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RESPONSE TO THE
OFFSHORE WIND RENEWABLE ENERGY CREDITS
REQUEST FOR INFORMATION OSW-2018

PROVIDED BY THE

NEW YORK OFFSHORE WIND ALLIANCE

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Introduction

The New York Offshore Wind Alliance ("NYOWA") appreciates the opportunity to provide input regarding offshore wind procurement and, specifically, the Request for Information (RFI) developed by NYSERDA in response to the Public Service Commission's (PSC) Order Establishing Offshore Wind Standard and Framework for Phase 1 Procurement. NYOWA's responses are limited to a number of general questions in the RFI; you can expect additional comments from various NYOWA's members concerning more complex and technical questions.

NYOWA is an initiative of the Alliance for Clean Energy New York ("ACE NY") and consists of a broad and diverse coalition of thirty partner organizations, whose collective mission is to promote policies that will lead to the development of offshore wind in the Atlantic Ocean off the coast of New York State. NYOWA is guided by a Steering Committee that includes ACE NY, Deepwater Wind, Orsted, Equinor, the National Wildlife Federation, the Natural Resources Defense Council, Sierra Club and the University of Delaware's Special Initiative on Offshore Wind.

NYOWA strongly supports the mandate developed by the PSC pursuant to the Clean Energy Standard proceeding by which 50 percent of New York's electrical generation is to be provided by renewable resources by the year 2030. We also strongly support New York's commitment to achieving

2,400 megawatts (MW) of offshore wind capacity by 2030, which is an essential ingredient in meeting the 50 x 30 standard. Further, we applaud Governor Cuomo's leadership on offshore wind and the State's determination to issue a Phase 1 solicitation by the fourth quarter of 2018.

NYOWA'S responses correspond to the numbering and lettering as they appear in the RFI.

Procurement Schedule

1. **a.** Proposers will need a minimum of 60 days to develop proposals, with a strong preference for 90 days.

   b. In anticipation of New York's solicitation, offshore wind developers have been assembling data, cost estimates and information necessary to respond. However, given the volume of information and in the absence of knowing specific requirements, the minimum and preferred timeframe are reasonable and would allow NYSERDA to award bids in time for winning bidders to meet deadlines for expiring investment tax credits. In addition, this time frame will help ensure that developers submit bids that are responsive to the state's priorities.

2. Six months firm pricing is acceptable under the conditions noted above, however NYSERDA should consider the requirements to safe-harbor expiring federal Investment Tax Credits (ITC). As noted in previous comments to the Public Service Commission, NYOWA recommends that NYSERDA award developers no later than June 1, 2019 in order to safe-harbor the ITC. NYSERDA should allow for flexibility in its own evaluation schedule in order to accommodate this requirement.

OREC Pricing Options under the Index OREC Structure

11. **a.** NYSERDA should be able to compare bid prices from all developers on an "apples-to-apples" basis, and thus each developer should be required to submit average, nominal pricing for the term length of the award. However, NYSERDA should allow developers to propose alternative pricing schemes for several reasons, including gradual ratepayer impacts in the first years of production, the ability for pricing to reflect expected inflation or expected capital expenditures throughout the life of the project, or other reasons that either the developer or NYSERDA would be interested in. NYOWA assumes that final pricing terms will be set in contract negotiations between NYSERDA and the selected developers.

    b. NYSERDA should allow developers to propose nominal pricing by either contract year or calendar year.

13. Given the variable nature of offshore wind energy, NYSERDA should weigh both the reference energy price and reference capacity price as close as possible to actual offshore wind availability. The NYISO's 38% UCAP factor for offshore wind is reasonable in the first year of project operations, however NYSERDA should account for the possibility of changes to NYISO UCAP

participation throughout the life of the contract. We would suggest that rather than use a blanket 38% capacity factor, NYSERDA should use average actual production data of all Offshore Wind plants delivering into the NYCA during the same assessment periods used by NYISO and adjust this portion of the Reference Price accordingly[1].

Bid Price Evaluation

16. Although the Benefit Cost Analysis Framework set forth in case 14-M-0101 is useful for many utility investments, it does not include economic development benefits in either the Ratepayer Impact, Societal Cost, or Utility Cost Tests. Economic benefits is a key component of offshore wind energy since it is an entirely new industry in the United States, and as described in the Order, will factor 20% of a proposal's evaluation. Since projects compete on both price and economic benefits, the Benefit Cost Analysis Framework alone does not grant NYSERDA the ability to compare projects on an apples-to-apples basis. E.g. if two projects bid the same price but one offers more economic benefits, the Benefit Cost Framework would consider both bids as equal even if NYSERDA's evaluation metrics do not.

17. NYSERDA White Paper on Offshore Wind Procurement concluded that the Index OREC would be far less costly than the Fixed OREC option. NYOWA, in its comments to the PSC in its Offshore Wind proceeding, concurred with that assessment and urged the Commission to adopt a Market or Index OREC approach to maximize the economic benefits associated with offshore wind. Further, NYSERDA's experience using Fixed RECs in Main Tier solicitations have had mixed results with success due to developers' market assumptions. Consequently, NYOWA urges NYSERDA to weigh the Index OREC considerably more heavily than the Fixed OREC. We suggest a 90% weighting in favor of the Index OREC.

19. In our comments to the PSC, NYOWA supported the imposition of a maximum upset price based on an analysis of bids in other states and other published industry data. The analysis of other states bids, while instructive, needs to be done carefully to ensure that state-specific factors be isolated and considered to ensure an "apples to apples" analysis. The OREC mechanism selected by the Public Service Commission is unique among states that have issued offshore wind energy competitions, and thus NYSERDA cannot fully compare, for example, power purchase agreements awarded in other states with an index OREC mechanism awarded in New York. States also have varying requirements, for example, for local content, environmental best practices, and labor.

[1] Please note that Equinor, a NYOWA member, has an alternate view of how the UCAP should be treated, which it submitted in separate comments.

NYSERDA and the Commission have explicitly set procurement rules to require the most responsible development thus far. Further, the cost of both wet and dry transmission can vary significantly depending in large part on the distance from wind farms to interconnection points. We urge NYSERDA to rely on its considerable experience in the procurement of Tier 1 Renewables to establish a maximum upset price.

20. In order for NYSERDA to accurately evaluate the costs of the ORECs under both the Fixed and Index methodologies, an exercise to calculate the separate certificate cost under the Index option will need to be undertaken. This will require NYSERDA to formulate a long-term forecast of Energy (using the reference price calculation) and Capacity Prices. This can then be subtracted from the all-in strike price of the Index bid to infer the OREC price, considering additional merchant risk under the latter. In the interest of transparency and in order for bidders to be able to forecast the potential outcome of NYSERDA's evaluation process, we strongly suggest that these forward price forecasts be made available in the RFP. Further, the Reference Energy Price and Reference Capacity Price should be as close to actual pricing received by the project as possible. NYSERDA should adjust for periods with low wind speeds and for periods of scheduled maintenance when calculating reference energy and capacity prices. These modifications would generate more accurate monthly OREC prices.

Visual Issues

31. In its comments to the PSC and, more recently, to the Bureau of Ocean Energy Management (BOEM) in its New York Bight Call for Information and Nominations, NYOWA urged that hard and fast setbacks to minimize visual impact not be imposed, either in the procurement stage or in the designation of new wind energy areas. BOEM already considers shoreline setback and visual impacts based on sound science and public input. Further, since visual impacts and other aesthetic concerns will undoubtedly impinge upon overall support and project viability, developers will be highly motivated to be responsive to any concerns raised during the environmental review process. It is important that in consideration of visual impacts, NYSERDA remain flexible and adaptive because offshore wind technology is rapidly improving; the U.S. Department of Energy estimates turbine capacity will increase by 67% and prices will be estimated to decline by 50% between 2015 and 2030.[2]

[2] U.S. Dep't of Energy & U.S. Dep't of the Interior, National Offshore Wind Strategy 29-31 (2016). https://www.energy.gov/sites/prod/files/2016/09/f33/National-Offshore-Wind-Strategy-report-09082016.pdf (last visited 7/30/18)

Technology advancement are an important consideration because larger turbines reduce costs and use a smaller footprint to generate the same amount of electricity. Turbine power output has doubled from 3.7 MW to 8 MW in recent years, and the industry expects 10 MW prototype turbines to be deployed by 2020.[3] A 100 MW project using 16 6.2 MW turbines would have a different footprint and different potential environmental and visual impact from a 100 MW project using ten of the new 10 MW turbines. These rapid developments in turbine technology have the potential to reduce the visual footprint of the wind facility, reduce the number of foundation installations needed, allow for more flexible site spacing and placement, cut construction costs and timeframes, and require operators to make less frequent maintenance trips.[4]

40. Certainty regarding the contract structure is critical to project owners' ability to finance new projects. Accordingly, the circumstances triggering a reversion must be definite, precise, and limited. A reversion from the OREC to Fixed method should only be executed if the Index method is invalidated by a court of competent jurisdiction, and such decision is not or is no longer appealable. Final terms of such a reversion should be defined by NYSERDA and the developer during the contracting period.

Submitted by,

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[3] *Id.* at 27 (highlighting recent turbine capacity trends).
[4] *See* U.S. Dep't of Energy & U.S. Dep't of the Interior, National Offshore Wind Strategy 32, 51 (2016).