

MA 83C Round 4 Comments

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83C ROUND 4 COMMENTS

Ørsted is pleased to provide comments on the prompts provided relevant to the Request for Proposals (RFP) for a fourth-round solicitation for offshore wind energy projects under Section 83C (83C Round 4).

1. Procurement Size:

What should be the maximum procurement target, in megawatts (MW), for the 83C Round 4 solicitation?

It is recommended that 83C Round 4 set a sourcing target in multiples of 1,300 MW of injected capacity allowing for multiple HVDC projects which typically allow for the lowest possible pricing; however, MA should allow for flexibility to procure above the set target if particularly attractive bid options or combinations are proposed. The installed capacity should ultimately be up to developers, as they might choose to over-plant or factor in losses, etc.

2. Procurement Schedule:

The 83C Round 4 RFP must be issued within 24 months of the prior solicitation pursuant to Section 83C.

- a. ***What should the RFP drafting parties consider when designing the schedule for the 83C Round 4 solicitation, including deadlines for bid submission and selection of projects for negotiation?***

Depending on how much 83C Round 4 will differ from 83C Round 3 in its requirements, and whether MA intends to release a draft RFP, it is recommended that bids be due no earlier than 120 days after the release of either a draft RFP or 90 days after the release of the final RFP (if no draft is shared). Bid validity should be 180 days.

- b. ***How could the 83C Round 4 schedule be designed to best align with other offshore wind procurements being conducted or planned in neighboring Northeastern states?***

Bid submission should be no earlier than 60 days after the planned conditional selection of Bidder(s) for negotiation in the current Rhode Island solicitation - allowing for any potential delays. This will permit for a higher degree of certainty in bids and a clearer selection/award process.

3. Commercial Operation Date:

What should be the latest allowable commercial operation date for projects bidding into 83C Round 4, and why?

Given supply chain bottlenecks, it is not recommended that MA be very prescriptive on latest COD; projects can easily be normalized for comparison.

4. Transmission:

- a. How should the 83C Round 4 requirements regarding transmission and interconnection of proposed projects be designed to maximize efficient use of the onshore transmission system?***

Projects pursuing the repurpose and reuse of retired or retiring fossil plants where the existing transmission system can be "leveraged" with minimal transmission upgrades should be encouraged.

Bidders that have identified feasible POIs that can be reached through Generator Lead Lines "GLLs" and have commercially reasonable system upgrade costs, should be allowed to bid with such solutions. Bidders should furthermore be allowed to mitigate upgrade costs and congestion through use of energy storage and Grid-Enhancing Technologies.

The use of alternative technologies and topologies should be encouraged. An example of this would be the use of energy storage for mitigating transmission overloads to the usage of dynamic line ratings, creating a more optimized the transmission system.

- b. Please comment on potential ways to integrate 83C Round 4 with ongoing regional transmission initiatives, including the [Joint State Innovation Partnership for Offshore Wind](#).***

Bidders cannot design projects to a future, yet to be defined transmission system. Therefore, if 83C Round 4 needs to happen before a transmission solicitation and thus before there is clarity on the selected option(s) for future build-out of the transmission solutions, it should, as mentioned previously, allow for proposed projects to connect with a GLL. Requiring bidders to bid with open-ended designs will only increase costs, as contingencies for both cost and time will be necessary. In addition, MA needs to be aware that bidders would initiate their site investigation and COP processes with their planned interconnection solution as part of the design envelope (both offshore and onshore) soon after award. Requesting projects to potentially bifurcate from GLL to shared transmission years down the road can create significant costs and delays for any given project and should not be a requirement. Bidders should be allowed to switch to a future transmission solution but should be compensated for any reasonable cost increase or impact to their project business case.

However, it should be noted that if MA were to consider both bidders with GLLs and shared transmission in 83C Round 4, it will be extremely difficult to compare strike prices. Shared transmission bids will appear lower due to their reduced scope but will not account for the additional ratepayer cost implicit in the shared system.

c. ***Please comment on the advantages and challenges of the “Meshed Ready” transmission requirement in the 2022 NYSERDA offshore wind RFP ([ORECRFP22-1](#)) and what factors would need to be considered for such an approach to be applicable in a Section 83C solicitation.***

The “Meshed Ready” system allows for additional reliability and resiliency through the introduction of alternative or redundant transmission paths to different POI's. This can increase the availability of wind plants and significantly reduce congestion, if it exists. However, there are numerous challenges in achieving this from a technical and markets perspective. Technically, the “Meshed Ready” system is in the conceptual stage and needs to be demonstrated by OEMs via both primary equipment and secondary control system manufacturers. In addition, the market design will need to be modified to accommodate meshed systems, not only in operations but also in planning. Furthermore, the regulatory consequences of meshing multiple projects with GLLs, including potential impacts to the individual business cases, are also difficult to quantify, given the unknowns.

5. Inflation, Supply Chain, and Macroeconomic Factors:

a. ***How could 83C Round 4 be designed to best account for current and future rates of inflation and other supply chain and economic pressures on the offshore wind industry to both ensure project viability and protect Massachusetts ratepayers?***

A CPI indexation (or, alternatively another index more representative of the capital structure of an offshore wind farm) would help ensure that the value of project revenues is not eroded. Ideally, indexation would begin at bid submission and extend through the duration of the PPA contract. Inflation protection would lead to lower bid pricing as it would mitigate Proposer exposure, ensuring project viability through the development and CAPEX phase and for the operational life of the asset.

b. ***Please comment on when costs for offshore wind project components and labor should be expected to stabilize, including any comments on how that expected timing would impact bid development for 83C Round 4.***

It is impossible to forecast the exact timing and degree of market price stabilization and/or correction for components and labor. As such, 83C Round 4 should be scheduled to cater to help the State meet its renewable energy targets, rather than attempting to time the market. Symmetrical inflation adjustments would benefit ratepayers in years with inflation decreases.

c. ***Please comment on the Inflation Adjustment provision of the 2022 NYSERDA offshore wind RFP ([ORECRFP22-1](#)) and what factors would need to be considered for such an approach to be applicable in a Section 83C solicitation.***

The main concerns related to the NYSERDA ORECRFP22-1 formula were (1) lack of protection through entire CAPEX period, (2) inadequacy of indices (many U.S. specific in a still very global market where certain types of steel e.g. are not available in the U.S.), and (3) lack of protection during the operational life of the asset.

d. Please comment on recommended timing applicable for an inflation adjustment price provision, if warranted, including any comments on the price adjustment 3 timing in the 2022 NYSERDA RFP, which allows for an adjustment from bid submission to BOEM COP approval. Please also comment on how such a provision should be considered in the evaluation process when comparing fixed price bids to inflation-adjusted bids.

Using COP-approval as the one-time true-up point is not ideal, as COP translates to the point at which most of the binary permitting risk has been mitigated by the developers - and thereby, ideally, a point after which many large-scale contracts will be entered into. In essence, developers will still have significant CAPEX exposure between COP approval and COD. Furthermore, it is proposed that there should be CPI level protection for the entire lifetime of the asset to avoid erosion of the value of the revenues. It is recommended that MA DOER levelize all bids using proprietary CPI and commodity-index forecasts, applicable to the proposed formula.

6. Federal Funding:

a. How could 83C Round 4 be designed to ensure Massachusetts ratepayers receive the maximum benefits of the new federal funding opportunities, tax credits, and/or other programs available to offshore wind developers under the Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA)?

Commercially sensitive.

b. Please comment on when the Internal Revenue Service should be expected to issue regulations related to relevant tax credits under the Inflation Reduction Act.

Secretary Yellen and other Treasury and IRS officials have made clear that providing needed guidance and regulations for the Inflation Reduction Act is a priority but have not publicly-released a comprehensive schedule as to when this can be expected. As the process plays out over the next two years, it seems likely that Treasury will continue to release guidance as expeditiously as possible, likely with some advance notice.

c. Please comment on the provisions of the Rhode Island RFP requesting bidders to describe how they would consider EDC customers in the event of the availability of any tax credit or other government grant or subsidy not contemplated in their proposals

Commercially sensitive.

7. Economic Development, Workforce, and Diversity, Equity & Inclusion (DEI):

How could 83C Round 4 be designed to best encourage investments and commitments that maximize economic benefits to the Commonwealth, support workforce harmony, and advance goals for DEI? Specifically, please refer to Section 2.3.2.i of the 83C Round 3 and to the relevant provisions in Section 61 of An Act Driving Clean Energy and Offshore Wind.

MA DOER should consider enablement funding for new supply chain investments to attract large investments. However, volume from multiple, competing bidders should not be a requirement to enable these facilities.

Due to procurement uncertainty at the time of bid submission, while strategies to engage with local diverse suppliers should be encouraged at bid submission, plans for specific scopes of work for diverse suppliers should be allowed to be indicated over time as projects and procurement mature.

- a. ***Memorializing Commitments: In 83C Round 3, DOER executed Memoranda of Understanding (MOUs) with the selected projects to memorialize and track their commitments to economic development and DEI. Please provide any comments on these prior MOUs or other mechanisms to memorialize and track these commitments with selected projects.***

In the MOUs with selected projects, Liquidated Damages for failing to meet commitments should regard a failure to meet in-state spend rather than an FTE figure (as is done in NYSERDA's solicitations). In addition, selected projects should be held to a higher threshold from the original commitment, 85% or similar, if commitment is on spend only (assuming local spend will in any case foster local jobs).

8. Environmental Justice:

How could 83C Round 4 be designed to best encourage project design and investments that avoid negative impacts on, and direct positive benefits of the project to, Environmental Justice (EJ) communities? Please refer in particular to Appendix J of 83C Round 3 and to the relevant provisions in Section 61 of An Act Driving Clean Energy and Offshore Wind.

It is suggested that Appendix J of 83C Round 3 be expanded with the following additions:

- Demonstrated plans to deliver benefits to communities historically affected by environmental injustices (such benefits do not necessarily need to be directly derived from the OSW project or its interconnection).
- Demonstrated track record of engagement and support from environmental justice organizations.
- Amend current language from "Plans to engage with affected communities through targeted outreach and education events, including identified partnerships with existing Environmental Justice organizations." to "Plans to engage with affected communities which could include, but need not be limited to targeted outreach, education, or collaborative initiatives. Proposers should identify partnerships with existing Environmental Justice organizations."
- Finally, it is suggested to strike the last sentence ("If such a commitment is not presented...") from the bullet point in Appendix J currently reading: "Strategy plan to track and report on the status of environmental justice impacts, engagement and employment (training, recruitment and hiring

goals) opportunities. Strategy plans may include a commitment with a government entity to share said tracking and reporting. If such a commitment is not presented, DOER will work with selected bidder after selection but before contract execution to implement an agreed-upon tracking and reporting strategy."

9. Environmental and Fisheries Impacts:

How could 83C Round 4 be designed to best encourage project designs that avoid, minimize, and mitigate negative impacts on the environment and fishing industry? Please refer in particular to Appendix J of 83C Round 3 and to the relevant provisions in Section 61 of An Act Driving Clean Energy and Offshore Wind.

The state should recognize that many of the requirements in Appendix J of 83C Round 3 for environmental impacts, fishing impacts, and environmental justice impacts are outcomes of the environmental reviews conducted by BOEM and other federal and MA state agencies during the permitting process. Due to the relatively immature state of project design and engineering at the bid stage, it is impractical for developers to be providing full project-specific site characterizations and mitigation plans. Post award, during the permitting stage of the project, input from the relevant state regulatory agencies will be sought in development of site survey plans, site characterization descriptions, impact determinations, and mitigation plans. The project will be legally required to follow the terms of its permits and mitigation plans approved by the federal and state resource agencies. Therefore, the state should require developers to commit to following specific agency guidelines, commit to utilizing certain BMPs, commit to engaging certain stakeholders at certain points in the process, and commit to developing certain mitigation plans at the appropriate time, but developers should not be expected to provide these assessments with the bid.

It should be noted that the industry approach to addressing impacts to certain resources is under discussion and therefore proposing a plan at the bid stage may preempt these industry discussions. For example, as related to fisheries compensation, there are pending BOEM guidelines for Mitigation Impacts to Commercial and Recreational Fisheries that will be released in spring of 2023. Additionally, nine east coast states have been advancing an initiative to establish a regional fund administrator for fisheries compensatory mitigation. It is likely the approach to fisheries mitigation will look different in the future as these discussions advance, therefore, it would be speculative to propose a fisheries compensation plan with the bid. Developers do not want to make promises in the bid when the industry approach is evolving and when impact assessment have not been completed because the project is early in its design stage and permitting has not begun.

The state should also recognize that coordination of the 83C Round 4 solicitation with regional transmission initiatives is important to reducing environmental impacts of proposed projects. Regional transmission initiatives have the potential to significantly reduce the amount of export cable laid on the seabed and the number of cable landfalls to support interconnection of offshore wind capacity. The solicitation should allow for flexibility to propose GLL solutions and/or integrate regional transmission initiatives into the proposed projects. The 83C Round 4 solicitation should also foster and encourage greater collaboration and planning between the state and developers to enable better optimized planning and, as a result, lower environmental impacts.

10. Additional Comments:

Please provide any additional comments regarding implementation of the new provisions in Section 61 of An Act Driving Clean Energy and Offshore Wind in 83C Round 4.

No additional comments.