



COMMONWEALTH OF MASSACHUSETTS
EXECUTIVE OFFICE OF
ENERGY AND ENVIRONMENTAL AFFAIRS
DEPARTMENT OF ENERGY RESOURCES
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March 28, 2019

Mark D. Marini
Secretary Department of Public Utilities
One South Station, 5th Floor
Boston, MA 02110

Re: D.P.U. 19-xx, Long-Term Contracts for Offshore Wind Energy Generation Pursuant to Section 83C of Chapter 188 of the Acts of 2016.

Dear Secretary Marini:

On March 27, 2019, pursuant to Section 83C of the Green Communities Act (Chapter 169 of the Acts of 2008), as added by Section 12 Chapter 188 of the Acts of 2016 (hereinafter “Section 83C”), Fitchburg Gas and Electric Light Company d/b/a Unitil, Massachusetts Electric Company and Nantucket Electric Company d/b/a National Grid, NSTAR Electric Company d/b/a Eversource Energy (collectively, the “Distribution Companies”) proposed a timetable and method for the second solicitation of long-term contracts for Offshore Wind Energy Generation (as defined in the RFP) to the Department of Public Utilities (“Department”) for its review and approval. The Massachusetts Department of Energy Resources (“DOER”) writes separately to confirm that the Distribution Companies’ filing is a joint filing with the DOER. The Distribution Companies and DOER jointly developed the RFP, in consultation with the Office of the Attorney General (“AGO”) and with the full participation of the Independent Evaluator (“IE”). As such, the DOER requests that the Department approve the timetable and method for solicitation of long-term contracts for Offshore Wind Energy Generation, as set forth in the Distribution Companies’ filing dated as of March 27th.

The proposed timetable and method of solicitation is a request for proposal (“RFP”) based process that is structured, in part, upon the RFPs previously reviewed and approved by the Department, most recently for 83C in D.P.U. Docket No. 17-103. As part of the RFP drafting process, the DOER issued a series of stakeholder questions for written input regarding the timing of the solicitation process. A group of interested stakeholders, including prospective bidders,¹

¹ See <https://macleanenergy.com/83c-ii/>

provided such input in January 2019, and responses were considered during the RFP drafting. The schedule proposed in the RFP reflects an appropriate balance between allowing sufficient time for new leaseholders to prepare a bid, maximizing the competitiveness of the solicitation, while also providing an accelerated solicitation schedule to allow potential bidders to qualify for the 2019 Business Energy Investment Tax Credit, resulting in benefits to the Commonwealth's ratepayers. Responses to this RFP must include a nominal levelized per megawatt hour price that is less than the levelized per megawatt hour price resulting from the previous 83C solicitation, as required by Section 83C(b).²

The proposed RFP contains further changes that are necessary to conform with the solicitation of Offshore Wind Energy Generation, other parameters required by Section 83C, to address input from stakeholders, and increase flexibility in light of the limitations on pricing described above. Specific changes include:

- Changes were made to the bid and pricing requirements³ including the removal of an Expandable Transmission Network (“ETN”) bid requirement and the addition of the Open Access Generator Lead Line bid requirement. This change reduces the need for transmission planning in this solicitation process while preserving interconnection options for future offshore wind development.
- The RFP removes the requirement that if the Offshore Wind Energy Generation attributes are no longer eligible for the Renewable Portfolio Standard due to a change in law that the long term contract pricing would be the energy-only rate. By enabling bidders to have revenue certainty for their environmental attributes, it removes risk and provides flexibility for renewable energy certificate (“REC”) only and REC plus energy proposals, while preserving emission benefits for ratepayers. This change lowers developers' risks, and in turn, is intended to lower the costs of financing, the ultimate price of bids and, thus, the overall costs of a long-term contract to ratepayers.
- Based on feedback from stakeholders and community leaders, additional details were included in the RFP regarding the economic development evaluation criteria for proposals. This language re-emphasizes the information to be included within a proposal regarding offshore wind industry development, local supply chain, and offshore wind industry job creation, where feasible.
- Changes were made to provide more details on how energy storage will be evaluated. Proposals with energy storage have the potential to provide increased benefits and reduce the costs of integrating Offshore Wind Energy Generation, as noted in the additional RFP language.
- In recognition of the potential for proposals from affiliated bidders and based on feedback from the IE, in order to better insure a fair and transparent process, the Distribution Companies worked with the IE to revise their respective Standards of Conduct.⁴

² Proposals responding to this RFP must be priced below \$64.97/MWh in 2017 real dollars, which equates to the levelized nominal price of \$84.23/MWh of the Vineyard Wind contracts executed by the Distribution Companies in the 2017 83C solicitation, which are currently before the Department for review.

³ See Sections 2.2.1.3 and 2.2.1.4 of the RFP.

⁴ As indicated in the RFP, Unitil does not have an affiliate that will be bidding and, therefore, has not executed a Standard of Conduct at this time.

The Department's approval of the RFP will establish a timetable and method of solicitation which further promotes a transparent, consistent, and objective solicitation process, which in turn, will greatly facilitate the Department's review of the subsequent contracts with the selected bidder so that those contracts may be approved in an efficient and timely manner in furtherance of the objectives of Section 83C. In particular, the DOER notes that the DOER and the AGO have jointly-selected, and the DOER is under contract with, an IE as required by Section 83C. Per Section 83C, the inclusion of an IE in the solicitation and bid selection process under this RFP is designed to provide enhanced fairness and transparency.

The RFP was jointly developed by the Distribution Companies and the DOER taking into account lessons learned from the previous 83C solicitation. Further, the Distribution Companies and the DOER consulted with the AGO with the full participation of the IE. This solicitation will be coordinated by an evaluation team comprised of representatives from each of the Distribution Companies and the DOER and overseen by the IE. Finally, the IE will be making subsequent filings to the Department analyzing the timetable and method of solicitation and also the solicitation process implemented by the Distribution Companies and the DOER.

DOER respectfully requests that the Department approve the RFP. Upon the Department approval of the method and timetable for solicitation of Offshore Wind Energy Generation, as encompassed within the RFP, the DOER expects the Distribution Companies to issue the RFP to interested parties. This filing is an important step towards the procurement of cost-effective long-term contracts for Offshore Wind Energy Generation that will enable the Commonwealth of Massachusetts to satisfy the policy directives encompassed in Section 83C and to assist the Commonwealth with meeting its Global Warming Solutions Act goals.

Respectfully submitted by,

THE MASSACHUSETTS DEPARTMENT
OF ENERGY RESOURCES

By its attorneys,

s/Ben Dobbs

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