

August 19, 2020

Comments of Orsted on the Draft Solicitation Guidance Document for Second Offshore Wind Solicitation

Orsted Wind Power North America LLC (Orsted) appreciates the opportunity to file these comments and recommendations on the BPU's Draft Solicitation Guidance Document for the second offshore wind solicitation (Draft Guidance Document or Draft).

Orsted is very supportive of the efforts of the BPU and the Murphy Administration to make New Jersey a leader in offshore wind power, so New Jersey can capitalize on the energy, environmental, economic development, and jobs benefits of this new American industry.

Orsted is the owner of the Ocean Wind, the project that received a designation by the BPU in 2019 to develop, construct and operate New Jersey's first offshore wind project, and is currently in the development phase of that project.

Orsted is the global leader in offshore wind and has deep experience in procurement processes around the world and supports the BPU's efforts to conduct an open, competitive, and transparent process for selecting its projects. The terms of the Solicitation will provide a structure for selection of the project or projects that meet the Board's stated public policy objectives; namely, to assure that the selected projects maximize the jobs and economic development benefits to New Jersey, advance environmental stewardship, and protect ratepayers. In that context, Orsted applauds the BPU efforts to secure up to 2400 MW of capacity in this second solicitation.

The approach used by the BPU in the first solicitation was an effective approach to procurement of offshore wind projects, which included clear instructions and an efficiently operated process. The adjustments provided for in the Draft are likewise appropriate and in furtherance of selecting project(s) through a competitive and transparent process that are in the best interest of the State of New Jersey. Orsted looks forward to participating in the solicitation process and helping New Jersey achieve its goals of creating economic development and environmental benefits at a while delivering high value for ratepayers.

Orsted recommends that the Staff and BPU consider one adjustment relative to the treatment of "merit order benefits". The Draft does not specifically recognize the "merit order benefit" of a project on wholesale energy and capacity prices (i.e. that the project will reduce wholesale prices to the benefit of all ratepayers, by injecting lower cost energy or capacity into the grid and thereby reducing the clearing price in the supply stack). Wholesale prices are reduced by the injection of offshore wind power into the grid; these benefits can be significant and accrue to all New Jersey ratepayers. These merit order benefits are recognized in the BPU's energy efficiency reviews (where they are known as demand reduction induced price effects) and are recognized by Rate Counsel in that arena, so they should be recognized for offshore wind as well. While including this calculation does not have much impact between the comparison of different bids - although it does help projects with higher production per MW - it does allow projects (and the BPU) to more accurately represent the full overall benefits of a project.

Inclusion of merit order benefits will enable the BPU to communicate rate impacts to the public in a way that is more accurate, since these merit order benefits will reduce the overall rate impact of a project. Accordingly, the Draft should be revised to require that applications include merit order benefits in a project's benefits and overall rate impacts.

Orsted appreciates the opportunity to file these comments and looks forward to working with the BPU on the development of an offshore wind industry that is highly beneficial to New Jersey.

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