

The Board received three competitive applications on December 28, 2018, and, after thorough review, approved Ocean Wind's 1,100 MW project as a qualified OSW facility by Board Order dated June 21, 2019 ("June 21 Order"), in accordance with N.J.S.A. 48:3-87.1b and N.J.S.A. 48:3-87.1c.⁴

A new generating facility, such as the Ocean Wind project, is responsible for the costs of any transmission upgrades that are necessary to accommodate the new capacity onto the grid. The goal is to maintain reliability while accommodating the new capacity. PJM, the regional transmission organization charged with grid reliability, requires that new generators complete its interconnection process, which will eventually determine the upgrade costs. However, because transmission system upgrade costs are uncertain and will remain so until the new project is constructed, the Board allows applicants to "true up" the portion of their OREC price attributable to transmission system upgrade costs once the final cost is determined.

The true-up mechanism proposed by Ocean Wind and accepted by the Board in the June 21 Order is as follows:

- First \$10 million – 100% paid by Ocean Wind;
- Between \$10 million and \$130 million – Ocean Wind pays 70% of costs incurred, with the remaining 30% recovered from ratepayers via an upgrade true-up;
- Between \$130 million and \$174 million – Ocean Wind pays 50% of costs incurred, with the remaining 50% recovered from ratepayers via an upgrade true-up; and
- Costs above \$174 million – 100% recovered from ratepayers via an upgrade true-up.

The June 21 Order acknowledged Ocean Wind's proposal to mitigate the costs of transmission system upgrades through the use of Capacity Interconnection Rights ("CIRs"). The June 21 Order also recognized that Ocean Wind's ability to obtain CIRs at a good value has the potential to "yield significant economic benefits for New Jersey ratepayers through lower transmission system upgrade costs." Id. at 18. The Board was generally supportive of Ocean Wind's procurement of CIRs, "provided such procurement is prudent and therefore protective of New Jersey ratepayer interests." Ibid. The Board indicated that Ocean Wind was required to seek Board authorization to procure CIRs to be subject to the true-up mechanism listed in the June 21 Order. Should Ocean Wind submit a request to procure CIRs, the Board agreed to review the request on an expedited basis and not unreasonably withhold its consent so long as "the resultant cost of transmission system upgrades may be reasonably expected to be lower than would otherwise be the case absent the procurement of CIRs." Ibid.

II. OCEAN WIND'S PETITION

Ocean Wind submitted a petition to the Board on January 23, 2020 seeking authorization to procure CIRs at the BL England Generating System in Beesley's Point, New Jersey ("BL England CIR Petition"). Ocean Wind also engaged both Board Staff ("Staff") and the New Jersey Division of Rate Counsel ("Rate Counsel") to discuss its BL England CIR Petition.

The BL England CIR Petition details that Ocean Wind explored the procurement of CIRs with a point of interconnection at the BL England Generating System in Beesley's Point, New Jersey. The owner of the CIRs at BL England, RC Cape May Holdings, LLC ("RC Cape May"), and Ocean Wind engaged in negotiations to complete a purchase agreement for the BL England CIRs. Ocean Wind

⁴ In the Matter of the Board of Public Utilities Offshore Wind Solicitation for 1,100 MW – Evaluation of the Offshore Wind Applications, Docket No. QO18121289, Order dated June 21, 2019.

submitted to the Board a Capacity Interconnection Rights Purchase Agreement (“BL England CIR Purchase Agreement”), which is conditioned on a Board order approving the CIR procurement.

III. DISCUSSION AND FINDINGS

Under N.J.S.A. 48:3-87.1a(13), an OSW application must include “a plan for interconnection, including engineering specifications and costs.” See also N.J.A.C. 14:8-6.5(a)(14). While the Board stated that it is generally supportive of the procurement of CIRs, the determination to provide approval hinges on whether the costs of transmission system upgrades may be reasonably expected to be lower than would otherwise be the case absent the procurement of the CIRs.

Ocean Wind estimates that the difference between the purchase of the BL England CIRs at the price indicated in the BL England CIR Purchase Agreement plus any remaining upgrade costs would be approximately \$35 million less than the estimated upgrade costs without the purchase of CIRs. The estimated reduction of approximately \$35 million is inclusive of the cost to purchase the BL England CIRs and the cost to purchase the Oyster Creek CIRs.⁵

In addition to reducing the total upgrade costs and, therefore, the ratepayer allocation of those costs, Staff determined that the procurement of the BL England CIRs would reduce both the risk and uncertainty associated with the transmission system upgrades. The acquisition of CIRs may ultimately reduce the risk of delay in the project schedule since the scope of the system upgrades is reduced and the related timeframe associated with the necessary construction of such upgrades is also reduced. Lowering the project’s schedule risk also aligns with New Jersey ratepayer interests.

The transmission system upgrade costs that have been used in this analysis are the expected (“p50”) costs as provided by Ocean Wind. p50 indicates that there is a 50% chance that costs will be higher than the estimates and a 50% chance that the costs will be lower than the estimates. While this means that the scope of transmission system upgrades could be significantly higher than the p50 estimates, acquiring the CIRs lessens the uncertainty surrounding the PJM interconnection process that results in the actual upgrade costs. By reducing the scope of the required transmission system upgrades, the acquisition of CIRs at BL England reduces the risk of transmission system upgrade costs and overall project risk.

Having reviewed the Petition and the supporting documents, and having analyzed the proposed purchase price of the BL England CIRs, the Board **HEREBY FINDS** that Ocean Wind’s procurement of the BL England CIRs at the price indicated in the BL England CIR Purchase Agreement is in the best interest of New Jersey ratepayers, is expected to materially reduce the risk of higher costs for system upgrades, and reduces the risk of transmission upgrade cost uncertainty than would be the case if the BL England CIRs are not procured.

The Board also **HEREBY FINDS** that the costs associated with the procurement of the BL England CIRs that are applicable to the Ocean Wind 1,100 MW project shall be subject to the Ocean Wind true-up mechanism accepted by the Board in the June 21 Order.

⁵ The Board approved the Oyster Creek CIRs by Order dated September 11, 2019 in this docket.

IV. CONCLUSION

The Board, having carefully reviewed the record in this proceeding, **HEREBY APPROVES** Ocean Wind's purchase of the BL England CIRs at the price and in accordance with the terms and conditions indicated in the BL England CIR Purchase Agreement.

The Board **HEREBY DIRECTS** Ocean Wind to provide copies of all filings, notices, correspondence, and other documents regarding the BL England CIRs, between Ocean Wind and PJM, to the Board within two (2) business days of Ocean Wind's submittal to PJM or receipt by Ocean Wind from PJM.

The Board also **HEREBY DIRECTS** Ocean Wind to provide documentation to the Board of the final transmission system upgrade costs, including detailed documentation regarding the BL England CIRs and any other documentation requested by the Board, within two (2) business days of Ocean Wind's receipt of the final costs.

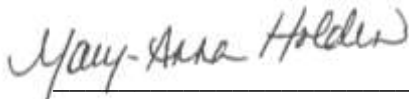
The effective date of this Order is March 27, 2020.

DATED: March 27, 2020

BOARD OF PUBLIC UTILITIES
BY:



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PRESIDENT



MARY-ANNA HOLDEN
COMMISSIONER



DIANNE SOLOMON
COMMISSIONER



UPENDRA J. CHIVUKULA
COMMISSIONER



ROBERT M. GORDON
COMMISSIONER

ATTEST:



AIDA CAMACHO-WELCH
SECRETARY

**IN THE MATTER OF THE BOARD OF PUBLIC UTILITIES OFFSHORE WIND SOLICITATION
FOR 1,100 MW – EVALUATION OF THE OFFSHORE WIND APPLICATIONS
BPU DOCKET NO. QO18121289**

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