



RISE
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April 29, 2022

Ms. Carmen Diaz
Acting Secretary of the Board
New Jersey Board of Public Utilities
44 South Clinton Avenue, 1st Floor
PO Box 350
Trenton, NJ 08625 – 0350

Via email to: Board.Secretary@bpu.nj.gov

Re: In the Matter of Offshore Wind Transmission, Docket No. QO10100630, Post Stakeholder Meeting Comments

Dear Acting Secretary Diaz,

We thank you for the opportunity to participate in the virtual Stakeholder Meetings held by the New Jersey Board of Public Utilities (“NJBPU” or “Board”) between March 22 and April 12, 2022. Rise Light & Power, LLC, on behalf of our wholly-owned subsidiary Outerbridge New Jersey, LLC (collectively, “Rise”) would like to provide the Board with post-stakeholder meeting comments for consideration to help inform the Board on its evaluation of offshore wind transmission proposals submitted to PJM Interconnection, LLC (“PJM”) and the Board pursuant to the 2021 State Agreement Approach to Support New Jersey Offshore Wind (“SAA”).

Rise is developing the Outerbridge Renewable Connector (“Outerbridge”) project in response to the SAA solicitation. The team at Rise pioneered the US offshore wind industry, having developed projects in the US East Coast that will soon enter construction – including Ocean Wind I. Having both offshore wind development and local experience provides Rise with a unique perspective on how to get projects completed in a manner that benefits both rate payers and developers.

Rise commends the NJBPU and the Murphy Administration for their nation-leading offshore wind (“OSW”) energy development program, which will deliver major benefits for New Jersey’s economy, environment, and citizens. Rise respectfully submits that the Board consider the following as part of its evaluation of SAA proposals:

1. Select projects that result in the highest possible public support for the offshore wind program, by avoiding the unnecessary controversy of landing cables on beaches;
2. Prioritize for award proposals submitted under Option 1B, which are in the best interest of ratepayers because they push risk to the OSW developers and allow them to maximize the installed capacity in their lease areas; and
3. Enhance the SAA evaluation to incorporate a two-step process that integrates the SAA with the upcoming State Offshore Renewable Energy Credit (“OREC”) solicitation scheduled to be initiated in January 2023, to ensure the lowest cost holistic solution for New Jersey ratepayers.



Consideration #1: Select projects that result in the highest possible public support for the offshore wind program, by avoiding the unnecessary controversy of landing cables on beaches.

New Jersey is leading the way in showing how states can enact large-scale energy transition. As a first mover, it will be important to maintain the broad-based public support for OSW.

Almost every OSW project in America has suffered significant controversy and delays due to objections to its cable landfall and/or onshore routing. We see this with the increasing public opposition by Ocean City residents to the Ocean Wind 1 project. As the NJBPU evaluates SAA proposals, we recommend that it prioritize projects that do not risk public controversy. The risk of public opposition is higher when cable landfall and/or onshore routing involves crossing public beaches, public parks, wildlife management areas, and public rights-of-way – locations that, if disturbed, would cause significant disruption to existing day-to-day activities. Specifically, the NJBPU should favor projects that enjoy strong demonstrable local support as this significantly reduces the risk of controversy that could derail projects, and unnecessarily distract all stakeholders from advancing the project.

Consideration #2: Prioritize for award proposals submitted under Option 1B, which are in the best interest of ratepayers because they push risk to the OSW developers and allow them to maximize the installed capacity in their lease areas.

The recently completed NY Bight Lease auction commanded an unprecedented level of cost for OSW lease acquisition. For the first time in the history of the American OSW industry, the cost of the underlying leases will constitute a significant portion of each project's overall cost structure, and correspondingly, its OREC price. To minimize costs to ratepayers, OSW developers will need to maximize the total energy capacity delivered from each lease area so that the high costs of the lease can be spread across the highest possible number of megawatts. One way for the NJBPU to increase the likelihood that OSW developers can minimize OREC costs is to provide as much flexibility to connect OSW farms to the point of interconnection into the New Jersey grid. We do not recommend the NJBPU adopt a "one-size fits all approach" as OSW developers may view a high voltage alternating current ("HVAC") connection – further detailed in the section below – more commercially attractive. Thus, we recommend the NJBPU prioritize Option 1B proposals when making a SAA award.

Option 1B proposals, like Outerbridge, which utilize offshore HVAC connections, grant OSW developers greater flexibility to maximize the potential delivered capacity of their leases. HVAC cables provide capacity in 300 to 400 MW increments – which can better match the capacity of the lease areas, and allow the OSW developers to better align the maximum potential capacity of their lease with the potential injection (and OREC offer) into New Jersey.

In contrast, Option 2 proposals offered in the SAA solicitation utilize high-voltage direct current ("HVDC") cables that deliver capacity in five discrete size increments¹ – none of which align with the potential capacities of the lease areas. This means that, in order for an OSW developer to make a competitive offer into New Jersey's next OREC solicitation using one of these options, a portion of their lease area will likely be unutilized.

¹ From PJM's Competitive Planner tool: 1,148 MW, 1,200 MW, 1,400 MW, 1,500 MW and 1,510 MW



Option 1B proposals have the added benefit of shifting the cost of the offshore transmission system to OSW developers, who must maximize energy production in order to recover their investment, as opposed to recovery from ratepayers via cost-of-service regardless of production. In addition, this enables the OSW transmission component to qualify to receive Federal funds, such as the Investment Tax Credit, as existing Federal regulations do not cover transmission-only projects. From a risk perspective, ceding control of the offshore transmission infrastructure to the OSW developer will not only lower costs to NJ ratepayers, but also better align risks, because the cost of offshore infrastructure would be recovered on a performance basis through ORECs – which requires OSW developers to maximize energy production.

In contrast, Option 2 and 3 proposals are asking NJ ratepayers to pay for a significant portion of the off-shore transmission infrastructure – regardless of whether the connecting off-shore wind farm is producing power, and irrespective of whether the transmission infrastructure is sized appropriately to deliver the required power to New Jersey. This does not provide the lowest cost option to NJ ratepayers.

Consideration #3: Enhance the SAA evaluation to incorporate a two-step process that integrates the SAA with the upcoming State Offshore Renewable Energy Credit (“OREC”) solicitation scheduled to be initiated in January 2023, to ensure the lowest cost holistic solution for New Jersey ratepayers

We see two shortcomings with the current SAA process to ensure the lowest cost solution is selected for ratepayers.

First, the selection process under the SAA lacks sufficient meaningful cost transparency to assure ratepayers that the least expensive option(s) reflecting total costs from the lease area to the point of interconnection (“POI”) have been selected. The SAA, by virtue of its process, considers cost evaluation associated with the proposed transmission while only estimating the costs from the OSW generation to the point of interconnection (onshore or offshore). Also, the SAA process does not allow for consideration of preferences of OSW developers that could result in lower costs compared to a BPU selected SAA facility.

Second, multiple OSW proposals selecting the same POI may, in the aggregate, exceed the capacity of that POI. An OSW project may thus be excluded, even as the use of an alternate POI may provide a lower overall costs to ratepayers. Hence, SAA proposals that are not selected may provide lower cost options compared to a finite set of POIs that comprise the selected SAA portfolio of POIs.

As a solution, we ask that the NJBPU consider the following refinement to the SAA process that provides transparency of all costs from generation through interconnection. On or about October 2022, the NJBPU makes a provisional rather than final, selection of SAA projects with final selection (or confirmation) to be determined at the time of the OSW OREC awards. The provisional SAA transmission projects would then be included as part of the State’s 3rd OREC solicitation that is expected to commence in January 2023. As part of the response to the OREC solicitation, proposers would be required to submit two proposals: (i) interconnect to one of the provisional SAA transmission projects, and (ii) interconnect to at least one alternate POI which may, but need not be, an alternative provisional POI. NJBPU would then select OSW projects and POIs (which may or may not be a Provisional SAA POI) with total lowest costs, and also which meet all other SAA selection criteria.



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The process above would utilize the insights, information, and analysis of the SAA process. It would enable the NJBPU to validate the anticipated cost advantage of preferred SAA proposals through holistic consideration of all actual OSW generation and transmission related costs, while maintaining the current OREC solicitation schedule. More importantly, the process will provide NJBPU and ratepayers with empirical evidence of the all-in least cost proposals to deliver OSW.

Rise appreciates this opportunity to provide our comments to the NJBPU and its staff. Please do not hesitate to reach out to us if we can be of further assistance.

Respectfully,

Richmond Young
Director of Development
Rise Light & Power