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Director

November 14, 2022

Via Electronic Mail

Carmen D. Diaz, Acting Board Secretary
44 South Clinton Avenue, 1st Floor
P.O. Box 350
Trenton, NJ 08625-0350

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

Dear Acting Secretary Diaz:

Please accept for filing these comments being submitted on behalf of the New Jersey Division of Rate Counsel ("Rate Counsel") in accordance with the Notice and Request for Information issued by the Board of Public Utilities ("Board") in this matter on October 28, 2022. In accordance with the Notice, these comments are being filed electronically with the Board's Secretary at board.secretary@bpu.nj.gov.

Please acknowledge receipt of these comments.

Thank you for your consideration and attention to this matter.

Respectfully submitted,

Brian O. Lipman, Esq.
Director, Division of Rate Counsel

By: /s/ Maura Caroselli
Maura Caroselli, Esq.
Deputy Rate Counsel

Enclosure

cc: Robert Brabston, BPU
Jim Ferris, BPU
Kelly Mooij, BPU
Stacy Richardson, BPU

STATE OF NEW JERSEY

BEFORE THE BOARD OF PUBLIC UTILITIES

**In the Matter of the Opening of New)
Jersey's Third Solicitation for Offshore)
Wind Renewable Energy Certificates)
(OREC))**

Docket No. QO22080481

**COMMENTS OF THE
NEW JERSEY DIVISION OF RATE COUNSEL
IN RESPONSE TO REQUEST FOR INFORMATION ("RFI") REGARDING NEW
JERSEY'S THIRD SOLICITATION FOR OFFSHORE WIND RENEWABLE ENERGY
CERTIFICATES ("OREC")**

November 14, 2022

I. INTRODUCTION

The New Jersey Division of Rate Counsel ("Rate Counsel") would like to thank the Board of Public Utilities ("Board" or "BPU") for the opportunity to provide comments on the questions issued to parties through a Request for Information ("RFI") released on October 28, 2022.

On January 31, 2018, Governor Phil Murphy signed Executive Order No. 8 designed to further the Offshore Wind Economic Development Act ("OWEDA") by setting a state goal of 3,500 megawatts ("MW") of offshore wind ("OSW") capacity by 2030. On November 19, 2019, the Governor signed Executive Order No. 92 increasing this goal to 3,500 MW of OSW capacity. On September 21, 2022, Executive Order No. 307 increased this OSW capacity target by nearly 50 percent to a new goal of 11,000 MW by 2040.

To date, the Board has successfully completed two OSW solicitations, awarding three projects a total of 3,758 MW of capacity. On February 29, 2022, the Board announced an updated OSW solicitation schedule to meet the state's OSW target with the Third Solicitation expected to be issued in early 2023 (first quarter) with an estimated target of 1,200 MW. The schedule was revised to accommodate the integration of the Board's decision on the State Agreement Approach ("SAA") with PJM Interconnection, LLC ("PJM") for coordinated transmission development to facilitated generation developed in New Jersey offshore areas. On October 26, 2022, the Board issued an Order on the SAA solicitation ("SAA Decision"). Staff is currently in the process of developing a Solicitation Guidance Document ("SGD") for the Third Solicitation and has issued this RFI to assist in the development of the SGD and

the exploration of a potential requirement that would allow projects to connect to a future mesh network in light of the SAA Decision

II. RATE COUNSEL RESPONSE TO STAFF QUESTIONS

Rate Counsel offers the following responses to Staff’s individual questions:

Design Considerations for the Prebuild Infrastructure

As set forth in the SAA Decision, the Board directed Board Staff to require the “Prebuild” in the Third Solicitation. The Prebuild would require a single offshore wind developer to construct the necessary transmission infrastructure (“Prebuild Infrastructure”), which includes duct banks and access cable vaults, for its own project as well as the additional project(s) (up to four total cables) needed to fully utilize the SAA capability made available as a result of the Larrabee Tri-Collector Solution.

- 1. Please identify any requirements that should be included in the SGD to support the design and timely construction of the Prebuild Infrastructure. Please provide any recommendations for specification of these requirements.**

Rate Counsel Response: Rate Counsel does not have any specific recommendations to offer on this topic. However, as a general matter, Rate Counsel suggests that the Board work with Staff, consultants, and internal counsel, as well as potentially outside counsel, to examine this issue of pre-built infrastructure requirements in greater detail before releasing the SGD. Rate Counsel suggests that there are likely a large number of development and contractual issues that will ultimately need to be addressed via some form of negotiation between the Board and a selected OSW project developer (or “short list” of developers). Negotiating the details of pre-build infrastructure will likely require some degree of “back-and-forth” negotiation and may go beyond simply issuing requirements and goals in the SGD or even a final Board order. Rate Counsel is concerned that by attempting to define these pre-build development options generally, through the SGD, and ultimately a general Board

order, development and ultimately financial risks could arise and lead to projects that are (a) more expensive than needed and (b) lead to outcomes inconsistent with Board infrastructure synergy expectations. Further, Rate Counsel is not aware of any other state precedent that could assist the Board in clearly defining these pre-build obligations in a binding and meaningful manner.

- 2. Are there major challenges or significant limitations to installing up to four circuits for independent projects in a common ROW? If yes, please summarize the nature of these challenges/limitations.**

Rate Counsel Response: Rate Counsel has no position on this issue at the current time but does share Board Staff’s concern about how ROWs can be secured to facilitate additional circuits, used by differing owners, that go beyond those ROW rights negotiated for an individual project and how those ROWs will impact or be impacted by any future modifications or changes to these additional pre-build circuits that could arise in the future. While Rate Counsel supports the use of common infrastructure and reducing development costs and risks, we do observe that the Board is progressing into approaches and proposals that are novel and face numerous complications. Rate Counsel has concerns about the degree to which all of these considerations can be “standardized” across a competitive bidding approach.

Cost Recovery Structure for Costs Associated with the Prebuild Infrastructure

- 3. Board Staff expects to require applicants to submit separate [sic] an OREC schedule for their offshore wind project with and without the Prebuild Infrastructure included.[footnote omitted] Over what period of years should the cost of the Prebuild Infrastructure be recovered?**

Rate Counsel Response: Rate Counsel has no specific position on this issue at the current time. Rate Counsel, as a general matter, does have concerns about “forcing” cost

recovery across certain types of long-lived investments across time periods that are inconsistent with their useful life simply because it is necessary to do so, given the current OREC financial construct.

Construction and Operating Considerations for the Prebuild Infrastructure

Awardees in future New Jersey offshore wind solicitations (and other awardees in the Third Solicitation, if multiple projects are selected) will be required to utilize the Prebuild Infrastructure. As part of project construction efforts, awardees would be required to install their transmission cables in the Prebuild Infrastructure, utilizing the prebuilt duct banks and cable vaults designated to their project. To the extent possible, please consider these questions from the perspective of both the entity that constructs the Prebuild Infrastructure and an entity that will utilize the Prebuild Infrastructure.

4. What terms and conditions for construction of the Prebuild Infrastructure between the Board and constructor should be specified in the SGD?

Rate Counsel Response: Rate Counsel has no specific position on this issue at the current time. As noted earlier, it strikes Rate Counsel as a difficult proposition to standardize these requirements up front in the SGD. It may be more appropriate for the Board to modify its current Third Solicitation Schedule to conduct a short stakeholder proceeding to investigate these pre-build development issues in greater detail. Specifically, the Board should investigate what type of pre-build is cost effective and the most efficient party to implement that pre-build. Additionally, the Board may wish to ask developers to explain as part of their bid why they utilize certain construction approaches in order to gain a fuller understanding of the proposal and to assure that ratepayers do not incur any undue risks that could drive up future OREC costs and undermine the Board's efficiency goals in developing common infrastructure.

5. What terms and conditions for operation of the Prebuild Infrastructure between the Board, constructor and future users should be specified in the SGD?

Rate Counsel Response: Rate Counsel has no specific position on this issue at the current time. Please see our comments in response to question four above on Rate Counsel's general concerns about pre-build infrastructure development.

- 6. Are there any potential challenges for cable installation in the Prebuild Infrastructure for future solicitation awardees? If yes, how might they be mitigated?**

Rate Counsel Response: Rate Counsel has no specific position on this issue at the current time. Please see our comments in response to question four above on Rate Counsel's general concerns about pre-build infrastructure development.

- 7. Please identify any potential adverse cost or schedule implications ascribable to the Prebuild Infrastructure as it relates to awardees of future New Jersey offshore wind solicitations. How might these impacts be mitigated?**

Rate Counsel Response: Rate Counsel has no specific position on this issue at the current time. Please see our comments in response to question four above on Rate Counsel's general concerns about pre-build infrastructure development.

Enabling Potential Future Development of a Mesh Network

A mesh network is an offshore transmission configuration in which the offshore substations for individual offshore wind projects are linked by connecting several offshore platforms. Board Staff is considering requiring projects bidding in the Third Solicitation to be built with design elements that will enable future connection to a mesh network.

- 8. Do you have any general recommendations regarding how preparation for a future mesh network can be implemented in the Third Solicitation?**

Rate Counsel Response: Rate Counsel has no specific position on this issue at the current time but does recommend the Board hold off on pursuing any mesh initiatives until a more detailed investigation, outside the context of a pending OSW/OREC

solicitation, has been conducted. Rate Counsel notes that the Board may have its hands full attempting to accommodate the pre-build infrastructure opportunities, alone, without injecting additional complexities of a mesh network. Further, the use of a mesh network, to be optimal, likely has multi-state/multi-jurisdictional considerations that should be explored further before moving forward with such initiatives.

9. What additional equipment would need to be specified and installed at the time of project construction in order to enable future connectivity to a mesh network, as opposed to equipment that would not need to be installed until the mesh network is implemented?

Rate Counsel Response: See our comments in response to question eight above noting that Rate Counsel has no specific position on this issue at the current time but does recommend the Board hold off on taking any mesh initiatives until a more detailed investigation, outside the context of a pending OSW/OREC solicitation, has been conducted.

10. What physical requirements would enable the offshore substation to support the additional equipment, including additional platform space?

Rate Counsel Response: See our comments in response to question eight above noting that Rate Counsel has no specific position on this issue at the current time but does recommend the Board hold off on making such requirements until a more detailed investigation, outside the context of a pending OSW/OREC solicitation, has been conducted.

11. How would your suggestions regarding what engineering, operational and/or regulatory information should be specified in the SGD to support a future mesh network differ if the mesh network includes (i) only New Jersey projects, (ii) New Jersey and other PJM states' projects, or (iii) New Jersey, other PJM states' and downstate New York projects?

Rate Counsel Response: See our comments above noting that Rate Counsel has no specific position on this issue at the current time but does recommend the Board hold off on making such requirements until a more detailed investigation, outside the context of a pending OSW/OREC solicitation, has been conducted. As noted earlier, Rate Counsel has major concerns that this mesh proposal has considerable multi-jurisdictional implications that warrant further investigation to assure New Jersey ratepayers are not assuming unnecessary risk, or unnecessarily subsidizing OSW or OSW infrastructure development opportunities for other states.

12. What might be the advantages or disadvantages associated with the Board’s adoption of the mesh network framework put forth by NYSERDA in ORECRFP22-1?

Rate Counsel Response: See our comments in response to question eight above noting that Rate Counsel has no specific position on this issue at the current time but does recommend the Board hold off on making such requirements until a more detailed investigation, outside the context of a pending OSW/OREC solicitation, has been conducted.

13. What voltage would you recommend for the future mesh network and why?

Rate Counsel Response: See our comments in response to question eight above noting that Rate Counsel has no specific position on this issue at the current time but does recommend the Board hold off on making such requirements until a more detailed investigation, outside the context of a pending OSW/OREC solicitation, has been conducted.

Other

14. Please provide any additional information that you would like Board Staff to consider in development of the SGD.

Rate Counsel Response: Rate Counsel has no further information or comments to provide at this time.