

July 26, 2018

Aida Camacho-Welch, Secretary
State of New Jersey Board of Public Utilities
44 South Clinton Avenue, 3rd Floor, Suite 314
Trenton, NJ 08625
VIA EMAIL: Rule.Comments@bpu.nj.gov

Re: Comments of Siemens Gamesa Renewable Energy on Docket No. QX 18040466
Offshore Wind Solicitation of 1,100 Megawatts

Dear Secretary Camacho-Welch:

Please accept these comments on behalf of Siemens Gamesa Renewable Energy (SGRE). Siemens Gamesa is the world's largest manufacturer of utility-scale offshore wind turbines. With a total capacity of approximately 11.5 gigawatts installed offshore and six times that amount of installed onshore capacity, in over 90 countries across 5 continents, SGRE has the longest track record of all wind turbine suppliers in the offshore industry. The United States represents an important market to our future business operations and the State of New Jersey has demonstrated substantial leadership in helping to bring the offshore wind energy industry to American shores.

SGRE applauds the efforts of the NJ BPU in undertaking a robust stakeholder process to implement a successful first round of offshore wind energy procurement for the State of New Jersey. The considerations outlined in this request for comment cover some of the most important factors in structuring a successful solicitation.

Given SGRE's substantial experience with the development of new offshore wind markets, please consider some suggestions to produce the most successful outcome for the development of a sustainable, long term market opportunity for the State of New Jersey. Respective to the considerations outlined in the solicitation-

1. How should BPU stagger/phase in New Jersey's offshore wind procurements to realize the State's goal of 3,500 megawatts. Should this schedule be announced before any solicitations are released?

SGRE believes that a predictable schedule of offshore wind procurement in the State of New Jersey is a critical tool in planning and development for the industry. Visibility helps businesses plan on a longer timeline, allows the industry to ramp up in a consistent manner to avoid boom-and-bust cycles of economic activity, and also serves to provide guidance and clarity for stakeholder engagement processes.

2. How should the BPU structure the initial solicitation for 1,100 megawatts of offshore wind capacity as called for under EO8?

The BPU should undertake every possible effort to issue the solicitation as soon as practical, to allow developers to take advantage of the federal Investment Tax Credit (ITC). The Federal ITC in 2019 will award a tax credit of 12% of the total cost of the project, presenting a savings opportunity for hundreds of millions of dollars. The timing of this procurement is critical – the Federal Investment Tax Credit (ITC) is scheduled to phase-out in 2019 and these cost savings will directly benefit New Jersey ratepayers and consumers. Furthermore, with other state offshore wind solicitations currently underway, developers will have the opportunity to streamline and optimize the deployment along the East Coast by bundling certain project activities and realize further cost savings.

SGRE also recommends that the BPU consider the timing of a project's ability to begin delivering power as part of the OREC procurement process, with a preference being awarded to projects that are able to achieve commercial operation as soon as possible. The buildout of a robust and fully-localized industry in the US will require a steady volume of projects to produce consistent cost reductions similar to what has been seen in Europe.

3. Should the BPU request proposals scaled at 1,100 megawatts, or should the BPU request proposals in smaller blocks of capacity (i.e. 400 megawatts)?

Achieving the lowest Cost of Energy for the earliest offshore wind projects in the US is of tremendous importance. The BPU can ensure the lowest cost bids by encouraging competition and also allowing for economies of scale. Therefore, SGRE believes that the BPU should **give full freedom to developers to provide proposals for any project size up to and including the cap of 1100 MW.** ~~This will produce the most bids and ensure competition among bidders with diverse lease holdings while also allowing developers to take advantage of the cost savings that are often realized by building larger projects.~~ **Larger projects not only benefit from economies of scale, but serve as more attractive commercial opportunities to support the establishment of local supply chains. The first mover advantage opportunity for the State of New Jersey as a result of such supply chain localization should not be underestimated.**

5. What conditions should be included to ensure maximum competition in terms of OREC Price?

The State of New Jersey will achieve the most competitive pricing in this first solicitation by limiting the weight of net economic benefits in the bid review process. While local economic benefit is of course an issue of great concern to New Jersey citizens, New Jersey will achieve the best long term local economic benefits by sustaining a robust and growing marketplace for offshore wind. Supply chain localizes in robust markets, but such localization takes time. Strict local content requirements can hinder the ability of developers and manufacturers to deliver cost-effective projects in the earliest days of a

new market, when flexibility is key. Meanwhile, the political willpower to deliver on the larger commitments for future offshore wind offtake will rely on the success of the earliest projects. Supporting a large and sustainable offshore wind market along the East Coast will bring greater local economic benefits in the long run than implementing onerous restrictions in the earliest days of the industry.

Offshore wind is poised to become a major economic driver for Eastern US states, thanks in large part to rapidly declining costs, advantageous wind speeds and construction conditions, and significant localized demand for clean electricity.

Accordingly, we respectfully request that the NJ BPU continue to move expediently to issue the first OREC solicitation in the State of New Jersey.

Respectfully submitted,

Joergen Scheel
Vice President of Offshore Wind
Siemens Gamesa Renewable Energy North America

Jason Folsom
Head of Sales, Offshore Wind
Siemens Gamesa Renewable Energy North America

Abby L Watson
Head of Government Affairs
Siemens Gamesa Renewable Energy North America