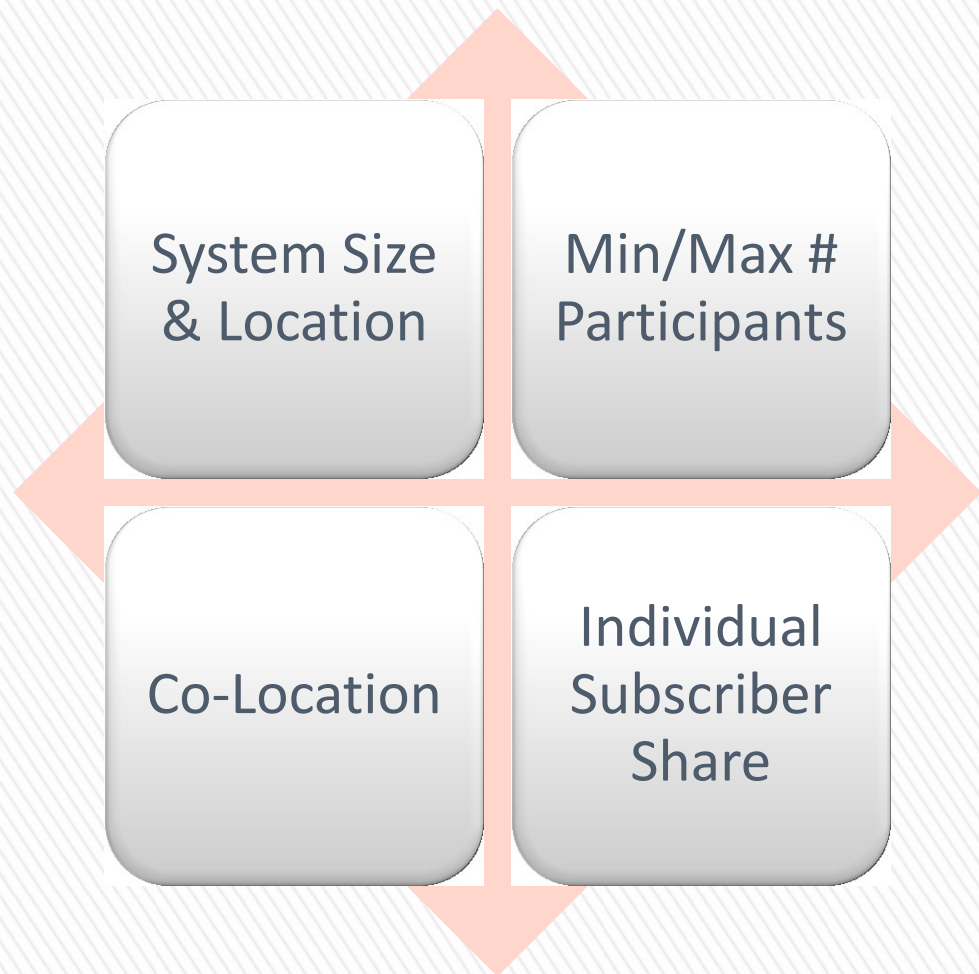
On-Bill Financing/Loan Programs

- On-Bill Finance is available in IL, but only for efficiency

System & Subscriber Characteristics

System & Subscriber Characteristics

Agreement among Working Group participants that guidance on these issues, either through statute or regulation, is necessary for community solar to move forward without confusion



Policy Frameworks

Policy Framework Conclusions

- **Current**

This framework represents the policies (un)available in IL today to support community solar

- Real bill crediting mechanism
- Guidance on characteristics of subscriber or system
- ✓ Limited financial incentives through the RPS and other programs
- ✓ Fair and transparent interconnection process
- ✓ Legal ability for third parties to own and operate projects

Policy Framework Conclusions

- **Critical**

This framework represents policies our stakeholders identified as being necessary for community solar to succeed in Illinois

- VNM or other bill crediting mechanism that represents the fair value of energy
- SREC market or other financial incentive to provide cost savings appealing to a wider audience
- Guidance on system and subscriber characteristics to avoid confusion (especially co-location)
- Transferability of shares for participants
- Transparency on the role of the utility in the community solar market
- ✓ Fair and transparent interconnection process
- ✓ Legal ability for third parties to own and operate projects

Policy Framework Conclusions

- **Comprehensive**

This framework represents expansions on foundational policies and/or additional policies that would provide further support for community solar. A comprehensive framework would include everything from the critical framework, plus the following:

- More detail on subscribers or systems to meet specific policy or value-added goals (i.e. brownfield, low income, etc)
- Consumer protection and transparency provisions