NOTE: This document is intended for potential participants in three Grow Solar programs in Illinois: Solarize Chicagoland, Solar Urbana-Champaign, and Grow Solar Metro East.

The information is specific to those programs and should not be treated as a general SREC FAQ for all of Illinois.
INTRODUCTION

The purpose of this FAQ is to provide homeowners interested in participating in solar group buy programs in Illinois some background information and answers to common questions on Illinois’ SREC incentive. This is meant to supplement your SREC contract, not replace it. Always read your contract.

This FAQ was put together by the Citizens Utility Board (CUB) and the Midwest Renewable Energy Association (MREA), with input from Carbon Solutions Group (CSG). CSG is acting as the SREC aggregator for the two companies selected for Illinois solar group buys: Windfree Solar (Solarize Chicagoland) and StraightUp Solar (Solar Urbana-Champaign and Grow Solar Metro East).
CONTENTS

1. Background .................................................. 4
   • Who are the different players involved in the process?
   • What is a REC?
   • Why does Illinois want to buy my SRECs?
   • How is my SREC payment calculated?
   • What if I am a municipal utility or co-op customer?

2. Receiving your SREC check ............................... 7
   • When will I receive my SREC check?
   • How does CSG submit my SREC application?
   • What are the collateral requirements?

3. Your obligation to the utility and CSG ................. 9
   • What am I responsible for as the system owner?
   • What happens if my system doesn’t produce the contracted number of RECs?
   • How likely is it that my system will under-deliver RECs?
   • What happens if I sell my house before the end of the 15 year contract?
   • Are there any homeowners insurance requirements?

4. Miscellaneous ................................................ 13
   • Is my SREC considered taxable income?

5. Contact Us ................................................... 13
1. BACKGROUND

WHO ARE THE DIFFERENT PLAYERS INVOLVED IN THE PROCESS?

In order to receive SRECs you will participate in the Illinois Adjustable Block Program (ABP). The ABP is also called Illinois Shines. The ABP is a program of the Illinois Power Agency (IPA), and the program is administered by a company named InClime.

In order to participate in the ABP and get SRECs you are required to go through an Approved Vendor. Approved Vendors are solar installers or third party companies known as REC Aggregators that handle the SREC paperwork. In this case, your installer, Windfree Solar or StraightUp Solar, is using a third party company to handle all SREC paperwork. This is very common, and allows the solar company to focus on the actual installation. Both Windfree and StraightUp Solar are using Carbon Solutions Group (CSG) as the Approved Vendor.

Approved Vendors and the solar installation companies they work with are required to give customers the Illinois Shines program brochure and a Standard Disclosure Form form before you sign any contract. The disclosure form includes information on your system and associated SRECs and is designed to make comparison between different solar offers easier. Because all companies have to fill out the same form, it allows for an apples-to-apples comparison. Signing the disclosure form and acknowledging that the brochure was delivered to you is necessary before moving to the next step of entering into an installation contract with the company of your choice. These requirements are part of the ABP’s consumer protections. See a sample disclosure form for purchasing solar panels here.

The SREC contract is between you and CSG, your solar installer is not a party to your SREC contract.

See the Illinois Shines program brochure here.
See other Illinois Shines resources here.
WHAT IS A REC?

REC stands for Renewable Energy Credit. RECs represent the environmental benefits associated with producing renewable energy. These benefits can include the reduction in greenhouse gas emissions from fossil fuel fired power plants, the reduction in water usage associated with fossil fuel power plants, cleaner air, and more.

One REC is equal to all environmental benefits from producing 1 megawatt hour (mWh) of renewable energy. 1 mWh is equal to 1,000 kilowatt hours (kWh).

RECs can be bought and sold independently of the actual electricity generated by your solar photovoltaic system. Whoever owns the REC has the legal right to claim that they are powered by renewable energy. Each REC can only be sold once. During the 15 year contract you will not be able to sell the RECs from your system to any other entity.

SREC stands for Solar Renewable Energy Credit, and refers to RECs that come from solar photovoltaic systems.

Learn more about SRECs here.

WHY DOES ILLINOIS WANT TO BUY MY SRECS?

Illinois has a goal to be powered by 25% renewable energy by 2025. The state is working towards this goal by directing electric utilities to purchase the RECs from large wind farms, solar farms, community solar projects, and residential solar projects like yours. By participating in the ABP you will be selling your SRECs to one of the major utility companies in Illinois.

This sale is overseen by the Illinois Power Agency, and is a part of the Adjustable Block Program, also known as Illinois Shines.

When you sell your SRECs to a utility company you are helping Illinois achieve its renewable energy goal. By selling your SRECs, you are no longer able to legally claim that your home is powered by solar energy. However, as a homeowner this is not an issue because there is nowhere public where you would be officially claiming to be powered by solar energy. This would only be an
issue for corporations or other larger entities who have their own renewable energy goals to meet.

By selling your RECs to a utility company, you are entering into a 15 year agreement, and are guaranteeing that your system will deliver the contracted number of RECs. See the “Collateral” and “What happens if my system doesn’t produce enough energy?” sections for more information.

Regardless of which company you use to go solar, or to get your SRECs, the contract term will be for 15 years, and will include provisions for the case that your system doesn’t deliver enough RECs. If you want to participate in the state program the only option is to enter into a 15 year agreement. This is the way the program is set up at the state level.

**HOW IS MY SREC PAYMENT CALCULATED?**

The Illinois solar program is set up for utilities to buy SRECs on a 15 year timescale. To calculate your SREC payment, Carbon Solutions Group will first need to determine how much renewable energy your system is expected to generate over the first 15 years of installation. Carbon Solutions Group calculates this number based on the specifics of your system.

Your solar installer will provide Carbon Solutions Group with the specifics of your system. These details will be plugged into solar production modeling software to estimate how much renewable energy your system will generate over 15 years.

Factors that affect the estimated output include: where your home is located, the slope of your roof, which direction your panels are facing, the wattage and number of panels, etc.

Once Carbon Solutions Group has an estimate of your production over the first 15 years, that number will be rounded down to the nearest whole REC and multiplied by the current REC price for the program.

Carbon Solutions Group takes 10% of the total REC price as their brokerage fee, which is a typical brokerage fee for residential SRECs in Illinois. On your quote from Windfree or StraightUp Solar, the 10% fee is already taken into account in your SREC estimate.
WHAT IF I AM A MUNICIPAL UTILITY OR CO-OP CUSTOMER?

You can still participate in the Adjustable Block Program and receive SRECs even if you are a municipal utility or co-op customer. This is relevant to anyone who is not a customer of ComEd, Ameren, or Mid-American.

Source here.

2. RECEIVING YOUR SREC CHECK

WHEN WILL I RECEIVE MY SREC CHECK?

The Illinois Adjustable Block Program estimates that residential participants will receive their SREC checks within 12 months of the date the system is completed.

Carbon Solutions Group will submit your application as part of a batch with other SREC applications. CSG will receive a check from the contracting utility for all the projects CSG submitted in the previous quarter. CSG will then send you a check for your SRECs within 45 days of receiving the payment from the contracting utility.

Solar companies can submit batches of residential SREC applications whenever they want, but the Adjustable Block Program only requires the utility companies to issue payments quarterly. This is one of the reasons it can take up to 12 months to receive your SREC.

Read more about how payment is issued for SRECs here:
ABP FAQ When will payment be issued for my RECs
ABP FAQ Program Timeline
HOW DOES CSG SUBMIT MY SREC APPLICATION?

There are two parts to the SREC application.

Part 1 is completed after you sign your contract with Carbon Solutions Group and pay the 5% collateral and application fee. The application fee is due to CSG and varies based on your system size. Once Part 1 is accepted by the Illinois Adjustable Block Program, your spot is reserved in the program. This means that even if the funding for the program is all used up, you will still receive your SREC, because your spot is reserved.

Part 2 is completed after your solar panels are installed and energized (connected to the grid and turned on). In the Part 2 application Carbon Solutions Group will confirm that your system size matches Part 1 application, or will amend it accordingly. If your system size has changed since CSG submitted Part 1 that will impact your estimated production, and therefore impact your SREC amount.

WHAT ARE THE COLLATERAL REQUIREMENTS?

The Illinois Adjustable Block Program requires that the utilities collect 5% of the SREC payment as collateral in case your system does not deliver the contracted number of RECs. This 5% collateral needs to be maintained and replenished if there are shortfalls in production. (more information on this in Section 3.)

Carbon Solutions Group requires that you post this collateral before they submit Part 1 of the SREC application. You will be required to pay 5% of the total SREC value to CSG when you sign the contract with CSG.

If your system delivers the contracted number of RECs by the end of the 15 year contract term, you will receive a check equal to the 5% collateral at that time.
3. YOUR OBLIGATION TO THE UTILITY AND CSG

WHAT AM I RESPONSIBLE FOR AS THE SYSTEM OWNER?

You are responsible for your system producing the contracted number of RECs. You are also required to maintain a wireless internet connection in the home to allow for remote monitoring of your system’s output. This means you need to have internet in the home for 15 years, but short term internet outages will not interfere with your obligation.

You are also responsible for any maintenance and repairs of your solar photovoltaic system to keep it delivering the contracted number of RECs. Solar panels rarely need any sort of maintenance. They don’t have any moving parts, and are commonly warrantied to last for 25 years. But in the case that something goes wrong with your system, it would be your responsibility to resolve it.

You are also required to maintain records of your system’s output for 21 years and cooperate with any audits.

WHAT HAPPENS IF MY SYSTEM DOESN’T PRODUCE THE CONTRACTED NUMBER OF RECS?

If your system does not deliver the contracted number of RECs you will be required to pay back the utility company (through CSG) for the RECs not delivered. CSG refers to this as a drawdown payment. Continue reading for more detail, but we want to highlight that it is unlikely you will ever have to pay a significant amount of money back to the utility company.

When you sign your SREC contract you will receive a delivery schedule. The delivery schedule will specify how many RECs your system is expected to deliver each year. In the delivery schedule the RECs you’re contracted to deliver each year are rounded down to the nearest whole number. This means if the installer estimates your system will produce 8,400 kWh in the first year, this will be rounded down to 8 RECs for Year 1 in the delivery schedule.
In your third delivery year, the Adjustable Block Program will start doing annual performance reviews of your system. If by year three your system has underproduced, and has not delivered the contracted number of RECs as listed in the delivery schedule, you will be required to pay the contracting utility for the difference. Carbon Solutions Group will contact you in this case, and will collect the money from you, then pay it to the contracting utility on your behalf.

These annual performance reviews will continue every year after year 3. In the case that your system underdelivers RECs at any of these annual performance reviews, you will owe the contracting utility for the full value of those undelivered RECs. The contracting utility will first draw down on your collateral to pay back the shortfall. However, CSG requires that you maintain this 5% collateral throughout your contract term, and will require that you replenish any drawdown on your collateral.

Because CSG requires you to replenish your collateral anytime there is a drawdown, it means you will owe for the full value of undelivered RECs for any year that you underproduce compared to the delivery schedule. Carbon Solutions will collect this money from you and pay it to the contracting utility.

You can read more about CSG’s process for handling underproduction here.
It’s possible that you may have to make a small drawdown payment to CSG for a year with slight underproduction. This could come from factors beyond your control, like variation in the weather. For example, if your REC price is $75, and you underproduce by a REC or two, you would owe CSG between $75 and $150 for the year you underproduced. (This is just an example to show that under delivering by a REC or two will not require you to make a huge payment, your REC price may differ slightly.)

It is unlikely that you would owe much more than that and not already know that there is an issue with your system. Your system would need to have a prolonged problem in order to trigger a large drawdown payment. This prolonged problem would likely be noticeable to you either through your inverter dashboard or through higher than expected electricity bills.

Any production issues due to malfunctions from the solar panels, the inverter, or the power optimizers would be covered by the manufacturers’ warranties.

Additionally, if you have a year where you deliver more RECs than contracted, that overproduction can help you offset deficiencies in REC delivery in later years. Excess generation in a given year can help with subsequent year deficiencies. Because the REC Delivery Schedule is rounding down to a whole number each year, if there are no problems with your system, you are expected to over-deliver RECs, giving you a buffer for subsequent delivery years.

We recommend that you keep an eye on your inverter dashboard and your utility bill to make sure there aren’t any unexpected problems with your system at any point. You do not need to check this all the time, but just make sure you check often enough that you would notice if your production all of a sudden dipped significantly. This should help you catch any issues, and get them resolved through the warranties before any significant drawdown payment is triggered.
WHAT HAPPENS IF I SELL MY HOUSE BEFORE THE END OF THE 15 YEAR CONTRACT?

This is a 15 year contract, and you are required to deliver the contracted number of RECs. If you sell your house before the end of the contract, the next homeowner will be required to take over the remainder of your agreement, and to sign a new contract with Carbon Solutions Group.

Carbon Solutions Group also has a provision in their contract that any sale of the house will extend the contract term by 5 years.

ARE THERE ANY HOMEOWNERS INSURANCE REQUIREMENTS?

You are required to have homeowners insurance that includes coverage for any damage to your solar panels. You are also required to list Carbon Solutions Group LLC on your homeowners insurance policy as an additional insured party.

In the event that your panels are damaged and you receive a claim payment from your insurance company, there are two options to proceed. The first option is fixing the system and CSG will confirm that you are using the claim money to repair the system.

The second option is to remove the system from your house. In this case you would be required to give the insurance claim payout for your solar panels to CSG, and to pay for all remaining undelivered RECs. CSG will apply the insurance claim payout to your outstanding undelivered RECs, and you will owe the difference. This second option would only occur if the panels were so severely damaged that you decide it’s not worth it to repair.
4. MISCELLANEOUS

IS MY SREC CONSIDERED TAXABLE INCOME?

CSG is not an accounting firm so they cannot give any specific advice to you on how your REC payments should be handled. However, CSG has been advised by their accountant that there is no need to send out 1099’s to their customers. All income is taxable, but CSG has heard from some accountants that because REC income is offsetting an investment made in solar, that as long as the overall investment has not become profitable, the REC income does not impact your taxes. We recommend that you discuss this with your tax professional to properly allocate it on your tax return.

5. CONTACT US

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If you have questions about your solar contract or SREC contract contact your solar installer or Carbon Solutions Group directly.