

## INSIGHTS

## East Coast Turns Focus to Offshore Wind Transmission

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Many east coast states procuring offshore wind are now pivoting towards tackling the difficulties of interconnecting this significant resource. While some states, like New Jersey and New York, are working independently to address how to interconnect offshore wind projects efficiently, the New England states have banded together to examine these issues collectively. Reviewed below are three initiatives by eastern states to explore and develop the interconnection-related policies and infrastructure necessary to efficiently meet their offshore wind goals.

### **New England States' Transmission Initiative**

Recently, a group of New England state agencies, called [New England Energy Vision](#) ("NEEV"), announced the [New England States Transmission Initiative](#) ("Initiative"). The Initiative is focused on exploring investment in transmission infrastructure to integrate clean energy resources with a specific focus on integrating offshore wind generation.

As a first step, NEEV released a [request for information](#) ("RFI") seeking feedback (by October 14, 2022) from electric transmission developers, offshore wind developers, and other interested stakeholders on how best to integrate offshore wind generation in a cost-effective, reliable, and efficient manner. The RFI also includes a Modular Offshore Wind Generation Plan ("Plan") exhibit, which is intended to serve as a draft conceptual framework for integrating offshore wind into the New England grid. The Plan envisions an approach that is "scalable, cost-effective, and sufficiently flexible to accommodate up to 8,400 MW from current and future New England leaseholds," broken into 1,200 MW increments for implementation through 2040. The Plan provides that transmission solutions should be designed to integrate future transmission lines through shared landing points. The Plan explicitly highlights Bridgeport, Connecticut and Boston, Massachusetts as potential interconnection points based on initial assessments but cautions that other landfall locations also might be suitable based on transfer capability and siting considerations.

The RFI seeks feedback on development strategies and the Plan, including comments on leveraging federal funding, implications of different engineering solutions and ownership structures, offshore wind's impacts on grid reliability, limiting ratepayer impacts, identifying points of interconnection for offshore wind, and identifying offshore cable routing options.

NEEV intends to take information from the RFI to inform each state's renewable energy planning and future procurement efforts; as such, responses may inform future Requests for Proposals. For its part, by Oct. 15, 2022, Rhode Island is expected to release a final solicitation for 600 – 1,000 MW of offshore wind generation. The draft solicitation released on September 6, 2022, contemplates having successful bidders commit to using commercially reasonable efforts to negotiate a transmission service agreement with the owner of any regionalized offshore transmission facilities that become available before the project's commercial operation date.<sup>1</sup>

### **New Jersey's State Agreement Approach**

The PJM Interconnection, LLC ("PJM") Tariff includes a transmission planning and cost allocation mechanism – the State Agreement Approach ("SAA") – that allows states, individually or jointly, to request PJM to solicit and evaluate on its behalf transmission expansion or enhancement projects that align with defined state public policy goals. Such solicitations are developed in coordination with the sponsoring state or states ("Sponsor"), and responsive proposals are evaluated by PJM and presented to the Sponsor. The Sponsor then either selects a project or projects to meet its needs or closes the solicitation without making a selection. The costs associated with any selected projects are allocated exclusively to the Sponsor.

In late 2020, New Jersey became the first state to seek to take advantage of the SAA. The New Jersey Board of Public Utilities ("NJ BPU") issued an order on November 18, 2020, requesting that PJM solicit project proposals that improve and expand the PJM transmission system to facilitate the delivery of 7,500 MW of offshore wind generation. In exchange, the NJ BPU has agreed to pass through the costs of the transmission facilities to New Jersey ratepayers.<sup>2</sup>

PJM and the NJ BPU then executed an SAA Agreement establishing a framework for reviewing and selecting transmission projects submitted in response to the competitive solicitation process ("SAA Project"). Under the SAA Agreement, PJM will notify the NJ BPU of the amount of capacity created by an SAA Project. The NJ BPU then has the authority to allocate all or a portion of the capacity of the SAA Project to offshore generation resources selected through NJ's offshore wind generation solicitation processes. The SAA Agreement also provides for the release of capacity of the SAA Project to other parties subject to the party agreeing to pay a pro-rata share of the total project costs. Over certain protests, FERC approved the SAA Agreement and acknowledged that the agreement contemplates pro rata allocation to potential future users and that FERC approval would be necessary for any subsequent cost allocation to implement such an assignment.<sup>3</sup>

On April 15, 2021, PJM opened the competitive solicitation process seeking proposals to construct system improvements to support the interconnection of approximately 7,500 MW of offshore wind by 2035. Over 80 proposals were submitted, and PJM has indicated that it is currently evaluating these projects in coordination with the NJ BPU. The solicitation results are expected to be announced in Q4 2022. Notably, New Jersey postponed its previously scheduled 2022 OREC solicitation to early 2023 to allow the incorporation of any selected SAA Project(s).<sup>4</sup>

### **New York’s “Meshed Grid” Approach**

In late 2021, the New York State Energy Research and Development Authority (“NYSERDA”) published a report titled [“The Benefit and Cost of Preserving the Option to Create a Meshed Offshore Grid for New York.”](#) The report outlined an offshore transmission system comprised of connections between nearby offshore substations that would allow for the transfer of electricity between substations and then on to the point of interconnection. Among other benefits, the report states that such an approach would enable access to pricing at multiple interconnection points and bolster reliability while allowing near-term projects to be developed using their already-planned direct radial interconnections.

Following the report, the New York Public Service Commission (“NY PSC”), on January 20, 2022, issued an order directing NYSEDA to “take steps to preserve the future mesh offshore grid option” and “include eligibility criteria in its offshore wind procurements that would require proposals to incorporate measures that allow the project to integrate into a future mesh system.”<sup>5</sup> The NY PSC acknowledged that including such capability in future projects would involve some incremental costs but concluded that these costs are lower than the costs associated with retrofitting projects after the fact. Notably, the order does not require that the mesh network be developed, only that future projects be capable of integration into the meshed grid.

In compliance with the NY PSC’s order, NYSEDA’s ORECRFP22-1 (“RFP”) requires that eligible projects be “meshed-ready” – meaning they must be capable of integrating into a meshed transmission network if and when the NY PSC elects to exercise such an option.<sup>6</sup> To demonstrate compliance with this directive, bidders must configure their projects to accommodate the necessary equipment to integrate into the meshed network. The RFP and the associated draft contract commit to ensuring that the economic value of a selected project is not reduced due to the implementation of the meshed network but also require that any additional value that accrues to the project from the implementation of the meshed network must be passed through to ratepayers. RFP bids are due December 22, 2022. It remains to be seen whether or not the NY PSC will elect to implement the meshed transmission approach.

### **Going Forward**

The eastern seaboard states have taken markedly different approaches to offshore wind transmission. Nonetheless, each approach acknowledges the increasing incremental cost of

interconnecting and integrating additional offshore wind generation capacity and the limited availability of optimal onshore interconnections. Each approach also recognizes that offshore wind transmission development offers new reliability and economic development benefits. Offshore wind transmission development is, and will remain, a central issue and opportunity as states, including those on the west coast, and the federal government continue to pursue their ambitious offshore wind generation goals.

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1. [\*\*RI PUC Docket No. 22-22-EL - The Narragansett Electric Co. d/b/a Rhode Island Energy's Request for Proposals for Offshore Wind Energy.\*\*](#)
2. NJ BPU Docket No. QO20100630 – [\*\*In the Matter of Offshore Wind Transmission.\*\*](#)
3. *PJM Interconnection, L.L.C.*, 179 FERC ¶ 61,024 (Apr. 14, 2022). See also *PJM Interconnection, L.L.C.*, New Jersey State Agreement Approach Agreement Rate Schedule FERC No. 49, Docket No. ER22-902-000 (filed Jan. 27, 2022); Press Release, [\*\*New Jersey Advances Offshore Wind Transmission Proposal at Federal Energy Regulatory Commission\*\*](#) (Jan. 27, 2022).
4. Press Release, [\*\*New Jersey Updates Schedule for Third Offshore Wind Solicitation\*\*](#) (Feb. 28, 2022).
5. [\*\*Order on Power Grid Study Recommendations\*\*](#), Docket No. 20-E-0197 (Jan. 20, 2022).
6. [\*\*Purchase of Offshore Wind Renewable Energy Certificates\*\*](#), ORECRFP22-1 (issued July 27, 2022).