Purchase of Offshore Wind Renewable Energy Certificates
Request for Information ORECRFI22-2
RFI Release Date: May 13, 2022

Responses Due: Friday, May 27, 2022 by 3:00 PM Eastern Prevailing Time

The purpose of this Request for Information (RFI) is to invite external stakeholder review and comment on proposed updates to the draft version of ORECRFP22-1 (the Draft RFP) to provide feedback that will assist NYSERDA in finalizing the RFP prior to its release. The draft version of ORECRFP22-1 and all appendices are available on NYSERDA's solicitation website at https://www.nyserda.ny.gov/offshore-wind-2022-solicitation.

This RFI is a follow up to ORECRFI22-1, which was published on March 11, 2022 with due date of April 8, 2022 and includes adjustments to the Draft RFP that NYSERDA is considering based on comments received in ORECRFI22-1.

NYSERDA does not intend to publish responses. However, if you intend that your responses are to remain confidential, please mark them "Confidential" or "Proprietary," in accordance with the procedure described below. If NYSERDA receives a request from a third party for responses received that have been marked "Confidential" or "Proprietary," NYSERDA will process such request under the procedures provided by New York State's Freedom of Information (FOIL) regulations as detailed below (see foil@nyserda.ny.gov for additional information). The FOIL provides exceptions to disclosure, including Section 87(2)(d) which provides for exceptions to disclosure for records or portions thereof that "are trade secrets or are submitted to an agency by a commercial enterprise or derived from information obtained from a commercial enterprise and which if disclosed would cause substantial injury to the competitive position of the subject enterprise." Information submitted to NYSERDA that the disclosing party wishes to have treated as proprietary and confidential trade secret information should be identified and labeled "Confidential" or "Proprietary" on each page at the time of disclosure. This information should include a written request to exempt it from disclosure, including a written statement of the reasons why the information should be exempted. See Public Officers Law, Section 89(5) and the procedures set forth in 21 NYCRR Part 501.

Respondents to this RFI ("Respondents") are not required to answer all questions and should focus on questions relevant to their field of expertise.

Comments are due by Friday, May 27, 2022 at 3 p.m. ET, and should be sent to NYSERDA-OSW@levitan.com with the subject line "Draft ORECRFP22-1 Comments", or may be provided by filling out a comment form. NYSERDA may reach out to Respondents to seek clarifications. Any questions about this RFI or the Draft RFP or requests to discuss this RFI or the Draft RFP should be directed to Laila El-Ashmawy, Thomas King, Gregory Lampman, Peter Lion, Carl Mas, Georges Sassine, Alex Stein and/or Doreen Harris (the Designated Contacts) in writing through the email address above or offshorewind@nyserda.ny.gov.

I. Content of Response

Responses should be concise and focus on areas in which the Respondent has a particular interest or expertise. Please limit your response to 5 pages.

The following information and items must be included in every response to this RFI:

- Respondent's name, affiliation, title, and primary contact information.
- Identify and provide general background about your organization, including a summary of any previous experience that could be relevant to this RFI.
- Responses should begin with an overview in which Respondent identifies the subject areas that are addressed in the submission.
- Each page of the response should include a header stating the name of the Respondent.
- Each response should include the RFI question number and the page number.
- Respondents should designate information intended to remain confidential as "Confidential" or "Proprietary." Respondents are discouraged from marking their entire response as "Confidential" or "Proprietary."

The Adjustments Under Consideration section below highlights certain changes to the Draft RFP that NYSERDA is currently considering based in part on stakeholder responses to ORECRFI22-1. For clarity, the adjustments described below are not the only adjustments being considered. Feedback is primarily sought from potential bidders, supply chain participants and labor stakeholders, but other stakeholders are welcome to provide feedback as well.

II: Adjustments Under Consideration

1. U. S. Iron and Steel (Buy-American)

NYSERDA has conducted additional review and is considering new measures to include in ORECRFP22-1 as further described in the ORECRFP22-1 Buy American Additional Review and Proposed Measures. NYSERDA encourages all interested stakeholders to submit comments on the review and proposed measures described in that document. In particular, stakeholders are encouraged to provide feedback on whether $114,000 per megawatt of capacity is an appropriate minimum dollar amount of steel components that are manufactured with U.S. iron and steel to be used in each Project.

2. Meshed Ready

In response to stakeholder feedback, NYSERDA has substantially revised Appendix G (Meshed Ready Technical Requirements). NYSERDA encourages prospective bidders and any other interested stakeholders to submit comments on the revised document.

3. Inflation Adjustment

In response to stakeholder feedback noting uncertainty regarding inflation and the potential for risk premiums to be built into bid pricing as a result, NYSERDA is considering establishing an optional inflation-based OREC price adjustment mechanism in ORECRFP22-1.

The adjustment mechanism would be targeted to address inflation that affects the Project's required capital expenditure and therefore would be based on inflation that occurs after the bid date but prior to the time at which capital expenditure costs have substantially settled and become known.

As further noted below, NYSERDA is requesting stakeholder feedback on whether this point of time should be fixed at the Project's Final Investment Decision (FID), notice to proceed with construction (NTP), the commercial operation date (COD), or some other point in time. NYSERDA is also seeking feedback on what index or indices would be most appropriate to use for purposes of calculating inflation relevant to capital expenditures costs.

a. Proposed Optional Inflation-based OREC Price Adjustment:

All Proposals would be required to provide an Index OREC Strike Price or Fixed OREC Price that is not indexed to inflation. In that required price, future inflation would be absorbed fully by the Project and would not change the Index OREC Strike Price or Fixed OREC Price.

In addition, Proposers would be permitted to submit Inflation Risk-Adjusted Proposals (IRAPs) as Alternate Proposals. Under the IRAP structure, the Index OREC Strike Price or Fixed OREC Price would be subject to a one-time adjustment that would take place at a milestone to be established in ORECRFP22-1 that reflects the closure of construction capital costs. NYSERDA is considering what milestone to utilize for this purpose and is seeking stakeholder feedback. The adjustment to the Index OREC Strike Price or Fixed OREC Price would be calculated as set forth in the formula below:

$$OREC_{adj} = \left(OREC_{bid} \times \frac{Index_T}{Index_B} \times P\right) + \left(OREC_{bid} \times (1 - P)\right)$$

where:

$OREC_{adj}$ is the adjusted price after the milestone (e.g., FID, NTP or COD)

$OREC_{bid}$ is the as-bid OREC price at the time of ORECRFP22-1 bid submission

$Index_T$ is the value of the inflation index at time of the adjustment milestone (e.g., FID, NTP or COD)

$Index_B$ is the value of the inflation index at the time of bid submission

P is the percentage of the as-bid OREC price subject to the adjustment, between 0-100%, chosen by Proposer

As noted above, the percentage of the as-bid Index OREC Strike Price or Fixed OREC Price that would be modified by the adjustment would be determined by the Proposer in its Proposal.

IRAPs would be evaluated using a risk-adjusted price adder.

Questions to Stakeholders

i. Would this approach be expected to reduce ratepayer costs by eliminating a risk premium in OREC bid pricing, and if so, by how much?
ii. Describe how an inflation adjustment mechanism could affect the project development timeline and/or viability of an offshore wind project.

iii. Please comment on your expectations for near-term and long-term inflation and the impact on your proposal pricing.
iv. What publicly available index or indices are most suitable to capture developers' exposure to inflation during the project development period? Please explain the relevance of the index or indices you suggest.
v. Should the adjustment mechanism be based on a single defined index or multiple indices? Please provide any suggestions on how multiple indices should be weighed for purposes of tracking key component costs, including calculation examples.
vi. What is an appropriate way to set $Index_B$, the value of the inflation index at the time of bid submission? Could this be an annual average, discrete monthly value, or other?
vii. Should the adjustment mechanism be based on a single defined index? In the alternative, are there commercial advantages associated with an adjustment formula with multiple indices that track key drivers of total project cost? If yes, please provide general guidance how weighting factors may be established for purposes of tracking key component costs, including calculation examples.
viii. Is an option of 0-100% for Proposers to choose appropriate, or should a certain factor be fixed in the RFP?
ix. What is the optimal milestone for determining the price adjustment date? Should the milestone be a fixed calendar date, or the date of a defined event?
    a. If a date defined event, should it be FID (in which case, how should that be defined), NTP, the COD or some other point in time and why?
x. What would the impact on OREC pricing and ratepayers be if the amount by which the OREC price could be adjusted were capped at a certain percentage? What, if any, maximum adjustment percentage could be appropriate to impose?
xi. Will a contract with an inflation risk adjustment clause be sufficient to support executing binding agreements with primary OEMs, and ultimately project financing?

4. Approach to Supply Chain Investment Plans

NYSERDA is considering several adjustments to the approach to Investment Plans (referred to here as "Supply Chain Investment Plans" or "SCIPs") laid out in the draft of ORECRFP22-1 published in conjunction with ORECRFI22-1. For clarity, the adjustments described below are to the SCIP portion of ORECRFP22-1 and not SUPPLYCHAINRFP22-1 or SUPPLYCHAINRFP22-2. The eligibility requirements of SUPPLYCHAINRFP22-1 are expected to be modified to allow more flexibility in the types of facilities that can be proposed, but further details will be provided separately.

a. Changes to SCIP Eligibility and Minimum Requirements

1. The approach described in the Draft RFP allowed Proposals to include multiple Investment Plans, each representing a single facility. With the adjustments further described below, each non-Standalone Proposal would include a single SCIP, potentially including more than one supply chain facility.

2. Given the unique benefits to New York State that the establishment of a nacelle or blades facility would unlock in terms of additional local investment in subcomponents and suppliers, NYSERDA

intends – subject to sufficient investment-worthy proposals being received through the Request for Qualifications (RFQL) process described below – to require that each SCIP include one blade or nacelle facility.

3. In addition to including a blade or nacelle facility, each SCIP would be permitted to also propose that New York State Funding be provided to one or more other offshore wind supply chain facilities, including but not limited to port upgrades, cable manufacturing facilities, offshore wind subcomponent facilities, foundation manufacturing facilities or steel manufacturing facilities that serve the offshore wind industry. SCIP proposals should demonstrate how an investment will serve the regional offshore wind market. SCIP proposals to develop facilities that serve a single offshore wind developer or Project may not be deemed investment worthy.
4. To accommodate the inclusion of more than one facility in each SCIP, the $125 million per SCIP funding cap in ORECRFP22-1 will be increased to $300 million. NYSERDA anticipates awarding up to $300 million in ORECRFP22-1 but reserves the right to award more if SCIPs are sufficiently compelling.
5. The minimum number of long-term direct jobs required to be supported by a cable manufacturing facility or port improvement will be reduced from 200 to 150. NYSERDA recognizes that for port facility upgrades, this may require ports to team with prospective tenants or port users, and NYSERDA encourages such teaming.
6. The SCIP in the aggregate would be required to support at least 3 long-term direct jobs per $1 million of New York State Funding.
7. Proposed projects should also demonstrate estimated indirect and induced jobs and describe the typical components or services that localize with such an investment. Proposals that would lead to significant long term job creation will be evaluated favorably in NYSERDA's assessment of investment worthiness.
8. The minimum funding ratio will be set at 2:1 (non-New York State Funding to New York State Funding). Any funding (whether public or private) other than New York State Funding will count towards the numerator of the ratio.
9. The expected schedule of disbursements of New York State Funding described in Section C.2.A.1 would be adjusted to:
    - 50% at commencement of construction works.
    - 25% at final completion of the Proposed Site Investment.
    - 5% at the end of each of the first five years of the facility's operation, subject to the achievement of target metrics as further described in Section C.2.B.7.

<u>Questions to Stakeholders</u>

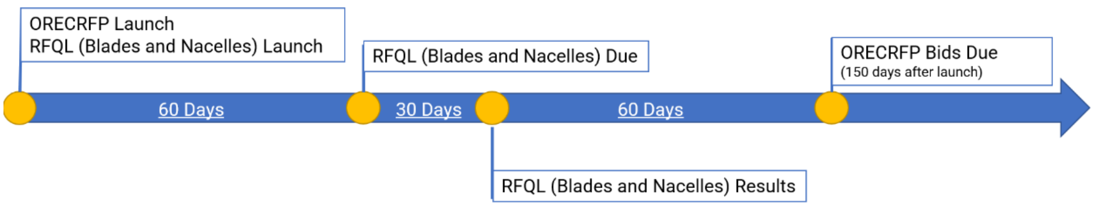
i. Is $300 million an appropriate maximum amount of New York State Funding for a Proposer's SCIP?
ii. Are the minimum jobs thresholds (including the minimum ratio of 3 long-term direct jobs per $1 million of New York State Funding) clear and attainable?

b. Request for Qualifications and Purchase Commitment Process

Stakeholder feedback has highlighted the importance of obtaining commitments to purchase the components manufactured in a facility as a key factor in making a blade or nacelle facility viable. Indeed, the minimum amount of committed purchases that a blade or nacelle facility requires may exceed the amount that one particular Proposer is able to commit to because of the size of the offshore wind project.

Accordingly, NYSERDA is considering implementing the following multi-step approach designed to ensure that any blade or nacelle facility awarded New York State Funding will be more likely to secure the minimum purchase commitments needed to support investment in the facility.

Figure 1: ORECRFP and RFQL Sequence



1. A Request for Qualifications (RFQL) for potential SCIP Funding Recipients would be launched within and at the same time as ORECRFP22-1. The respondents to the RFQL would be SCIP Funding Recipients rather than offshore wind project Proposers.

   To be eligible for inclusion in a SCIP, any proposed blade or nacelle facility would need to be pre-qualified through this RFQL. Funding Recipients that propose facilities other than blade or nacelle facilities would be permitted but not required to pre-qualify through the RFQL.

   a. Funding Recipients would be required to include enough information in their RFQL submissions to allow NYSERDA to evaluate that the proposal is eligible to be integrated into a SCIP and Purchase Commitment Proposal (described below). This required information would include, but would not be limited to, the minimum blade/nacelle purchase commitment (denominated in MW) required for the Funding Recipients to commit to building the facility. Further requirements would be broadly similar to those included in Appendix C.2 of the draft ORECRFP22-1.
   b. Submission to the RFQL would be due within 60 days after the launch of ORECRFP22-1. After reviewing submissions, NYSERDA would announce the set of Funding Recipient-proposed blade and/or nacelle facilities (Qualified Blade/Nacelle Facilities) and/or other facilities that are deemed eligible for use by Proposers in ORECRFP22-1. Evaluation of blade and nacelle facilities would include an assessment of whether the minimum purchase commitment is reasonable, given NYSERDA's need for flexibility in establishing the size of an award group for ORECRFP22-1.
   c. Proposers would then have another 60 days after NYSERDA's announcement of qualified facilities to finalize and submit their ORECRFP22-1 Proposals, including SCIPs.

2. Subject to NYSERDA determining that sufficient Qualified Blade/Nacelle Facilities are qualified through the RFQL:
    a. Each submitted SCIP would be required to incorporate one of the Qualified Blade/Nacelle Facilities and include a commitment to purchase blades/nacelles from that facility. The key metrics (e.g., long-term direct jobs and dollars) of the Qualified Blade/Nacelle Facilities would set a minimum starting point for the SCIP, but Proposers would be allowed to add other features to the SCIP such as investments in other facilities.
    b. Proposers would also be required to submit an additional "Purchase Commitment Proposal" corresponding to each Qualified Blade/Nacelle Facility (including the one included in the Proposer's SCIP). These Purchase Commitment Proposals would not include a SCIP but would include a firm commitment to purchase blades/nacelles from the Qualified Blade/Nacelle Facility, if such facility is awarded New York State Funding. Given their mandatory nature, submittal of Purchase Commitment Proposals would not require payment of additional Proposal Fees.

       These Purchase Commitment Proposals would be given priority over Proposals without commitments in awards until sufficient Purchase Commitment Proposals have been awarded such that any awarded Qualified Blade/Nacelle Facility's minimum purchase commitment has been met.

<u>Questions to Stakeholders</u>

i. What information would need to be included in the description of Qualified Blade/Nacelle Facilities to allow for Proposers to incorporate Qualified Blade/Nacelle Facilities into SCIPs and Purchase Commitment Proposals?

ii. What should be viewed as reasonable minimum purchase commitment needs for a blade facility and a nacelle facility, balancing the needs of facilities with NYSERDA's need for flexibility to award a reasonably sized portfolio of awarded offshore wind projects in ORECRFP22-1?

iii. What measures should NYSERDA consider taking to ensure that SCIP facilities awarded New York State Funding are competitive and available to serve regional offshore wind projects?

iv. Is 60 days an appropriate amount of time following the announcement of the RFQL results for Proposers to finalize and submit Proposals into ORECRFP22-1?

c. Clarifications to Exclusivity Prohibition

The Draft RFP included the following language:

> *"Proposers are prohibited from entering into any arrangement with any Funding Recipient, landowner, developer or proposed end-user of the Eligible Investment Site that materially restricts the ability of such parties to collaborate with other Proposers in developing Investment Plans, and Proposers are required to certify in the Proposer Certification Form that no such arrangement exists."*

NYSERDA's policy objective in providing funding to SCIPs is to promote a competitive and open New York-based supply chain. To that end, NYSERDA intends to include the following additional clarifications regarding the above-referenced prohibition in ORECRFP22-1:

- NYSERDA reserves the right to disqualify any arrangement that would, as determined by NYSERDA in its reasonable discretion, violate antitrust laws.
- The above-described prohibitions are not intended to prohibit Proposers from negotiating exclusive or priority financial, pricing or business arrangements with Funding Recipients so long as such arrangements do not prohibit such Funding Recipients from negotiating separate and distinct deals with other Proposers.
- The above-described prohibitions are not intended to prohibit proposed Funding Recipients from negotiating exclusive options for land or locations for the facilities included in SCIPs (unless such arrangements would otherwise violate antitrust laws).
- An arrangement would violate the above-described prohibition if it bars a proposed Funding Recipient from (1) seeking other state funding or grants, (2) partnering with other Proposers in the event the Proposer's bid is not selected or (3) communicating directly with NYSERDA either during or after this RFP process.
- Proposers should provide enough information about their business arrangement with proposed Funding Recipients for NYSERDA to confirm compliance with the terms of this RFP and Section 2.1.2.

<u>Questions to Stakeholders</u>

i. Is the exclusivity prohibition (as clarified in this ORECRFI22-2) clear and consistent with market needs?

5. Approach to Interconnection Costs and Brooklyn Clean Energy Hub

In response to stakeholder feedback on the approach to interconnection cost sharing described in the draft ORECRFP22-1, and in light of the Petition submitted to the New York Public Service Commission (PSC) by Consolidated Edison Company of New York, Inc. for Approval to Recover Costs of Brooklyn Clean Energy Hub (the ConEd Hub) on April 15, 2022, notice of which was filed in the State Register on May 11, 2022 soliciting public comments, NYSERDA is considering adjusting ORECRFP22-1 to adopt the approach described below.

<u>Approach to the ConEd Hub</u>:

1. As was the case in ORECRFP20-1, submission of a valid Large Facility Interconnection Request with the NYISO would be an eligibility requirement for Required Base and Standalone Proposals. However, Proposers would also be permitted (or potentially required) to submit Alternate Proposals proposing to interconnect at Phase 1 of the ConEd Hub[1] (ConEd Hub Proposals). ConEd Hub Proposals would be evaluated and eligible for award only if the PSC approves the ConEd Hub Petition referenced above prior to awards being made in ORECRFP22-1.
2. ConEd Hub Proposals would be evaluated on the same basis as all other Proposals, such that they could potentially receive lower viability scores if the scoring committee concludes that the interconnection plans, cable routing and/or converter station siting in the ConEd Hub Proposals are less developed or certain than plans in other Proposals.

[1] Phase 1 of the ConEd Hub was proposed to accommodate 4.5 GW with expected completion in 2027, whereas Phase 2 would accommodate an additional 1.5 GW with expected completion in 2032.

Establishing Interconnection Cost and Savings Sharing Parameters:

3. Each Proposer will be required to submit its P50 expected NYISO Class Year Cost Allocation ("Expected CY Cost"), along with a detailed explanation of how it came to this expectation, including transmission interconnection studies conducted by third parties, along with its Proposals.[2]
4. All Proposals will be subject to the following mandatory "Savings Sharing" clause:
    a. If the NYISO Class Year Cost Allocation that is ultimately assigned to the project ("Actual CY Cost") is lower than the Expected CY Cost, the greater of (i) 90% or (ii) all but $50 million of Net CY Savings (defined below) would be applied to a reduction in the OREC price. Seller would retain the lesser of (1) 10% or (2) $50 million of Net CY savings.
    b. "Net CY Savings" would be defined as Actual CY Cost minus Expected CY Cost, minus, if the project switches its point of interconnection ("POI") (e.g., to a POI made preferable due to PPTN/PPTP), (i) any additional costs (e.g., a longer radial export cable) incurred as a result of the switch and (ii) any reasonably-incurred development costs (e.g., NYISO interconnection study fees) spent on the as-proposed POI.
5. Each Proposer must submit the Required Base and Standalone Proposals, in which 100% of any positive difference between the Actual CY Cost and the Expected CY Cost will be borne entirely by the Proposer.
6. Each Proposer will also be permitted to submit an Alternate Proposal ("Cost-Sharing Proposal") in which X% of the difference between the Actual CY Cost and the Expected CY Cost would be applied to an increase in the OREC price.
    a. The Proposer will submit in its Proposal what X% would be, provided that X% cannot exceed 90%.[3]
    b. This price increase would not apply if the project uses a different POI from the one proposed in its Proposal. In this case, the reduction as described in Savings Sharing above would be applied instead.
7. NYSERDA-engaged experts will review the Proposer-submitted Expected CY Cost and supporting materials. NYSERDA will inform the Proposer of whether NYSERDA (i) agrees with the Proposer-submitted Expected CY Cost or (ii) is adjusting the Expected CY Cost.
8. If NYSERDA adjusts the Expected CY Cost, the Proposer will be given a one-time opportunity to change its bid price and/or its X% factor, taking the adjusted Expected CY Cost into account, or to withdraw its Cost-Sharing Proposal.

Proposal Evaluation:

9. Proposals would be evaluated based on their proposed POIs, with the understanding that if an awarded project subsequently changed interconnection location, the OREC price could be reduced via the "Savings Sharing" mechanism described above.

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[2] Proposers will also be required to provide high (P10 Case) and low (P90 Case) estimates of the Project's NYISO Class Year Cost Allocation, along with supporting documentation.

[3] Proposers will be allowed to select different percentage splits at different tiers of interconnection cost amounts. For example, one Proposer could opt for costs to be split 50-50 from $100m to $150m and 75-25 above $150m, while another Proposer could opt for costs to be split 60-40 from $125m to $175m and 40-60 above $175m.

10. Cost-Sharing Proposals would be evaluated head-to-head with other Proposals by applying a risk-adjusted adder to the OREC Price calculated based on how the Actual CY Cost would be shared using the Proposer-selected X% factor described above.
11. For these evaluation purposes only, a confidential risk adjustment would be applied to the Expected CY Cost by NYSERDA to take into account the possibility that the Actual CY Cost could be higher than the Expected CY Cost. The determination of the risk adjustment will be at NYSERDA's discretion and will be informed by the Expected CY Cost, high and low interconnection cost estimates, and other supporting documentation provided by the Proposer.

Potential Reduced Cost POI Implementation:

12. If a POI is made preferable due to a Public Policy Transmission Need project, another public investment project or any other reason, a project chooses to switch its POI to that other POI, and Net CY Savings accrue as a result, the Savings Sharing clause above would apply.
13. The OREC Purchase and Sale Agreement will include a provision requiring the Project to use commercially reasonable efforts to switch its POI to any POI that would reduce the OREC price due to the Savings Sharing clause.

Questions to Stakeholders

i. Is the proposed approach clear, or are there aspects that require further clarification?

ii. Should Proposers be required, or only permitted, to submit ConEd Hub Proposals, and why?

iii. Should relief from the Outer Limit Date (currently set as 1/1/2051 for 20-year proposals and 1/1/2056 for 25-year proposals) be provided to awarded ConEd Hub Proposals in the event that implementation of the ConEd Hub is delayed?

iv. Does the Savings Sharing clause appropriately balance ratepayer interests with the need for Projects to have a commercial incentive to seek savings reduction?

v. Does the 90% limitation on the NYSERDA-borne share of interconnection costs appropriately balance protecting long-term interests of ratepayers with the goal of reducing risk premium in bid pricing?

III: General Conditions

The information gathered by NYSERDA will be advisory only and is not binding on NYSERDA or any other state agency, office, commission, or public authority. Responses will become the property of NYSERDA. Any actions recommended by NYSERDA will be subject to all applicable laws, including procedural, regulatory and environmental review requirements.

This RFI is neither a contract offer, nor a request for proposals and does not commit NYSERDA to award a contract, pay any costs incurred in preparing a response, or to procure or contract for services or supplies. Respondents are encouraged to respond to this RFI; however, failure to submit a response will not impact a Respondent's ability to respond to any future competitive solicitation process (if any) for projects, or influence the selection of a service provider going forward or affect its rights and obligations under any applicable laws or in any legal proceeding. NYSERDA reserves the right to discontinue or modify the RFI process at any time, and makes no commitments, implied or otherwise, that this process will result in a business transaction or negotiation with one or more Respondents. All costs associated with responding to this RFI will be solely at Respondents' expense.