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Prepared for
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THE Brattle GROUP
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Dr. Graf is a Brattle Senior Associate with expertise in electricity wholesale market design and analysis, load forecasting, and rate design. His work focuses on addressing economic issues facing regulators, market operators, and market participants in the electricity industry in the transition to a low-carbon supply mix.
Motivation: Substantial off-shore wind development planned in northeast

Thousands of MW of new clean resources will need to be built to achieve decarbonization goals in New York and New England—including substantial offshore wind beyond current commitments.

A key policy challenge is ensuring a pathway to enable the lowest-cost solutions for delivering new clean energy from source to population centers.

<table>
<thead>
<tr>
<th>Region</th>
<th>Already Contracted</th>
<th>Total Committed</th>
<th>Potentially Needed</th>
</tr>
</thead>
<tbody>
<tr>
<td>New England</td>
<td>3,112 MW</td>
<td>5,900 MW</td>
<td>25-40,000 MW by 2050</td>
</tr>
<tr>
<td>New York</td>
<td>1,826 MW</td>
<td>9,000 MW</td>
<td>15-25,000 MW by 2040</td>
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</tbody>
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Sources:
Project scope and approach

In separate studies of New England and New York, we examined approaches to developing offshore transmission and associated onshore grid upgrades to reach stated offshore wind (OSW) development goals.

We examined two alternatives:

1. The “generator lead line” approach: developers develop incremental amounts of OSW generation with project-specific generator lead lines (GLLs)

2. An alternative “planned” approach: Offshore transmission and onshore grid upgrades are planned to minimize overall risks and costs of achieving offshore wind and clean energy goals.

The following slides provide an overview of the planned grid approach and summarize results from our two studies.
## Summary: the benefits of a planned offshore transmission approach

We find results that are qualitatively similar for New England and New York ...

<table>
<thead>
<tr>
<th>Elements we examine</th>
<th>A planned approach shows...</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total onshore + offshore transmission costs</td>
<td>Lower overall costs in both NE &amp; NY</td>
</tr>
<tr>
<td>• Onshore transmission upgrade costs (more risk)</td>
<td>• Substantially lower onshore costs</td>
</tr>
<tr>
<td>• Offshore transmission costs (less risk)</td>
<td>• Slightly higher offshore costs</td>
</tr>
<tr>
<td>Losses over offshore transmission</td>
<td>Reduced losses</td>
</tr>
<tr>
<td>Impact to fisheries and environment</td>
<td>Substantially lower impacts</td>
</tr>
<tr>
<td>Effect on generation &amp; transmission competition</td>
<td>Increased competition</td>
</tr>
<tr>
<td>Utilization of constrained landing points</td>
<td>Improved landing point utilization</td>
</tr>
<tr>
<td>Enabling third-party customers</td>
<td>Improved third-party participation</td>
</tr>
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</table>
Overview of the Planned Grid Concept
NEW ENGLAND

Summary of two transmission approaches studied in New England (~8,400 MW OSW)

Current GLL Approach

Planned Approach

Overloads shown in red
NEW YORK

Summary of two transmission approaches studied in NY (9,000 MW OSW)

Current GLL Approach

Planned Approach

Note: Phase 1 is already contracted using HVAC cables.
Benefits of a Planned Grid
Total costs of transmission are expected to be lower under a planned approach.

Even including the more costly offshore transmission equipment, total costs of onshore upgrades plus offshore transmission are estimated to be lower under a planned than the current GLL approach in both New England and New York.

The planned approach to building offshore transmission can enable significant long-term cost savings and avoid some of the higher risks associated with onshore upgrades.

**Comparison of Total Onshore Plus Offshore Transmission Costs in New England**
*(Evaluated for next 3,600 MW OSW)*

- **Onshore**:
  - Current Approach: $1.7B
  - Planned: $0.55B

- **Offshore**:
  - Current Approach: $2.7B
  - Planned: $3.3B

**Total Costs**:
- Current Approach: $4.4B
- Planned: $3.9B

**Uncertainty Range**
- Current Approach: $2.9B
- Planned: $2.6B
Planning ahead avoids onshore transmission upgrades that otherwise would be needed.

Planned transmission can **significantly reduce need, costs, and risks of onshore upgrades** in both New England and New York, where multiple factors make upgrades difficult to permit and have led to a history of delays and budget overruns.

The fewer onshore upgrades needed under the planned approach imply **substantially reduced risks** associated with onshore upgrades relative to current GLL approach.

**Planning Could Reduce Onshore Upgrade Costs by $1.1B in New England**
(Evaluated for next 3,600 MW OSW)
Reduced impacts to fisheries, coastal communities, and the marine environment

Better planning can **reduce the cumulative effects of offshore transmission on fisheries, coastal communities, and the marine environment**

Fewer cables results in **less disruption and impacts on the marine and coastal environment**

Minimizing the number of offshore platforms, cabling, seabed disturbance, and cables landing at the coast **reduces impacts on existing ocean uses and marine/coastal environments** to the greatest practical extent

Comparison of Total Length of Undersea Transmission Under GLL and Planned Approaches in NE (Excluding Already-Contracted Projects)

- **Current:** 1,620 miles
- **Planned:** 831 miles
Increased competition among OSW generation developers

Competition among developers of OSW generation would be enhanced, yielding a range of potential cost savings.

The planned, competitive approach would simplify a major strategic decision for developers.

Today, developers must bid before they have accurate information about their transmission upgrade costs. Removing these risks from the offshore generation procurement should lead to lower bids because of the reduced risk premium alone.

Ultimately, it could increase participation and competition in OSW solicitations.

In Europe, planned transmission approaches have enhanced head-to-head competition leading to zero-subsidy bids in recent procurements (see case study details in appendix).

We anticipate more willing bidders and more competition with increased access to transmission (though overall still limited by number of leaseholders).
Increased competition among offshore transmission developers

Offshore transmission developers would compete to build planned transmission. This direct competition would put downward pressure on costs to ratepayers (further lowering costs beyond that described on previous slides)

- Studies of onshore transmission indicate that competitive procurement enables “significant innovation and cost savings of 20–30%” relative to the costs incurred by incumbent transmission companies; the costs of conducting the competitive processes are small compared to the savings*

- Studies of offshore transmission costs in the U.K. similarly indicate that competition across independent offshore transmission owners reduced costs 20–30% compared to generator-owned transmission (driven by lower operating costs and financing costs from improved allocation of risk and reduced risk premium)**

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Issues Unique to New York
Efficient Utilization of POIs in New York

Constrained access routes require efficient offshore transmission to meet goals at low cost.

There are a limited number of robust POIs for connecting offshore wind to the onshore grid and limited access routes to these POIs.

If each OSW project builds a separate GLL to the onshore transmission system, viable landing sites and cabling routes will become constrained. A planned transmission approach can make better use of the limited landing sites.

The clearest example of this is the cable approach route through the Narrows to reach POIs in New York Harbor.

Landing Limitations along NY Coast

- Limited Space Through Narrows
- Hard Environmental, Physical and Social Resource Constraints
Efficient Utilization of POIs in New York

Narrows likely has space for only four cables, suggesting maximizing utility of route is key

- Major constraints to routing through the Narrows and the Upper Bay are physical width of suitable seabed, federal navigation projects (FNPs) (channels and anchorages), cable spacing requirements, and competing uses
  - All potential routes are heavily constrained by navigational aspects in the Upper Bay: primarily the inner harbor anchorages and federal navigational channels
- In The Narrows and Upper Bay of NYC harbor, maximal transmission capacity in the available space may be achieved most efficiently by using HVDC technology to connect clusters of OSW farms to a grid that has been extended offshore
- Given the constraints in the Upper Bay, it is likely four routes could access NY Harbor
- Not utilizing Narrows effectively risks limiting ability to cost-effectively route OSW transmission into New York City and meet climate goals without large costs

Source: Analysis of Narrows constraints by Intertec (see Appendix C for details).
Curtailment in New York

Future curtailments are high in each scenario and require planners’ attention.

Preliminary analyses indicate much higher curtailment (~18%) under both scenarios studied with 9,000 MW of OSW.

The risk of high curtailments can be addressed under a planned approach by:

- Further planning analysis to optimize the transmission configuration to reduce curtailments.
- Integrated planning of NY’s 3,000 MW storage goal with offshore transmission.
- Future networking of HVDC cables into an offshore grid to move OSW injections to less congested POIs (which also reduces risks from transmission outages).

*May be higher due to must-run units.
Recommendations
We recommend a planned approach to offshore transmission

Utilizing GLLs has distinct disadvantages over planned offshore transmission

- Poor use of limited onshore POIs
- Increased seabed disturbance
- Reduced competition for transmission and off-shore wind generation
- Higher onshore transmission upgrade costs and higher overall costs in the long run
Example of separate transmission and generation procurement

**Transmission developers propose collector station locations A - E**

*Each transmission developer bids a fixed price for one or more collector station locations*

**Transmission developer #1 selected; leaseholders bid wind generation 1-5 to collector stations A, B, C**

*Each generation developer bids a fixed price for one or more collector station locations*

**Selection of winning configuration**

*Wind farms 4 and 5 connecting to collector station C minimize costs of procuring specified MW quantity of offshore wind*
Mitigating risk with separate generation and transmission development

The current GLL approach places development of generation and offshore transmission under a single developer, but leaves onshore upgrades with incumbent (onshore) transmission owners

- This approach reduces coordination risk between OSW and offshore transmission, but there remains project-on-project risk related to the completion of onshore upgrades

The planned offshore grid model can also address individual project-on-project risk through:

- Strong performance and completion incentives (rewards or penalties) for both transmission and generation developers to meet project deadlines
- Allowing generation developer to participate in transmission procurement, with the condition that the transmission will be open access
- Staggered transmission and generation project completion timelines (e.g., scheduling transmission project completion before generation)
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