

**BEFORE THE
STATE OF NEW YORK
PUBLIC SERVICE COMMISSION**

In the Matter of Offshore Wind Energy

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Case 18-E-0071

**COMMENTS OF SHELL ENERGY NORTH AMERICA (US), L.P. AND
SHELL NEW ENERGIES IN RESPONSE TO SAPA NOTICE PSC-07-20-00007-P
SUPPORTING PETITION SEEKING AUTHORIZATION FOR
2020 OFFSHORE WIND GENERATION PROCUREMENT**

Citing a number of factors that demonstrate its request “...is both warranted and necessary for New York State to maintain its trajectory toward meeting its clean energy goals,” including New York’s enactment of the Climate Leadership and Community Protection Act last summer, the New York Energy Research and Development Authority (“NYSERDA”) filed a petition with the New York Public Service Commission (“Commission”) in the above-captioned proceeding on January 28, 2020 seeking authorization to hold a second Phase 1 solicitation to procure offshore wind (“OSW”) generation in 2020.¹ In its Petition, NYSEDA requests authority to procure at least an additional 1,000 MW and up to 2,500 MW to maximize the competitive outcome in this second round of Phase 1.² NYSEDA seeks to make limited revisions to the bid parameters applied to this solicitation.³ Asserting “...it is not timely to rely solely on a planned offshore wind

¹ See NYPSC Case 18-E-0071, *In the Matter of Offshore Wind Energy*, “Petition Regarding Offshore Wind Procurement – Authorization for 2020 Procurement” (dated January 28, 2020) (hereinafter, “Petition”) at 1-2, citing, *inter alia*, enactment of the Climate Leadership and Community Protection Act, S.B. 6599, 2019 Leg., 242nd Sess. (N.Y. 2019) (codified as Ch. 106, L. 2019) (hereinafter “CLCPA”). The Petition addressing the solicitation at issue, hereinafter referred to as the “Phase 1-Round 2 Solicitation,” was noticed for comment in the February 19, 2020 New York State Register with comments due April 20, 2020. (See New York State Register, I.D. No. PSC-07-20-00007-P, “Procurement of Environmental Attributes Associated with Offshore Wind Resources” (issued February 19, 2020).)

² See Petition at 4. As NYSEDA specifies in its Petition, it is seeking authorization to hold a second round in Phase 1 while work continues to develop the necessary information and associated program parameters to initiate Phase 2.

³ *Id.* at 10-11.

transmission solution in a 2020 solicitation,” NYSERDA also seeks authority to continue to utilize a direct radial interconnection approach for this second round of Phase 1.⁴ Through two joint ventures, affiliates of Shell Energy North America (US), L.P. and Shell New Energies (collectively, “Shell”) have secured leasehold rights for renewable energy development on 312,000 acres of the outercontinental shelf proximate to New York issued by the Bureau of Ocean Management (“BOEM”).⁵ Shell supports NYSERDA’s Petition and urges the Commission to permit NYSERDA to proceed with its Phase 1-Round 2 Solicitation.

As a BOEM leaseholder and an experienced renewable generation developer, Shell is committed to ensuring the success of New York’s OSW program, which will proceed most effectively through a robust market.⁶ Notwithstanding the fact that it had just been formed to develop OSW generation projects, Shell’s Atlantic Shores joint venture with its partner endeavored to respond to NYSERDA’s Phase 1-Round 1 solicitation.⁷ Building on its recent successful auction results in Massachusetts, Shell is now returning its focus to New York’s OSW efforts. Shell supports NYSERDA’s efforts to advance New York’s OSW industry and agrees with the

⁴ *Id.* at 9.

⁵ See, e.g., Lease OCS-A 0521 located at <https://www.boem.gov/renewable-energy/lease-and-grant-information> (last checked 4/14/20); see also Bloomberg News, “A \$ 1M Bet on Offshore New Jersey Wind is Finally Paying Off” (dated February 1, 2019). The leased area can accommodate approximately 1.5 GW of OSW generation facilities. Last year, Shell, together with a partner company, won the competitive OSW solicitation issued in Massachusetts, subsequently entered into a contract with Massachusetts utilities and will site, construct and operate its Mayflower project, roughly 800 MW of OSW generation that will utilize a portion of its BOEM leasehold interests. (See <https://www.wbur.org/earthwhile/2019/10/30/mayflower-wind-power-massachusetts> (last checked 4/20/2019).)

⁶ Through its affiliates, Shell is also investing in energy innovation to support new renewable technologies. Having first entered the land-based wind industry in the United States in 2001, Shell brings extensive experience in the wind industry. Shell currently has ownership interests in six land-based wind projects in North America, one OSW project in Europe and a stake in the Blauwwind Consortium which will build and operate two large OSW farms totaling 680 MW off the Dutch coast.

⁷ See New York State Energy Research and Development Authority, Offshore Wind-2018 Solicitation, available at <https://www.nyseda.ny.gov/All-Programs/Programs/Offshore-Wind/Offshore-Wind-Solicitations/Generators-and-Developers/2018-Solicitation> (identifying eight alternative proposals submitted by Atlantic Shores Offshore Wind LLC).

Administration that the State's comprehensive renewable energy development efforts will provide an important foundation to jump-start the economy. To that end, Shell, through its joint ventures, intends to actively participate in NYSERDA's Phase 1-Round 2 Solicitation.⁸

For the limited purpose of advancing this next solicitation, Shell concurs that Phase 1-Round 2 projects could address interconnection through radial transmission, provided sufficient transmission capacity is available, and its commissioning is aligned with the offshore wind project delivery timeline. However, for New York to position itself as the hub of the U.S. offshore wind industry and efficiently and cost effectively implement its OSW program over the longer term, the Commission also must remain focused on establishing well-planned, backbone transmission infrastructure, initially addressing the on-land considerations from landing sites to substations and then expanding it to address the at-sea infrastructure. To be effective, this effort must also define cost allocation for these upgrades.

To comply with mandates set forth in the CLCPA enacted last July, the State must develop 9,000 MW of OSW generation by 2035. When accomplished, New York's commitment to OSW generation will be on par with many European nations, which have thus far led the world's OSW industry. As established *infra*, lessons learned from Europe's build-out of OSW systems reveal the importance of transitioning to an ocean-grid, backbone transmission system to ensure the successful implementation of New York's OSW mandates. Taking these steps will increase market competition, recognize the inherent system limitations in this part of New York's system, and reduce the overall capital costs of the implementation of this aspect of the CLCPA.

⁸ <https://www.nyserdera.ny.gov/About/Newsroom/2020-Announcements/2020-04-03-NEW-YORK-STATE-ANNOUNCES-PASSAGE-OF-ACCELERATED-RENEWABLE-ENERGY-GROWTH-AND-COMMUNITY-BENEFIT-ACT-AS-PART-OF-2020-2021-ENACTED-STATE-BUDGET>

Importantly, the Commission now has the tools in hand to effectively forge this previously uncharted ground. Recognizing the need to proceed expeditiously with transmission system upgrades to support renewable energy development, including, specifically, OSW development, the State enacted the Accelerated Renewable Energy Growth and Community Benefit Act (“Renewable Siting Act”) as part of the 2021 budget earlier this month.⁹ As further established *infra*, the Renewable Siting Act mandates that a comprehensive bulk transmission study must be completed and a bulk transmission investment plan must be implemented, including a prioritized schedule for expeditiously completing transmission projects to meet CLCPA requirements. Corollary provisions were also implemented to correspondingly address the local and distribution system needs. The Renewable Siting Act’s mandates will thus provide the roadmap for New York State to effectively address the transmission upgrades needed to support the development of OSW generation in southeastern New York and ensure NYSERDA can proceed to Phase 2 for all future OSW solicitations.¹⁰

For the reasons set forth herein, Shell respectfully urges the Commission to direct DPS Staff and NYSERDA to utilize the transmission system information available to them to define the scope of an OSW transmission backbone system and associated on-shore upgrades, together with the actions necessary to complete their construction.¹¹ In addition, NYSERDA’s request to forego the hybrid Fixed OREC/Index OREC structure utilized in the Phase 1-Round 1 solicitation process should be granted. In that same vein and consistent with our comments submitted at an earlier stage of this proceeding, Shell further urges the Commission to recognize the more

⁹ See c. 58, L. 2020.

¹⁰ It is expected that OSW generation will be sited in federal waters in the Atlantic Ocean proximate to the coast of New York.

¹¹ Pursuant to the Renewable Siting Act, NYSERDA is a designated participant to complete the bulk transmission study.

advanced state of OSW generation at this juncture as evidenced by recent auction results and industry developments. To do so, the Commission should consider directing NYSERDA to move from the Index OREC structure utilized in the last solicitation to a Forward OREC structure or, alternatively, at a minimum, the Commission should direct NYSERDA to specify in the solicitation materials that proposers must submit bids using both an Index OREC and a Forward OREC. Bids that offer a Forward OREC provide value even if the premium is significant as it affords NYSERDA discovery of the price differences and the premium being placed on risk which can itself be a valuable metric for future solicitations. Lastly, for bids submitted under an Index OREC structure for the Phase 1-Round 2 Solicitation, the Commission should also grant NYSERDA's request to revise its methodology so that the energy and capacity reference values used more closely match the zone in which the generation facility is located.

I. Background

In its Petition, NYSERDA emphasizes the need to proceed with the next OSW solicitation in 2020 to ensure New York State remains on track to meet the renewable energy mandates set forth in the CLCPA.¹² To support its request, NYSERDA points to a number of developments that have taken place since the Commission last took action in this case, including: (i) the CLCPA's enactment which nearly quadrupled the State's OSW initiative to the new level of 9,000 MW of installed OSW generation; (ii) the success of its first OSW solicitation; (iii) evidence of continuing downward cost trends in the industry; (iv) significant developments in the industry itself; (v) extension of the federal investment tax credit to wind facilities that begin construction in 2020; and (vi) Governor Andrew Cuomo's directive in his 2020 State of the State address for NYSERDA to proceed with a second solicitation in 2020 to secure at least an additional 1,000 MW of OSW

¹² See Petition at 1-2.

generation.¹³ In light of these factors, NYSERDA seeks authorization to issue a second solicitation under Phase 1 and asks the Commission for flexibility to evaluate a range of bids and award contracts for up to 2,500 MW.¹⁴

NYSERDA acknowledges the OSW Order anticipated that Phase 2 would be “informed by the Phase 1 experience, as well as market developments” and “issues not addressed in Phase 1, including transmission options and additional environmental impact criteria, should be reserved for Phase 2.”¹⁵ Stating “[g]iven that consideration of those issues is still in the information collection and analysis stage of the process” and other factors cited by NYSERDA call for more immediate action, NYSERDA requests permission to hold a second solicitation under Phase 1 using much of the same Phase 1 criteria, including maintaining the radial connection approach to address interconnection of these projects to the New York system.¹⁶

To effectively assess NYSERDA’s request to hold the Phase 1-Round 2 Solicitation and the associated parameters that NYSERDA has proposed to use for this solicitation, a brief review of some of the events NYSERDA has highlighted in its Petition along with other study results must first be considered. In addition, the State’s most recent actions designed to further foster the

¹³ *Id.* (citations omitted).

¹⁴ *Id.* at 4 (noting that an additional 2,500 MW of OSW generation, taken together with the approximately 1,700 MW of OSW generation awarded contracts in its first OSW solicitation, would exceed the 2,400 MW level evaluated in the Commission’s prior supplemental generic environmental impact statement previously issued in this proceeding). To meet the State Environmental Quality Review Act requirements, a draft supplemental generic environmental impacts statement was issued for review and comment on February 6, 2020. On April 1, 2020, a one Commissioner resolution issued by NYPSC Chairman John Rhodes and an accompanying notice of completion of the final supplemental generic environmental impact statement were posted on April 1, 2020, augmenting the total amount of OSW generation reviewed and found permissible to be constructed. (See NYPSC Case 18-E-0071, *supra*, One Commissioner Resolution Accepting Final Supplemental Generic Environmental Impact Statement as Complete (issued and effective April 1, 2020); see also, NYPSC Case 18-E-0071, *supra*, Notice of Completion of Final Supplemental Generic Environmental Impact Statement (dated April 1, 2020).) Shell notes the NYPSC’s preliminary session agenda for Thursday’s Commission session lists the OSW Proceeding on both the regular and consent agendas.

¹⁵ *Id.* at 2.

¹⁶ *Id.*

construction of renewable energy projects and support economic development in New York must also be taken into account.

A. OSW Order

In its OSW Order, the Commission set a total OSW generation goal of 2.4 GW and established the first stage of OSW generation procurement would proceed in two phases.¹⁷ Turning to the transmission issues, the Commission acknowledged transmission costs would be a large cost component of these projects that range in the area of 30% of total costs and further noted that this issue “...may have a significant impact on offshore wind feasibility, scalability, timing/sequence, sizing and risk exposure.”¹⁸ The Commission then cited to a 2017 study completed by the New York Independent System Operator, Inc. (“NYISO”) and specifically noted, “The NYISO has concluded that 2.4 GW of offshore wind can be injected into Zones J and K (New York City and Long Island) without thermal overload.”¹⁹

Addressing the parameters to be used to account for the transmission component of OSW projects in the near term, the Commission established that several factors must be balanced, including “[t]iming and project certainty, costs, overall system efficiency and effects on competitive markets.”²⁰ Finding that “holding the generator responsible for transmission is the most easily-implementable and feasible option for jump-starting offshore wind development in

¹⁷ See NYPSC Case 18-E-0071, *supra*, Order Establishing Offshore Wind Standard and Framework for Phase 1 Procurement (issued and effective July 12, 2018) (hereinafter, “OSW Order”) at 22-24. Procurement of 800 MW of OSW generation was targeted for this first stage which was to be procured in two phases. Under this structure, NYSERDA was directed to procure 400 MW of OSW generation in Phase 1 to be held in 2018 with the ability to procure up to 800 MW if warranted by the bids received. The second 400 MW was to be procured under Phase 2 which was to include the potential for a transmission backbone system to be used for Phase 2 and beyond.

¹⁸ *Id.* at 54.

¹⁹ *Id.* at n.51, citing New York Independent System Operator, Inc. “Offshore Wind Injection Assessment” (dated December 1, 2017 and presented to the Electric System Planning Working Group) (hereinafter, “NYISO OSW Transmission Study”).

²⁰ *Id.* at 56.

New York,” the Commission directed NYSERDA to implement a radial transmission approach to simplify the initiation of this nascent program with the first solicitation to be held before year end.²¹ As originally envisioned in the OSW Order, Phase 2, informed by the Phase 1 experience, would follow.²² Noting the urgent need to begin consideration of backbone transmission to be utilized in Phase 2, the Commission directed DPS Staff and NYSERDA to convene a technical conference in the early fall, 2018.²³

B. Transmission Technical Conference and NYPA OSW Study

On September 25, 2018, the OSW technical conference was held to explore the transmission backbone issues. Simultaneously, NYPA, together with the Long Island Power Authority (“LIPA”), Consolidated Edison Company of New York, Inc. and the NYISO, announced they would undertake a study of European OSW programs, including an evaluation of the manner in which the leading European OSW programs had managed transmission issues.

Shortly following the enactment of the CLCPA and NYSERDA’s announcement of OSW awards in July 2019 pursuant to its first solicitation,²⁴ NYPA released the results of the 2019 OSW Study.²⁵ Looking to Europe where 18 GW of offshore wind capacity had been installed over the past 20 years with capacity anticipated to reach 70 GW by 2028, the 2019 OSW Study examined, among other things, transmission and interconnection strategies to effectively lower OSW costs over time. The 2019 OSW Study, while noting transmission issues are dependent on a variety of

²¹ *Id.*

²² *Id.* at 59.

²³ *Id.*

²⁴ See <https://www.nyserda.ny.gov/About/Newsroom/2019-Announcements/2019-07-18-Governor-Cuomo-Executes-the-nations-largest-osw-agreements>.

²⁵ See New York Power Authority, “Offshore Wind – A European Perspective” (dated August, 2019) (hereinafter, “2019 OSW Study”), available at <https://www.nypa.gov/-/media/nypa/documents/document-library/news/offshore-wind.pdf>.

factors, determined that coordinated OSW transmission models are critical. Specifically, with significant installed and planned OSW capacity, European nations have turned to different forms of centralized transmission which was planned to allow scalability of OSW.²⁶

Indeed, while initially relying on radial transmission, these programs were scaled up over time to meet more aggressive goals leading to the development of a centralized backbone structure to allow OSW expansion and to minimize costs.²⁷ In the instances of leading European nations with significant OSW investments and electricity generation targets, such development has been accompanied by planning, development, and compensation structures that provide for some level of transmission support.

C. NYSERDA Phase 1-Round 1 Report

Following the announcement of awards in July, 2019 reflecting the largest procurement of OSW generation in the nation, NYSERDA finalized contracts for its first two OSW projects, Empire Wind (816 MW, Equinor US Holdings, Inc.) and Sunrise Wind (880 MW Sunrise Wind LLC, a joint venture of Ørsted A/S and Eversource Energy), in October, 2019. NYSERDA's awards far exceeded the 400 MWs contemplated to be awarded in the first auction by the Commission's OSW Order and the 800 MW baseline established in NYSERDA's solicitation materials. Both projects utilize radial, developer-installed transmission.

Later that month, NYSERDA issued its Phase 1 Report, establishing that its decision to proceed with both contracts was supported by the significant positive attributes of these projects and the current market opportunity which included lower than expected bid prices as well as robust

²⁶ The report provides further details concerning geographic and other factors that have impacted transmission development choices in European nations.

²⁷ The one exception to date has been England where its geography is more conducive to the radial option. However, even in that case, the OSW Study notes England has begun to see strains on the available interconnection points for its OSW projects, and thus, continuing to use this approach may pose a challenge in determining how to optimize interconnection points to accommodate future projects in the near term. (See 2019 OSW Study at 17.)

economic benefits and unique economic drivers, including supply chain commitments that would further support the future growth of this industry in New York.²⁸ NYSERDA also emphasized the importance of larger project size to secure the most advantageous pricing terms due to economies of scale and the ability to utilize more distant BOEM lease areas.²⁹

Turning to transmission issues, NYSERDA reported these two projects were able to identify interconnection points that required relatively minor transmission improvements, and thus, radial interconnection was an effective near term choice.³⁰ However, NYSERDA further noted that full evaluation of ocean grid solutions and coordinated versus distributed systems remained important.³¹ Noting that the decision to utilize a transmission backbone structure versus radial transmission in future solicitations would be complicated by the timing of the release of additional BOEM leases, NYSERDA anticipated the Commission would need to balance a number of factors as it moves forward to ensure the State's OSW mandates are met, including grid efficiency and transmission planning.³²

²⁸ See New York State Energy Research and Development Authority, Final Report, Report Number 19-41 "Launching New York's Offshore Wind Industry: Phase 1 Report" (dated October 2019) (hereinafter, "NYSERDA Phase 1 Report") at S-4.

²⁹ *Id.* at 32-34 (noting smaller projects were significantly more expensive and larger projects will be more able to spread costs arising from distance and the technical limitations of cable capacities and points of interconnection in subsequent procurement rounds).

³⁰ *Id.* at S-4 (noting that bids received "...suggested there were additional options to support continued radial connections into the New York market if needed *in the near term* while alternative transmission approaches are considered.") (emphasis added); *see also id.* at 35 (citing NYISO OSW Transmission Study and noting radial interconnection could remain an option on an incremental basis).

³¹ *Id.* at 35.

³² *Id.* at 35-36.

D. Renewable Siting Act Provisions Directing Expedited Transmission Development To Permit New York State To Meet CLCPA Generation Requirements

Enacted in this year's budget earlier this month, the Renewable Siting Act directs the Commission, *inter alia*, to commence two new proceedings to review the results of comprehensive system studies which must be completed before year end, assessing needs on the local, distribution and bulk transmission systems to meet the CLCPA renewable generation requirements ("2020 System Study").³³ Under the law, the Commission must establish a bulk transmission incentive plan in the Bulk Transmission System Proceeding, including a prioritized schedule for implementation, and must identify the transmission projects that must be completed expeditiously to meet the CLCPA targets ("Priority Transmission Projects").³⁴ The Renewable Siting Act further vests NYPA with authority to take necessary action to develop Priority Transmission Projects identified by the Commission in the Bulk Transmission Proceeding to ensure their timely completion.³⁵ In addition, the Renewable Siting Act calls for the Commission to establish capital plans for each utility to address the local and distribution system upgrades identified by the Commission in the Distribution System Proceeding.³⁶

³³ See c. 58, L. 2020, § 7. Under the law, the Commission must establish one proceeding to address the bulk transmission system needs and a separate proceeding to address the local and distribution system needs that are identified in the 2020 System Study. These proceedings are referred to herein as the Bulk Transmission System Proceeding and the Distribution System Proceeding, respectively.

³⁴ *Id.*

³⁵ *Id.*

³⁶ *Id.* (acknowledging some subset of the new renewable energy projects will be located on Long Island, the Renewable Siting Act establishes DPS Staff will make recommendations to LIPA for system upgrades to assist New York State in meeting the CLCPA requirements).

II. Comments

A. The Commission Should Authorize NYSERDA To Conduct the Phase 1-Round 2 Solicitation and, in Parallel, Direct that the Prioritized Implementation of a Backbone Transmission System and Associated Land-Based Upgrades Be Assessed in the 2020 System Study for Phase 2 OSW Generation Procurement To Begin Upon Completion of the Phase 1-Round 2 Solicitation

In its Petition, NYSERDA seeks authorization to conduct the Phase 1-Round 2 Solicitation with flexibility to maximize competitive outcomes by procuring up to an additional 2,500 MW of OSW generation.³⁷ Shell agrees with NYSERDA's findings in its Phase 1 Report that flexibility to procure larger projects provides important economies of scale and further agrees that it is important for New York to proceed to secure projects utilizing the BOEM lease areas that currently have been made available. Likewise, the Administration's focus on the importance of sustaining the State's commitment to renewable energy development and its recognition of the renewable energy industry's potential to contribute to the economy are well-founded.

Shell, thus, supports NYSERDA's Petition and urges the Commission to issue an order authorizing NYSERDA to proceed with its Phase 1-Round 2 Solicitation as a critical step to ensure that New York remains on track to meet the CLCPA mandate for 9,000 MW of OSW generation to be in service by 2035. Furthering its longstanding and significant presence in the competitive wholesale markets throughout the Northeast, Shell and its affiliates have effectively demonstrated their commitment to the development of OSW generation on the Eastern seaboard. A Shell affiliate is proceeding with its partner to construct its Mayflower OSW project in Massachusetts and Shell, through its joint ventures, is dedicated to actively participating in the Phase 1-Round 2 Solicitation with bids that will utilize the remainder of its existing BOEM leasehold rights.

³⁷ See Petition at 4.

Equally important, throughout this year as NYSERDA conducts its Phase 1-Round 2 Solicitation, work must continue apace and in parallel to develop a viable backbone transmission structure and associated land-based upgrades to support future NYSERDA OSW solicitations. This work must include resolution of cost allocation issues. As the OSW Study documented, most European countries with substantial OSW generation have relied on some form of coordinated interconnection system to facilitate its development in those countries. If New York is to bring its OSW program to the scale mandated by the CLCPA while maintaining an efficient competitive market, it will need to plan for and invest in the backbone transmission structure necessary to support such robust development.

Likewise, while the conclusion concerning the thermal analysis results contained in the NYISO OSW Transmission Study has previously been cited by the Commission and NYSERDA, the NYISO's other findings in that study require immediate attention to effectively address OSW transmission considerations. Specifically, in its study, the NYISO emphasized its analysis did not review various critical factors that must be assessed in interconnection studies, including voltage and stability impacts or the operability and expandability of the transmission system.³⁸ Indeed, even its thermal analysis was expressly limited to the bulk system; the NYISO did not assess thermal impacts at the local and distribution system levels.³⁹ Moreover, thermal violations were avoided by reducing the power output of other existing generators in New York City and on Long Island.⁴⁰ And, importantly, all of these critical caveats pertained to a study that assessed the

³⁸ See NYISO OSW Transmission Study at 3 (noting only the potential for thermal overloads had been reviewed, the assessment did not identify the overall infrastructure necessary to support 2,400 MW of OSW generation and "[s]ystem and substation specific upgrades [would] be identified based on project proposals in the interconnection process."). It bears note that neither energy nor capacity deliverability was assessed, either of which could require significant – and potentially, cost prohibitive – system upgrades.

³⁹ *Id.*

⁴⁰ *Id.* at 7.

thermal impacts of just 2,400 MW of OSW generation, far less than the 9,000 MW of OSW generation mandated by the CLCPA. Indeed, the NYISO is currently completing a CLCPA-based 70x30 scenario analysis that is identifying transmission constraints in both New York City and Long Island that will result in curtailed OSW energy and stymie the development of OSW generation absent transmission upgrades.⁴¹

New York seeks to capitalize on the substantial focus on OSW development and position itself as the hub of OSW activities in the United States, an initiative that arguably has only become all the more vital in light of the recent economic consequences of the global pandemic. Given New York's geography and the access to large load centers in southeastern New York that will be afforded OSW generation projects, New York is uniquely situated to make major strides in this market. However, given the significant expansion of OSW generation required in southeastern New York, the congested nature and limited viable interconnection points that can accommodate large projects in these areas, and the use of direct radial transmission for the two projects awarded in the first solicitation, a backbone transmission structure and a review of the associated land-based upgrades that will be required going forward will be key to meeting the CLCPA goal of 9,000 MW installed capacity by 2035.

The Commission's OSW Order anticipated implementing a longer-term transmission solution. Indeed, while NYSERDA points to a number of valid reasons to conduct a second round of Phase 1 utilizing a direct radial transmission approach, it also acknowledges in its Petition that

⁴¹ See New York Independent System Operator, Inc., "2019 CARIS 70x30 Scenario: Preliminary Base Load Constraint Modeling, Nuclear Sensitivity and Additional Results" (dated April 6, 2020 and presented to Transmission Planning Advisory Subcommittee) at 20, 33 (projecting, *e.g.*, OSW energy curtailment levels in New York City just under 10%). This information will be incorporated into a study which is expected to be completed by early summer with NYISO Board of Directors action expected to be taken by July (hereinafter, "NYISO 2020 Assessment"). Study results have been reviewed in working group and subcommittee meetings throughout the spring; no significant changes to these results are expected pending study completion.

Phase 2 should develop and mature. Developing a transmission backbone structure for implementation in future NYSERDA solicitations will produce a more robust market, increase market competition, reduce capital costs, and efficiently and cost effectively allow for the necessary future system expansion to meet the CLCPA mandates.

Importantly, the Renewable Siting Act now arms the Commission with the tools to study, define and implement the capital plans necessary to develop an OSW backbone transmission system and associated land-based infrastructure for future OSW generation projects. The Commission should establish a directive in its order addressing this solicitation for the 2020 System Study to include assessment of a backbone transmission system as well as the land-based infrastructure upgrades needed to support the future development of OSW generation.

To ensure this objective is achieved most effectively, the Commission should direct DPS Staff to collaborate with the NYISO to utilize the information produced in the NYISO 2020 Assessment and develop a more detailed analysis of New York City and Long Island transmission constraints that take all system issues into consideration. Likewise, the Commission should direct NYSERDA to compile information from its Phase 1-Round 1 solicitation and as it proceeds with this Phase 1-Round 2 Solicitation to facilitate the development of the transmission backbone system and associated land-based upgrades to complete the OSW aspects of the 2020 System Study. As it addresses the bulk system aspects of the 2020 System Study, the Commission should establish, *inter alia*, cost allocation provisions to address these upgrades.

For New York's large, OSW generation program mandated by the CLCPA to proceed efficiently, cost effectively and within the required time frame, some form of centralized, backbone transmission and associated land-based upgrades will be necessary. By effectively utilizing the 2020 System Study, corresponding capital plan, and fast-track development process, New York

can pave the way forward to achieve these results and reap the wide-ranging economic benefits that will be engendered by the OSW industry.

B. The Commission Should Refine Certain Bid Parameters That Will Be Applied to the Phase 1-Round 2 Solicitation

In its Petition, NYSERDA seeks to make limited adjustments to the bid parameters that are used for its Phase 1-Round 2 Solicitation.⁴² Specifically, NYSERDA seeks authorization to eliminate applying a weighted Fixed OREC/Index OREC approach to score proposals in favor of simply permitting bidders to choose between the two options when submitting their proposals.⁴³ Along these same lines, NYSERDA also seeks authorization to modify the manner in which the Index OREC is calculated so that the energy and capacity reference prices that are used more closely align with the market clearing prices in each zone.⁴⁴

Shell supports NYSERDA's request to simplify its award process by considering fixed and adjustable bids as submitted. In its Petition, NYSERDA notes that the Index OREC bids were roughly 40% lower and the required coupling of bids unnecessarily complicated the evaluation process from a scoring perspective without any clear benefit.⁴⁵ There is no need to add undue complication to an evaluation process especially when doing so is only likely to delay the release of awards under this program and may adversely affect NYSERDA's ability to complete its work and effectively administer its other programs. New York State should benefit from the lessons learned in its past solicitations and hone its procurement processes to meet the State's renewable

⁴² Following submission of the Petition, the Federal Energy Regulatory Commission ("FERC") issued an order confirming that buyer side mitigation measures would continue to be applied to renewable resources in Mitigated Capacity Zones subject to an exemption cap, the terms of which subsequently were submitted to, and are pending before, FERC. Shell notes that these rules will apply to projects in Zone J, but not Zone K. While not directly addressed in NYSERDA's Petition, Shell requests that the Commission direct NYSERDA to specify in its solicitation materials the manner in which these mitigation rules will be taken into account when evaluating bids.

⁴³ See Petition at 10-11.

⁴⁴ *Id.* at 11.

⁴⁵ *Id.*

energy and system needs. Thus, the Commission should direct NYSERDA to eliminate the weighting step from its solicitation materials.

Turning to the Index OREC structure itself, Shell believes the combination of auction results and industry dynamics that have evolved since issuance of the OSW Order demonstrate that it may be possible for a Forward OREC structure to be used in some manner for the Phase 1-Round 2 Solicitation. When NYSERDA considered the various OREC bidding options in its first review of these issues, NYSERDA noted at that time that “its success in unlocking the cost benefits of a hedged procurement structure depends on funders’ confidence in the availability of two-year hedging products in the market for the duration of the asset life.”⁴⁶ Likewise, focusing on the “financial risk involved in developing offshore wind in its early stages,” the Commission determined in the OSW Order that some form of future revenue stream was appropriate and, specifically, implementation of the Index OREC was warranted.⁴⁷

The level of participation and the nature of the competitive bids submitted in the first round of Phase 1 and in the auctions held in the adjoining regions, the State’s commitments to the industry as reflected in the CLCPA mandates and the strong market demand for continued OSW generation development in multiple eastern seaboard states provide ample evidence of the rapid growth of the OSW generation market beyond its nascent stages. Moreover, in its Phase 1 Report, NYSERDA characterized the current market as more competitive than its projections when it authored its Offshore Wind Options Policy Paper and even since it went forward with its first solicitation, a further suggestion that the OSW generation market has moved into a more mature state.

⁴⁶ See New York Energy Research and Development Authority, “Offshore Wind Policy Options Paper” (dated January 29, 2018) at 7.

⁴⁷ See OSW Order at 38-40.

In establishing the incentive payment structure for OSW procurement in the OSW Order, the Commission highlighted that a number of factors must be balanced, including risk, the need for immediate and uninterrupted progress, the prompt development of OSW generation at least cost to consumers and the need to implement a procurement method that preserves incentives to respond to market conditions. In considering the various forms of adjustable bid options, the needs of consumers and developers should be carefully balanced and the form that most closely aligns with the markets should be chosen to ensure the most efficient outcomes as this industry matures. To that end, Shell respectfully urges the Commission to revisit the OREC bid format chosen for the first solicitation and, in the face of auction results to date and further industry development, consider directing NYSERDA to provide for a Forward OREC, or, alternatively, at a minimum, the Commission should direct NYSERDA to provide that proposers will submit both an Index OREC and a Forward OREC bid in its Phase 1-Round 2 Solicitation. As the State proceeds with its OSW efforts, discovery of price differences and the associated level of risk premium incorporated into bids will provide valuable information.

While Shell believes the above-cited factors demonstrate that sufficient advancements have been made to either move to a Forward OREC structure or request bids for both Index OREC and Forward OREC mechanisms to assess the associated risk premium embedded in each form, Shell also believes that the adjustable bid structure that is used must accurately reflect expected market results. In its Petition, NYSERDA asserts that its proposed modifications to the methodology encompassed in the Index OREC structure to establish the energy and capacity reference prices for each zone will “improve the cost effectiveness of the Index OREC structure while maintaining high levels of feasibility and market compatibility.”⁴⁸ Shell agrees that NYSERDA’s proposed

⁴⁸ See Petition at 11.

reference price methodology will more closely align with pricing in the New York City (Zone J) and Long Island (Zone K) areas. Thus, for bids using the Index OREC structure for this solicitation, Shell supports NYSERDA's proposed reference price methodology and agrees NYSERDA's request to implement it should be granted.

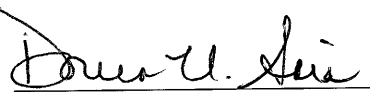
III. Conclusion

For the foregoing reasons, Shell respectfully urges the Commission to issue an order: (i) authorizing NYSERDA to proceed with the Phase 1-Round 2 Solicitation to support New York's OSW efforts and to continue to promote economic development in New York; (ii) setting forth a directive for the 2020 System Study to include assessment of a backbone transmission system and associated land-based infrastructure upgrades and the actions necessary to complete their construction to facilitate the development of OSW generation in future NYSERDA solicitations; and (iii) granting NYSERDA's requests to make limited modifications to the bidding parameters used for Phase 1-Round 2 Solicitation specifying that bids under a Forward OREC bidding mechanism will be provided in some way.

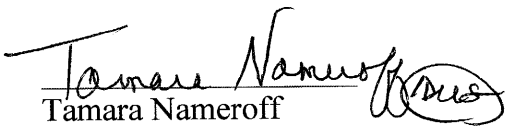
Dated: April 20, 2020
Albany, New York

Respectfully submitted,

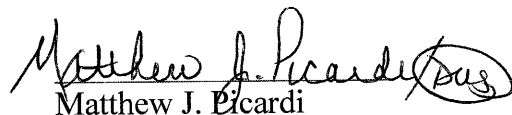
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