



October 7, 2022

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

Via email to: [Board.Secretary@bpu.nj.gov](mailto:Board.Secretary@bpu.nj.gov)

Re: In the Matter of the Opening of New Jersey's Third Solicitation for Offshore Wind Renewable Energy Certificates (OREC), Docket No. QO22080481

Dear Acting Secretary Diaz,

Rise Light & Power, LLC ("Rise") hereby provides the Board with selected responses to the Request for Information issued in connection with the preparation of the Solicitation Guidance Document ("SGD") for New Jersey's Third offshore wind solicitation.

Rise commends the BPU and the Murphy Administration for their nation-leading offshore wind energy goal, which will deliver major benefits for New Jersey's economy, environment, and citizens. Rise respectfully submits that the Board consider our responses as it finalizes the SGD.

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. In addition, Rise is currently developing Queensboro Renewable Express – an offshore wind transmission project that will bring renewable energy from the NY Bight to Queens and replace existing fossil fuel generation. Having expertise in both offshore wind generation and transmission, coupled with local experience, provides Rise with a unique perspective on how to get projects completed in a low cost and low risk manner to New Jersey's ratepayers.

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

Respectfully,

*Richmond Young*

Richmond Young  
Director of Development  
Rise Light & Power



## **A. PROJECT DESIGN**

### **1. What are the benefits and challenges of the Board requiring submittal of minimum and/or maximum project capacity bid sizes?**

Rise recommends that offshore wind developers be given the opportunity to propose project capacity sizes that would lead to the lowest OREC price for New Jersey ratepayers, with the explicit understanding that the BPU is seeking to procure ORECs in increments of ~1,200 MW.

Restrictions on project capacity bid size will impede offshore wind developers' ability to size projects in a manner that results in the lowest possible OREC price – which requires optimizing a given project's offshore lease area, turbine size, transmission capacity, etc.

### **2. Board Staff is considering project design nameplate submissions approximately equal to 1,200 MW, while preserving the need for flexibility in its evaluation of project nameplates that significantly diverge from the target nameplate of 1,200 MW. Is there an optimal project capacity size such that multiples of this installed capacity foster efficient OREC pricing, and if so, how is that optimal project capacity size determined?**

As stated in our response to A.1, Rise recommends that offshore wind developers be given the opportunity to propose project capacity sizes that would lead to the lowest OREC price for New Jersey ratepayers, with the explicit understanding that the BPU is seeking to procure ORECs in increments of ~1,200 MW.

Requiring offshore wind developers to size project bids in 1,200 MW increments is not in the best interest of ratepayers for the following reasons:

- Projects should be sized based on transmission capacity selected by the offshore wind developer as this ensures the cost of building the transmission is spread across the highest possible number of megawatts – minimizing the OREC cost.
- The NY Bight Lease auction commanded record prices for offshore wind lease acquisition. As such, 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, offshore wind 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. However,



none of the offshore lease areas is completely divisible by 1,200 MW – leaving some areas “stranded” and resulting in such costs being allocated to megawatts sold.

As further discussed in A.5, the use of HVAC transmission technology enables offshore wind developers to optimize transmission capacity due to the more granular sizing (i.e., 300 MW to 400 MW increments) compared to HVDC (1,100 MW to 1,500 MW), leading to lower OREC prices.

### **3. What considerations should guide the determination of minimum and/or maximum project bid sizes?**

As stated in our response to A.1 and A.2, Rise recommends that offshore wind developers be given the opportunity to propose project capacity sizes that would lead to the lowest OREC price for New Jersey ratepayers, with the explicit understanding that the BPU is seeking to procure ORECs in increments of ~1,200 MW.

### **5. What, if any, transmission technology constraints, such as cable or converter station capacity, would directly affect project size?**

Rise recommends that offshore wind developers be given the opportunity to offer projects that utilize either HVAC or HVDC transmission technology, in their discretion, in connection with our recommendation that developers have discretion in determining the project size that they believe will be the most competitive.

HVAC cables provide capacity in 300 to 400 MW increments – which can better match the capacity of the offshore lease areas and allow offshore wind developers to better align the maximum potential capacity of their lease with the potential injection (and OREC offer) into New Jersey. Depending on the distance between the offshore lease area and onshore landing point, using HVAC cables may require the addition of an offshore midspan reactive compensation system – which can be added in modules that align with the 300 to 400 MW capacity increments.

In contrast, HVDC cables deliver capacity in 1,100 to 1,500 MW increments (aligning with offshore HVDC converter station capacity) – none of which completely align with the potential capacities of the offshore lease areas. Thus, a portion of their lease area will likely be unutilized – which may hamper the developer’s ability to offer the most competitive OREC price into New Jersey’s OREC solicitation.



Our recommended approach, allowing developers to propose their optimal project size and transmission technology, will promote a more vibrant competition and help to ensure that New Jersey ratepayers will realize the lowest possible OREC price.

## **6. What are the benefits and challenges of the Board allowing the inclusion of energy storage in applicants' projects?**

Rise recommends that the BPU encourages applicants to include energy storage in their projects. In addition to supporting the State of New Jersey in meeting its 2,000 MW energy storage goal by 2030, pairing a battery energy storage system ("BESS") with an offshore wind project brings additional benefits, including: (i) maximizing the offshore wind power injected into the New Jersey bulk power grid; (ii) supporting the grid reliability and resiliency; and (iii) providing the ability to dispatch power during peak load.

Another benefit of pairing BESS with offshore wind projects is that significant incentives are now available under the Inflation Reduction Act – reducing the overall cost to New Jersey ratepayers. Furthermore, BESS projects could also benefit from economies of scale – taking advantage of the siting, engineering, procurement, and construction resources supporting the buildout of a (much) larger offshore wind project compared to a stand-alone (or one-off) BESS project.

Rise recommends that the BPU be explicit on how applicants can pair BESS with offshore wind projects in the SGD to streamline the evaluation of the proposals. First, BPU should outline specific parameters on how the BESS will be integrated – specifically, whether it would be a front of the meter or behind the meter. Second, the BPU should specify the key objectives for the BESS so that applicants are able to submit commercial offers for a particular business case – whether the BESS would be used to maximize the offshore wind power injected to the grid, or for maintaining grid reliability and resiliency. Third, the BPU should indicate who would own the BESS and which party would reap the economic benefits/costs. It is possible for applicants to own and operate the BESS, or for the applicant to operate the BESS on behalf of (and take direction from) the State of New Jersey.

Rise understands that the SGD for the 3<sup>rd</sup> OREC solicitation will likely be issued before the New Jersey Storage Incentive Program (NJ SIP) is finalized. As such, we recommend that the BPU be explicit as to whether the incentives under the NJ SIP would also be applicable to BESS projects paired with offshore wind. If so, consideration should be made as to whom the benefits would accrue (i.e., pass through to ratepayers or offshore wind developer).



**7. If energy storage is included in a proposal, should there be specific parameters in the SGD around how it should or must be interconnected, deployed, and operated to optimize grid reliability and economic benefits to New Jersey ratepayers?**

See response to question #6 above.

**B. ECONOMIC IMPACTS AND STRENGTH OF GUARANTEES FOR ECONOMIC IMPACTS**

**Questions B.8 and B.9**

Rise recommends that BPU structure the solicitation in a manner that holds offshore wind developers accountable to their commitments, and that a strong disincentive be in place to dissuade offshore wind developers from “gaming” the solicitation from making commitments that are not ultimately delivered.

Rise applauds the BPU in seeking feedback on this issue so that offshore wind developers are held accountable on their proposals, and offer the following points for consideration:

- Commitments must be specific and measurable so that the BPU can evaluate actual performance. Rise recommends that developers define their commitments and put forth a mechanism that will enable the BPU (or a 3<sup>rd</sup> party designated by the BPU) to evaluate the performance, along with a proposed dispute resolution mechanism. The strength of the commitment and evaluation criteria would then be scored (separately) by the BPU.
- While deposits and bonds are traditionally used to underpin commitments in long term contracts, these carry a cost – which would be built into the OREC price bid. An alternative approach would be a mechanism that requires no deposits or bonds, but instead reduces the OREC price if the offshore wind developer fails to deliver on its commitment. The formula to reduce the OREC price needs to be established upfront and incorporated into the contract. The formula should reflect the lost economic value of the contribution promised, plus a modest premium (to discourage gaming the solicitation). Variations of this mechanism include a holdback on a percentage of ORECs (which is placed into escrow) that is released only when a particular commitment is met. Otherwise, the amount in escrow would be released to the benefit of ratepayers.



### Questions B.10 to B.15

Rise recommends that the BPU incorporate into the scoring criteria points for offshore wind developers who propose projects that directly benefits Environmental Justice (EJ) and Overburdened Communities (OBC). Structuring the SGD to encourage developers to design offshore wind projects that benefit EJ and OBC would be consistent with the Governor's priorities.

Benefits could come in many different forms, and Rise offers the following points for consideration:

- Offshore wind projects could make a positive impact by committing to employ from affected communities. This model has been proposed in the past, and it makes sense as offshore wind farms tend to have minimal onshore infrastructure.
- In addition to employment commitments, offshore wind projects could establish facilities for construction and/or operations in affected communities. Investment in a physical presence in EJ and OBC provides indirect economic impacts and demonstrates a stronger commitment to work with the community.
- In addition to employment commitments and establishing a physical presence in the community, a more comprehensive approach would involve remediating and siting facilities at revitalized brownfields – something that the State is actively promoting due to the scarce availability of developable land. Redeveloping brownfields bring additional indirect benefits as it could unlock redevelopment in the surrounding area, while cleaning up the environment.

Consistent with our response to B.8 and B.9, Rise recommends that BPU ask offshore wind developers to include specific and measurable commitments to benefit EJ and OBC. Offshore wind developers should clearly define their commitments and put forth a mechanism that will enable the BPU (or a 3rd party designated by the BPU) to evaluate the actual performance, along with a proposed dispute resolution mechanism. The strength of the commitment and evaluation criteria would then be scored (separately) by the BPU.



## **D. INFLATION/DEFLATION ADJUSTMENT**

### **Questions D.21 to D.36**

Rise commends BPU for acknowledging the significance of this issue and for consulting with the industry regarding an effective mechanism to spread risk and thereby facilitate more efficient proposals.

As applicants each have a different outlook (and appetite for) inflation risk, Rise recommends that the SGD allow applicants to propose their own mechanism/formula (and corresponding indices) for inflation adjustment, and that the relative costs and benefits of such formula be scored by the BPU. Such a structure would increase the competitiveness of the proposals and would maximize the market's potential – especially given BPU's ability to ask questions of bidders – to lead to a mechanic that would be more advantageous for New Jersey ratepayers. This means that the BPU could receive proposals with inflation adjustment mechanisms and fixed priced escalators. Either way, the applicants will provide the BPU with a transparent inflation adjustment mechanism.

With respect to the price index adjustment date, Rise recommends that this milestone be tied to the project's financial close date – which is when all major permits are secured, contracts are executed, and external financing is in place.

## **F. EVALUATION**

### **49. Are there any criteria relevant to the evaluation of the “Likelihood of Successful Commercial Operation,” as presented in Section 5 of the Evaluation Report for the Second Solicitation that should be added or any criteria that are not relevant and should be removed?**

Rise recommends that the BPU more favorably score projects that avoid impacts to beach communities as such projects have a greater likelihood of reaching commercial operation. The recent developments on Ocean Wind 1 have highlighted the extent of public opposition to running transmission cables under beaches, Green Acres, and public rights of way. This was not unexpected as there are numerous offshore wind projects along the US East Coast that have been significantly delayed, or cancelled altogether, as beach communities opposed the landing of high-voltage cables under their shores to reach the point of injection.



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Governor Murphy recently increased the state’s offshore wind goal, and it is incumbent upon offshore wind developers to help make this happen. Offshore wind projects that are designed in a manner that minimizes public opposition will have a higher probability of reaching commercial operation, and the BPU ought to encourage creative thinking by favorably scoring such projects.