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RE: Massachusetts 83C Round 4 Request for Comments

Siemens Gamesa Renewable Energy (“Siemens Gamesa”) appreciates the opportunity to provide comments in response to the RFP Drafting Parties’ request for public comments to inform the Request for Proposals for a fourth-round solicitation for offshore wind energy projects under Section 83C (83C Round 4).

Siemens Gamesa is pleased to provide responses to the following questions posed by the RFP Drafting Parties:

1. Procurement Size: What should be the maximum procurement target, in megawatts (MW), for the 83C Round 4 solicitation?

To date, Massachusetts has procured approximately 3200 megawatts of its 2027 target of 5600 megawatts. The 83C Round 4 solicitation should procure the full remaining amount to achieve the target for 2027.

2. Procurement Schedule: The 83C Round 4 RFP must be issued within 24 months of the prior solicitation pursuant to Section 83C.

a. What should the RFP drafting parties consider when designing the schedule for the 83C Round 4 solicitation, including deadlines for bid submission and selection of projects for negotiation?

The procurement process should take into consideration procurements currently underway in New York, New Jersey, and Rhode Island. If the 83C Round 4 RFP must be issued by September 2023 (given Round 3 solicitation in September 2021), we encourage the RFP Drafting Parties to release the Round 4 RFP as late as possible within the allowable 24-month period to provide as much clarity as possible on the results of ongoing procurements in other states. Following the Round 4 RFP, selection of projects should take place no earlier than Q1 2024. The time between release of solicitation and bid submission should consider sufficient time for bidders and supplier chain partners to conduct a procurement process (at least 150 days).

- b. How could the 83C Round 4 schedule be designed to best align with other offshore wind procurements being conducted or planned in neighboring Northeastern states?**

To the maximum extent practicable and to ensure efficiency in the supply chain, procurements should be designed to ensure sequential construction of awarded projects in Massachusetts, New York, New Jersey, Connecticut, and Rhode Island.

- 3. Commercial Operation Date: What should be the latest allowable commercial operation date for projects bidding into 83C Round 4, and why?**

83C Round 4 projects are likely to have already secured leases from the Bureau of Ocean Energy Management, commenced the federal permitting process, and entered transmission permitting queues. The Commercial Operation Date should however aim to take into account the latest anticipated grid dates that developers are planning and allow sufficient time for construction of the wind turbines from the time that it is anticipated that the developer will have energized grid connection.

- 5. Inflation, Supply Chain, and Macroeconomic Factors:**

- a. How could 83C Round 4 be designed to best account for current and future rates of inflation and other supply chain and economic pressures on the offshore wind industry to both ensure project viability and protect Massachusetts ratepayers?**

83C Round 4 bidders will commit to a bid price in 2023 but will not construct a project until 2029-2030. As such the bid offer must include mechanisms to mitigate the potential impacts of inflation on offshore wind projects, preferably through the construction phase of the project. This would enable a simpler and more effective agreement between states, developers, and suppliers relative to a time-based inflation adjustment mechanism that does not allow for unexpected modifications to a project timeline.

Such an adjustment mechanism should include indexations linked to raw materials (such as steel and copper), fuel, labor, and an overall adjustment in bid prices tied to an overall Price Index such as CPI for other portions of the costs that are not linked to obvious commodity-based indices.

Another alternative could be an annual escalation mechanism applied to all bids. If Massachusetts does not introduce mechanisms to mitigate inflationary impacts, we expect developers and supply chain participants to add significant risk premiums to their bids and proposals. Given that the assessment of that risk is subjective, project economics for 83C Round 4 bidders may appear uncertain or prove inaccurate.

- b. Please comment on when costs for offshore wind project components and labor should be expected to stabilize, including any comments on how that expected timing would impact bid development for 83C Round 4.**

It is impossible to speculate when costs may stabilize, as they are subject to a broad scope of macroeconomic factors that are often unpredictable in nature. We continue to see extreme volatility and inflationary pressures on material, fuel, transportation, and labor costs, which is why it is critical for the RFP Drafting Parties to put in place the policy mechanisms discussed above to address those concerns. However, encouraging domestically produced wind turbine components could mitigate some of the potential cost volatility as those components would not be subject to the currency fluctuations, transportation, and fuel cost increases currently seen in the market.

- c. Please comment on the Inflation Adjustment provision of the 2022 NYSERDA offshore wind RFP (ORECRFP22-1) and what factors would need to be considered for such an approach to be applicable in a Section 83C solicitation.**

Indexations linked to the price of materials used in wind turbines (such as copper and steel), fuel, labor – with the remaining portion tied to CPI – are a far more pragmatic approach. The 2022 NYSERDA RFP does not cover the entirety of cost increases seen by the industry and would not account for unknown future costs, but it is preferable to the status quo.

- d. Please comment on recommended timing applicable for an inflation adjustment price provision, if warranted, including any comments on the price adjustment timing in the 2022 NYSERDA RFP, which allows for an adjustment from bid submission to BOEM COP approval. Please also comment on how such a provision should be considered in the evaluation process when comparing fixed price bids to inflation-adjusted bids.**

Receiving COP approval does not correlate to the end of price risk for the developer. Receiving COP approval allows the developer to move forward with the banks to then reach financial close (FID/NTP). At financial close of a project, the developer can then initiate contractual terms with key suppliers. Therefore, it would be in Massachusetts'

best interest to allow the indexation mechanism to adjust for a minimum of one year following COP approval to avoid risk premiums from developers.

If inflation adjustments are linked to indices of major commodities that impact wind turbine pricing, a cost evaluation can be made easier because at any point in time the assessor can track cost increases and forecast future fluctuation. This allows for better flexibility compared to a fixed price bid, where the economic climate at the time of COP approval can become outdated by financial close and put projects at risk.

6. Federal Funding:

- a. **How could 83C Round 4 be designed to ensure Massachusetts ratepayers receive the maximum benefits of the new federal funding opportunities, tax credits, and/or other programs available to offshore wind developers under the Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA)?**

We encourage Massachusetts to not require developers and manufacturers to refund to the state benefits arising from recent federal funding mechanisms. Such a requirement would disincentivize in-state investment that would maximize savings on energy costs and encourage supply chain development. Rather, we encourage Massachusetts to consider replicating the approach in the 2022 NYSERDA RFP, which requires sharing 50% of federal funding mechanisms signed into law following bid submission.

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Thank you for the opportunity to share our comments ahead of the upcoming 83C Round 4 RFP. We look forward to working with the RFP Parties and the Commonwealth of Massachusetts to achieve our collective clean energy objectives.