



February 25, 2021

BY EMAIL TO MARFP83C@gmail.com

RE: Vineyard Wind's Response to the Request for Public Comment on DRAFT Request for Proposals for Long-Term Contracts for Offshore Wind Energy Projects

To the Massachusetts Distribution Companies and Massachusetts Department of Energy Resources (“DOER”):

Thank you for the opportunity to provide comments on the DRAFT Request for Proposals for Long-Term Contracts for Offshore Wind Energy Projects (“Draft RFP”) issued on February 8, 2021, pursuant to Section 21(a) of Chapter 227 of the Acts of 2018, and pursuant to the provisions of Section 83C, and regulations at 220 C.M.R. 23.00. The comments included herein are provided on behalf of Vineyard Wind LLC (“Vineyard Wind”) and reflect the substantial experience the company has gained developing the nation’s first utility-scale offshore wind project.

Thank you for your consideration.

Respectfully submitted,

Vineyard Wind LLC

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By: Lars Thaaning Pedersen

Title: Chief Executive Officer

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I. Solicitation Target and Allowable Bid Size

Vineyard Wind supports the increase of the solicitation target to up to 1,600 megawatts (“MW”) and the removal of the required 400 MW proposal in Section 2.2.1.2. These proposed changes will allow bidders to optimally size their project proposals, maximize the use of interconnection points, and minimize the footprint of transmission cabling and other infrastructure.

II. Proposed Solicitation Schedule and Submission Requirements

Vineyard Wind supports the proposed solicitation schedule outlined in Section 1.7 of the Draft RFP. Vineyard Wind also strongly supports the changes to Section 1.7.4. that would allow bids to be submitted electronically in place of CD-ROM production and delivery. Given the ongoing COVID-19 pandemic, an electronic bid submission process is practical and safe as it supports remote working arrangements and enables contactless bid delivery.

III. Price Cap

Section 2.2.1.4.i.a of the Draft RFP requires the nominal levelized price of proposals submitted to be below \$77.76 per megawatt hour (“MWh”). This Price Cap is intended to satisfy the Section 83C(b) requirement, which prohibits the Department of Public Utilities (the “Department”) from approving long-term contracts resulting from Section 83C solicitations “if the levelized price per megawatt hour, plus associated transmission costs, is greater than or equal to the levelized price per megawatt hour plus transmission costs that resulted from the previous procurement.”

As an initial matter, Footnote 20 states, the “levelized nominal price is calculated over 20-years using the Distribution Companies’ load weighted average cost of capital (WACC) of 7.15% as was utilized in the 2019 83C procurement.” However, as described in Section 2.3.1.3, “for purposes of computing the net present value, a discount factor of 6.82% will be used, which is the weighted average value of the Distribution Companies cost of capital.” Vineyard Wind requests explicit clarification on the appropriate calculation so that bidders can accurately replicate the assumptions and submit compliant pricing.

In addition, Footnote 21 states that the Certification, Project and Pricing Data (“CPPD”) Form “contains the calculation comparing the Proposal price with the nominal levelized price of the contract produced from the previous procurement.” Vineyard Wind further requests that the revised CPPD Form be provided for review and public comment. Vineyard Wind suggests that an initial template with the data inputs used to calculate the \$77.76/MWh nominal levelized price and

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equivalent \$58.47/MWh 2019 real dollars leveled price from Footnote 20 would be useful for avoidance of doubt in this important matter.

i. National Grid Proposed Price Cap

Section 2.2.1.4 includes an alternative Price Cap proposal from National Grid (the “National Grid Proposal”). This proposal would set the Price Cap at the nominal leveled price of \$77.76/MWh subject to the following: in the event the Mayflower Wind Project (“Mayflower”), which was awarded long-term contracts resulting in the 83C-II solicitation, goes into service and qualifies for the 30% Investment Tax Credit (“ITC”), the effective Price Cap for the third Section 83C (“83C-III”) solicitation would be reduced to \$70.26/MWh. To achieve compliance with this alternative Price Cap proposal, National Grid is suggesting that any bid submitted with a nominal leveled price of less than \$77.76/MWh but greater than or equal to \$70.26 per MWh be required to “include an additional nominal leveled price...that is less than \$70.36 per MWh” and commit to that price in the event Mayflower qualifies for the 30% ITC upon achieving its commercial operation date (“COD”).

Vineyard Wind strongly opposes the National Grid Proposal and urges its exclusion from the version of the Draft RFP filed with the Department. It is an absolute requirement that the Price Cap be fixed and not subject to post-award adjustments if the 83C-III solicitation is to be successful. Further, project pricing cannot be adjusted on a standalone basis in light of a single factor, which, in this case, is the qualification of another project for the ITC. The competitive offshore wind market has successfully delivered attractive pricing to Massachusetts ratepayers in the previous two Section 83C solicitations because bidding conditions, including the Price Cap, were clear and certain. The Price Cap outlined in Section 2.2.1.4 readily delivers these conditions and satisfies the Section 83(b) requirements whereas the National Grid Proposal needlessly introduces complexity and uncertainty to the detriment of the overall competitive solicitation process.

The National Grid Price Cap provision works on the premise that Mayflower project’s construction timeline and operation will occur before any project selected in this solicitation. There is no guarantee that the Mayflower project will follow that timeline. The development and construction of offshore wind projects includes several complexities and risks that could delay an individual project from reaching operation. The National Grid Proposal puts the progression of any subsequent projects selected under Section 83C at the mercy of the Mayflower project’s progression. Any delays to the Mayflower project would likely delay any project(s) awarded under the 83C-III solicitation, making this proposal entirely unworkable. It is not prudent nor fair that the awarded developer(s) would be dependent on and subject to Mayflower’s shareholder decisions on critical project milestones and financing decisions, all which would be wholly outside of the control of other newly awarded developer(s).

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While ITC qualification can provide ratepayers with additional benefits, the qualification of the Mayflower project for the 30% ITC cannot be certain until the project begins operation. Providing multiple prices to account for potential future price reductions in a previously awarded project creates significant developer risk as a selected project moves towards financial close. A project must be bankable to reach financial close. The most important factor for bankability purposes is a stable revenue stream from the power purchase agreement (“PPA”). If the timing of Mayflower’s COD and the achievement of 30% ITC do not occur before the financial close of the project selected under 83C-III solicitation, the project will not be bankable and will be unable to reach financial close. Lenders and tax equity investors will not be comfortable committing to a project without a stable revenue stream. Any change in PPA award pricing must always occur well before the financing process even begins. Without certainty on the timing of Mayflower’s COD and ITC achievement, perceived risk to the lenders would be too high to start and complete the financing process. These risks will impact a project’s ability to start construction and jeopardize the selected project(s) themselves.

Vineyard Wind therefore respectfully requests that the National Grid Proposal be excluded from the version of the Draft RFP filed with the Department. Instead, Vineyard Wind proposes the use of the nominal levelized price of \$77.76/MWh resulting from the 83C-II solicitation as the Price Cap for the 83C-III solicitation, as described in 2.2.1.4.i.a.

IV. Allowable Phasing

Vineyard Wind respectfully requests additional detail on construction phasing allowed in bids to understand more fully what is permitted under Section 2.2.1.2. More specifically, it would be useful if additional examples were included in Appendix K of allowable phasing for bids with capacity located in more than one lease area.

V. Deliverability Constraint Analysis

Section 2.2.1.8.1 of the Draft RFP requires bidders to provide a deliverability study to “identify constraints or potential constraints to help the Evaluation Team’s quantitative modeling.” Vineyard Wind can readily provide studies detailing the likely incremental impacts on the grid associated with the interconnection of projects described in any bids submitted in response to the 83C-III solicitation.

Additionally, while the Draft RFP notes that the deliverability study “is required for informational purposes only,” Vineyard Wind would like to better understand how the Deliverability Constraint Analysis will be quantitatively or qualitatively considered in the evaluation of proposed projects. For example, could the results of the Deliverability Constraint

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Analysis submitted in response to the 83C-III solicitation result in the Evaluation Team favoring particular interconnection points over others in the bid evaluation process?

Finally, Vineyard Wind requests clarification on the instruction in Appendix I that requires bidders to “submit a study that includes the analysis outlined in this document for **all bids**” (*emphasis added*). Vineyard Wind requests clarification on what assumptions should be used for total project capacity in the Deliverability Constraint Analysis in the event that a bidder’s project proposal includes a portion of larger project’s capacity (e.g., 400 MW from an 800 MW offshore wind energy project interconnecting at one point of interconnection).

VI. Quantitative Analysis

Section 2.3.1.1.i of the Draft RFP explains that projects will be evaluated in part on a mark-to-market comparison of the contract price against an expected market price at the delivery point with the project in service.

Vineyard Wind requests clarification on how the mark-to-market analysis will be informed. It would be helpful to understand what assumptions will be made regarding the long-term build out of generation resources and transmission infrastructure at any proposed delivery point. It would also be helpful to understand if and how this evaluation criteria will incorporate the information from the Deliverability Constraint Analysis. Vineyard Wind asks that either the forward price curves or the decision-making framework for producing the price curves be shared as an attachment to the RFP. Finally, Vineyard Wind asks that DOER and the Distribution Companies provide more information on how this mark-to-market comparison will be used in the quantitative evaluation.

Section 2.3.1.3 explains that a comparison of projects with different sizes may utilize an avoided cost approach for proposals less than 1,600 MW in size. Section 2.3.2.vii explains that “The Evaluation Team will determine which proposals proceed to Stage Three … based on the following considerations... (3) the total MW quantities of the proposal(s), relative to the procurement target”.

Vineyard Wind would also appreciate a better understanding of how this overall evaluation criteria set will be applied to a potential “avoided cost” volume. Vineyard Wind respectfully requests clarity on (i) the avoided cost methodology, and (ii) how the certainty of an awarded project at a known price will be measured against the uncertainty of a future project size, price, delivery point, and system build out in a quantitative and qualitative analysis.

VII. Economic Benefits to the Commonwealth

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Vineyard Wind commends the Draft RFP’s expanded inclusivity in the qualitative evaluation of economic benefits to the Commonwealth. Section 2.3.2.i. states, “bidders should be prepared to provide their proposed strategy to enable access to employment and opportunities for historically marginalized communities (including but not limited to Black, Indigenous and people of color, LGBTQ communities, veterans, immigrants, women and gender minorities). Including their strategy to ensure vendors utilized are committed to enabling the same.” Vineyard Wind strongly supports continued efforts to include and expand access to the substantial economic development, job creation, and environmental benefit opportunities associated with offshore wind.

Vineyard Wind also requests clarification on the extent to which the results of the Massachusetts Clean Energy Center’s Request for Information on the Utilization of Massachusetts Ports Facilities for Offshore Wind (the “RFI”) will be considered in conjunction with any bids submitted in response to the 83C-III solicitation. This includes, for example, whether bids that include partnerships and investments in the redevelopment, improvement, or expansion of port facilities identified through the RFI will be evaluated more favorably.

VIII. Clean Peak Standard

With respect to Clean Peak Energy Certificates (CPECs), Section 2.3.1.1.iii of the Draft RFP explains that Offshore Wind Energy generation resources will be evaluated on the value of their ability to produce and supply CPECs to meet customer needs if such value is reliably quantifiable and meaningful.”

Vineyard Wind respectfully requests clarification on the how the Evaluation Team will (1) determine the value of a project’s ability to produce and supply CPECs, and (2) determine if such value is reliably quantifiable and meaningful. In addition, Vineyard Wind requests clarification on how developers should demonstrate the ability of their proposed project(s) ability to produce CPECs, including any required format for inclusion in the proposal submission (e.g., inclusion on the CPPD Form or a separate worksheet).

IX. Conclusion

Vineyard Wind appreciates the opportunity to submit these comments on the Draft RFP and respectfully requests that the Massachusetts Distribution Companies and DOER move forward with the development of the Draft RFP with the above-referenced considerations in mind.