

Regulatory Considerations Affecting The Development of Offshore Wind Transmission

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KEY CONSIDERATIONS

- **Ownership Structure and Mechanisms**
- **Cost Recovery**
- **Allocation of Capacity and Open Access Issues**
- **RTO Interconnection Process**
- **Coordination of Permitting and Construction**
- **Allocation of Risk / Impact on Financing**

GENERATOR LEAD LINE

- **Current Model in State OSW Procurements**
- **Bundled PPA Rates, based on Delivery of Energy**
 - Low EDC risk, but potential for low transparency
- **FERC Order 807¹: 5-Year Safe Harbor until Open Access**
- **RTO Interconnection: Seamless for Developer**
- **Ability to Coordinate Permitting / Construction**
 - BOEM easement as part of Lease
 - Coordinated SAP, COP and NEPA review
 - Coordinated permitting / determination of cost & need

MERCHANT OWNERSHIP

- **Cost-Based, Participant-Funded Rate Recovery**
- **Allocation of Capacity**
 - FERC's Chinook² Four Factor Analysis and Final Policy Statement on the Allocation of Capacity³ prior to OATT
- **RTO Interconnection as an ETU: A New Wrinkle?**
- **Coordination of Permitting / Construction**
 - Location, tie-in process, and points of receipt
 - Separate BOEM Right-of-Way and GAP: NEPA Review?
 - Separate permitting / determination of cost & need?
 - Coordination of In-Service Dates *not* a trivial issue

TRANSCO OWNERSHIP

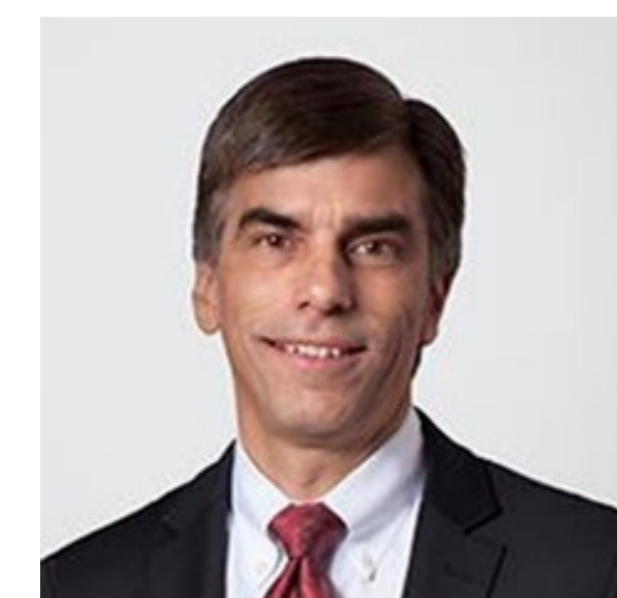
- **Beneficial Model that is Difficult to Implement**
- **Cost Recovery and Capacity Allocation**
 - "Socialized" Cost Recovery through RTO OATT
 - Either RTO Regional Transmission Plan or FERC Order 1000 "Public Policy Projects" Process⁴
 - FPA Section 205 / 219 rate filings
 - RTO OATT fully applicable
- **Coordination of Initial Permitting / Construction**
 - Location, tie-in process, and points of receipt
 - Separate BOEM ROW and General Activities Plan
 - Separate NEPA review and State permitting processes
 - Coordination of In-Service Dates *not* a trivial issue

ALLOCATION OF RISKS / IMPACT ON FINANCING

- **Generator Lead Line**
 - Developer Takes All Risk
 - **RESULT: Improves Ability for Project Financing**
- **Merchant Ownership**
 - Who are Counter-Parties, and Who bears Risk?
 - **RESULT: Creates Challenges for Project Financing**
- **Transco Model**
 - Most Risks Ultimately are Socialized
 - **RESULT: Likely Facilitates Project Financing if it can be Implemented**

CONTACT INFORMATION

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REFERENCES

1. Open Access and Priority Rights on Interconnection Customer's Interconnection Facilities, Order No. 807, 150 FERC ¶61,211 (2015), reh'g denied, 153 FERC ¶ 61,047 (2015)
2. The four factors are: (1) justness and reasonableness of rates; (2) the potential for undue discrimination; (3) the potential for undue preference, including affiliate preference; and (4) regional reliability and operational efficiency requirements. Chinook Power Transmission, LLC, et al., 126 FERC ¶ 61,134, at P. 37 (2009).
3. Allocation of Capacity on New Merchant Transmission Projects and New, Cost Based, Participant Fund Transmission Projects, 142 FERC ¶ 61,038 (2013)
4. Transmission Planning and Cost Allocation by Transmission Owning and Operating Public Utilities, Order No. 1000, 76 FR 49842 (Aug. 11, 2011), FERC Stats. & Regs. ¶ 31,323 (2011), order on reh'g, Order No. 1000-A, 139 FERC ¶ 61,132 (2012), order on reh'g and clarification, Order No. 1000-B, 141 FERC ¶ 61,044 (2012)