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*Submitted via email to (*Marian.Swain@mass.gov))
Marian Swain, Deputy Director of Policy and Planning
The Massachusetts Department of Energy Resources (DOER)
100 Cambridge Street #1020
Boston MA 02114

RE: MA 83C Round 4 Request for Public Comment – Comments of Shell

Shell Energy North America (US), L.P. ("Shell Energy") and Shell New Energies US, LLC ("Shell New Energies US) (together, "Shell"), respectfully submit the following responses to the Massachusetts Department of Energy Resources ("DOER"), the Massachusetts Electric Distribution Companies ("EDCs"), and the Attorney General's Office ("AGO") (collectively "RFP Drafting Parties") to help inform the development of the fourth-round solicitation for offshore wind energy projects under Section 83C ("83C Round 4").

About Shell

Shell Energy North America (US), L.P., has actively participated in wholesale electric markets through out North America, including those administered by ISO-New England, for over two decades. Through its affiliate, Shell New Energies, LLC, Shell has been awarded contracts by the Commonwealth of Massachusetts and the State of New Jersey to develop large offshore wind ("OSW") generation facilities in each region utilizing a portion of its interests in leasehold areas in the Atlantic Ocean. In Massachusetts, Shell New Energies, LLC, through its 50-50 joint venture Southcoast Wind Energy LLC, is developing an offshore lease area with the potential to generate over 2,400 megawatts (MW). (See https://www.boem.gov/renewable-energy/state-activities/mayflower-wind). In New Jersey, Shell New Energies, LLC, through its 50-50 joint venture Atlantic Shores Offshore Wind, LLC ("Atlantic Shores"), is developing an offshore lease area with the potential to generate over 3,000 MW. (See https://www.boem.gov/renewable-energy/state-activities/atlantic-shores). With available leasehold rights secured, Shell affiliates are actively exploring the development of additional OSW projects in the Northeast in response to OSW solicitations.[1]

[1] Through its Atlantic Shores joint venture alone, Shell has one of the largest U.S. OSW lease area portfolios on the Eastern seaboard comprising 262,404 acres able to site a total of over 4.5 gigawatts ("GW") of OSW generation. In addition, Atlantic Shores Offshore Wind Bight, LLC, a

1 Questions for Public Comment:

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

SHELL RESPONSE

In developing its procurement target for 83C Round 4, the Commonwealth should consider its ambitious goal of procuring 5.6 GW of offshore wind by 2027. Maximizing the capacity procured would enable the Commonwealth to accelerate achievement of its climate goals and allow developers to capture efficiencies of scale. Targets of 2,400 MW and more would support multiple developers offering projects that best utilize their offshore seabed, export cables, and interconnections for competitive pricing and synergies of scale.

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?

    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?

SHELL RESPONSE

As a long-term investor in renewables, Shell is seeking investments that are sustainable, predictable and reliable. A key factor Shell considers in determining where to invest its capital is the commitment of a state or region over time to policy goals. For example, consistent pacing of solicitations that maintains regulatory certainty, facilitates predictable development and ensures more reliable, phased integration of resources are important criteria for enabling Shell's long-term investments.

3. Commercial Operation Date: What should be the latest allowable commercial operation date for projects bidding into 83C Round 4, and why?

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subsidiary of Shell's Atlantic Shores joint venture, was named a winning bidder in the Bureau of Ocean Energy Management's ("BOEM") auction this past spring giving Shell leasehold interests in the New York Bight area in the Atlantic Ocean.

SHELL RESPONSE

The 83C Round 4 procurement should not specify a latest commercial operation date ("COD"). Developers have significant incentives to deliver the earliest COD to begin generating revenue. Selecting projects that are in the most advanced development positions (e.g. viable interconnection queue position and/or permitting) can increase timely project delivery. In addition, permitting and interconnection processes are not within the control of the developer and can materially impact COD.

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?

    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.

    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.

SHELL RESPONSE

Shell recommends that 83C Round 4 allow for flexibility on the transmission elements of the procurement process. As a transmission study issued by the Brattle Group, Inc., recently found, the timely development of cost effective transmission solutions for integrating offshore wind face a number of challenges ("Brattle Study"). These include inadequate generation interconnection processes, uncertain tax credits, siloed transmission planning, no effective interregional planning, HVDC technology integration challenges, uncertain offshore network designs, no regulatory or contractual frameworks yet for shared and networked operation and use of offshore transmission facilities, and other permitting and planning challenges. (Brattle Study at 8-11). The Brattle Study specifically addresses the challenges to mesh-ready (or "network-ready") offshore substations and recommends the immediate development of network-ready standards (Brattle Study at 53-60, 72, 78-80). Accordingly, the Brattle Study recommends "that state procurements for OSW generation and transmission mandate 'network-ready' designs for all offshore facilities—in particular, for OSW generation procurements with generator-owned radial links to shore" in order to "avoid losing the opportunity to integrate these offshore

facilities into a planned grid in the future" (Brattle Study at 78). Shell agrees. Developing network-ready standards to integrate radial facilities or otherwise link offshore generation will facilitate both future procurements of OSW generation and/or transmission and interregional planning and represents a low cost, no regrets approach to long-term planning for OSW integration.

To account for these challenges and future solutions, 83C Round 4 should allow for transmission flexibility and permit successful projects to accommodate, if possible, coordinated transmission solutions that become available in the future. Ideally, the ability to renegotiate price up or down after an analysis of cost and risk as mutually agreed would create an incentive for projects to retool their interconnection plans to accommodate coordinated transmission solutions. With such flexibility, the Commonwealth can maximize the efficiencies of increased transmission coordination for the benefit of electric customers and the environment.

Other mechanisms that could create flexibility to allow for future coordinated transmission solutions include: (1) itemization in the bid of the generation tie and system upgrade costs; (2) allowing system upgrade costs to be passed through 100% or after a developer cap has been exceeded similar to New Jersey's offshore wind procurements; (3) price adjustments that increase or decrease bid pricing if interconnection or transmission system upgrades differ from cost estimates by a defined percentage; and/or (4) allowing for the socialization of transmission costs through federal transmission rates as contemplated in 220 CMR 23.00, or through other federal funding opportunities.

There are numerous efforts underway that justify requiring investments in infrastructure now that will allow for future coordination of OSW. They include the following:

(1) ISO-New England's 2023 Public Policy Transmission Upgrade ("PPTU") process into which Shell submitted a request for the study and implementation of coordinated transmission interconnecting solutions.

(2) The recent New England States' transmission request for information ("RFI"), wherein Shell recommended in its comments that the states consider taking advantage of mechanisms that are already available in ISO-NE to facilitate the integration of offshore wind. Specifically, ISO-NE's tariff currently contains a mechanism to develop PPTUs, which offers the benefit of an existing platform for default cost allocation, flexibility to adjust a cost allocation methodology and a ready-made framework that can be activated now. While the New England States have fairly identified shortcomings with this process, it is clear that the project-by-project business as usual process is an obstacle to integrating offshore wind.

(3) The Brattle Study, which concluded that proactive and holistic transmission planning is needed now in order to significantly reduce costs, increase grid reliability, minimize environmental and community impact, and help reach clean energy goals in a timely manner without permanently foreclosing certain solutions. Activating a PPTU process could lead to the efficient use of onshore and offshore resources, such as reducing the number of cables that make landfall and the number of sites and upgrades required onshore that increase land disturbance, consistent with the Brattle Study.

(4) The 2050 Transmission Study requested by NESCO.

The wagons are circling around a coordinated effort in the future. Failure to engage will limit OSW development in the Northeast. In all circumstances, a guiding principle should be to enable projects that are already under development (federal and state permits) to continue without undo harm.

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?

   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.

   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.

   d. Please comment on recommended timing applicable for an inflation adjustment price provision, if warranted, including any comments on the price adjustment 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.

SHELL RESPONSE

Offshore wind takes longer to develop than other generation resources. The technology and permitting process is new and the supply chain is still under development. The process of

participating in multiple permitting proceedings, state procurement processes, securing a contract, reaching financial close and commencing construction spans multiple years. During this intervening time (2–5 years and beyond), dynamics related to inflation for goods and services, interest rates, supply chain and macroeconomic factors can materially change, ultimately impacting the cost to develop a project. The industry just experienced a material shift in cost as the globe emerged from COVID-related shut downs and the war in Ukraine commenced. The ideal method to manage these dynamics is to adopt indices that correlate to offshore wind to adjust bid prices. To minimize bid risk premiums, the 83C Round 4 solicitation should, at a minimum, include indices best correlated to adjust for inflation and interest, two of the key dynamics impacting projects, at the time of financial close. For example, the Handy-Whitman Index is commonly used by publicly owned utilities to true up construction cost estimates filed within formula rate tariff project proposals. Additional protections are also warranted, however, to protect against significant interest rate fluctuations.

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)?

    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.

    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.

SHELL RESPONSE

Prior 83C RFPs have ensured that pricing reflects the maximum benefits of federal funding opportunities. Bidders are incentivized by levelized price evaluation criteria weighting to explore ways to pass through federal funding opportunities as part of the competitive proposal.

At the time of a bid, the developer has no certainty about what federal funding can be passed through and reflected in its price. Some of these funding opportunities, such as tax credits, have no clear guidance on eligibility, making it impossible for developers to predetermine savings to include in their bid.

Similarly, developers cannot automatically pass through savings related to future, as yet unknown federal funding. If and when such funding becomes available, the developer would need to assess its eligibility and project impact.

Shell recommends that 83C Round 4, consistent with past procurements, allow market competition to drive developers to indirectly price in what is feasible based upon their individual perceptions of uncertainty and the risk factors noted above.

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*.[1]

    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.[2] Please provide any comments on these prior MOUs or other mechanisms to memorialize and track these commitments with selected projects.

SHELL RESPONSE

Shell supports the comments of its affiliate Southcoast Wind.

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*.

SHELL RESPONSE

Shell supports the comments of its affiliate Southcoast Wind.

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*.

SHELL RESPONSE

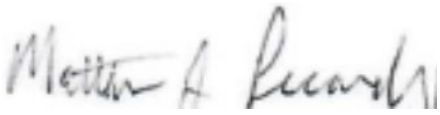
Shell supports the comments of its affiliate Southcoast Wind.

10. 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.

SHELL RESPONSE

Shell supports the comments of its affiliate Southcoast Wind.

Respectfully submitted,



Matthew J. Picardi
Vice President – Regulatory Affairs
Shell Energy North America (US), L.P.
(518) 450-7096
matthew.picardi@shell.com

Andrew G. Burke
Head of New Business Development,
Offshore Power North America
Shell New Energies US LLC
(832) 337-2626
Andrew.Burke@shell.com

Shaela McNulty Collins
Senior Power Policy Adviser,
Corporate Relations
Shell USA, Inc.
(508) 523-0378
Shaela.Collins@shell.com