

## NJ Order Gives Offshore Wind a Firmer Footing

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New Jersey continues to up the ante in states' commitments to developing offshore wind. When he ran for office, New Jersey Gov. Phil Murphy promised to promote the deployment of 3,500 megawatts of wind energy projects off the coast of New Jersey by 2030. That was more than New York Gov. Andrew Cuomo's goal of building 2,400 MW of offshore wind by 2030. And it was more than the mandate under Massachusetts' Green Communities Act, which required the state's electric distribution companies to solicit proposals from developers for 1,600 MW of offshore wind by 2027.



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Murphy's 3,500-MW goal took root in the Offshore Wind Economic Development Act of 2010, which supports offshore wind projects through offshore wind renewable energy certificates, or ORECs. OWEDA directed the [New Jersey Board of Public Utilities](#), or BPU, to develop an OREC program to require that a certain percentage of electricity — at least 1,100 MW of generation — sold in New Jersey be from offshore wind energy projects.



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On Jan. 31, 2018, Murphy signed an [executive order](#) directing the BPU to “take all necessary actions to implement OWEDA.” Among the actions specified in the executive order was the issuance of “a solicitation calling for proposed offshore wind projects for the generation of 1,100 megawatts of electric power.”



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On May 23, 2018, Murphy signed legislation that codified the goal of having 3,500 MW of offshore wind by 2030, requiring the BPU to establish an OREC program to support that level of generation.

On Sept. 17, 2018, the BPU took a big step toward implementing that goal by [issuing an order](#) seeking to secure ORECs from up to 1,100 MW of offshore wind projects. That is the largest offshore wind energy solicitation issued by any state to date. (Massachusetts, Rhode Island, Connecticut, New York and Maryland each have undertaken solicitations for offshore wind in the past 18 months.) On Oct. 10, 2018, BPU held a technical conference on its application process, and characterized this as the “first in a series” of similar solicitations to achieve the 3,500 MW goal.

The BPU's application window opened on Sept. 20, 2018, and will close on Dec. 28, 2018. The BPU is requiring all interested bidders to meet with the BPU at least 30 days before submitting an application (i.e., by the end of November). After an application is submitted, the BPU will have 30 days to make a determination of substantial completeness. BPU rules require it to act on applications within 180 days of the window's closing (i.e., by July 1, 2019). During its Oct. 10 technical conference, however, the BPU indicated that it intends to make a determination ahead of schedule, completing recommendations by the beginning of May 2019, and issuing a final decision by the end of June 2019.

The BPU issued a guidance document to provide clarification on the application process. During the Oct. 10 conference, the BPU also reviewed key details of the solicitation — including application requirements and evaluation standards — and answered bidder questions.

One key point for developers is that the contract New Jersey will award to the winning bidder will be a “pay for performance” contract — the developer will only receive payment for ORECs generated and delivered. The developer will therefore bear the risk of the project underperforming relative to expectations, or that actual project costs end up being higher than estimated.

Each applicant is entitled to submit three different project configurations as part of its response, varying factors such as turbine size, interconnection point or other project design elements. Additional options may also be presented at an additional cost per option.

The BPU will evaluate submission on the basis of six evaluation criteria:

- OREC purchase price;
- Economic impact to the region;
- Rate-payer impact;
- Environmental impacts and proposed mitigation;
- The strength of guarantees for economic impact (i.e., whether economic estimates are backed by contracts or other types of guarantees); and
- The likelihood of a successful commercial operation.

Two offshore wind developers, Ocean Wind (an initiative of Ørsted, formerly DONG Energy) and US Wind, currently hold federal commercial wind leases off the coast of New Jersey, issued by the U.S. Bureau of Offshore Energy Management, or [BOEM](#). In their lease areas, Ocean Wind and US Wind have potential offshore wind capacities of 1,660 MW and 1,780 MW, respectively, making them prime candidates to bid on the New Jersey solicitation.

Ocean Wind achieved a significant milestone in the regulatory process on May 17, 2018, when BOEM approved its “Site Assessment Plan.” That triggers a 4½-year timeline in which Ocean Wind must submit a construction and operations plan to BOEM. Once BOEM approves the plan, Ocean Wind would have up to 25 years to construct and operate its project.

Ocean Wind’s sponsor, Ørsted, meanwhile, announced on Oct. 8 that it has acquired [Deepwater Wind](#), the Rhode Island-based developer that built the Block Island Wind Farm and is involved in a number of other U.S. offshore wind

development opportunities. The acquisition by Ørsted gives the Danish company a stronger foothold in the emerging U.S. market as it prepares to bid on the New Jersey solicitation.

## **Conclusion**

The BPU's Sept. 17, 2018, order is a signal of progress. The BPU had previously rejected a 24-MW project called Fishermen's Energy in state waters off the coast of Atlantic City, primarily due to concerns about the project's high costs. In the meantime, other states have proceeded with offshore wind solicitations, offshore wind technology has continued to improve and a supply chain has continued to develop.

So, as the BPU's action suggests, future projects in New Jersey are likely to be viewed as a lot more economical and realistic — and a lot less risky — than they were in the past.

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