STATE OF NEW JERSEY

BOARD OF PUBLIC UTILITIES

I/M/O OFFSHORE WIND RENEWABLE ENERGY CERTIFICATE

(OREC) FUNDING MECHANISM

Docket No. QX18040466

COMMENTS OF ATLANTIC GRID OPERATIONS A LLC

Atlantic Grid Operations A LLC ("Atlantic") respectfully offers the follow Comments in response to the Staff Straw Proposal for an OREC Funding Mechanism.

Atlantic is an independent transmission development company that develops well-planned, highly efficient, lower cost, open-access offshore wind transmission facilities that link offshore wind generating facilities to regional power grids. Atlantic's investors are Google, Bregal Energy, Marubeni and Elia. Google is the world's largest buyer of renewable energy. Marubeni owns UK offshore wind farms and installation vessels, and Elia owns and operates the high-voltage power grid in Belgium and Germany and is building offshore transmission to serve Belgian offshore wind farms.

Atlantic is developing the New Jersey Energy Link ("NJEL"), an offshore wind transmission network that would combine a coordinated offshore wind transmission system with the land-based grid upgrades that will be needed to accommodate the 1100MW-3500MW of offshore wind generation that the State seeks to develop. NJEL is a planned transmission system of the kind that has proven successful in California, Texas and Europe. The planned approach is superior in several critical respects to the uncoordinated "free for all" approach being advocated for New Jersey by certain developers that want to build both the generation and transmission facilities, and to include both within the definition of a "qualified offshore wind facility" under OWEDA.

A Planned, Open-Access Grid Improves Competition and Lowers Costs

The NJEL approach is superior to the uncoordinated "free for all" approach, as it emphasizes comprehensive planning, coordination and collaboration between stakeholders. By making non-discriminatory, open-access transmission available to all OSW developers, NJEL would also reduce project costs by providing a level competitive playing field that would facilitate robust competition between OSW developers and prevent transmission from being used by

developers as a barrier to entry, as would occur under the Balkanized, uncoordinated "free for all" approach.

Importantly, the BPU would retain full control under Atlantic's proposed process. The open-access transmission approach would be initiated by the BPU, use expert transmission planning assistance provided by PJM, the region's independent transmission system operator, and be designed to achieve the goals of the State's offshore wind energy program. Transmission developed using the open-access approach would be funded through a FERC tariff incorporating only those terms acceptable to the BPU, rather than including transmission costs in OWEDA subsidies. By way of contrast, the uncoordinated "free for all" approach would result in ratepayer funding of closed-access transmission that is controlled by wind developers to the exclusion of other users. Under the uncoordinated "free for all" approach OSW developers could use their control over a few grid interconnection facilities to inhibit competition by making it more expensive for competing wind developers to access the grid. Grid barriers could potentially pave the way to the creation of a monopolistic OSW industry in New Jersey that would increase costs to ratepayers and cause other outcomes that are inconsistent with the Murphy Administration's stated objectives for OSW generally.

The fragmented, closed-system approach to transmission stands in stark contrast to the type of open system architecture envisioned by the Board's February 28, 2018 Order, which directed the development of an Offshore Wind Strategic Plan consistent with the Governor's Executive Order Number 8. In the Executive Order, Governor Murphy indicated that the Strategic Plan should focus on, among other things, achieving scale to reduce costs, appropriate siting of facilities, and protection of the State's natural resources. The Executive Order also directed the President of the BPU to initiate discussions with other states to explore the benefits of regional collaboration on offshore wind.

For its part, the February 28 Order directed Staff to develop the Offshore Wind Strategic Plan as a collaborative effort designed to "ensure competition, competitive pricing, net economic benefits and the best value for New Jersey ratepayers". This approach is also consistent with the recommendation set forth in the "Report of the Environment and Energy Transition Advisory Committee" to develop a strategic OSW plan that insures "comprehensive planning and interaction with stakeholders", in part to achieve "scale to reduce costs" and minimize impact on the State's wildlife and habitat. (Transition Report at p. 3).

As they relate to offshore transmission, the goals of scale, competition, reduced costs and net benefits for rates are inconsistent with the piecemeal approach urged by certain developers. NJEL-type planned, efficient systems manage risks, avoid delays and would address, in a holistic manner, the policy concerns that have been articulated to date, including the need to reduce costs and environmental impacts, and to minimize transmission upgrade costs, inefficiencies and delays while improving grid resiliency and avoiding the creation of monopolies. As prior well-planned systems in Europe, California, Texas and elsewhere have demonstrated, shared open-access transmission systems deliver superior results vis-a-vis Balkanized transmission facilities that can overlap or cause wasteful duplication, create barriers to entry to new developers and impose unnecessary environmental impacts.

The BPU's Proposed Rules Should Not Limit the Board's Transmission Options

At this stage of the proceeding, it is not necessary for the BPU to decide which path it will take—a carefully planned, high capacity offshore transmission network versus an unplanned, uncoordinated and inefficient Balkanized approach. However, Atlantic is concerned that certain elements contained in the Straw Proposal, if adopted, could have the effect of limiting the BPU's future options for transmission development. For present purposes, it is important that the BPU preserve its future ability to pursue either option after the stakeholder proceedings have concluded.

Atlantic focuses primarily on the language contained in Topic 10, which addresses the pricing of OSW wind projects, because it could limit the BPU's future options in determining how best to implement offshore transmission. OWEDA is ambiguous about how the transmission that serves a "qualified offshore wind project" is provided and compensated.

> "Qualified offshore wind project" means a wind turbine electricity generation facility in the Atlantic Ocean and connected to the electric transmission system in this State, and includes the associated transmission-related interconnection facilities and equipment, and approved by the board pursuant to section 3 of 2 P.L. , c. (C.) (pending before the Legislature as this bill).

The definition referenced above is open to interpretation by the BPU in the context of approval of a project taking due account of the interest of ratepayers in an efficient, resilient and cost-effective grid. The definition should be interpreted in a manner that preserves the BPU's separate power, independent of OWEDA, to pursue transmission that supports the State's renewable energy and other public policy goals. That power is given to the State in the FERC-approved PJM Operating Agreement which incorporates the State Agreement Approach transmission planning process.[1] The BPU has the discretion, based on a variety of factors, to determine whether a planned offshore transmission system that is well integrated with the grid should be approved and provided independently on a non-discriminatory, open-access basis for OSW projects to interconnect **or** whether uncoordinated, developer-owned transmission facilities should be approved. Either way would allow an offshore wind project to "qualify" for an OREC subsidy because the definition includes the "associated transmission-related interconnection facilities and equipment". The definition can be read to allow a "qualified" project to interconnect to a planned and coordinated, separately-owned transmission system, in which case the BPU would presumably authorize OREC payments that compensate the OSW generator for generation only. Or, in the case where the BPU approves a project that uses uncoordinated, OSW developer-provided transmission facilities, the definition would allow the BPU to authorize OREC payments that compensate the OSW developer for both transmission and generation costs. The breadth of the interpretation is an important point that will require clarification during this proceeding. We believe that the BPU should adopt a broad interpretation that preserves the most flexibility for the BPU to achieve the result that best serves ratepayers.

[1] PJM Operating Agreement, Schedule 6, Section 1.5.9, available at https://www.pjm.com/directory/merged-tariffs/oa.pdf

The language set forth in Topic 10 of the Straw Proposal, however, would close off the BPU's options. The reference to the inclusion of costs associated with "interconnection and upgrades to the grid" within the "all-in price" of an OSW project, could be interpreted to mandate the inclusion of a transmission component as part of a qualified OSW facility. The language set forth in OWEDA does not require such an interpretation, and for good reason. If this approach were to be adopted in a final rule, it would foreclose New Jersey from later seeking to develop the comprehensive planning approach that is advocated by Atlantic and others in this proceeding and contemplated by the authorities that guide this process.

The BPU should not tie its hands in this fashion, particularly in this early phase of the OSW Strategic Planning Process. Rather, the BPU should preserve the full scope of its authority and keep all its options open to enable the State to ultimately arrive at a decision that is fully informed by the input of all stakeholders in the OSW Strategic Planning Process and that fully considers the goals set forth in OWEDA, the Governor's Executive Order and the BPU Order.

Atlantic looks forward to participating in the OSW Strategic Planning Process. If you have questions about our comments here, please contact Markian Melnyk.

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