



State Commission Staff Surge Call: Offshore Wind

May 29, 2019

Since the first U.S. offshore wind project came online in 2016, the sector has been slowly growing as states have begun studying their offshore wind potential and taking actions at the executive, legislative, and regulatory levels to advance offshore wind. The U.S. Department of Energy estimates total U.S. offshore wind potential at over 25 gigawatts (GW). Project developers have announced 2 GW of new capacity will be online by 2023. State public utility commissions have important roles to play in the offshore wind market. This state commission staff surge call featured speakers from commissions in New York, New Jersey, Connecticut, and Maryland to update fellow staff on their experiences with offshore wind to date.

New York

The New York DPS is tasked with implementing the state's Clean Energy Standard, consisting of 50 percent clean energy by 2030, with Governor Andrew Cuomo calling for even higher goals. Given New York's sizable potential for offshore wind capacity, the Commission directed the New York State Energy Research & Development Agency (NYSERDA) to perform a study to identify appropriate mechanisms to achieve the state's full offshore wind potential and make recommendations for the Commission's consideration. In January 2018, NYSERDA sent recommendations to the Commission to encourage 2.4 GW of offshore wind by 2030 to contribute to the state's broader clean energy goals.

The Commission's resulting order set up a two-phase approach for offshore wind with phase one setting procurement targets for NYSERDA, the New York Power Authority (NYPA), and the Long Island Power Authority (LIPA). Phase two will consider development of an offshore transmission backbone.

In its order, the Commission created offshore wind Renewable Energy Credits (RECs) associated with 800 megawatts (MW) of generation in the 2018 – 2019 timeframe, obligated to load-serving entities proportional to their amount of load. Prior to phase one, LIPA had already signed a power purchase agreement (PPA) for the 130-MW South Fork project. The Commission directed NYSERDA to solicit bids that would connect directly to the onshore grid, interconnect within the New York control area, or interconnect in an adjacent area if the bidder can demonstrate that the electricity will be delivered to the New York control area.

In February 2019, NYSERDA received 19 bids ranging from the solicitation minimum of 400 MW up to 1.2 GW. Each bid plans to interconnect directly to shore, with some bidders teaming with offshore transmission developers. Transmission projects included in the bid only represent project-specific lead lines, not any sort of offshore backbone grid that goes beyond particular project requirements. Final selections will be announced imminently.

Phase two will bring the Commission and stakeholders together to work through issues involved in transmission planning. New York has a limited number of interconnection points to New York City and Long Island. The Commission will need to balance rapid development of offshore wind resources with limited interconnection points and an unassigned responsibility for transmission upgrades. The Commission and NYSERDA held an offshore transmission technical conference in September 2018 to discuss these issues and the pros and cons of going with lead lines over a broader transmission backbone, as well as the potential for regional collaboration with neighboring states that are also stepping into the



offshore wind market. Commission staff expect to receive a white paper containing recommendations for public comment.

New Jersey

In January 2018, Governor Phil Murphy issued Executive Order #8 (EO8), setting a target of 3500 MW of offshore wind in New Jersey by 2030 and calling upon the Board of Public Utilities (BPU) to take all necessary steps to fully implement the state's Offshore Wind Economic Development Act of 2010 (OWEDA). Through that law, New Jersey was the first state to establish an offshore wind carve-out within the state's Renewable Portfolio Standard, but it had not implemented the carve-out until EO8. The order also requested that the BPU solicit 1100 MW of offshore wind immediately and schedule two more solicitations for 1200 MW each in 2020 and 2022. In December 2018, the BPU received three applications ranging from 300 MW to 1100 MW. All applications included transmission and radial lines for onshore interconnection. An evaluation committee will bring recommendations to the BPU commissioners by July 2019.

OWEDA defined application requirements for offshore renewable energy credits (ORECs) and defined qualified offshore wind projects as facilities in the Atlantic Ocean connected to electric transmission systems onshore, including associated transmission interconnection facilities and equipment as approved by the BPU. Only projects that interconnect to the New Jersey transmission system are eligible for ORECs. The state is facing some novel questions about interconnecting within PJM and is currently engaged in a stakeholder process with the grid operator. New Jersey is also considering the possibility of a backbone transmission grid for future solicitations and also, like New York, is asking questions about collaboration with other coastal states, particularly states south of New Jersey in the PJM territory. With 130 miles of coastline and multiple interconnection points, New Jersey does not face the same constraints as New York in finding suitable interconnection access.

Connecticut

Connecticut law section 16A-3H currently requires the Department of Energy and Environmental Protection (DEEP) to select class 1 renewable resources, serving up to 4% of distribution companies' collective load, based on a wide set of criteria including economic development benefits. DEEP can order distribution companies to enter into power purchase agreements for up to ten years, subject to review from the Public Utilities Regulatory Authority (PURA).

In response to an RFP, DEEP received proposals for three offshore wind projects totaling 600 MW off the coasts of Massachusetts and Rhode Island. In August 2018, DEEP selected the Revolution Wind project, which also promised economic development commitments totaling \$15 million of investments in pier redevelopment and workforce development. PURA approved the project in December 2018. An additional 100-MW offshore project from Ørsted and Eversource selected by DEEP has not yet come before PURA for approval. Like Revolution Wind, the 100-MW project comes with more than \$13 million in infrastructure and education investments.

On May 2, 2019, Governor Ned Lamont announced a public-private partnership to invest \$93 million in New London's State Pier, including \$35 million from Ørsted and Eversource. Redevelopment is expected to be complete in March 2022. Upon completion, Ørsted and Eversource will enter into a ten-year purchase agreement with an option to extend another seven years.



N A R U C
National Association of Regulatory Utility Commissioners

Also on the horizon is a statute raising Connecticut's offshore wind target to 2000 MW by 2030 via 400-MW RFPs from DEEP. The legislation has passed the House and is currently pending vote in the Senate, with support from Governor Lamont.

Maryland

In 2013, the Maryland Offshore Wind Energy Act amended the state's RPS to allow offshore wind projects between 10 and 30 miles offshore to offer ORECs totaling up to 2.5% of total RPS compliance. The law created an application and review process between developers and the Public Service Commission (PSC).

In response, the PSC received two projects totaling 368 MW and entered into a hearing process to decide how to proceed. On May 11, 2017, Order 88192 approved both applications with 27 conditions including positive net economic benefits and ratepayer impacts, in addition to others. U.S. Wind received 913,845 ORECs per year for its 248-MW project, and Skipjack Wind's 120-MW project received 455,482, all at \$131.93 per MWh for a 20-year term. The companies will invest \$76 million in a steel fabrication plant and \$39.6 million in port upgrades at a Baltimore County shipyard. The projects cost a total of \$2 billion and will be in service by January 2020 (U.S. Wind) and November 2022 (Skipjack). Onshore interconnection is already set up for both projects. Average bill impact will be approximately \$1.40 per month for residential customers, below a statutory cap of \$1.50 per month.

More recently, the Clean Energy Jobs Act of 2018 raised the state's RPS to 50% by 2030 and required the PSC to provide three additional application periods for offshore wind projects in 2020, 2021, and 2022. The law mandates that the PSC approve at least 400 MW of capacity in each period unless there are insufficient bids or adverse impacts to ratepayers. Beginning with the application from the developer, the PSC has 30 days to determine whether the application is complete, and then 180 days to evaluate the application and issue an order approving or denying the provision of ORECs. The law includes a lengthy list of evaluation criteria and requires the PSC to engage independent consultants in its evaluation process.

This call was made possible by the U.S. Department of Energy under cooperative agreement DE-OE0000818. Please address questions to Kiera Zitelman, NARUC Senior Manager, at kzitelman@naruc.org.