



Via Email to Marian.Swain@mass.gov

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Re: Massachusetts 83C Round 4 Offshore Wind Solicitation: Request for Public Comment

NextEra Energy Transmission, LLC (“NEET”) is pleased to provide the following comments in response to the February 10, 2023 Massachusetts 83C Round 4 Offshore Wind Solicitation: Request for Public Comment. NEET recognizes the challenges with the upcoming solicitation and the ambitious goals the Commonwealth of Massachusetts has established. While there are many possible design options for the fourth-round solicitation for offshore wind energy projects under Section 83C (“83C Round 4”), NEET believes that a competitive solicitation will assist in fulfilling the transmission needs for offshore wind connection. To the extent that transmission will be procured separately in the next round of Section 83C solicitations, NEET offers some high-level thoughts on how the RFP Drafting Parties, consisting of the Massachusetts Department of Energy Resources (“DOER”), the Massachusetts Electric Distribution Companies, and the Attorney General’s Office, could design and structure a competitive transmission solicitation.

NEET proposes a process for 83C Round 4 that would allow the RFP Drafting Parties to consider 1) limiting the solicitation to 1,200 megawatts (“MW”) for transmission and requiring use of high-voltage direct current (“HVDC”) technology; 2) unbundling offshore transmission and generation; 3) adopting a two-step process to allow for transmission developers, offshore wind developers, and generation companies to submit bids; and 4) accepting Transmission Service Agreements (“TSAs”) as an alternative to Power Purchase Agreements (“PPAs”) for transmission bids to increase the competitiveness of those bids and to minimize costs.

I. 83C Round 4 should be limited to 1,200 MW for HVDC transmission designs and require use of HVDC technology.

NEET recommends 83C Round 4 be limited to procure 1,200 MW to allow for the ongoing Joint State Innovation Partnership for Offshore Wind (“Joint Initiative”) to mature. Based on experience with this procurement, DOER can then determine if the Joint Initiative can be utilized, or if future 83C solicitations are preferred to meet Massachusetts’ remaining offshore wind transmission needs. In addition, DOER should require bidders to use HVDC technology. This will decrease the number of cables and offshore platforms to be installed compared to a high-voltage alternating current design.

II. 83C Round 4 should allow transmission service to be procured independently from offshore wind energy.

NEET recommends 83C Round 4 allow transmission service to be procured independently from offshore wind energy. Under the current bundled energy and transmission structure, only one bidder can provide a transmission solution for each unique wind lease area - the lease holder themselves. By allowing for separate transmission bids, Massachusetts will increase competition by increasing the number of potential bidders for transmission to each lease area. Opening the 83C Round 4 to both transmission companies and offshore wind generators will provide Massachusetts with significant competition on pricing because it will increase the number of competitors, likely driving down bid prices.

III. 83C Round 4 should be split into a two-step process: one for generation and one for transmission.

NEET recommends splitting 83C Round 4 into a two-step process: one for generation and one for transmission. By splitting the bidding process into a two-step process, soliciting generation and transmission separately, Massachusetts would be able to obtain multiple competitive bids for the transmission component. DOER can run a two-step process expeditiously and with controls for sharing of confidential information among the two groups of bidders. NEET suggests the following process:

Part 1 – Generation-Only Bid: Generation bidders would submit binding PPA bids for offshore wind turbines and inter-array cables needed to connect to an offshore HVDC platform. Standardizing the MW quantity and utilizing HVDC transmission technology will allow all offshore wind developers to submit bids on an apples-to-apples basis. The bidders would also identify the location of the preferred offshore platform to which their inter-array cables would connect. DOER would then be able to select one or more generator bids to proceed to Part 2.

Part 2 – Transmission-Only Bid: Transmission and offshore wind developers would submit transmission design proposals to the selected generator(s) from the previous step. Transmission designs would be allowed to go to any point of interconnection and should include the cost of onshore upgrades. DOER would then be able to evaluate the bids and award either a single combination or multiple combinations of generation and transmission contracts.

IV. 83C Round 4 should allow for transmission service to be contracted on a regulated cost-of-service type basis for independently owned offshore transmission.

NEET recommends 83C Round 4 allow for transmission service to be contracted on a regulated cost-of-service type basis for independently owned offshore transmission. A TSA provides developers flexibility to demonstrate cost transparency and the ability to offer a range of cost saving mechanisms such as commitments on capital structure, return on equity, capital costs, and other savings to customers. This type of contract provides an alternative to the PPA construct and, given the complexity of permitting and constructing offshore transmission facilities, may be a

superior alternative to PPAs. For example, despite having PPAs, offshore wind developers have recently attempted to renegotiate their PPAs or are simply abandoning their PPAs because they have underpriced their bids.¹ Alternatively, because of uncertainty in supply chains and markets, developers may feel pressure to price significant risk premiums in their PPAs for risks which may not materialize, but for which customers would still pay. As a result, the lack of flexibility in a PPA construct may leave projects un-financeable or require customers to pay significant risk premiums. The flexibility that a TSA contract provides may be appropriate and attractive given the unique challenges of permitting, procuring and constructing offshore transmission. This will allow customers to reap the benefits if costs are lower than anticipated while avoiding situations where a developer will simply abandon its project when costs increase.

Conclusion

In conclusion, NEET believes a competitive transmission process should be considered when designing 83C Round 4. By allowing more developers to bid on transmission, and considering alternative contracts to PPAs, more competitive proposals will be submitted for DOER's review. This in turn will allow DOER to consider what proposal is most appropriate to ensure that the Commonwealth's offshore wind goals are met cost-effectively. NEET supports the goals of the Commonwealth and is excited about the opportunities to connect offshore wind in Massachusetts. NEET is ready, willing, and able to engage with the Drafting Parties to help achieve these ambitious goals and offer design input for transmission developers.

Respectfully submitted,

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¹ See Commonwealth Wind Motion to Dismiss in Massachusetts Department of Public Utilities Docket Nos. D.P.U. 22-70, 22-71, and 22-72 filed on December 16, 2022.