SOUTHCOAST WIND

March 1, 2023

Submitted via email to (to Marian.Swain@mass.gov)
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MA DOER
100 Cambridge Street #1020
Boston MA 02114

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

SouthCoast Wind Energy LLC (SCW) appreciates the opportunity to provide the following comments 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") who are developing the fourth-round solicitation for offshore wind energy projects under Section 83C (83C Round 4).

About SouthCoast Wind

SouthCoast Wind (SCW), a 50/50 joint venture between Shell New Energies US LLC and OW North America, is developing an offshore wind lease area with the potential to supply 2,400 MW of low-cost clean energy to electricity customers in New England. SouthCoast Wind is committed to zero harm, innovation, and industry development, and investing in our local communities.

Response to Specific Questions

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

SCW recommends Massachusetts pursue procurement of at least 2.4 GW for 83CIV. In determining a maximum procurement target, Massachusetts should pursue a target that best supports the state's entire 5.6 GW portfolio of current and future projects.

Under the previous solicitation valid proposals were required to provide a minimum of 200 MW of new generation capacity. SCW strongly recommends maintaining this requirement to continue progress in meeting the state's increased target of 5.6 GW. Further, SCW recommends the minimum be set to 400 MW to align with the minimum requirements of the aggregate nameplate capacity awarded in the solicitation. Larger proposals from developers provide more economic benefits and more efficient use of transmission infrastructure.

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?*

SCW recommends Massachusetts set a bid submission date for the end of November, with Confidential Submissions due one week later. Through 83C, 83CII and 83CIII, bid submissions were due in due the third

or fourth quarter of the year, an end of November due date is consistent with this precedent. An additional two months from the 83CIII due date provides bidders with sufficient time to adapt to any changes in the evaluation process and procurement rules that may be implemented as part of the recently enacted legislation "An Act Driving Clean Energy and Offshore Wind".

SCW recommends Massachusetts continue the practice of requiring bids to remain valid for approximately 180 days, and not contingent on the outcome of procurement in a different state. Evaluation of contingent bids simultaneously under evaluation in another state's procurement is overly complex and could unnecessarily extend the selection timeline if a bidder removed their bid from consideration.

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?*

The recommended dates provided above do not interfere with any planned ongoing or planned procurements in neighboring Northeastern states. The NYSERDA bid validity period ends on July 25, 2023, and the Rhode Island bid validity ends on September 13, 2023.

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

SCW does not recommend including a maximum COD, but strongly recommends that MA prioritize projects with advanced permitting that are able to deliver in whole or in part prior to the end of 2030, with the first COD before the end of 2030. Projects with mature permitting provide certainty to MA that they will be delivered in time to meet MA's climate goals. A key milestone in the permitting process is the publication of a project's Draft Environmental Impact Statement (DEIS). Publication of a DEIS provides the state clarity on the National Environmental Policy Act (NEPA) alternatives the project may be subject to, and demonstrates the project is significantly advanced through the permitting process and therefore significantly de-risked. The current non-price evaluation criteria are an efficient mechanism for evaluators to select projects that are significantly advanced through the permitting process and will deliver in time to meet MA's decarbonization goals. This process incentivizes projects to provide their earliest credible COD.

Additionally, Grid Availability and Permitting are two significant impacts on a project's planned Commercial Operation Date (COD) that are often beyond the developer's control. Grid Availability estimates are informed by historical examples, considering both the time to develop and execute grid upgrades. These estimates incorporate not only the work of the transmission system operator but also timelines required by the developer to secure development rights and access to interconnect.

SCW recommends mitigating these impacts in future PPAs by continuing to include the clauses from the current Power Purchase Agreements (PPAs) that provide mechanisms to extend CODs by posting additional Development Period Security. SCW further recommends additional flexibility be provided if the timeline for transmission upgrades and the required permitting to transit state lands and waters significantly exceed expectations and available COD extensions.

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?*

Massachusetts should prioritize projects that utilize ISO-NE's 1200 MW maximum interconnection size. This is the best use of the limited available Points of Interconnection (POI) while also minimizing environmental impacts and permitting risk by reducing the number of export cables required to connect projects to the grid. Further, larger projects can more efficiently manage transmission resulting in lower electrical losses. SCW recommends the preference for projects using ISO-NE's 1200 MW maximum interconnection size be implemented through higher scoring in the non-price evaluation.

SCW recommends the prioritization of projects that utilize High Voltage Direct Current (HVDC) transmission systems. Compared to High Voltage Alternating Current (HVAC) systems, HVDC systems offer grid operator control features to increase resiliency and reliability, minimize electrical losses, and require fewer power cables, resulting in a smaller environmental impact and smaller project footprint. Lastly, an HVDC transmission system will be more flexible in the future as the energy community pursues grid modernization.

SCW recommends the use of a symmetric mechanism to adjust bid prices related to uncertain grid interconnection and transmission system upgrade costs. SCW recommends that bid prices are increased/decreased if grid upgrades, when completed, differ from what the bidder estimated in their proposal. This mechanism should only be implemented if grid upgrades differ by a defined percentage or amount from the original estimate.

    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.*

As stated above, SCW recommends the prioritization of projects that utilize HVDC technology to allow for more effective future integration. More specifically, please refer to SCW's comments on the Joint State Innovation Partnership for Offshore Wind in response to this question, available at the link below.

https://newenglandenergyvision.files.wordpress.com/2022/11/mayflower-comments.pdf

Beyond these remarks, SCW recommends that MA 83CIV considers additional scoring metrics for projects that align with planned transmission goals and contribute towards grid modernization. The scoring metrics may include bolstering connection capacity, grid integration, and inclusive of third-party storage integration.

    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 requirement for a standardized offshore transmission technology that provides grid stability and minimizes electrical losses is a key first step in implementing any future Meshed Grid. NYSERDA required

all base proposals to use HVDC transmission; SCW supports this requirement based on the information previously stated in Section 4.a.

Beyond this, the specification of the offshore platform technology/transmission system is a challenge for implementing Meshed Ready transmission because of additional costs and an unclear permitting pathway for cables connecting offshore substations. As a specification within the RFP is not practical at this stage, SCW recommends the use of a mechanism to adjust bid prices or provide alternate pricing if the design and implementation of a "Meshed Ready" transmission system is determined to be a feature of MA 83CIV.

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?*

Earlier clean energy procurements by Massachusetts, and other New England states predominantly occurred during historically low and stable inflation and interest rates, particularly in the United States.

SCW recommends the 83CIV solicitation require all bidders to submit pricing that will be subject to a one-time adjustment for an inflation index when the project reaches Financial Close. Suitable indexes used in the offshore wind and electric utility industries include: the index used in NYSERDA's 2022 Procurement and the Handy-Whitman Index.

    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.*

Costs for offshore wind project components may stabilize in due course, but the point at which costs stabilize will likely be significantly higher than historical averages. Costs specific to offshore wind are being driven by many factors including global geopolitical events. In particular, the war in Ukraine has caused many countries to seek energy security and independence by expediting renewable energy projects including offshore wind. TenneT, a grid operator in Europe, is currently seeking at least ten high-capacity transmission systems for renewable energy. In TenneT's press release they specifically cited the War in Ukraine as the motivation for the speed and scale of this procurement.[1] These global forces are further driving demand of input goods and services, and quickly consuming the limited manufacturing capacity that can supply the offshore wind and electrical transmission industries.

While the past year has seen the moderation of some indices like the Consumer Price Index, these indices are made of a basket of goods designed to reflect the broad purchases consumers make. Price spikes have continued for some individual goods, while overall prices have moderated. Offshore wind is uniquely exposed to a few specific goods and services that have long lead times for procurement and limited existing capacity. Specific challenges include the availability of vessels and fabrication facilities with expertise in building large-capacity offshore transmission stations. Bringing further capacity online for these specialized supply chains requires enormous investment and time for permitting, construction, and

[1] https://www.tennet.eu/news/tennet-announces-large-scale-hvdc-cable-tender-offshore-grid-connections-north-sea

workforce training. Capacity still exists within supply chains to bring new projects online, but at the continued elevated pricing.

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.*

SCW recommends the use of the NYSERDA Index. The NYSERDA model is representative of the commodity risks projects face. Massachusetts should further factor in the rise in interest rates, which impacts both project costs and is the primary driver of financing costs. However, there is significant complexity in integrating protection against rising interest rates and SCW is open to further engagement on how to appropriately account for this risk.

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.*

SCW recommends the inflation adjustment price provision cover the time period from PPA award to Financial Close. Receipt of permits, in particular the Construction and Operations Plan (COP), does not sufficiently reduce the project's exposure to inflation as construction will not begin immediately upon receipt of permits.

SCW recommends that DOER not consider fixed price bids against indexed price bids, but instead require indexed pricing and require it for all submissions. If DOER implements indexed pricing, at a minimum a clear and transparent evaluation formula must be provided, as well as the specific source of the commodity and interest rate forecast DOER intends to use.

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)?*

SCW recommends that no significant changes be made based on the BIL or IRA at this time. For grants and tax credits associated with the BIL and IRA, developers will likely include any benefits from these provisions in their price for the MA 83CIV proposals and therefore no specific adjustment is required.

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.*

American Clean Power is the industry trade group closely monitoring the development and release of regulations by the Internal Revenue Service (IRS) and is better positioned to comment on timing.

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.*

Unanticipated grants or subsidies may help offset cost increases preserving project viability, and in some cases, these provisions may be specifically implemented to address emerging issues. Preserving project viability benefits ratepayers by providing stabilized pricing for consumers and achieves MA 83C's goals of decarbonizing electrical generation. For grants and tax credits associated with the BIL and IRA, developers will likely include any benefits from these provisions in their price for the MA 83CIV proposals and therefore no specific adjustment is required.

There may be a future case where a new grant or subsidy results in a material, positive change in project economics. This situation should be handled on a case-by-case basis to evaluate what the impact on the project is and the best mechanism to distribute benefits to the ratepayers. If DOER believes a specific grant or subsidy is available to a contracted project, and the project is awarded the grant or subsidy, an analysis should then be completed to determine the appropriate mechanism to distribute benefits equitably to ratepayers.

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.*

SCW recommends maintaining the language from MA 83CIII with the addition of clear DEI target zones. Bidders were required to develop and implement Workforce Diversity and Supplier Diversity Program Plans. These requirements provide an opportunity for projects to create and implement these plans with community input and engage in continuous improvement to further identify opportunities to develop the industry in a Diverse, Equitable, and Inclusive way.

SCW believes that increasing diversity at every level of the organization can bring a wider range of experience and perspectives, resulting in better decision outcomes, which in turn will mean a better delivered project and ultimately more benefits to the Commonwealth. Several partnership initiatives focused on diversifying the industry were established under SCW's 83CIII application, including with the National Society of Black Engineers Boston Professionals, SouthCoast Community Foundation, SouthCoast LGBTQ+ Network and MassHire Greater New Bedford, to name a few. SCW appreciated 83CIII's attention to DEI criteria, and the added detail of clear DEI target zones for both workforce and supply chain goals would be useful.

   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.*

SCW recommends maintaining the process from 83CIII.

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.*

SCW recommends maintaining the process from 83CIII. As defined in the 2021 Climate Act and the 2021 EEA EJ Policy, part of SouthCoast Wind's considerations in developing the Project is to avoid or minimize impacts to EJ populations. Through MA 83CIII, SCW has engaged in programs that support workers in the transition to a clean energy future, specifically through the development of programs to recruit, train, and retain women, people of color, indigenous people, veterans, formerly incarcerated people, and people living with disabilities in jobs related to the cleaner energy economy.

For example, under 83CIII, established SCW's Protected Species Observer (PSO) training program to provide local Native American communities with cost-free training and all certifications required to work as a PSO. Three graduates have completed the program and have been deployed on SCW's offshore survey campaign. Additionally, it was required in 83CIII to include the status and completeness of a project stakeholder engagement plan. SCW continues to maintain this stakeholder engagement plan with outreach and communication mechanisms to share information and gather input from external stakeholders, including EJ communities. SCW appreciated the level of detail and guidance provided in Appendix J regarding environmental justice impact criteria.

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.*

SCW recommends editing the portion of Appendix J of 83III discussing fisheries stakeholder outreach to reflect the changing nature of groups and organizations working in this space. Specifically, SCW recommends adding language to the effect of "...Fisheries Representatives (as defined in BOEM's Best Management Practices on this topic [OCS Report BOEM 2014-654]), and other collaborative initiatives, working groups, and similar efforts that work to promote the coexistence, collaboration, and coordination of the offshore wind and fishing industries with the support of both industries".

SCW recommends that a fisheries compensation plan to offset impacts on commercial fishing noted in Appendix J of 83CIII be consistent with the forthcoming final version of BOEM's Draft Fisheries Mitigation Guidance that will be released in Spring 2023. Additionally, the fisheries compensation plan should also be consistent with the outcome of from the Special Initiative for Offshore Wind and nine northeastern states collaborating on this topic, and reflect the realities of both fishing and offshore wind activities within the project's spatial extent. SCW also recommends that a description of the types of backup documentation required to inform this process (e.g. economic exposure analyses) be provided.

SCW also recommends that more specific details be required for this plan (e.g. proposed forms, submission timelines, payment timelines, required information, lost revenue between gear loss and gear replacement, or both) and be consistent with the specifics, outlined in BOEM's Draft Fisheries Mitigation Guidance.

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.*

The change in decisional authority under the revised statute, revising the roles of the EDCs and DOER in the process is significant. These changes suggest that there may be additional modifications to the 83C process in terms of bid evaluation, in terms of the substance of the evaluation, the composition of the

Evaluation Team and the evaluation process. Clarity regarding such changes would be helpful and would inform the preparation of bids.

SCW recommends that contingent bids are defined as only those bids submitted into 83C process which are dependent on the outcome of procurements for the same offered capacity in neighboring state process.

Sincerely,

DocuSigned by:
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