October 31, 2025
VIA E-File to DMM

Case 22-E-0633: In the Matter of New York Independent System Operator, Inc. Proposed Public Policy Transmission Needs for Consideration for 2022

QUESTIONS REGARDING OFFSHORE WIND SOLICITATIONS
RESPONSE OF NATIONAL GRID VENTURES

Questions Regarding Offshore Wind Solicitations:

1. Have any other jurisdictions implemented approaches to planning offshore wind infrastructure that would help to reduce project development risks, promote cost-effective solutions, and maximize reliability and affordability benefits to the State's ratepayers?

Several jurisdictions, particularly in Europe – have implemented innovative approaches to offshore wind planning that aim to reduce development risks, promote cost-effective projects, and deliver reliable and affordable energy to customers. A few notable examples and strategies are:

Contract for Difference ("CfD"):
Mechanism where there is a contract price between an offshore wind ("OSW") developer and State entity with a recognized strike price that is settled at a pre-determined interval (e.g., monthly) (source). This model can reduce costs to customers by providing developers with revenue certainty and minimizing associated risk premiums. As of 2023, 50% of global offshore wind has been procured through a Contract for Difference scheme (source). Jurisdictions with OSW contracted under CfD include:

- UK (source)
- Denmark (source)
- France (source)
- Germany (source)
- Netherlands (source)

Investments in Offshore Wind Support Infrastructure:
State government can help de-risk pre-contract activities by making early investments in supporting infrastructure, ex. transmission infrastructure, port development, research & development (e.g. surveys), land (ex. for offshore transmission cable landings and

substations), and supply chain investments (manufacturing facilities, vessels). Jurisdictions investing in Offshore Wind support infrastructure include:

- UK (source)
- EU (source)

Offshore Hybrid Assets:

NYSERDA can consider pursuing an Offshore Hybrid Asset (e.g. multi-terminal HVDC), an innovative concept that both (1) interconnects regions or zones and (2) allows offshore wind farms to connect to land through centralized transmission infrastructure. This type of asset can allow OSW to interconnect to multiple regions, e.g. ISO-NE and PJM in addition to NYISO, or multiple zones within the New York Control Area ("NYCA").

As many states in these regions have OSW targets, this approach can allow the regions to share responsibility for soliciting these projects and reduce the amount of infrastructure required while increasing transmission capacity between the regions. National Grid Ventures is developing this solution in the North Sea to interconnect the UK and its European neighbors through our proposed LionLink and Nautilus (multi-terminal HVDC) interconnectors (source).

Regional Coordination:

Coordination on RFP / OSW project timing could reduce costs to customers by reducing simultaneous pressure on the supply chain unnecessarily. In the European Union ("EU"), for example, offshore wind projects are coordinated by the European Network of Transmission System Operators for Electricity through the Offshore Network Development Plan, which translates the EU Member States' non-binding agreements on offshore goals from January 2023 into offshore transmission corridors, transmission equipment needs, and related costs (source).

UK OFTO Transmission Procurement Model:

New York should consider adopting a transmission procurement model inspired by, though not identical to, the UK's Offshore Transmission Owner ("OFTO") regime to ensure effective alignment between offshore wind generation and transmission infrastructure. The OFTO model offers a structured, competitive, and regulated approach to transmission asset ownership and operation, which can enhance cost transparency, reduce ratepayer burden, and attract long-term infrastructure investment.

Under this model, OSW developers submit both generation and transmission cost estimates during the solicitation process, enabling the state to evaluate total project costs and ensure transparency. Transmission assets are constructed by the OSW developer

under State oversight and cost caps, with independent audits validating prudently incurred costs. Upon commissioning, the OSW would have the option to separate the transmission component and turn over operation control to NYISO, thereby converting the transmission component into a network asset that would have a FERC regulated revenue requirement. A true-up mechanism ensures the OSW developer is reimbursed for validated transmission costs, while ratepayer protections are maintained through bid floors, performance bonds, and regulatory review. The transmission owner operates the assets under a long-term license, receiving a regulated, inflation-adjusted revenue stream.

This approach provides multiple benefits: it promotes competition, reduces financing costs, ensures cost recovery for developers, and protects ratepayers from excessive transmission charges. It also reduces the project-on-project risk of having separate developers design and build the transmission and generation assets. Finally, this approach also enables the state to maintain visibility and control over transmission costs, aligning infrastructure development with offshore wind goals.

We recommend that NYSERDA and DPS explore this model in future OSW solicitations, potentially through pilot procurements or stakeholder workshops. Such a framework would position New York as a leader in integrated offshore wind and transmission planning.

2. What features of those approaches could be implemented in New York, and how would they be implemented?

Contract for Difference:
Replacing the current index OREC structure with a true, two-sided contract for difference scheme would reduce costs to customers by avoiding risk premiums developers incorporate into the OREC strike price to mitigate differences in market-earned revenue due to basis (congestion) and production shape (intermittency) impacts.

Investments in offshore wind infrastructure:
New York could consider making pre-contracting investments to support developers in derisking their projects, such as investments in onshore transmission infrastructure, port development, research & development (e.g. surveys), land (e.g. for offshore transmission cable landings and substations), and supply chain investments (manufacturing facilities, vessels). More novel expansions could also include proactive procurement of real estate for cable landing or converter stations. NYSERDA and NYISO have received many proposals for interconnection points, cable landing points, and nearshore and onshore cable routes. Mapping these areas of common interest could lead NYSERDA to conclusions on where to

proactively invest in enabling infrastructure or the NY PSC in coordination with NYISO to solicit more resilient transmission projects (see response to question 5).

Regional Coordination:
Coordination on RFP / OSW project timing could reduce costs to customers by reducing simultaneous, unnecessary pressure on the supply chain that induces scarcity behavior (e.g. multiple bidders into NY and NJ OSW solicitations trying to make advanced capacity reservations for turbines / installation vessels in advance of RFPs with close timelines, which could lead to higher prices vs. RFPs that were spaced further out). Part of this coordination should be to define critical development milestones that ensure OSW projects across regions are spaced out over time, while allowing OSW developers to maintain as much flexibility as possible in their construction schedules.

Merit Based Selection Criteria:
Another way to reduce risk and proceed with solicitations despite their inherent uncertainty would be for NYSERDA to select projects based on non-cost factors – the benefits it would provide, deliverability, and the proposal's general merit. Then, NYSERDA and the developer(s) would proceed through a multi-stage process with pre-defined milestones to develop the project and agree on an OREC price once the project is sufficiently developed such that the price would be known. This would reduce the uncertainty premium developers price into their bids, thereby lowering costs to customers and increasing the likelihood of a successful RFP and resultant project.

4. What are the lessons learned through the most recent New York City Public Policy Transmission Planning Process that can be used to inform future planning work for offshore wind generation and transmission development?

Ultimately, the NYC PPTN tried to achieve too many objectives at once while shifting significant risks disproportionality onto offshore wind developers. Some lessons learned include:

Project-on-Project (Connected Action) risk:
By soliciting different segments of the envisioned project (transmission + offshore wind generation) envelope separately, but with each piece critically necessary for the overall objectives to be successful, NYC PPTN created undue risk for the developers of each

project. This risk was compounded with respect to permitting in that the various aspects of the project were then considered connected actions under NEPA, which created significant roadblocks to projects moving forward without full knowledge or coordination between one another. Reducing the degree to which different segments of the project envelope rely on each other would reduce the amount of project-on-project risk borne by developers.

Tax credits merit greater consideration:
Transmission developers could not capture ITC, meaning costs would be higher for ratepayers than if the OSW developer built the transmission as part of the OSW project. Current tax credits will likely expire by the time New York is ready to build offshore wind due to changes in the Inflation Reduction Act, but the lesson applies to whatever tax credits may be available in the future. A more flexible solicitation that is crafted in response to the prevailing ITC tax guidance and an ability to revise the solicitation or awardee(s) agreements to adapt as policy changes, so long as those revisions result in customer benefits, could help projects stay viable in shifting policy conditions.

Maintaining regulatory flexibility is critical:
Many prior solicitations were significantly delayed and/or ultimately cancelled due to limitations in the regulatory authority or scope and terms of the solicitation. Lack of flexibility to respond to shifting market or policy dynamics resulted in solicitations that, after considerable evaluation, were no longer possible to complete within the called-for scope. Additional flexibility in both the solicitation scope and evaluators' authority to modify criteria could allow for continued momentum toward broader CES goals even if market, political, or macroeconomic conditions change.

5. How best can the development of offshore wind generation be aligned with the development of the necessary transmission infrastructure?

Some potential scenarios can be considered here:

Offshore Hybrid Asset:
NYSERDA can consider pursuing an Offshore Hybrid Asset, an innovative concept that both (1) interconnects regions or zones and (2) allows offshore wind farms to connect to land through centralized transmission infrastructure. NYSERDA, in collaboration with other northeast states, could solicit interregional offshore ties to PJM or ISO-NE that route through OSW lease areas to allot for future connection. Similarly, NYSERDA could solicit

links internal to NYCA, e.g. a Zones J-K offshore interconnector. These investments can not only provide interregional or interzonal connection benefits outside of OSW but also create the option to interconnect OSW at a later date.

Find projects that can be broken out:

Transmission to support OSW can be broken into smaller scopes that would enable more dynamic decision making. There is low-hanging, no regrets onshore work that can be done to prepare the grid for OSW. This onshore work could be designed to provide near-term benefits to improve network reliability and reduce grid congestion regardless of OSW development but would also be sized to enable delivery of future OSW to avoid unnecessary upgrades later on. At a base level this includes the buildout of POIs and delivery upgrades.

6. What measures can be taken to reduce the risk of generation development misaligning with the development of transmission infrastructure?

Onshore:

Onshore there is opportunity to solicit low/no regrets expansion that provide near-term benefits, but also enable future OSW. For example, the State could procure or designate land to site POIs or onshore routes. This would remove site control issues and obviate a bidding war among developers to acquire property for landfall, POIs, or ROWs, thereby reducing customer costs. This would be especially important in and around New York City where property values are extremely high to begin with.

Offshore:

For offshore, our preferred option is to keep OSW generation and offshore transmission bundled under the same developer similar to an OFTO model. This will encourage tight coordination and minimize the risk of stranded assets for customers. See previous answers above for additional detail.