Updates
March 30, 2022
Record-Setting Auction, Flurry of Transmission Planning Activity Demonstrate Growing Momentum for Offshore Wind

Offshore wind energy development gained momentum at the end of February, as the Bureau of Ocean Energy Management (BOEM) held the largest offshore wind lease sale ever in the United States. From February 23-25, BOEM auctioned six lease areas in the New York Bight, totaling nearly 500,000 acres. Through the competitive bidding process, six companies ultimately won leases. The total value of the auction reached $4.37 billion, vastly outperforming expectations, and exceeding the value of any U.S. offshore energy lease sale, including oil and gas lease sales. As U.S. Department of the Interior (DOI) Secretary Haaland stated, "The enthusiasm for the clean energy economy is undeniable and it's here to stay." States are jumping into the offshore wind enthusiasm as they seek to meet their climate and energy goals, eager to reap the clean energy produced from the New York Bight lease areas.

The Biden administration has actively supported states in their efforts to procure offshore wind, announcing a new state-federal partnership between BOEM, New York, and New Jersey to celebrate progress in the New York Bight and focus on job creation and environmental justice. In partnership, they established the New York/New Jersey Bight Regional Working Group on Supply Chain Development. The group announced a "shared vision" for the domestic supply chain: "a collaboration to transition to a clean energy future, creating well-paying, family-supporting jobs and establishing a durable domestic supply chain that will facilitate the responsible development of the offshore wind industry and deliver benefits to residents of New York and New Jersey, including underserved, disadvantaged, and overburdened communities." In addition, the Biden administration continues to push forward with identifying additional lease areas. BOEM announced on March 25, 2022, that it intends to hold an offshore wind energy auction for two lease areas in the Carolina Long Bay area off the coast of North Carolina on May 11, 2022. The new lease areas cover 110,091 acres and are estimated to result in at least 1.3 gigawatts of offshore wind capacity.

Demonstrating its commitment to procuring offshore wind energy, New York recently released a draft of their third solicitation for public comment. In addition, the New York Public Service Commission (NYPSC) issued an order in January requiring future solicitation respondents to submit "mesh-ready" transmission interconnection plans in their proposals. This requirement supports development of a mesh-grid approach to interconnecting offshore wind projects, rather than single project, radial connections contemplated in prior solicitations. Transmission planning issues have come more into focus as different states advance their offshore wind procurement goals, leading to greater study of optimal grid connection options but also potential for delay. For example, New Jersey announced a delay in its third solicitation to accommodate further study of over 80 proposals for transmission projects that were submitted to PJM Interconnection L.L.C. (PJM) late last year. The proposals are in response to a request for proposal (RFP) triggered by New Jersey under PJM's public policy need planning procedures to facilitate interconnection of New Jersey's offshore wind procurement.

New York Announces Solicitation for Up to 4,600 MW of Offshore Wind

New York Governor Kathy Hochul recently announced the state's third Offshore Wind Renewable Energy Certificate (OREC) solicitation. The New York State Energy Research and Development Authority (NYSERDA) plans to procure at least 2,000 MW (and up to 4,640 MW) of offshore wind energy to help meet decarbonization goals in the New York Climate Leadership and Community Protection Act (Climate Act). Under the Climate Act, New York set a resource target for offshore wind of 9 GW by 2035. The recent lease sales in the New York Bight alone are estimated to produce at least 5.6 GW worth of power.

NYSERDA's draft solicitation package (ORECRFP22-1) is available for comment from interested stakeholders until April 8, 2022. This is the third solicitation for New York. NYSERDA contracted for 1,700 MW of offshore capacity from Equinor Wind US LLC and Sunrise Wind LLC in 2019 and 2,500 MW of offshore capacity from Empire Offshore Wind LLC and Beacon Wind LLC in 2020. The 2020 procurement also secured significant investments, totaling $644 million, in port infrastructure and local manufacturing.

After consideration of comments, NYSERDA will announce the publication date of the RFP soliciting offshore wind energy proposals. According to the terms of the package, only proposals meeting the solicitation's requirements will be eligible for an award. Eligibility requirements include demonstrating that applicants can interconnect and deliver into the New York Control Area, the electricity system under the control of the NYISO. NYSERDA included seven appendices with the draft solicitation that describe the required elements of the Fisheries Mitigation Plan, Environmental Mitigation Plan, and the Stakeholder Engagement Plan, among others. In particular, applicants must detail measures to avoid, minimize, and mitigate potential environmental impacts, and impacts on fish and fisheries. Proposals must also detail measures to foster a collaborative relationship with New York stakeholders, including community members, elected officials, institutions, businesses, and nonprofit organizations.

By order issued on January 20, 2022, the NYPSC unanimously approved requiring offshore wind project developers to provide "mesh-ready" transmission plans with their proposals. In prior solicitations, the NYPSC required direct radial interconnection proposals in solicitation responses. Under the mesh design adopted by the NYPSC in January, multiple projects would be interconnected to an offshore grid, which in turn is connected to the onshore transmission system at two or more interconnection points. That approach allows transfer of energy among individual projects and allows injection of offshore wind at multiple onshore locations. While the direct, radial approach is simpler, possibly cheaper, and less risky in terms of delay for individual projects, the meshed approach offers additional reliability and access benefits. Studies cited by the NYPSC also suggest that the meshed approach could save energy costs in the range of $55-60 million per year for the state generally by increasing deliverability of offshore wind (and reducing purchases from other markets outside New York). A mesh system also is more adaptable to future development of new wind energy areas over time. While the NYPSC did not go so far as to require development of a meshed offshore transmission grid yet, pending additional studies, it did require future solicitations to incorporate "mesh-ready" plans to preserve the option going forward. In its solicitation package, NYSERDA defined the technical parameters that proposals must meet to ensure successful future interconnection with other offshore wind generation facilities in New York in the event of a future meshed transmission network.

NYSERDA will use a scoring system to award contracts based on three components, including (1) Project Viability (10 points)—a non-price evaluation; (2) New York Economic Benefits (20 points)—a non-price evaluation; and (3) Offer Prices (70 points)—a price evaluation.

Under the first component, Project Viability, proposals must demonstrate through their development plans, that the proposed project is ready to deploy, sensitive to the needs of ocean users, and the goals of the New York Climate Act have been considered. Proposals will be evaluated on the strengths of their submitted plans, including Permitting Plans, Financing Plans, Development and Logistics Plans, Fisheries and Environmental Mitigation Plans, Stakeholder Engagement Plans, and Interconnection and Delivery Plans. Proposals will also be evaluated on how developers intend to repurpose downstate fossil fuel generation infrastructure, the proposed commercial operation date, impacts to visibility and viewsheds, developer experience, proposed technology, climate resiliency, proposed energy storage and carbon offsets, and the project's embodied carbon. As part of their Interconnection and Delivery Plans, proposers must identify proposed delivery point(s) and injection point(s), if applicable, describe what rights proposer has to the delivery point(s), and provide a detailed plan and timeline for the acquisition of any additional rights necessary for the interconnection(s) and for the right-of-way

for transmission to the delivery point(s). These rights can be held directly or indirectly via partnership with a transmission developer. NYSERDA will consider whether contract arrangements exist with transmission developers to support evidence of site control in its evaluation of Project Viability.

Under the second scored component, New York Economic Benefits, proposals will be scored based on their investments into New York's economy. NYSERDA is particularly interested in proposals that invest in optional energy storage, and other clean energy and decarbonization investments. NYSERDA encourages pilot and demonstration projects that complement proposed offshore wind projects, including innovative storage projects. The proposal must include a plan to prioritize disadvantaged communities, support the development of jobs in New York and a local workforce, and demonstrate economic benefits across multiple categories. These requirements speak to the "shared vision" established in the partnership between BOEM, New York, and New Jersey.

Under the third and highest value scored component, proposals will be scored based on their offer pricing structure and price evaluation. As part of the submission, developers must submit a: (1) Base Proposal (which can include up to three investment plans and must use either the index OREC or fixed OREC pricing structure) and a (2) Standalone Proposal (which must request no New York state funding). The Base and Standalone Proposals each can include up to two contract tenors.

NYSERDA is authorized to include contract requirements in the agreements that result from the solicitation, including a prevailing wage requirement, project labor agreement, agreements to buy U.S. Steel, required participation in technical working groups, including participation in environmental, commercial and recreational fishing, maritime, and jobs and supply chain technical working groups, and any others formed in the future. Applicants must also agree to make a minimum contribution of $10,000/MW of offer capacity to provide financial and technical support to regional monitoring of wildlife and key commercial fish stocks. Further, applicants must agree to make publicly available any information or data or supporting metadata that relates to environment or wildlife developed before, during, and after the RFP process, and any data related to (1) air quality and emissions, (2) water quality, (3) fish and fish habitats, (4) birds and bats, (5) marine mammals and sea turtles, and (6) benthic communities.

With publication of the draft RFP, NYSERDA also included the Port Infrastructure Investment Plan. In concert with the announcement to open New York's third offshore wind procurement process, Governor Hochul also called for the New York State Legislature to invest up to $500 million in offshore wind port, manufacturing, and supply chain infrastructure. NYSERDA is offering up to $300 million of this funding for investments in cables, blades, nacelles, or ports activity through the procurement process.

This third offshore wind solicitation reflects several changes from the last solicitation. NYSERDA is seeking feedback on the changes and focus areas in the new solicitation, including the optimal schedule to obtain strong proposals; the factors to consider when deciding on the quantity of ORECs offered; the minimum offer capacity of 1,000 MW; if $125 million is an appropriate maximum amount of state funding for an investment plan; and whether there are required commitments in the required fisheries and environmental measures that would present undue challenges.

New Jersey Procurement Delay

Like its neighbor, New Jersey has set an ambitious goal to generate 7,500 MW of electricity from offshore wind by 2035. New Jersey had previously awarded the largest single offshore wind project in the country to Ørsted's Ocean Wind Project in 2019, and in 2021 granted the largest combined award of 2,658 MW to EDF/Shell's Atlantic Shores Offshore Wind and Ørsted's Ocean Wind II Projects.

On February 28, 2022, following the NY Bight lease sale, the New Jersey Board of Public Utilities (NJBPU) announced it was delaying the release of its third offshore wind solicitation from September 2022 to January 2023 (but keeping its fourth and fifth solicitations on schedule). NJBPU stated this would allow sufficient time for offshore wind developers who successfully bid on the New York Bight to produce the best plans for their lease areas, and thus, the best proposals for New Jersey. The delay also allows the State Agreement Approach (SAA) process to be completed and incorporated into the solicitation guidance documents.

The SAA Process allows for a collaboration between NJBPU and PJM that incorporates New Jersey's offshore wind goal into PJM's transmission planning process. New Jersey triggered the SAA Process in late 2020, prompting PJM to study in its regional transmission planning process the transmission upgrades needed to accommodate New Jersey's offshore wind procurements and solicit proposals. The solicitation received robust response, with over 80 proposals for onshore and offshore transmission solutions proposed by a wide variety of developers. In January, NJBPU and PJM petitioned the Federal Energy Regulatory Commission (FERC) for approval of their agreement to implement New Jersey's offshore wind transmission grid solicitation through the SAA. If accepted by FERC, NJBPU can select one or more from 80 different proposals submitted by developers to build offshore wind transmission and deliver offshore wind to the New Jersey power grid. If New Jersey elects to proceed with any of the proposals, the costs of such transmission build out will be allocated to customers in New Jersey.

In the proposals currently being reviewed by NJBPU, developers proposed projects that would:

- Upgrade the existing grid to facilitate offshore wind connections;
- Extend the onshore transmission grid closer to offshore wind locations;
- Propose optimal landfall approaches and any necessary offshore substations to reduce environmental impacts; and
- Propose interconnections between offshore substations to provide the benefits of a networked offshore grid.

NJBPU held the first stakeholder meeting on the solicitation on March 22, 2022, to discuss how the proposals will be reviewed. The second stakeholder meeting held on March 30, 2022, explored how potential SAA projects can integrate with future offshore wind generation projects. The redacted proposals are available online.

Implications

State solicitations for offshore wind energy are moving quickly. As they progress, developers need to be actively engaging with various stakeholders, including underserved communities, fisheries, and wildlife, and demonstrating this engagement in their proposals. This is increasingly important as litigation against offshore wind development heats up. As part of its desire to integrate systems and take a planned approach to transmission, BOEM noted that they "may condition" approval of the Construction and Operations Plan (COP) on the incorporation of cable corridors, regional transmission systems, meshed systems, and other mechanisms into the plan. Developers need to be thinking ahead from a technology perspective and considering future interconnection with other offshore wind generation, as states demonstrate this importance in their RFPs.

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