April 29, 2022

***Submitted via email to NJBPU* Secretary** (board.secretary@bpu.nj.gov)
Board of Public Utilities
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, NJ 08625-0350

RE: IN THE MATTER OF OFFSHORE WIND TRANSMISSION (Docket No. QO20100630)

These comments serve three purposes:

- Introduction of Ocean Winds East
- General perspective on the State Agreement Approach to transmission being employed by New Jersey
- Response to specific questions and issues concerning commercial and development schedule considerations – noting that OW East is preparing responses to the more detailed questions issued on April 27, 2022

OW Ocean Winds East, LLC (OW East) commends the State of New Jersey on its leadership and its pioneering approach to offshore wind transmission utilizing the State-driven Public Policy mechanism set forth in the PJM Operating Agreement, specifically a fit-for-purpose State Agreement Approach (SAA) (Docket No. ER22- 902-00). The Federal Energy Regulatory Commission's (FERC) recent approval of the SAA is truly groundbreaking and sets a new path forward for federal and state initiatives to integrate vital offshore wind generation resources while serving ratepayer interests.[1] It also reduces the commercial and permitting risks for billions of dollars of future investments to be made by offshore wind developers like OW East. We fully support the SAA and offer the following comments to help inform the New Jersey Board of Public Utilities (NBPU) evaluation of transmission applications (Docket No. QO20100630), and we would encourage the BPU to consider selecting projects that address onshore, and offshore transmission needs through the window.

About OW Ocean Winds East. LLC

OW Ocean Winds East, LLC (OW East) is a partnership between OW North America LLC (OW NA), a subsidiary of OW Offshore S.L. (Ocean Winds), and Seaway Energy, established to develop offshore wind projects in the United States. OW East recently acquired lease OCS-A 0537, consisting of 71,522 acres in the New York Bight.

OW NA is the North American business unit of Ocean Winds, a global joint venture between EDP Renewables ("EDPR") and ENGIE, two major clean energy companies. EDPR and ENGIE share the vision that renewables, particularly offshore wind, play a key role in the global energy transition and are committed to the responsible development of our ocean resources. Ocean Winds currently has 1.5 GW of offshore wind in operation, 5-7 GW of offshore wind projects that are expected to begin operation by 2025, and an additional 5-10 GW under advanced development. In addition, EDPR manages a global portfolio over 12 GW of installed renewable generation capacity and has approximately 6 GW capacity under development, including many projects within the PJM footprint. ENGIE is also a global leader in renewable energy transition with over 13 GW of solar and wind, as well as another 21 GW of hydro generation capacity in operation globally.

In the United States, OW NA has over 3GW of offshore wind capacity under development and is actively evaluating transmission and interconnection solutions in the ISO-NE, NYISO, PJM and CAISO control areas. OW NA is a 50% owner of Mayflower Wind Energy LLC project (Mayflower), which holds BOEM offshore wind energy lease OCS-A 0521 off the coast of Massachusetts and has been executed contracts for the sale of the output of 1.2 GWs of offshore wind generation after winning contracts in two successive competitive procurement rounds.

[11] FERC Docket No. 20220414-er22-902-000.pdf

General Comments on SAA

OW East applauds NJBPU's leadership in developing a carefully planned offshore wind transmission solicitation to ensure deliverability and integration of 7.5 GW or more of offshore wind capacity by 2035. In selecting which SAA projects to implement, OW East would encourage the NJBPU to consider projects that address both onshore and offshore transmission needs, as such projects could reduce the risks, and accelerate the implementation of offshore wind off of New Jersey's coast.

In particular, OW East believes that Option 2 and Option 3 projects could be valuable in addressing the future transmission needs of the offshore wind industry. Many of the proposed SAA transmission projects have completed considerable diligence on the on-shore and near-shore aspects of the transmission connections. Such diligence typically involves a significant investment in time and stakeholder engagement. While offshore wind developers are capable of performing similar diligence, duplicating such efforts could add time to development cycles and also result in stakeholder fatigue.

It is notable that FERC's recently issued proposed rule regarding "Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection" calls out the NJ BPU's offshore wind procurement as a primary example of the kind of "federal, state, and local laws and regulations that affect the future resource mix and demand" that should drive transmission planning and cost allocation.[2]

Indeed, FERC presented a preliminary finding that "a State Agreement Process by which one or more relevant state entities voluntarily agree to a cost allocation method for Long-Term Regional Transmission Facilities (or portfolio of facilities) after it is selected in the regional transmission plan for purposes of cost allocation may be a just and reasonable approach to cost allocation for such regional transmission facilities"[3] essentially presenting the SAA as a model that should be considered by all FERC-regulated utilities (including ISO/RTOs) as one of the few tools for meeting the mandate that transmission planning and development reflect public policies and planned and/or likely changes in the generation resource mix.

As FERC suggests, the principles of New Jersey's SAA can indeed serve as a model for other States who seek to advance their clean energy public policy goals like the timely and efficient integration of offshore wind.

Specific Issues

Project-on-Project Risk

It is essential that the implementation mechanisms for the SAA clearly and directly address the critical but manageable issue of project-on-project risk. All parties recognize that transmission and offshore projects are extremely large and complex enterprises and keeping them "in synch" will be a challenge that will require affirmative and thoughtful actions. One specific step that could help facilitate needed coordination would be for the BPU to publish and present the quarterly construction progress reports that PJM will be providing pursuant to the SAA Agreement.

A more systemic step would involve the BPU, and PJM, taking all needed steps to ensure that the construction contracts and financial structures associated with the building of the transmission implementing the SAA provide financial penalties and incentives to ensure, to the greatest extent possible, that those transmission projects stay on schedule.

Generally, OW East believes that the project-on-project risk can be managed between the selected transmission and generation developers, and we do not believe the risks will add material cost to our proposed OREC price. To the contrary, OW East believe that bidding into pre-developed transmission solutions is likely to de-risk what is at times a significant area of uncertainty in offshore wind projects.

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[2] *Building for the Future Through Electric Regional Transmission Planning and Cost Allocation and Generator Interconnection*, 179 FERC ¶ 61,028, Docket No. RM21-17, April 21, 2022 at p. 96, para. 104 & footnote 189.
[3] Id. at p. 250, para. 317.

The issue of incumbent vs. non-incumbent bidders

It is essential that the transmission solutions selected through the SAA window be designed in a manner that provides new market entrants with a level playing field to compete for the development of offshore wind projects to serve New Jersey. Leveling the playing field through thoughtful transmission planning and expansion will be essential to ensuring that there is the maximum amount of competition in the BPU's upcoming OREC procurements.

Importance of selecting successful transmission projects prior to OREC solicitation

OW East strongly encourages the NJBPU to ensure that the SAA process is concluded well in advance of the issuance of the Round 3 RFP. An unfortunate scenario would be if offshore wind developers had to participate in the Round 3 solicitation while there was uncertainty over the transmission paradigm in New Jersey. Such uncertainty will introduce risks into the solicitation process that will ultimately be reflected in a higher OREC price, particularly for new NY Bight leaseholders who did not participate in the SAA process through an affiliate.

As previously mentioned, OW East believes the NJBPU and PJM conducted a robust process that appears to have yielded a range of creative options for resolving critical transmission constraints. While no solution or model will be perfect, OW East believes that obtaining resolution of the SAA window will be critical for providing clarity to the market in the future. This clarity will enable bidders to map out a long-term bidding strategy, prepare much-needed supply chain strategies, and submit the most competitive bids possible. Much like New Jersey has led the market with predictability on its offshore wind generation solicitation schedule, OW East would encourage SAA to pursue clarity and finality to its proposals for transmission.

OW East recognizes that more specific comments will be required to consider the technical and logistical hurdles associated with some of the potential transmission options under consideration. We intend to offer additional feedback to the RFI issued on April 27th to provide further insight into these topics.

If you have any questions concerning the matters discussed in these comments please feel free to contact me directly.

Sincerely,

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