

Offshore Wind Solicitation – 1,100 MWs



New Jersey Technical Bidders Conference
October 10, 2018





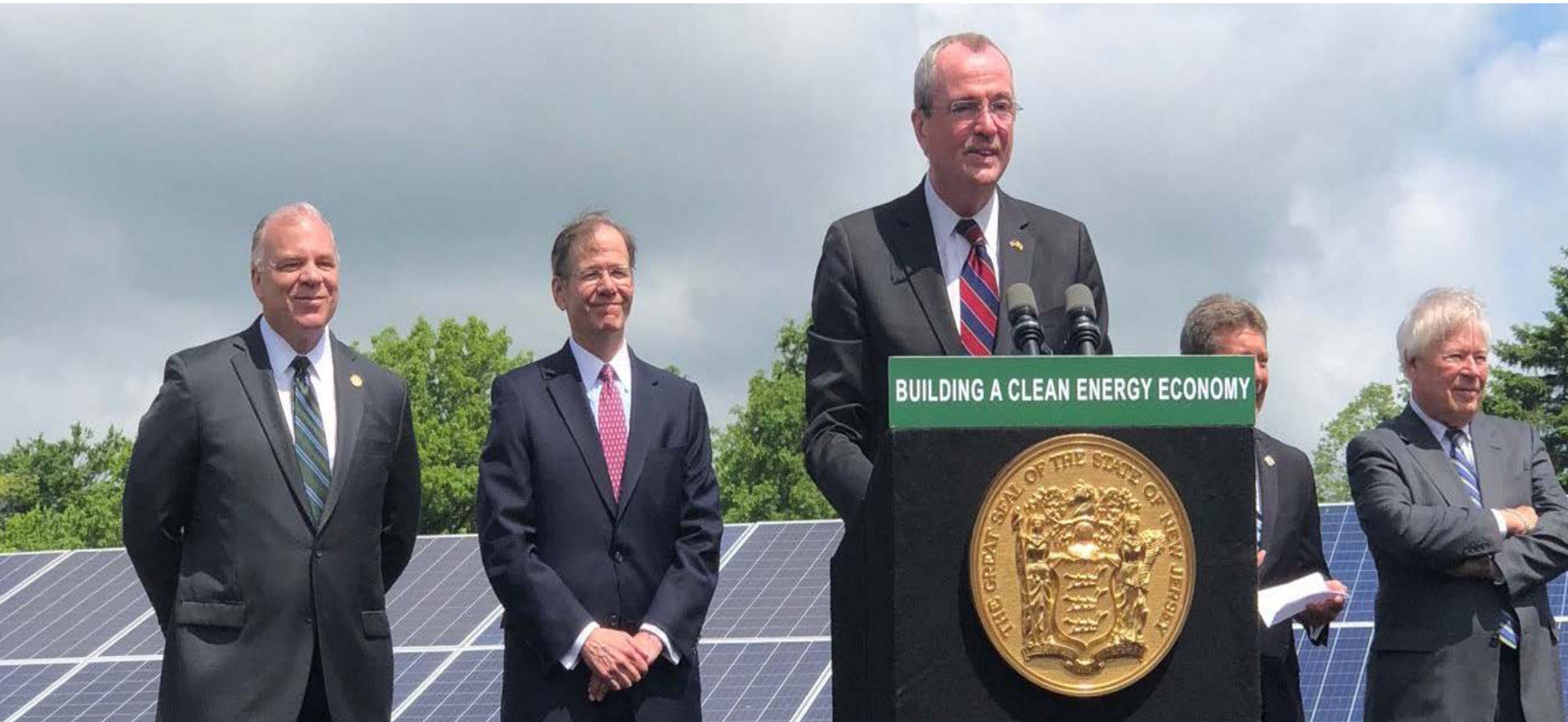
Bidders Technical Conference

AGENDA

- 10:00 am** **BPU Opening Statement**
- 10:10 am** **Introductions**
- 10:15 am** **Overview of Offshore Wind Solicitation for 1,100 MWs**
Craig Roach, Senior Energy Advisor, Bates White Economic Consulting
Frank Mossburg, Managing Director, Bates White Economic Consulting
- 10:30 am** **Q&A with Applicants**
- 11:30 am** **Next Steps: Offshore Wind Solicitation Schedule**
- 12:00 pm** **Adjourn**



**New Jersey's Commitment to Renewable Energy:
3,500 MW of Offshore Wind by 2030
100% Clean Energy by 2050**



OVERVIEW OF NEW JERSEY 2018 SOLICITATION FOR 1,100 MWs OF OFFSHORE WIND

Bidders Technical Conference
October 10, 2018
Trenton, NJ

Presented by Frank Mossburg
Bates White



DISCLAIMER

The material contained in this presentation is intended to provide only generally descriptive and summary information. The documents and Q&A filed with the BPU and posted on the RFP website are controlling. Any conflict between the information conveyed during this conference and what is provided on the website and filed with the BPU is unintentional. This presentation is not meant to constitute advice on whether or how to submit an application.



BACKGROUND

- This is the first in a series of solicitations for Qualified Offshore Wind Projects
- Executive Order Number 8 sought to reinvigorate implementation of the Offshore Wind Economic Development Act (OWEDA)
- Total goal of 3,500 MW by 2030, looking for 1,100 MW
- Guidance Document and attachments are controlling



OVERVIEW

- Seeking applications to become a Qualified Offshore Wind Project
 - “Qualified Offshore Wind Projects are wind turbine electric generation facilities located in the Atlantic Ocean and connected to the electrical transmission system in New Jersey and approved by the BPU”
- Bidders specify 20-year all-in OREC Price
- Pay-for-performance contract, paid only for energy actually delivered receive price per OREC delivered
- Qualified Projects will sell other products (energy, capacity, etc.) and credit revenues to ratepayers
- Funding Mechanism under review



CALENDAR

Event	Date
Board Consideration of Solicitation	9/17/2018
Procurement Website goes live	10/5/2018
Technical Conference	10/10/2018
Applicants meet with the BPU and Rate Counsel	11/26-11/27/2018
OREC Application Due	5 PM 12/28/2018
Determination of Completeness	1/27/2019
Application Evaluation Window	1/28/2019-6/26/2019
Recommendations to the BPU	5/1/2019
Board Decision	by 6/30/2019
Post-bid Meeting (if requested)	8/2019
Deadline for Qualification for ITC	12/31/2019



KEY REQUIREMENTS

- **Bid size:** 300 MW to 1,100 MW
- **Must Offer:** 400 MW option
- **Bid Fee:** \$150,000 for 1 “base” and 2 “alternate” offers, \$25,000 for additional options
- **Options:** Varied size, interconnection point, or other benefits (e.g. energy storage)



OREC PRICE

- **OREC Price is an “all-in” cost-based price:**
 - “represent[s] the calculation of the price based on the total revenue requirements of the project over a 20-year period including the cost of equipment, financing, taxes, construction, operation, and maintenance, offset by any state or Federal tax or production credits and other subsidies or grants. The value of the electricity and related capacity payments associated with the ORECs shall not be deducted when calculating the OREC price.”
- **Price can be levelized or escalate at a fixed rate,** price shall not be front loaded
- **Transmission Costs**
 - Direct Interconnection
 - System Upgrade



MEETING WITH BPU & OTHER PARTIES

- **N.J.A.C. Requires Meeting**
 - “The applicant shall meet with Board staff and representatives of the Division of Rate Counsel no less than 30 days prior to submission of an application to discuss all aspects of the application.”
- **Applicants are encouraged to meet with the NJ DEP and EDA**
- **Submit application request via website ASAP**



MATERIALS REQUIRED FROM APPLICANTS

- **Requirements set in N.J.A.C. 14:8-6.5**
- **Guidance Document supplements requirements**
- **Use Project Completeness Checklist**



MATERIALS REQUIRED FROM APPLICANTS (CONT.)

- **Developer Information**
- **Project Description**
 - May update or replace equipment with more technologically advanced equipment that is equal or better than identified, subject to BPU approval and provided no increase in OREC price
- **Financial Analysis**
 - Include LCOE at 7% discount rate and P(50)
- **Financing Plan**
- **Documentation of Financial and Tax Incentives**
 - Must commit that reduction or loss will not change OREC price



MATERIALS REQUIRED FROM APPLICANTS (CONT.)

- **Revenue Plan and Strategy**
 - Forecast and strategy for maximizing revenues
- **O&M Plan**
- **Emissions Impact**
 - Impact on CO₂, SO₂, NO_x and PM
- **Decommissioning Plan**
 - Must commit that costs in excess of estimates shall not be made up by ratepayers, suppliers or providers.
- **Permitting Plan**



MATERIALS REQUIRED FROM APPLICANTS (CONT.)

- **Cost Benefit Analysis – Must show net benefit**
 - Costs – OREC Price offset by market revenues & avoided Tier I REC purchases
Must use market prices provided, can provide own estimates as well
 - Benefits are Economic and Environmental
 - Economic
 - a) In-state impacts on employment, income, wages, taxes, output, and value added with emphasis on in-State manufacturing
 - b) Must use established Input-Output model
 - Environmental
 - a) Net reduction in tons of emissions
 - b) Net environmental impact from pre-construction activities through decommissioning including, but not limited to, climate change emissions, air pollution, emissions, water use, water quality, avian, marine mammals, sea turtle, noise, aesthetics, tourism, navigation and endangered species and describes any measures taken to mitigate such impacts
 - Ratepayer Impact



MATERIALS REQUIRED FROM APPLICANTS (CONT.)

- **OREC Pricing Schedule**
- **Project Timeline**
- **Interconnection Plan**
- **Environmental Protection Plan**
 - Narrative description of all environmental impacts of the project
 - Detail measures taken to mitigate impact
 - Summarize plans for acquiring all permits
- **Economic Development Plan**
 - Narrative description of the applicant's plan for investments in infrastructure, supply chain, workforce development, and other offshore wind cluster-building programs, and the associated economic benefits for the State
 - Reflect and summarize the economic impacts of the proposed project over 20 years as noted in the project's Cost-Benefit Analysis with a focus on investments and impacts in five key areas of economic development: (a) blue-collar workforce development, (b) white-collar workforce development, (c) marshaling ports, (d) manufacturing ports, and (e) O&M ports



MATERIALS REQUIRED FROM APPLICANTS (CONT.)

- **Bid Deposit**
- **Application Form**
 - Excel workbook includes bid summary
 - Calculates levelized price
 - Includes Commitments
- **Additional information**



To be eligible to win a contract for the sale of ORECs, an Applicant must:

1. Submit an Application found to be complete by the BPU;
2. Submit an OREC Purchase Price offer that meets all the requirements of the Act and NJAC;
3. Demonstrate a positive net benefit through its cost-benefit analysis reflecting in-state economic and environmental benefits;
4. Have a reasonable ratepayer impact in the eyes of the BPU;
5. Demonstrate the project is viable – it is likely to come on-line on time and on budget



EVALUATION

- **Determination of substantial completion (30 days)**
- **Bid evaluation (180 days from receipt of complete application)**
- **Evaluation Criteria:**
 1. **OREC Purchase Price** - This includes meeting the requirement for a fixed, pay-for performance price as well as the implied subsidy above market prices.
 2. **Economic impacts** – This includes, among other metrics, the number of jobs created by the project, increase in wages, taxes receipts and state gross product for each MW of capacity constructed.
 3. **Ratepayer impacts** – This includes the average increase in residential and commercial customer bills. The Board will also consider the timing of any rate impacts.
 4. **Environmental impacts** – This includes the net reductions of pollutants for each MWh generated and the feasibility and strength of the applicant’s plan to minimize environmental impacts created by project construction and operation.
 5. **The strength of guarantees for economic impacts** – This includes all measures proposed to assure that claimed benefits will materialize as well as plans for maximizing revenue from the sales of energy, capacity and ancillary services.
 6. **Likelihood of successful commercial operation** – This includes feasibility of project timelines, permitting plans, equipment and labor supply plans and the current progress displayed in achieving these plans.



WEBSITE

- Located at <https://www.njoffshorewind.com/>
- Used to download documents, ask questions and submit offers
- Must register to ask questions and submit bids
- Bid submission functionality coming soon
- Can upload documents at any time after
- Evaluators will not review until close of bid window



QUESTIONS?

Submit Questions & Answers

<https://www.njoffshorewind.com/>



REQUEST FOR COMMENTS – OREC FUNDING MECHANISM RULES

- BOARD OF PUBLIC UTILITIES Qualified Offshore Wind Projects Proposed New Rules: N.J.A.C. 14:8-6.6 and 6.7 Proposed Amendments: N.J.A.C. 14:8-6.1 and
- **Comments may be submitted through October 19, 2018**, by e-mail in Microsoft Word format, or in a format that can be easily converted to Word, to: rule.comments@bpu.nj.gov or on paper to: Aida Camacho-Welch, Secretary New Jersey Board of Public Utilities ATTN: BPU Docket Number: QX18040466 44 S. Clinton Ave., 3rd Floor, Suite 314 PO Box 350 Trenton, NJ 08625-0350 6.2
- [https://www.nj.gov/bpu/agenda/rules/PRN%202018-078%20\(50%20N.J.R.%201879\(a\)\)%20Published%20OREC%20Rule%208-20-2018.pdf](https://www.nj.gov/bpu/agenda/rules/PRN%202018-078%20(50%20N.J.R.%201879(a))%20Published%20OREC%20Rule%208-20-2018.pdf)



REQUEST FOR INFORMATION – PORTS & INFRASTRUCTURE

- EDA Seeks Ideas for Infrastructure Development to Advance State's Offshore Wind Leadership
- The New Jersey Economic Development Authority (“Authority”) is seeking ideas from qualified entities with perspectives on offshore wind port infrastructure and supply chain development in New Jersey. Parties such as offshore wind developers, suppliers, industrial real estate developers, port operators, port authorities, other development agencies, and local governments are encouraged to respond to a Request for Ideas (RFI) posted by the EDA.
- **Complete responses to the RFI are due by MONDAY, OCTOBER 15, 2018 on or before 11:59 PM (EST).**
- <https://www.njeda.com/offshorewindRFI>.



Next Steps

Applicants are required to meet with the Board of Public Utilities and Rate Counsel at least 30 days in advance of the submittal of an application and are encouraged also to meet with the Department of Environmental Protection and Economic Development Authority.

Register your intention to submit an OREC Application by requesting a meeting with the Board of Public Utilities and Rate Counsel at www.NJOffshoreWind.com.

