



January 13, 2023

Carmen D. Diaz, Acting Secretary of the Board
New Jersey Board of Public Utilities
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) – Docket No. QO22080481**

Dear Acting Secretary Diaz,

Bluepoint Wind commends the New Jersey Board of Public Utilities (NJBPU) on the issuance of the Draft Solicitation Guidance Document (SGD) published on November 30, 2022. NJBPU's ambitious procurement target of up to 4,000 MW demonstrates a concrete commitment to take the steps necessary to meet New Jersey's offshore wind goal of 11,000 MW by 2040. We fully support NJBPU's efforts and appreciate the opportunity to provide the following written comments in response to the draft SGD.

About Bluepoint Wind, LLC

Bluepoint Wind is a partnership between Ocean Winds, an international offshore wind energy company created by EDP Renewables and ENGIE, and Global Infrastructure Partners (GIP). Together, these companies have a successful track record of over 50 years of experience in the development, financing, construction, and operation of renewable energy projects, including more than 15 years on offshore wind projects. Ocean Winds has offshore wind projects currently under development, construction, or operating in communities all over the world, including in the UK, France, Belgium, Portugal, Poland, Korea, California, and – closer to home – in Massachusetts. GIP also has considerable global experience in the development, construction, and operations of offshore wind projects through various investments, the operations of which span Germany, the UK, Sweden, France, Taiwan, South Korea, Japan, Australia, and the United States.

In February 2022, the Bureau of Ocean Energy Management of the U.S. Department of Interior ("BOEM") awarded Bluepoint Wind offshore wind lease (OCS-A 0537) in the New York Bight lease auction. The Bluepoint Wind lease encompasses 71,522 acres and is located approximately 53 nautical miles (nm) off the coast of New Jersey. At full capacity, the offshore wind farm has the potential to deliver an estimated 1.7 GW of clean wind energy – powering up to 900,000 homes and helping New Jersey meet its ambitious clean energy and carbon emissions reduction goals.

Bluepoint Wind Comments

Bluepoint Wind has prepared the following written comments to provide feedback to the NJBPU on the Draft SGD. This submission builds upon previous comments submitted by Bluepoint Wind in response to the NJBPU's first and second Requests for Information (RFIs) that were issued on September 16, 2022 and October 28, 2022, respectively.

For ease of reference, comments have been numbered and categorized as project design, commercial, or other considerations.

1. Project Design Considerations

1.1 Interconnection Plan

1.1.1 New Transmission Capacity at Larrabee Tri-Collector Station

Can the NJBPU clarify how much new transmission capacity will be created at the Larrabee Tri-Collector Station ("Larrabee")? Bluepoint Wind has identified at least four different capacity figures from public documents that discuss the SAA solution and its capabilities and characteristics.¹ Bluepoint Wind believes that it is critical to clearly identify how much capacity will be available at the Larrabee Tri-Collector prior to the release of the next RFP. Further, Bluepoint believes it is equally important that the NJBPU indicate whether any projects previously awarded an OREC Agreement will use the site, as this may influence how Applicants decide to bid.

1.1.2 Available Capacity Rights at Larrabee Tri-Collector Station

Can the NJBPU please clarify the maximum available capacity rights associated with the 4,890 MW of energy injection at Larrabee that the NJBPU controls and can award to offshore wind developers? Per N.J.A.C. 14:8-6.5(a)(12)(iv), OREC pricing will be on a pay-for-performance basis, with Ratepayers being held harmless for any costs associated with non-performance that a Qualified Project would incur. These include curtailment or negative nodal energy prices that could arise due to transmission outages at the PJM system, or congestion at Larrabee caused by projects connecting at this node simultaneously and delivering at full production capacity due to favorable winds. Bluepoint Wind stresses to NJBPU that further information is needed by Applicants to evaluate the curtailment risk, potential negative nodal pricing, and loss of renewable energy production potential and the associated market revenues due to

¹ Different indications of injection capability have been inferred by Bluepoint Wind among the following documents:

- Order No. 8A, issued on October 26, 2022, states the Larrabee Tri-Collector will create 3,742 MW of new transmission capacity but also acknowledges that PJM indicates up to 4,530 MW of injections can be handled (Page 61, paragraph 1).
- Attachment 10 of the SGD (Prebuild Infrastructure Requirements) states that it is targeting Maximum Power Delivery with project nameplate capacities of 1,400 MW or higher (page A10-5).
- The overall procurement target identified in the SGD indicates a Minimum Capacity Target of up to 4,000 MW. MAOD's response to SAA Window (Proposal ID 551) identifies onshore converter ratings of 1,400 MVA at 400 kV; while Bluepoint Wind notes that 1,400 MVA is not necessarily equivalent to 1,400 MW depending on the power factor of delivered energy.
- Summary Report for the NJBPU Selected Project 2021 SAA Proposal Window to Support NJ OSW outlines that a 2x1,200 MW and 1x1,324 MW injection at Larrabee 230 kV system would result in 3,742 MW maximum injection capability at any given time (page 8, table 1).

capacity injection right limitations at Larrabee. Further comment is provided on this topic later in this document (see comment 2.2.1).

1.1.3 Queue Position Requirements at Larrabee Tri-Collector Station

Can the NJBPU please clarify whether it requires Applicants to submit a Queue Position at the Larrabee Tri-Collector, or whether an Applicant can use an existing Queue Position? If an existing Queue Position may be used, Bluepoint Wind requests clarity on the process to transfer that Queue Position's designated POI to Larrabee. Conversely, should a new Queue Position be needed, will the Applicant be expected to pay for any interconnection cost allocation for necessary transmission system upgrades that might not have been foreseen during the SAA selection and award process? It is our hope that the utilization of the Larrabee Tri-Collector circumvents or otherwise avoids the standard the PJM queue process to the fullest extent possible, as participating in that process could invite uncertainty and delays to the interconnection schedule.

1.1.4 Permitting Requirements at Larrabee Tri-Collector Station

Can the NJBPU please clarify what information will be made available by MAOD to Applicants for siting a converter station and related electrical equipment (harmonic filters, reactive support, switchgear, breakers etc.), as well any details or prior diligence about the routes to the Sea Girt National Guard Training Center (NGTC) and onward to Larrabee? Bluepoint Wind proposes that the following information, at a minimum, be shared by MAOD:

- Offshore routes and approach to Sea Girt NGTC
- Landfall design and considerations
- Onshore routes including corridor widths considered and alternative routes,
- Permitting plans and diligence to date
- Station engineering design drawings
- Offset requirements

1.2 Prebuild Infrastructure

1.2.1 Third Party Requirements for Prebuild Infrastructure

As further discussed in responses to the recent Prebuild Infrastructure RFI², Bluepoint requests that NJBPU consider awarding or assigning the design, engineering, and permitting of the Prebuild Infrastructure to a third party to avoid potential federal permitting or other delays that could arise for the selected Prebuild constructor and impact all users of the Larrabee Tri-Collector. Funding mechanisms for this effort would need to be identified and can be shared by all Qualified Projects if not included in rate base of the local EDC, JCP&L.

1.2.2 Coordination between Qualified Projects for Prebuild Infrastructure

² https://publicaccess.bpu.state.nj.us/DocumentHandler.ashx?document_id=1281534

Can NJPBU please clarify how Qualified Projects are expected to communicate with the party selected to construct the Prebuild Infrastructure? Bluepoint recommends that Qualified Projects have an opportunity to review the winning Prebuild Infrastructure design to provide input for their specific project and gain consensus on its constructability. Additionally, Bluepoint recommends that Qualified Projects be allowed to access the construction site to inspect and sign off on the Cable Vaults and Duct Banks. This approach would mitigate risks associated with Qualified Projects' export cables utilizing the Prebuild Infrastructure, and thus lower associated insurance costs.

1.2.3 Coordination between Qualified Projects for Prebuild Infrastructure

Can the NJBPU please clarify who will be responsible for permitting the converter stations installed on the land adjacent to Larrabee? Will MAOD obtain the local and state permits required or will each developer be responsible for obtaining separate permits on their portion of the site? If the latter, each applicant will have to presume that individually they need to apply for the local permits for the full Prebuild Infrastructure. Consequently, local authorities may be fatigued by the number of applications, potentially delaying projects connecting at this node, especially those being constructed under a later OREC solicitation after the 2023 procurement. This was a reason for Bluepoint Wind's proposal as identified in section 1.2.1 of this document.

1.2.4 Financial Responsibilities for Prebuild Infrastructure

Can the NJBPU please clarify the commercial frameworks, cost recovery conditions, or revenue sources for the construction and operations of the Prebuild Infrastructure? Specifically, who will be financially responsible for (1) the construction costs of the Prebuild Infrastructure, (2) any O&M costs during the OREC contract term of the Qualified Project vs. another project's tenure (in case Project A's tenure is not aligned with Project B's tenure etc.), and (3) any O&M or use fees post the OREC contract term? Bluepoint recommends that Qualified Projects using the Prebuild Infrastructure maintain ownership and responsibility for operation and maintenance of the Prebuild Infrastructure that houses the Applicant's cable. For clarity, if Project A builds the Prebuild Infrastructure, ownership and liability for the section of the Prebuild Infrastructure that houses Project B's cables should be transferred to Project B. This approach simplifies the liabilities for insurance coverage during and post OREC contract term, as well as any tolling, usage, or transmission fees that could be applicable post the OREC contract term. Clear responsibilities and liabilities will result in lower insurance costs and consequently a lower OREC price for New Jersey electric customers.

1.2.5 Construction Liabilities for Prebuild Infrastructure

Can the NJBPU please confirm whether there will be safeguards in place to protect the party selected to construct the Prebuild Infrastructure from schedule delay-based litigation by other Qualified Projects, specifically for items proven to be out of its control?

1.2.6 Operational Considerations for Prebuild Infrastructure

Can the NJBPU please clarify which entity will own and maintain the Prebuild Infrastructure following construction? There are a number of operational and contractual considerations to address, including but not limited to:

- Responsibility for conduit repairs and emergency response in the event of a fault due to damaged conduit, responsibility for quality control following repair, and necessary insurance coverage for the operator vs. owner of the individual export cable to be located within a duct bank built and/or serviced by another developer;
- In the case the Awarded Company owns the Prebuild Infrastructure in perpetuity, the mechanism through which O&M costs would be distributed to other projects, and whether the ownership (if any) needs to be transferred to third parties at the expiration of the OREC term.

1.3 Offshore Transmission Network

1.3.1 Design Specification for Offshore Transmission Network

Can the NJBPU please provide any desired specifications for the Offshore Transmission Network (OTN)? This will ensure all Applicants propose projects with a consistent design to facilitate future operability. As an example, the NYSERDA Mesh Ready Requirements stipulate in detail what is expected of developers to ensure future operability of the offshore system.

1.3.2 Prebuild Infrastructure for Offshore Transmission Network

Can the NJBPU please clarify whether the Qualified Project is required to pre-build any infrastructure for future equipment such as cable run-offs? Attachment 11 requires Qualified Projects to ensure that sufficient space is provided on cable decks to safely connect two future 230kV cables and associated switchgear.

2. Commercial Considerations

2.1 Inflation Mechanisms

2.1.1 Modification to Proposed Inflation Adjustment Mechanism

Bluepoint Wind commends the NJBPU for including an inflation adjustment mechanism in the draft RFP that consists of weighted metrics that reflect major cost drivers during the development and construction phases of offshore wind projects. The inclusion of such a mechanism will help reduce risk premiums associated with inflation uncertainty that Applicants would price into their OREC offers in the absence of such a scheme.

However, Bluepoint recommends that the NJBPU consider (a) extending the inflation adjustment period from COP approval to COD, and (b) eliminating the 15% inflation adjustment cap, as is currently contemplated in other states. While the inflation adjustment mechanism does help reduce risk premiums, the brevity of the inflation adjustment period (until COP approval) and the inflation adjustment cap of 15% limit the beneficial effects of the mechanism. From COP approval to COD, there remains inflation risk that will result in projects taking on significant, albeit reduced, inflation risk exposure that will be internalized in OREC pricing. Similarly, while the 15% inflation adjustment reduces inflation risk born by

Applicants, projects will still need to price the remaining risk into their OREC proposals. By extending the inflation adjustment period to COD and eliminating the 15% inflation adjustment cap, Applicants will be able to propose lower OREC prices for the benefit of New Jersey ratepayers.

2.1.2 Recommended Inflation Mechanism for OREC Term

Bluepoint Wind recommends that the NJBPU consider replacing the existing option that Applicants have to propose a fixed annual escalator during the OREC term with a blanket CPI-based escalator. Given the current macroeconomic uncertainty of inflationary pressures, such an approach would further de-risk projects during the 20-year OREC term, allowing for lower OREC prices to be proposed. An escalator partially indexed to the Consumer Price Index (CPI), such as 20% of OREC applicable to CPI adjustment while keeping 80% of OREC price fixed, better replicates Bluepoint Wind's expected project inflation exposure. CPI adjustment is Bluepoint Wind's preferred index for inflation adjustment compared to other indices (such as labor costs, Producer Price Index, or various select energy and commodity indices) as it better represents the overall costs faced by project during the operations phase.

2.2 Curtailment and Negative Pricing

2.2.1 Curtailment and Negative Pricing at Larrabee Tri-collector Station

Bluepoint Wind encourages the NJBPU to reconsider curtailment risk for multiple projects with similar generation profiles that connect at a single point of interconnection. PJM has previously indicated that curtailment risk exists at Larrabee.³ This curtailment risk arises in instances when, depending on system and load conditions, offshore wind generators with similar wind conditions experience favorable wind conditions at coincident hours and collectively deliver aggregate generation at a level above system design conditions.

As mentioned previously in these comments, Bluepoint Wind understands that PJM's stated steady-state system limit at Larrabee is 3,742 MW⁴. However, Bluepoint Wind highlights that the Prebuild Infrastructure specification provided in Attachment 10 of the RFP indicates that up to 4,800 MW of aggregate power may be delivered.

In the case that four HVDC projects of 1,200 MW injection capability connect at Larrabee, they will be limited to an aggregate maximum injection total of only 3,742 MW. The maximum injection limit might be even lower during system contingencies or scheduled transmission outages across the PJM system. Under this scenario, developers will need to either (a) collectively and/or equally curtail injections, or (b) offer a negative Locational Marginal Price (LMP) during those hours to receive dispatch by underbidding the other three generators at this node. As all four generators would be compensated by ORECs alone,

³ PJM's Energy Transition in PJM: Emerging Characteristics of a Decarbonizing Grid (page 21) indicates the likelihood of substantial offshore wind curtailments due to transmission bottlenecks (such as at Larrabee in particular and New Jersey in general), non-coincidence between production and load, and inability to export to neighboring regions. Document can be found at: <https://www.pjm.com/-/media/library/reports-notices/special-reports/2022/20220517-energy-transition-in-pjm-emerging-characteristics-of-a-decarbonizing-grid-white-paper-final.ashx>

⁴ Summary Report for the NJBPU Selected Project 2021 SAA Proposal Window to Support NJ OSW (page 8, table 1) outlines that 2x1,200 MW and 1x1,324 MW injections at Larrabee 230 kV system would result in 3,742 MW maximum injection capability at any given time. Document can be found at: <https://www.pjm.com/-/media/committees-groups/committees/teac/2022/20221104-special/nj-osw-saa-summary-report.ashx>

each will be insensitive to congestion prices and are thus likely to offer unrealistically low (and potentially negative) energy prices to secure maximum power dispatch for their projects.

To address this concern, Bluepoint Wind encourages NJBPU to:

- (1) Explain the Applicant's financial responsibility, if any, for offshore wind generation during negative LMP hours at the injection node,
- (2) Clarify injection capability at Larrabee for Applicants to optimize their power delivery for the maximum benefit of NJ customers with minimal curtailment at this node, and
- (3) Investigate the curtailment risk at this node and offer a curtailment remediation payment structure for the hours that Larrabee would be impacted by transmission congestion.⁵

If curtailment risk is left unaddressed by NJBPU prior to RFP release, Applicants will need to price their ORECs higher to account for the uncertainty of congestion prices and potential curtailment at Larrabee.

2.3 Project Revenue Plan & Strategy

2.3.1 Post-OREC Term Revenue Sharing Requirement

Can the NJBPU provide clarity on the following language from the Draft SGD:

“If the Qualified Project produces revenues after the OREC term, the Applicant must propose the percentage of revenues it will retain, but the Applicant may not retain more than 25 percent of such revenues with the remainder to be returned to ratepayers”.

This language in the Draft RFP is inconsistent with NJBPU's Second Solicitation Q&A Question 27 in which NJBPU stated:

“All project revenues' refers only to revenues during the 20-year term of the Board Order, not revenues over the project's operational life. All revenues before and after the 20-year term shall remain with the Project.”

Changing this provision to include the entire operational life of the wind farm is inconsistent with NJ AC 14:8-6.5(a)(12)(ix) which limits the applicability of energy revenues exceeding those associated with the sale of ORECs to the 20 year term of the OREC pricing method. The proposed language in the Draft SGD will very likely result in insufficient revenue to cover the O&M expenditures of an aging offshore wind farm, meaning that the project may not be maintained/repowered after the OREC term and be decommissioned before the end of its useful life. As such, Bluepoint Wind strongly recommends that NJBPU remove this restriction from the SGD.

⁵ The curtailment payment would make the offshore generator financially whole for curtailed generation and by doing so would avoid negative locational marginal prices, which would likely benefit JCP&L customers at the expense of the customers in the rest of the State.

2.3.2 OREC Accounting for Excess Revenues

Can the NJBPU please provide more clarity and an example for the true-up/down transaction and carry-over/banking mechanism proposed for this solicitation? Specifically, Bluepoint Wind requests clarification on the definition of “Excess Revenues” and the contemplated year-to-year carryover/banking mechanism of “Excess Revenues”. Can the NJBPU please confirm if Bluepoint Wind’s interpretation is valid that “Excess Revenues” in the draft proposal means that the OSW generator retains revenues associated with excess ORECs above the Annual OREC Allowance threshold and submits those revenues back to the EDCs, if and only when the excess ORECs are applied to a future shortfall of the Annual OREC Allowance? As an example, if a project overproduces one OREC in Year 1 above its Annual OREC Allowance, and were to carry (or in other words “bank”) this one excess OREC over to Year 2, would the energy revenue associated with that one extra MWh also be carried over to Year 2 for payment to EDC from the project? Or, would the revenue associated with the sale of one MWh need to be transferred to the EDC in Year 1 even though the one OREC is banked for use in Year 2?

2.3.3 Revenue Sharing Mechanism for Excess Revenues

Can the NJBPU please clarify how the 25% revenue sharing mechanism would work as stipulated by NJAC 14:8-6.5(a)12(ix), if a new “Excess Revenues” mechanism is proposed in this solicitation?⁶ Using the same example above, does the project have the ability to sell the extra OREC in Year 1 as either an OREC or a REC while receiving 25% of the market revenues, in energy revenues or environmental attributes, that one additional MWh receives in Year 1? And if there is a carry-over/banking of ORECs to the following year, would the project be allowed to receive 25% of the energy revenues associated with the overproduction in Year 1 and only carryover the remaining 75% of the Excess Revenues to Year 2? Bluepoint Wind recommends that Applicants be given opportunities to monetize revenues in years of overproduction as these upside opportunities would eventually lead to lower OREC prices.

3. Other Considerations

3.1 Economic Development Impact

3.1.1 Definition of Full-scale Manufacturing

Can NJBPU please clarify its definition of full-scale manufacturing for typical components (i.e. blades, towers, nacelles, cables, and transition pieces)? This clarification refers to the following language in Section 3.8 of the RFP:

“Applicants can further demonstrate commitment to in-State economic development by including incremental supply chain infrastructure as part of the proposed Project(s). This could include a

⁶ NJAC 14:8-6.5(a)12(ix) requires that if a project “produces energy revenues exceeding those associated with the sale of ORECs, the applicant may propose that it retain up to 25 percent of the incremental energy revenues, but not any other environmental attributes or other benefits, with the remainder to be returned to ratepayers.”

new Tier 1 manufacturing facility, for which the State has a preference for a blade or tower facility, and a further preference for a facility to be constructed at the New Jersey Wind Port that offers full-scale manufacturing of a component not already available within the State.”

3.1.2 Manufacturer Qualification Criteria for Supply Chain Investment

Bluepoint recommends that NJBPU allow manufacturers to develop qualification criteria to screen potential partners to ensure the viability of any factory/supply chain investment that is dependent on a purchase commitment. This is especially vital when factory/supply chain investments rely on commitments from multiple developers. The recommendation refers to the following language in Section 3.8 of the RFP:

“An Applicant that enters into a new Tier 1 supply chain infrastructure commitment cannot do so on an exclusive basis.”

Conclusion

Bluepoint Wind commends NJBPU on the quality of the draft guidance document and appreciates the opportunity to comment.

We have, above, provided comments regarding several provisions in the draft guidance document, but we would like to focus on three issues that could have a potentially significant impact on OREC prices.

- (1)** “Curtailed and Negative Pricing at Larrabee Tri-collector Station” (Comment 2.2.1): The construct presented in the draft guidance document creates substantial risk of bids reflecting a risk premium to protect against uncertain congestion prices and potential curtailment at Larrabee and such a premium could create unnecessary cost for end-use customers and eventually potentially reduce the amount of clean energy that will be procured.
- (2)** “Post-OREC Term Revenue Sharing Requirement” (Comment 2.3.1): This addresses the suggestion in the Draft SGD that projects will need to rebate revenue after the expiration of the OREC term. As noted above, this change from prior NJBPU precedent and practice is not authorized by the underlying statute. We also note that, as a practical matter, this provision will not only increase OREC prices in the upcoming solicitation but also will reduce the future availability of merchant clean energy available for sale after the OREC term – a key step in building the market for purchases of clean energy by Commercial/Industrial customers, a healthy market for land-based wind that will need to be nurtured into existence for offshore wind.
- (3)** “Financial Responsibilities for Prebuild Infrastructure” (Comment 1.2.3): We flag critical questions about cost allocation and permitting responsibility regarding that shared infrastructure and note that these issues could similarly raise OREC prices by forcing developers to include a risk premium in their bids to protect against that uncertainty.

We hope that these comments provide useful guidance to NJBPU as it progresses the solicitation process, and we look forward to responses to the clarifications requested.

Sincerely,



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