conEdison Transmission
a conEdison, inc. company

January 13, 2023

VIA ELECTRONIC DELIVERY

Ms. Carmen Diaz
Acting Secretary Board
44 South Clinton Avenue, 1st Floor
Post Office Box 350
Trenton, NJ 08625-0350
Phone: 609-292-1599
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RE: Docket No. QO22080481 – In the Matter of the Opening of New Jersey's Third Solicitation for Offshore Wind Renewable Energy Certificates

COMMENTS OF CON EDISON TRANSMISSION, INC.

Dear Acting Secretary Diaz:

Con Edison Transmission, Inc. respectfully submits these comments to the New Jersey Board of Public Utilities ("Board") in response to the December 1, 2022 notice requesting comments in the above-referenced docket.

We appreciate the Board facilitating an opportunity for stakeholders to provide input in the planning of New Jersey's third solicitation for offshore wind. As participating developer in the Board's recent State Agreement Approach solicitation, we hope our comments offered below provide valuable insight to facilitate the cost-effective achievement of New Jersey's offshore wind goals.

Respectfully submitted,

/s/ Marie Berninger

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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. Q022080481

COMMENTS OF CON EDISON TRANSMISSION, INC.

Con Edison Transmission, Inc ("CET") respectfully submits these comments in response to the December 1, 2022 notice of the Board of Public Utilities ("Board") requesting comments in the above-referenced docket.

I. EXECUTIVE SUMMARY

CET appreciates the opportunity to comment on the Board's draft Solicitation Guidance Document ("SGD"). CET applauds the Board's timely and thoughtful draft and its openness to receiving and considering feedback from stakeholders. CET offers the following comments to help the Board achieve the most cost efficient, timely and reliable outcome for New Jersey customers as it develops and implements actions to achieve its ambitious offshore wind goals.

First, the Board should require offshore wind generation bidders to partner with non-affiliated transmission developers in the design, execution, ownership, and operation of eligible offshore generation projects. Considerable expertise has been cultivated in designing, routing, and planning high voltage direct current ("HVDC") generator delivery infrastructure (which includes underground cable, associated civil infrastructure like duct banks and cable vaults, HVDC/AC converter stations and switchgear, see Exhibit A) in the recent Board and PJM Interconnection's ("PJM") State Agreement Approach ("SAA") process. These developers have

also performed outreach and developed relationships with local community leaders in shore communities and those along the cable routes. This expertise and relationship building should be leveraged in this next procurement for the benefit of customers. Moreover, such an approach would allow development, over time, of an offshore network of generator delivery infrastructure with an owner that has a unique interest in such expansion for all and any generation developer(s).

Second, Investment Tax Credits ("ITCs") should apply to the project as a whole irrespective of whether the project is developed and owned by a single generation developer or by a transmission developer in partnership with a generation developer. Separate ownership of the generator delivery infrastructure would enhance reliability and customer benefits, provide future flexibility benefits, and still enable the full project to capture ITCs.

Third, the Board should further clarify how the prebuild infrastructure should be owned and operated as the offshore system expands. In these comments we provide some specific questions and a suggestion on how this could be approached to facilitate a cost-efficient outcome for customers and maintain a high level of reliability, resiliency, and efficient operation.

II. BACKGROUND

CET is a competitive transmission developer that has experience developing transmission solutions, including solutions for offshore wind. CET is the developer of the Clean Link New Jersey project proposed in response to the Board and PJM solicitation for offshore transmission to facilitate the connection of offshore wind generation under the SAA. CET has and continues

to consider partnerships with offshore wind generation developers to facilitate the delivery of their electricity into the existing grid.

In New York, our affiliate, New York Transco ("NY Transco")[1] owns and operates overhead transmission in NY and is currently constructing transmission in the mid-Hudson region to deliver clean renewable energy to downstate New York. NY Transco also has active transmission proposals in the Long Island Public Policy Transmission Need solicitation, intended to bring offshore wind electricity from the south shore of Long Island to New York City and Westchester County/Northern NY State, that are currently under consideration for selection by the NYISO under its competitive public policy transmission planning process.

III. THE BOARD SHOULD REQUIRE BIDS FROM A PARTNERSHIP OF GENERATION AND NON-AFFILIATED TRANSMISSION DEVELOPERS

Transmission developers that are independent and not an affiliate of generation owners can add considerable value to offshore wind and offer an ownership model that facilitates the long-term offshore transmission vision without impairing the ability for offshore wind projects to obtain ITCs. As the SAA process highlighted, there is considerable value to coordinating the planning of all aspects of the delivery infrastructure of the offshore wind generation project ("Project") and leveraging the experience of transmission developers, working with offshore wind generation developers, in designing and operating this infrastructure that minimizes the cost and impact to the surrounding environment and communities. Moreover, entities that own the delivery infrastructure alone will have incentive to expand the network of delivery lines over

[1] CET is the largest shareholder of NY Transco, a partnership among New York's investor-owned utilities.

time, in alignment with the Board and New Jersey's longer-term objectives. While the Board ultimately deferred awarding delivery infrastructure into the ocean in its SAA award due to the potential to capture federal tax credits, it nevertheless identified significant value in the proposals submitted and from that information selected its preferred landfall location, infrastructure route and interconnection point for a 4,890 MW offshore wind delivery corridor. This result, taken from the multitude of offerings, signifies that the Board recognizes the value that transmission developers add to the process.

By requiring offshore wind generation developers to partner with non-affiliated transmission developers, the Board will enable the value and longer-term efficiencies that it envisioned when initially setting out the SAA approach, for the benefits of New Jersey consumers. Accordingly, the Board should specify this partnership requirement in its final version of the third offshore wind solicitation.

Further, as the Board implicitly acknowledged by conducting its independent SAA process, ownership and operation of delivery infrastructure separate from the ownership of the generation itself is aligned with the long-term vision for offshore wind by allowing improved options for future expansion. This ownership structure is still vitally important for reliability, resiliency and efficient operation of the grid. Independent ownership of the delivery infrastructure and generation allows each entity to focus on operating those facilities with which they have specific expertise and are most familiar. As a result, separate ownership and operation of the delivery infrastructure of an offshore wind project, from offshore to onshore collector station, improves reliability and facilitates compliance with regulatory and reliability

requirements, including those promulgated by the North American Electric Reliability Corporation ("NERC").

Finally, independent ownership of the delivery infrastructure by a transmission developer could help avoid potential conflicts related to prebuild infrastructure as additional offshore wind delivery cables are built out, as discussed below.

IV. THE INVESTMENT TAX CREDITS SHOULD APPLY TO DELIVERY INFRASTRUCTURE THAT IS NECESSARY AND INTEGRAL TO THE GENERATION PROJECT, REGARDLESS OF WHO OWNS IT

Central to the Board's SAA decision was the desire to preserve the option to capture Investment Tax Credits for the entirely of the Project's costs, inclusive of the delivery infrastructure to condition and deliver the electricity to market. CET agrees that this is an important benefit for customers as it provides significant cost savings to New Jersey customers. Only a project that includes all facets of offshore wind production along with the cables and converter stations necessary to deliver that production to customers meets the goals of providing cleaner wind power to customers. The overall project, inclusive of the wind turbines and the HVDC or HVAC delivery infrastructure, is the same regardless of what party owns which part of the infrastructure of that project. Indeed, eligibility for the ITC should be based on the nature of the project rather than the nature of the project's ownership structure. This interpretation regarding ownership is consistent with the statutory language of the Inflation Reduction Act, [2] and past treatment of solar / storage projects receiving ITCs with separate owners for each component.

[2] *See* Inflation Reduction Act, Section48E(b)(3); see generally Section 48.

For this reason, the solicitation should establish a framework that requires transmission developers to participate in the development and long-term ownership and operation of the delivery infrastructure to de-risk and lower costs of offshore wind development.

V. MORE CLARITY IS NEEDED ON THE PREBUILD INFRASTRUCTURE BUSINESS MODEL TO ACHIEVE THE DESIRED BENEFITS – WE OFFER SOME SUGGESTIONS

CET appreciates the objectives the Board is seeking to achieve with the prebuild infrastructure approach explored in the SAA Order and now in the draft SGD. This innovative and unconventional approach has merit, and can be successful, if the Board considers the commercial challenges in advance and provides clarity on the desired model up-front. This approach raises several important commercial questions:

1. Is each set of duct banks owned long-term by the original developer, or is ownership transferred to subsequent developers as their projects are awarded? If transferred, how is the OREC schedule modified in each case? And what is the value of the transferred asset? What return is included at transfer, and does it vary based on time from construction to transfer?
2. Who bears the cost if the prebuild infrastructure does not meet performance expectations upon installation of a future HVDC cable (*i.e.*, duct bank collapse due to unknown outside influence)?
3. How are ITCs captured for the prebuild infrastructure? Can they be captured in the initial project if intended for future use from established offshore lease areas? If they cannot be captured in the initial project, can they be captured if

the duct banks are transferred to the new developer? What criteria would exist?

4. How are conflicts of interest addressed and managed long-term for continued ownership and operation by the original developer (or a duct bank transfer) if generation developers continue to compete without a requirement for a transmission partner to independently own the delivery infrastructure? Would it be preferrable if this pre-build infrastructure is owned by an entity separate from the initial wind generation owner regardless of whether or not the prebuild infrastructure subsequently changes ownership?

An essential element to actualizing the benefits of the prebuild infrastructure is likely to require independent ownership of the original delivery infrastructure and associated prebuilt duct-banks and cable vaults. Independent ownership, particularly by a transmission developer, will address the issues raised above. CET believes it will be easier to implement and avoid conflicts in an ongoing competitive offshore wind generation development market.

The SGD suggests that developers should propose solutions to some of these difficult questions in their bid responses. This open-ended approach will only add confusion to the process and should be clarified before the RFP is issued.

The Board should require bids that reflect a partnership between generation developers and transmission developers along with independent ownership of the delivery infrastructure and prebuild. This is important because as subsequent projects are built and delivery cable is installed in the prebuild infrastructure, the commercial interests of competing generators may not provide

the right incentives and outcomes for reliable and efficient long-term ownership and operation of the emerging overall delivery system.

Many potential concerns are avoided if the delivery infrastructure is owned by one or multiple transmission developers / long-term owner-operators focused primarily on reliable operation and whose commercial interests are not directly tied to electricity production but rather availability of the delivery infrastructure. Under this ownership model, the prebuilt infrastructure could continue to be owned by the original owner as a financial or physical asset, potentially with O&M agreements between it and the subsequent independent owners of the next delivery cable(s). Alternatively, each group of prebuilt duct banks and cable vaults could be transferred to the owner of the new cable so that each circuit, and its associated conduits could be owned and operated by a single owner.

Dated: January 13, 2023

Respectfully submitted,
Consolidated Edison Transmission, Inc.

/s/ Marie Berninger
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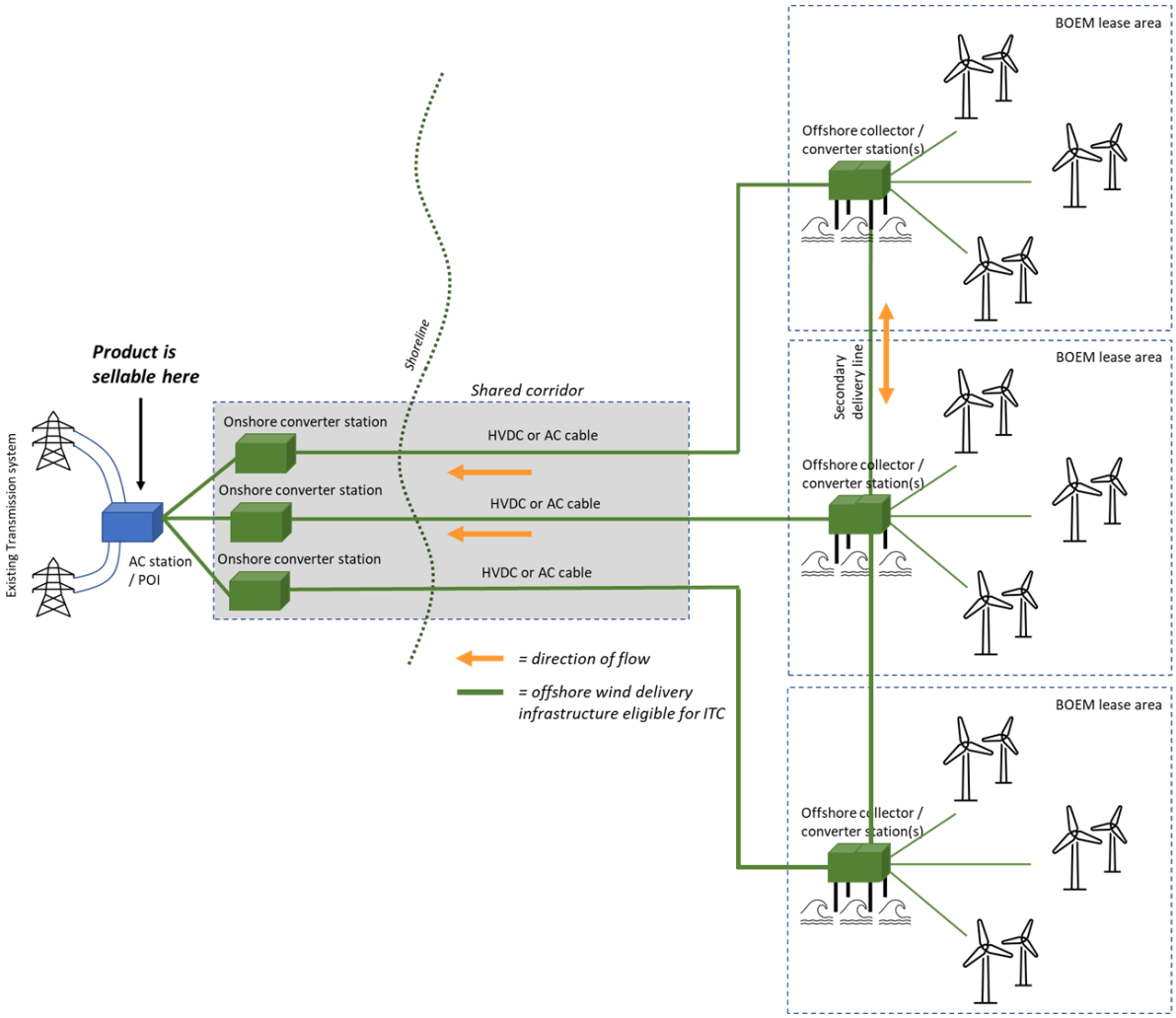
Exhibit A


BOEM lease area
Offshore collector / converter station(s)
BOEM lease area
Secondary delivery line
Offshore collector / converter station(s)
BOEM lease area
Offshore collector / converter station(s)
Shoreline
Shared corridor
Product is sellable here
Existing Transmission system
AC station / POI
Onshore converter station
HVDC or AC cable
Onshore converter station
HVDC or AC cable
Onshore converter station
HVDC or AC cable
= direction of flow
= offshore wind delivery infrastructure eligible for ITC