June 13, 2025

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By electronic delivery to: Chris.Connolly2@mass.gov and marfp83c@gmail.com

RE: Massachusetts 83C Round 5 Offshore Wind Solicitation: Request for Public Comment

Avangrid Power, LLC ("Avangrid" or the "Company") is pleased to provide the following response to the Massachusetts Department of Energy Resources (DOER), the Massachusetts Electric Distribution Companies, and the Attorney General's Office (collectively the "RFP Drafting Parties") regarding the request for public comment related to the issuance of a Request for Proposals (RFP) for a fifth-round solicitation for offshore wind energy projects under Section 83C ("Section 83C Round 5" or "Round 5"). Avangrid's responses to the prompts provided are detailed below.

Avangrid commends the Commonwealth for its commitment to offshore wind as a valuable and necessary resource to support the region's energy needs and long-term energy affordability. Avangrid welcomes the opportunity to further engage with the RFP Drafting Parties on any of the below topics.

Respectfully,

Signed by:
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Avangrid
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Response to Request for Public Comment

1. **Please indicate your preliminary, non-binding interest in submitting a bid in Section 83C Round 5. Please comment on what factors you are considering when deciding whether to participate in the Round 5 solicitation.**

[redacted]

2. **Are there any special contract provisions that would be appropriate in the Section 83C Round 5 solicitation given the development risks existing in the current market environment? If so, please elaborate on specific provisions, and how they could be structured to balance protections for Massachusetts ratepayers.**

Based on Avangrid's extensive experience with prior procurements and detailed knowledge of the current risks of developing offshore wind projects, Avangrid is certain that the procurement and contracting processes require major changes in order to be successful and to avoid repeating the disappointing results of Section 83C Round 3 and the prolonged process seen in Round 4. Explained below is Avangrid's perspective on what is needed for Round 5 to be a competitive and successful solicitation.

<u>Price Adjustments and Risk Sharing</u>

Avangrid appreciates and commends the Commonwealth's ongoing commitment to the offshore wind industry, which is imperative for the Commonwealth and entire New England region to decarbonize the electricity sector. [redacted]

[redacted]

DOER must also look carefully at what went wrong with the Round 3 procurement and what has contributed to a prolonged process in Round 4. These processes collectively show that the current model, in which developers bid on fixed-price (or even indexed) contracts, and take all the risks thereafter, does not work well in a dynamic environment. The Round 3 procurement led to no projects being built, as the unprecedented and unforeseeable escalation in costs after the submission of bids rendered projects bid under Round 3 uneconomic and unfinanceable. [redacted]

These experiences demonstrate that if the Commonwealth wants to ensure that offshore wind projects get built—which they must do to serve growing energy demand and accomplish Massachusetts' climate goals—the model of procurement must fundamentally change. It must transition to a model based on flexibility and shared risk. Without this change, offshore wind will not succeed.

The most important innovation for Round 5 is to transition to a hybrid pricing model that includes a baseline bid price and a flexible mechanism for price adjustment based on external market factors. Avangrid respectfully recommends an open-book "true-up" provision that allows the baseline price to increase or decrease during the period of time between bid submission and commercial operation date (COD). The true-up provision would cover cost changes due to changes in law (such as regulatory/permitting changes, tariffs, tax credit policies, among others), global market factors beyond the developer's control, exchange rate fluctuations, and other agreed-upon factors. The true-up provision would require a developer to provide verifiable information on how costs have increased since the bid was submitted due to one or more of these factors.

The true-up provision could have two tiers. The first tier would allow for a modest adjustment in price, subject to an overall cap that would be allowed upon the developer submitting verification. Increases above the cap (a second tier) would require a more searching review by DOER and the EDCs, with binding arbitration if the parties are not able to agree upon the

appropriate price modification.

[redacted]

Notably, the true-up provision proposed here would go in both directions. If, for example, costs decrease from the time of the bid or a new tax credit becomes available, the bid price would decrease accordingly.

Such a provision is not only necessary to ensure the successful procurement and construction of offshore wind, but it has safeguards for ratepayers. Developers could not raise prices without providing data, and for price increases above a certain level, DOER and the EDCs could object and the ultimate price would be determined in binding arbitration. Moreover, with a true-up provision in place, developers would not need to inflate the baseline bid price to include all manner of contingencies, which may lead ultimately to lower prices for ratepayers particularly if costs do not rise between bid submission and COD. This provision will also boost investor confidence and potentially lower financing costs.

Schedule Adjustments and Termination Rights

In addition to the true-up provision, Round 5 bidding rules should also do away with unrealistic provisions that deter developers from going forward. These include penalties for terminating a PPA or delays in COD dates for reasons outside of developers' control. [redacted]

To that end, two potential specific provisions are as follows:

- In light of potential risks to permitting, Avangrid recommends the Commonwealth

adjust form agreements to allow for an automatic delay of all critical milestones, particularly the COD, if permitting and approval processes are paused for reasons outside of the developer's control.

- In addition to the contract adjustment provision discussed above, given current uncertainties in the offshore wind market, developers need a right to terminate without penalty if, prior to Financial Close, the Parties reasonably and objectively determine that for reasons outside of the developer's control, the project is not able to secure permitting or financing. An early termination clause enables contract pricing that does not include a premium to cover this contingency, serving to benefit ratepayers.

3. **In addition to this request for written comments, the RFP Drafting Parties may wish to conduct meetings with prospective bidders prior to finalizing and filing an RFP for Section 83C Round 5. Please indicate your interest in participating in a prospective bidder meeting.**

Avangrid would welcome the opportunity to meet with the RFP Drafting Parties prior to the finalization and filing of the RFP for Round 5.

4. **Federal Permitting: Given the January 20, 2025, Executive Order: Temporary Withdrawal of All Areas on the Outer Continental Shelf from Offshore Wind Leasing and Review of the Federal Government's Leasing and Permitting Practices for Wind Projects and the review led by the Secretary of the Interior of existing wind energy leasing and permitting, please elaborate on federal permitting and approval risk for offshore wind projects. What steps, if any, could be taken in this RFP to address those risks?**

As discussed in response to **Question 2**, the federal permitting and approval risk for offshore wind projects is significant. The Construction and Operations Plan (COP) for Avangrid's New England Wind projects was approved by the Bureau of Ocean Energy Management (BOEM) in July 2024 and New England Wind 1 has all required federal permits. Still, despite the projects' permitting advantage over neighboring projects, as evidenced by the recent stop-work order affecting the Empire Wind 1 project, fully permitted projects may be subject to permitting-related challenges that impact project viability. Avangrid's proposed reforms to mitigate these risks are discussed in response to **Question 2**.

5. **Project Viability: How could the Section 83C Round 5 RFP be designed to best support developers in ensuring project viability and ultimately reaching commercial operation while also ensuring these projects are cost-effective, beneficial, and represent an appropriate balancing of risks for Massachusetts electric ratepayers?**

Please see Avangrid's response to **Question 2**, which addresses RFP design to support project resiliency and fairness to ratepayers, which in turn supports viability.

Furthermore, Avangrid encourages the Commonwealth to continue to review and score

developers' proposals based on technical and logistical planning status, including but not limited to design status, permitting status, interconnection status, supply chain engagement status, and stakeholder engagement.

6. **Procurement Schedule**:

   a. **Absent an intervening statutory directive regarding the timing of solicitations under Section 83C, what would be the ideal timing for the Section 83C Round 5 RFP to maximize cost-effectiveness and benefits for Massachusetts electric ratepayers?**

Avangrid recommends that the Round 5 RFP be released as soon as possible after the conclusion of the PPA negotiations for the Round 4 RFP to allow for maximum attention on the conclusion of those negotiations amid an uncertain market and to allow maximum clarity going into the next RFP. Avangrid recognizes that the negotiations for the Section 83C Round 4 RFP are still ongoing, which creates some tension with the current statutory requirement to issue the next round no later than two years from the issuance of the previous round, implying that the Round 5 RFP should be issued in under three months, by August 30, 2025. Currently, the Round 4 negotiation deadline stands at the end of June, however, there have been several prior extensions so there is potential that this deadline will be extended again.

Even if there is leniency regarding the timing of the next solicitation, **the finalized Round 5 RFP should be issued no later than mid-year 2026.** [redacted]

An equally important consideration for schedule is to structure the next process to enable **PPA approval by the DPU within one year of bid submission (or as close to one year as possible)** to support price stability and maximize availability of the tax credit under the existing safe harbor provisions. Longer timelines lead to increased risk to developers and ratepayers.

[redacted]

[redacted]Avangrid recommends that there be additional opportunity for the public to review and inform the RFP before it is finalized, to ensure a successful and competitive procurement process.

Proposed earliest and latest reasonable milestone dates are provided in response to **Question 6b**.

b. What should the RFP Drafting Parties consider when designing the schedule for the 83C Round 5 RFP, including deadlines for bid submission and selection of projects for negotiation? Please include as much specificity in key schedule milestones and timing, as well as justification for preferred dates.

Avangrid recommends the schedule outlined in the table below, which is intended to balance two considerations also discussed in response to part (a) and that is expounded upon in Question 10: [redacted]

	Preferred Date
RFP Issuance (following draft RFP/sufficient comment period)	January 1, 2026
RFP Submission Deadline	March 30, 2026
Awards Announced	May 30, 2026
Contracts Executed and Filed with DPU	August 30, 2026
[redacted]	

i. What is the minimum amount of time that should be allowed between RFP issuance and bid submission?

Avangrid recommends three months be allowed between RFP issuance and bid submission to allow enough time for developers to prepare thorough bid submissions. Please see

responses to the above questions.

c. How could the 83C Round 5 RFP schedule be designed to best align with other offshore wind procurements being conducted or planned in neighboring Northeastern states?

Avangrid has no comment at this time but respectfully encourages Massachusetts to focus on its own procurement needs and prioritize an efficient, viable procurement.

d. Should bidder meetings be conducted as part of the bid evaluation process during the procurement to clarify bid specifics? Why or why not?

Avangrid is in favor of preserving formal written communication as the method for clarifying bid specifics during the bid evaluation process, and cautions against bidder meetings. The formal written question and answer method, used in previous solicitations, results in a permanent record of bidder communications, minimizes the potential for miscommunication, and is most transparent and fair.

7. <u>Inflation, Supply Chain, and Macroeconomic Factors:</u>

a. Please comment how uncertainty related to macroeconomic factors, including the federal Investment Tax Credit, tariffs, and supply chain challenges, are likely to impact (i) project financing; and (ii) project pricing for upcoming Section 83C solicitations.

<u>Project Financing and Pricing</u>

- Federal Investment Tax Credit (ITC) Uncertainty: The ITC plays a critical role in the financial viability of offshore wind projects. Uncertainty around its extension or modification can delay investment decisions and complicate financial modeling. If developers are unsure whether they will qualify for the full ITC, they may face higher capital costs or require bridge financing, which can reduce project attractiveness to investors.
- Tariffs and Trade Policy: Tariffs on imported project components (e.g., turbines, cables, steel) increase capital expenditures. This raises the risk profile for lenders and equity investors, potentially leading to higher required returns or reduced debt capacity. Trade policy uncertainty also affects currency risk and long-term cost projections, making it harder to secure favorable financing terms.
- Supply Chain: The supply chain continues to be characterized by demand exceeding available supply, leading to volatile and generally increasing costs, and severe availability risks for key components such as installation vessels, all affecting project financing and pricing.
- Inflation and Interest Rates: Elevated interest rates, driven by broader macroeconomic conditions, increase the cost of capital. This directly affects the LCOE and bid pricing. Inflation in labor and materials further compounds this effect, especially for long lead-time projects like offshore wind.

- Risk Premiums: Given the uncertainty, contractors are likely to include high contingencies in their pricing to provide binding pricing while also hedging against potential delays, cost overruns, or policy shifts.

Please refer to **Question 2** for Avangrid's suggested price adjustment mechanism to address these macroeconomic uncertainties.

b. How could the Section 83C Round 5 RFP be designed to address the macroeconomic uncertainties outlined in subpart a., to both ensure project viability and protect Massachusetts ratepayers? Please comment on whether bidders should be requested to identify the anticipated price impact of tariffs in their contract pricing and include provisions for sharing cost reductions if tariffs are reduced or eliminated.

Please refer to the response to **Question 2** for Avangrid's recommendations on how the macroeconomic uncertainties can best be addressed. The pre-COD price adjustment concept would address the risks associated with tariffs and eliminate the need for bidders to include highly speculative tariffs impacts in their pricing. The tariff situation is highly dynamic and it is impossible to predict what tariffs will be in place during the project construction stage when a new federal administration will be in power (as will likely be the case for the majority of projects bidding into the 83C Round 5 RFP). For these reasons, Avangrid advises against the RFP Drafting Parties requiring bidders to identify the anticipated price impact of tariffs in their contract pricing in favor of consideration and implementation of the price adjustment concept proposed in response to **Question 2**.

c. Please provide any specific comments on the design of the indexing adjustment mechanism included in the Section 83C Round 4 RFP, including but not limited to the chosen indices, adjustment cap, weighting of factors, and timing of the adjustment.

i. Please comment on any potential modifications to the indexing adjustment mechanism for future solicitations. Please ensure any recommendations for modifications recognize the importance of allowing for fairness and consistency in evaluating project proposals from different developers and the importance of mitigating risks to Massachusetts electric ratepayers.

Please refer to the response to **Question 2** for Avangrid's recommendations on optimal price adjustment mechanisms for future solicitations. The pre-COD price adjustment concept proposed in response to **Question 2** would address the risks associated with price increases or decreases related to commodity rates, currency exchange rates, inflation, etc.

8. <u>Procurement Size:</u> What should be the maximum procurement target, in MW, for the Section 83C Round 5 RFP solicitation and why? What would the impact be of a target that is either higher or lower than your recommended amount?

Avangrid encourages the RFP Drafting Parties to target maximum procurement of the

amount remaining in its statutory procurement target of 5,600 MW. A larger procurement target does not necessarily result in a larger procurement; rather, it maximizes the potential of the solicitation. For simplicity, Avangrid recommends that the Commonwealth not explicitly define a specific number for the maximum procurement target within the RFP document, and instead refer to the statutory authority.

9. **<u>Project Size:</u> What would be an appropriate minimum and/or maximum (if any) bid size for the Section 83C Round 5 RFP solicitation? Additionally, please describe if phasing is critical for developing a project and why or why not.**

Avangrid suggests no minimum or maximum sizes for the Section 83C Round 5 RFP solicitation. Most New England leaseholders [redacted] have well-established project concepts with active interconnection requests under study that will largely dictate the proposed project proposals, including sizes, for mid-2030s projects.

Avangrid does not believe phasing is critical for developing a project. Avangrid believes it is better to treat "phases" as individual projects, particularly due to potential discrepancies in interconnection status and timing which may become more exaggerated in the newer cluster study system.

10. **<u>Commercial Operation Date:</u> What should be the latest allowable commercial operation date for projects bidding into the Section 83C Round 5 RFP and why?**

In line with the concerns discussed in response to **Question 6**, Avangrid recommends the latest allowable commercial operation date for projects bidding into the Section 83C Round 5 RFP (and 83C Round 6 RFP, if it takes place) should be December 31, 2034. [redacted]

11. **<u>Transmission and Interconnection:</u>**

    a. **How should the Section Round 5 RFP requirements regarding transmission and interconnection of proposed projects be designed to maximize efficient use of the onshore transmission system?**

Avangrid recommends the current requirements and evaluation approach to transmission and interconnection remain unchanged, but that there be a new focus on socializing the costs or transmission and interconnection, as is done in Europe, and as makes sense from a policy perspective, as grid upgrades benefit the entire system, not just a single project. The existing transmission system in New England was not originally designed to accommodate

offshore wind, making it extremely challenging to determine how to use the onshore transmission network efficiently.

While ISO-NE has conducted several studies that suggest potential points of interconnection (POIs), these analyses were limited in scope. These studies evaluated projects on an individual basis and did not consider the cumulative impact of multiple projects on the overall system. Additionally, the studies focused solely on the direct injection of megawatts, without addressing broader system stability concerns.

Each new offshore wind project alters the dynamics of the transmission system. As a result, a location that appears to be an attractive POI today may not be by the time a project becomes operational. To ensure long-term efficiency and reliability, the transmission system must be upgraded in a forward-looking manner that anticipates the needs of the future grid. This is the best path forward for long-term planning and to facilitate cost-effective and efficient projects, rather than continuing to burden developers with incrementally upgrading the current grid.

b. Given the reformed ISO-NE interconnection process partially approved in FERC's April 4th ruling on Order 2023, how should the Section 83C Round 5 RFP interconnection requirements change?

In previous RFPs, if a project had not gone through the study process, the project was allowed to provide technical reports or system impact studies that approximate the ISO-NE process. Since the new ISO-NE process includes cluster studies and does not include system impact studies, Round 5 and future RFPs need to clarify what alternate studies can be used for projects without completed studies. It would be impossible for the project to simulate the cluster study process since it would not know all the projects in the cluster study or have the necessary data for the other projects in a cluster study.

Additional considerations need to be made for evaluation of network upgrades as other regional upgrades may be required in a cluster study, but these upgrades would be shared with several other projects. Further considerations may be needed if the cluster study needs to go through the re-study process because other projects withdraw. This may add to the burden of higher (or lower) network upgrades costs.

If the requirement to have a valid Interconnection Request remains, RFPs beyond Round 5 should synchronize the timing of an RFP after cluster study windows for new Interconnection Requests open. Otherwise, potential bidders may be limited.

c. In previous Section 83C solicitations, projects were required to complete ISO-NE's Forward Capacity Auction Qualification (FCAQ) process to ensure deliverability of the project at a Capacity Capability Interconnection Standard (CCIS)-equivalent level. ISO-NE's Capacity Auction Reforms and compliance to Order 2023 are incorporating the FCAQ process into cluster studies. What mechanism should the Section 83C Round 5 RFP use to ensure deliverability at a level equivalent to the

CCIS? Why?

FERC Order 2023 integrates overlapping impact analysis within the cluster study, offering earlier insight into capacity network upgrades and associated costs for offshore wind projects. However, a project cannot qualify for or participate in a capacity auction until it reaches commercial operation. The Capacity Auction Reform process imposes a greater burden on projects, requiring commitments to upgrades and nonrefundable deposits as early as seven years before the project COD.

To ease the unnecessary, early burden on developers, the RFP should accommodate and accept project proposals with only NRIS service (or plans to qualify for NRIS service), allowing awarded projects to transition to CNRIS at a later date with a new, separate queue position for CNRIS. The project will have the opportunity to qualify as a capacity resource post-COD, in accordance with ISO-NE's Capacity Auction Reform requirements, if applicable.

d. **Should the Section 83C Round 5 RFP allow projects utilizing surplus interconnection service (SIS) to obtain only Network Resource Service (NRS)? Why or why not? What considerations should be factored into the decision?**

Avangrid supports this change in rules in future solicitations. Whether leveraged now or in the long-term, allowing projects to use surplus interconnection service like this can help create more optionality and more grid stability when injecting offshore wind without continuing to overload the grid at the currently qualifying POIs. It should be noted that there are limited POIs to begin with, and some potential POIs are being used very rarely to inject energy into the grid, such as the Canal Generating Plant in Sandwich. Disallowing offshore wind developers to connect to these points is wasting a scarce and vital asset.

12. **<u>Economic Development, Workforce, and Diversity, Equity & Inclusion (DEI):</u> How could the Section 83C Round 5 RFP 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 Sections 2.2.4.1 – 2.2.4.4 of the 83C Round 4 RFP and to the relevant provisions in Section 61 of *An Act Driving Clean Energy and Offshore Wind*.**

Avangrid recommends that the Round 5 RFP be designed to comply with all applicable laws and guidance, including with respect to (i) anti-discrimination and equal opportunity, and (ii) to the extent applicable, federal contracting and procurement requirements.

a. **<u>Memorializing Commitments:</u> In Section 83C Round 3, DOER executed Memoranda of Understandings (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.**

Avangrid appreciates the need for DOER to hold developers accountable for their

commitments made during the bid submission process. That said, DOER must also consider the reality that commitments often include other parties, and placing fulfillment/compliance responsibility solely on the developer increases risk and complexity. An example of this could include economic commitments made by a proposed partner that are out of the developer's control. The static nature of the MOU, as it has been done previously, forces the developer to shoulder the cost/penalty regardless of the partner organization upholding its obligation.

Likewise, the estimated numbers of FTEs submitted during the bid are reliant on current conditions and do not account for future changes to the industry, current need, or future technology innovation.

13. **Environmental Justice: How could the Section 83C Round 5 RFP 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 4 RFP and to the relevant provisions in Section 61 of *An Act Driving Clean Energy and Offshore Wind*.**

Please see Avangrid's response to Question 12.

14. **Environmental and Fisheries Impacts: How could the Section 83C Round 5 RFP 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 4 RFP and to the relevant provisions in Section 61 of *An Act Driving Clean Energy and Offshore Wind*.**

The RFP Drafting Parties should clarify the weighting of environmental components in the evaluation criteria and provide more guidance as to environmental and fisheries priorities in future solicitations. That said, Avangrid respectfully recommends that requirements remain flexible, and strongly discourages the (previously unsuccessful in other states) explicit requirement to utilize specific technologies.

As a general comment, all offshore wind projects will have to complete rigorous project permitting at the federal, state, regional, and local levels, and will be required to apply the mitigation hierarchy of avoidance, minimization, mitigation, then compensation already. Requirements in Appendix J are generally redundant to what is already required by existing permitting processes. There are opportunities to streamline the bidding process, such as establishing standard mitigation measures that developers must all adopt, as opposed re-iterating what is included in Construction and Operations Plans conditional approvals and permit conditions. Efforts to make environmental and socioeconomic mitigation consistent between states (e.g., regional monitoring funds) are also welcome.

15. **Are there any other comments you would like to provide for consideration in the design of the Section 83C Round 5 RFP, not captured by the previous questions?**

Avangrid has no additional comments at this time.

16. **The RFP Drafting Parties are considering filing a joint 83C Round 6 RFP for review and approval at the DPU simultaneously with the 83C Round 5 RFP. The goal would be to enable the RFP Drafting Parties to issue a Round 6 solicitation if needed to meet the Section 83C procurement target of 5,600 megawatts (MW) of offshore wind by June 30, 2027, without requiring the development and filing of a new RFP for review at the DPU during 2026.**

    a. **Please comment on whether and how such a simultaneous filing would affect your interest in submitting a bid in Section 83C Round 5 and on the benefits and risks of such an approach.**

Such a simultaneous filing is not optimal as it might invite unrealistic and confusing bids. Avangrid believes it is best to focus on a successful Round 5 before turning to Round 6.