

May 20, 2022

VIA ELECTRONIC DELIVERY

Ms. Carmen Diaz
Acting Secretary Board
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Phone: 609-292-1599
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RE: Docket No. QO20100630 – In the Matter of Declaring Transmission to Support Offshore Wind a Public Policy of the State Of New Jersey

**CON EDISON TRANSMISSION COMMENTS TO NEW JERSEY
REQUEST FOR ADDITIONAL INFORMATION IN THE MATTER OF
OFFSHORE WIND TRANSMISSION**

Dear Acting Secretary Diaz:

In response to the New Jersey Board of Public Utilities' *Request for Additional Information in the Matter of Declaring Transmission to Support Offshore Wind a Public Policy of the State of New Jersey* public notice published in the May 9, 2022, enclosed please find the comments of Con Edison Transmission, Inc. on behalf of Clean Link New Jersey.

Respectfully submitted,

/s/ Timothy Frost

Timothy Frost
Vice President

**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

In the Matter of Declaring Transmission to)
Support Offshore Wind a Public Policy of) BPU Docket No. QO20100630
The State of New Jersey)

**CON EDISON TRANSMISSION COMMENTS TO NEW JERSEY REQUEST FOR
ADDITIONAL INFORMATION IN THE MATTER OF OFFSHORE WIND
TRANSMISSION**

Con Edison Transmission Inc. (“CET”), on behalf of its subsidiary Clean Link New Jersey, LLC, the developer of the Clean Link New Jersey Project, appreciates the opportunity to respond to the New Jersey Board of Public Utilities’ (“the Board”) May 9, 2022 notice of request for additional information. Specifically, we are responding to the questions to the “transmission developers” stakeholder group identified in the public notice.

1. How should the Board ensure that projects are completed on schedule given upcoming OSW generation projects’ timelines? Please explain how changes in a future OSW generation project schedule may affect a selected SAA project, if at all.

The first and most critical step the Board can make to achieve timely completion of the projects is to complete its evaluation and select a winning bidder(s) before the end of this year. The Board, BPU staff, and PJM are all doing an admirable job conducting an open, transparent and fair competitive process, including soliciting stakeholder feedback broadly and frequently. In these unprecedented times of rising inflation and supply chain challenges, it cannot be understated how important it is to timely select a project so that developers can work to secure supplies, contractors and prices for the ensuing work.

One of the biggest risks to meeting the project schedule will be the permitting and siting process, and the potential for delays, which is a risk to projects and developers across the country. We view the on-land permits to be more of an issue than Federal offshore approval. To mitigate these risks, the Board could also streamline and expedite the permitting process for selected project(s). In particular, it could make it a priority with relevant public agencies to commit to a timely permitting process, and for agencies to work collaboratively with one another so there are no undue delays or inefficiencies in the process. Together with these agencies, developers will work with stakeholders so that issues are heard and appropriately addressed. The Board can provide substantial influence to make this happen, perhaps together with the Governor’s office.

As for Clean Link New Jersey’s proposed project, we specifically contemplated modifications in our proposed design to accommodate needs of interconnecting offshore wind developers that will be selected in 2023, such as adjustments to the modular elements and interconnection options, offshore platform locations and offshore mesh connections. If selected, we can stage the development of the onshore and offshore network components so that they are aligned with generation project schedules and locations. This approach will be the most cost efficient and practical for customers and developers alike, and time

should be afforded to make needed adjustments when the offshore wind generation selections are made in 2023.

2. Please outline any anticipated changes in tax policy and any federal sources of money transmissions developers might seek for a selected SAA project—or that New Jersey could seek.

The best opportunity to pursue federal funding for the transmission project selected is under the recently passed infrastructure bill (see description of these opportunities in our response to question 4).

The Build Back Better Act (“BBBA”), which has yet to pass Congress, includes several proposals that could potentially result in investment tax credit (“ITC”) eligibility for owners of transmission assets related to offshore wind, potentially including interconnections owned and operated together with offshore wind generators. While the BBBA may not be enacted in the form of the language released last fall, the proposals remain instructive as to tax incentives that could be adopted by a revised BBBA or similar legislation. The BBBA would have provided two potential incentives to offshore export cables:

- An interconnection ITC that was limited to an interconnect “in connection with the installation of energy property . . . which has a maximum net output of not greater than 5MW”. It is unclear how the “energy property” would be defined for purposes of the 5MW threshold, and some interpret the proposed language as providing that a utility-scale facility with multiple turbines (each of which was sub-5MW) would qualify for this ITC on a commonly owned interconnection.
- The separate transmission ITC would only be applicable to transmission assets that transmit at a voltage of at least 275 kV and have a capacity of at least 500 MW (or assets that conduct all of their current over a superconducting material).

3. Other than an act of Congress amending the current Federal Investment Tax Credit (“ITC”), might there be an innovative way (such as in collaboration with OSW generation developers) for Option 1b, Option 2, or Option 3 projects that support OSW to qualify for the ITC?

As a general matter, transmission assets do not qualify for the investment tax credit under current law. However, regarding the potential for collaboration, there is some possibility that offshore wind infrastructure, such as export cables and onshore interconnection assets contemplated by Option 2 and Option 3, when owned and operated together with generation assets, may be eligible for the investment tax credit because they may be considered “power transfer equipment” which qualifies for credits, rather than “transmission assets” that do not qualify for credits. The IRS has not specifically ruled on these questions, and a number of offshore wind developers have specifically inquired about these issues without getting a direct response. Many offshore wind developers are optimistic that the IRS will clarify this issue favorably and some are pricing in this possibility into their lease and offtake bids.

Until and if transmission-specific ITC legislation is passed, the best path for ITC qualification of export cables and similar assets may be to combine their ownership and operation with generation assets. When transmission assets are owned separately from generation assets, they may be combined together through certain legal structures. Such structures would depend on the commercial negotiations between the parties and the regulatory regimes applicable to these assets.

4. How might transmission developers explore the availability of federal funding opportunities that may be available to support transmission projects? How would receipt of such funding be incorporated into bids or financing arrangements? How might the Board coordinate on applying for such opportunities?

Clean Link New Jersey acknowledges and appreciates the federal funding opportunities that would support transmission projects developed under the State Agreement Approach (“SAA”) solicitation. The allocation of these federal funding opportunities relies heavily on the successful coordination the Board and the Department of Energy (“DOE”) to align the timing of efforts.

Recognizing the need for investments in transmission infrastructure, Congress enacted, and the President signed the Infrastructure Investment and Jobs Act (“IIJA”) on November 15, 2021. IIJA builds on DOE authorities to provide substantial new tools and funding to DOE to accelerate the modernization, expansion, and resilience of the electric grid. IIJA provides potential funding opportunities that Clean Link New Jersey would like to pursue. For example, the IIJA included the Transmission Facilitation Program, a new \$2.5 billion revolving fund to facilitate the construction of high capacity new, replacement, or upgraded transmission lines. The Transmission Facilitation Program will prioritize projects that improve resilience and reliability of the grid, facilitate inter-regional transfer of electricity, lower electric sector greenhouse gas emissions, and use advanced technology. Among other tools, the Transmission Facilitation Program authorizes DOE to make financial loans for the cost of carrying out eligible transmission projects.

The IIJA also established new programs that may provide opportunities for the states, local communities, and developers to seek funding for upgrading transmission infrastructure or supplemental hardening activities to reduce risks of power lines causing wildfires, and the likelihood and consequence of impacts to the electric grid due to extreme weather, wildfires, and natural disasters.

Further guidance and solicitations regarding these new DOE programs are still forthcoming. Clean Link New Jersey is actively following these and other federal funding opportunities that may be able to support new offshore transmission connection facilities and could potentially lower the overall cost of our proposed project to New Jersey electric customers. As more information on these funding opportunities becomes available, Clean Link New Jersey will pursue potential funding opportunities in coordination with the state and other stakeholders.

One potential coordination issue that the Board should be aware of is that the DOE’s Transmission Facilitation Program is tentatively planning on a solicitation this year and another early next year. As we understand it, DOE would not be inclined to provide funding to a project that is not yet selected in a competitive process, and such proposals may not even be eligible to apply. Currently the DOE is soliciting comments on this program. Given the Board’s year-end timing for SAA project selection, this may limit the selected SAA project(s) to only the second solicitation in 2023. The Board may consider raising this timing issue with the DOE, especially considering the importance and size of the SAA project.

5. How might transmission developers explore the availability of federally-backed loans for loan guarantees that may be available to support transmission projects? How should developers and the Board coordinate on applying for such opportunities? How would receipt of such loans or loan guarantees be incorporated into bids or financing arrangements?

The DOE (“Loan Programs Office” or “LPO”) administers several programs that can provide loan guarantees to help deploy large-scale energy infrastructure projects in the United States, some of which have already been utilized for the construction of new transmission facilities. Under the Title 17 Innovative Energy Loan Guarantee Program, the DOE is authorized to provide loan guarantees to projects that will expand and improve the transmission grid. Through these programs, the LPO can offer borrowers access to debt capital, flexible financing customized for the specific needs of borrowers, and valuable expertise in energy infrastructure project development. The LPO can also reduce the risk of investment in long-distance transmission projects by providing financing support for projects that analysis shows are likely to support repayment of the loan.

If selected, Clean Link New Jersey would look to seek a loan guarantee under the Title 17 Innovative Energy Loan Guarantee Program. The DOE LPO would evaluate the project for factors such as project risk allocation, creditworthiness, technical relevance and merit, technical approach, work plan, construction plan, and legal, environmental, and regulatory factors. While Clean Link New Jersey, as the project sponsor, would be responsible for demonstrating to the DOE LPO that the project meets the eligibility criteria and working with the DOE LPO through the diligence process, the Board could play a significant role in providing information to the DOE LPO regarding the project selection purpose and how the project will satisfy the DOE LPO’s financial, credit, legal, environmental, market expectations. Similar to any other federal funding or financing opportunities, receiving a federal loan guarantee could lower the overall cost to construct the project. Clean Link New Jersey is actively engaged in these matters and will be open and transparent regarding how such lower costs could be passed onto customers.

6. How might a selected SAA project manage and mitigate material and equipment supply chain risks and any associated costs, particularly as they might related to HVDC?

To mitigate material and supply chain risks, Clean Link New Jersey is developing a robust and detailed project execution plan in advance of any procurement and construction activities. In addition to detailing engineering, procurement, and construction activities, a comprehensive project execution plan helps identify, assess, and provide mitigation techniques for project risks, including those related to labor, material and equipment supply chain. It is important to note that these risks can be mitigated but perhaps not eliminated, especially considering the current volatile and unprecedented economic realities across the globe.

Clean Link New Jersey’s power corridor design uses high voltage direct current (“HVDC”) technology which minimizes impacts on communities, maximizes power capability and control, and uses fewer cables than other options. The demand for HVDC equipment is expected to increase due to the crucial role it plays in the future of renewable energy transmission. In order to manage the risks and costs of procuring HVDC equipment we plan to select key HVDC suppliers on a fixed price or scope basis as early as possible using functional performance specification requirements. Early selection will help secure raw materials, production slots, and related factory-acceptance testing. In addition, early selection will allow the supplier to optimize its internal components scope to meet project schedule and delivery requirements.

Furthermore, working directly with the suppliers’ dedicated shipping and logistics teams will help with timely shipping of equipment. Clean Link New Jersey is also looking at companies with local manufacturing capability to mitigate supply chain risks, including working with potential companies at New Jersey’s new Wind Port which would have the added benefit of creating local jobs.

It is important to note that proposers with extensive experience developing transmission in complex metro areas like New Jersey, are best suited to prepare for and mitigate these risks. The Clean Link New Jersey Project, through its parent company Consolidated Edison, has over 100 years of experience developing, owning, and operating complex transmission projects in the NJ and NY metro area.

7. How might a selected SAA project manage financial risk, including, but not limited to, market and interest rate dynamics, labor costs, raw material and supply chain costs, land procurement costs, and insurance?

Proactively identifying and managing risk is a critical component of every transmission project. In its proposal development, Clean Link New Jersey's dedicated team of local and industry experts conducted a comprehensive evaluation of the various aspects of financial risk and corresponding mitigation measures. We are already taking several steps through design, planning and outreach to manage these risks.

Among these, Clean Link New Jersey is prioritizing minimal impact to communities in the project design and is also engaging early with key stakeholders. Clean Link New Jersey will maximize use of existing utility rights-of-way using underground HVDC, a design that we expect will mitigate any potential permitting and siting risks. Hand in hand with the outreach program, real estate needs such as right of way confirmation and land procurement are also prioritized within the project schedule. Together, this approach will reduce project risk overall.

If selected, Clean Link New Jersey would manage risk through development by following a robust and detailed project execution plan, including a well-established and proven contracting methodology, and selection and engagement of experienced and reputable engineering, procurement, and construction contractors. Additionally, Clean Link New Jersey has proposed a cost containment framework that will reduce price risk to New Jersey customers.

8. If an Option 2 or Option 3 proposal is selected, please detail the potential reliability and economic benefits.

The formation of an offshore mesh network through the selection of an Option 2 or Option 3 proposal is critical to achieve the full benefits off offshore wind and improve both system reliability and resiliency. Optimal reliability and economic benefits for the State of New Jersey can be achieved through the components of our Clean Link New Jersey Project, which responds to Options 1b, 2, and 3.

If selected, Clean Link New Jersey will enhance the reliability and resiliency of the New Jersey electric system both onshore and offshore. Our proposal provides the optionality to link offshore platforms to each other or to nearby platforms for other leaseholds using AC ties. This would connect offshore wind lease areas to create a mesh network. Once connected via AC transmission ties, we will convert the power to HVDC to bring the wind power to the existing transmission backbone on land. The use of HVDC decreases power quality degradation, cuts maintenance costs, and reduces special operating procedures. Furthermore, Clean Link New Jersey enables the potential to reduce the need for must-run generation resources, mostly fossil-fuel dependent, by facilitating the amount and diversity of generation resources available to the grid.

Investment in New Jersey offshore wind infrastructure creates a multitude of economic benefits. First, Clean Link New Jersey supports the reliable and cost-effective dispatch of offshore wind without any

curtailment or congestion on New Jersey and PJM grids, which helps to minimize costs for New Jersey electric customers. Second, the property and income taxes paid by the project while in-service will support local and state government initiatives and budgets. Third, use of existing utility rights-of-way will allow cost sharing that would reduce costs to existing electric customers. Fourth, sourcing of labor and materials used in the construction of our project from within New Jersey will create good paying jobs throughout the state. Depending on which project components are selected, Clean Link New Jersey has the potential to create anywhere from 1,500 to 3,500 new local jobs.

Additionally, our Project decreases environmental impacts such as emissions from fossil generation, which has been shown to impact health and medical costs over time. Importantly, Clean Link New Jersey is estimated to decrease the amount of CO₂ emissions produced in the New Jersey area, which contributes to greenhouse gas emissions reduction goals that are designed to slow climate change which could have devastating effects on the New Jersey coastline.