July 26, 2018

Ms. Aida Camacho
Secretary
New Jersey Board of Public Utilities
44 South Clinton Avenue
3rd Floor, Suite 314, P.O. Box 350
Trenton, NJ 08625

RE: Docket No. QX18040466 – In the Matter of Offshore Wind Solicitation of 1,100 Megawatts

Dear Ms. Camacho,

Equinor Wind US LLC[1] is pleased to have the opportunity to respond to the Notice regarding Offshore Wind Solicitation of 1,100 Megawatts as put forward by the New Jersey Board of Public Utilities ("BPU") on June 29, 2018 (the "Notice").

As noted in our comments submitted in this same docket back in May, we are very pleased to see the direction that New Jersey is taking with respect to the support offered to offshore wind development in the State. Equinor believes that New Jersey has an opportunity to establish itself as a hub for offshore wind development on the Eastern Seaboard through implementation of a well-designed framework for the solicitation and procurement of offshore wind renewable energy certificates ("OREC"). In the coming months, developers, including Equinor, will be making key decisions about where to base operations for logistics, fabrication, and ongoing management of projects for the Mid-Atlantic. Equinor believes that establishing an OREC procurement framework that is transparent and provides certainty to developers, including a predictable procurement schedule, would represent a critical step towards achieving New Jersey's goals respecting offshore wind development. In that regard, Equinor notes that the OREC Straw Proposal that has been presented is an excellent starting point for developing a robust and economically optimal solution for all parties, and we continue to be very supportive of this approach. Our experience in other jurisdictions leads us to believe that this type of framework for the procurement of offshore wind can produce a solution that is low risk for the developer, the State, and consumers, and in turn may help drive down costs for the ratepayer.

Regarding Questions 1 through 5 of the Notice, Equinor has the following general comments:

Equinor encourages the BPU to provide developers with flexibility when designing the bidding requirements for the solicitation of ORECs. In particular, Equinor believes that developers should have the opportunity to submit bids for projects of differing capacities and that affording parties with such flexibility will help to stimulate competition among the projects. More specifically, allowing developers to submit multiple bids of different sizes, ranging from 400 MW and above, will give New Jersey the opportunity to fully evaluate the cost benefits of different options (*e.g.* whether a larger bid results in a lower price per MW of power). Equinor also strongly supports the inclusion of the viability of projects as a significant evaluation factor. Equinor believes that the

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inclusion of such a factor will help ensure that projects that are selected have the potential to reach commercial operation on a timeline that corresponds with New Jersey's renewable energy goals.

Question 6

Equinor strongly supports the use of an "all-in" price reflecting the full cost of a selected project. Equinor cautions, however, that any crediting mechanism should be limited to the quantity of the OREC obligation and to the duration of the OREC contract. Requiring the crediting of revenues associated with the delivery of energy and capacity in excess of a project's OREC obligation or the term of the contract would substantially alter the incentives of the generator to operate efficiently and economically. Although New Jersey ratepayers would not receive a credit for generation in excess of a project's OREC obligation or outside the term of the contract, it is important to recognize that New Jersey ratepayers would continue to see benefits from the delivery of low-cost, renewable energy from the project.

Questions 7 and 8

Equinor believes that taking into account the relative economic benefits of projects when evaluating bids to supply ORECs will help maximize the economic benefits associated with New Jersey's investment in the development of offshore wind. Equinor also emphasizes that any criteria adopted should be transparent, measurable and well-defined. It is critical that any criteria be developed and made publicly available well in advance of the solicitation process in order to provide certainty to developers regarding the manner in which the merits of their project will be assessed and allow them to tailor their bids to maximize the benefits to New Jersey. Such criteria could include the impact of the project on short-term and long-term employment opportunities in New Jersey, in-state purchases and consumption of goods, and state and local tax revenues.

Equinor does not believe that the BPU needs to consider additional elements for this first solicitation. Given the relatively nascent state of the offshore wind industry in the US, Equinor emphasizes the need to maintain flexibility during the bid evaluation process so that developers may tailor their development plans according to the specific needs of the project.

Question 9

Equinor fully supports New Jersey's position that any solution is to be based upon a fully 'Bundled' price, including the costs related to the development of the necessary transmission and grid interconnection ("T&I") facilities. We strongly believe that in order to manage the timelines and risks of construction of such a project, offshore wind developers themselves need to be in control of the construction of tie-in lines. Through extensive experience developing large, complex, offshore projects, offshore wind developers have gained the competence required for the construction of such infrastructure in a timely, efficient, cost-effective and safe manner. Fossil-fuel power plants, onshore wind projects, and solar power projects all connect into the electric grid using tie-in lines. These lines bring the power generated at the power plant/project to market, and are a crucial element of any generation project. Equinor stresses that tie-in lines are not a separate element from the generation project itself.

In addition, it is important to recognize that the development of offshore T&I facilities poses unique risks and challenges that are distinct from those associated with the construction of traditional onshore T&I facilities. Equinor

and other offshore wind developers have extensive experience designing and constructing the facilities necessary to interconnect their facilities, which allows them to do so efficiently and on a least-cost basis. Requiring these developers to coordinate the interconnection of their facilities with a third party—particularly a transmission developer that may have little experience with offshore T&I facilities—will only serve to unnecessarily increase the complexity of project development without any associated increase in efficiency or cost savings.

In reality, bifurcating the ownership of offshore wind projects and the T&I facilities used to interconnect these projects is likely to be highly inefficient, increase uncertainty, and drive up project costs, which in turn will make it difficult for New Jersey to meet the targets for offshore wind generation in the timeframe set by the State. As a practical matter, adopting an independently-owned model would increase costs by requiring the developer of an offshore wind generation facility to coordinate with the owner of the T&I facilities on a range of complex matters, including project timing, design, engineering, procurement, and construction. Rather than allowing the offshore wind developer to construct facilities that meet its needs and on a timeline that allows it to timely achieve commercial operation, an independently-owned model would force a project developer to rely on a third party to construct and operate the facilities necessary to market the output and environmental attributes of the project. Because the developer of an offshore wind generation facility is likely to have little recourse in the event that the developer of the T&I facilities fails to meet applicable deadlines or operate its facilities reliably, the decision of the Commission to adopt an independently-owned model would significantly increase uncertainty and create a powerful incentive for developers to sell the output and environmental attributes of their projects in adjacent states and markets. As such, Equinor continues to strongly advocate for the developer-owned model for T&I facilities.

In closing, Equinor would like to thank the State of New Jersey for the work that has been undertaken to date. We see the Straw Proposal and subsequent Notice as an excellent starting point for further development and look forward to continuing to work with the BPU over the coming months in order to fully resolve the support structure.

Sincerely,

Equinor Wind US LLC