



NYSERDA



Offshore Wind RFI &

Supportive Manufacturing and Logistics RFP

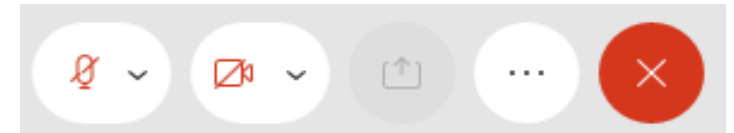
May 2024

Meeting Procedures

Webinar recordings and presentations will be available on
NYSERDA's Offshore Wind Webpages

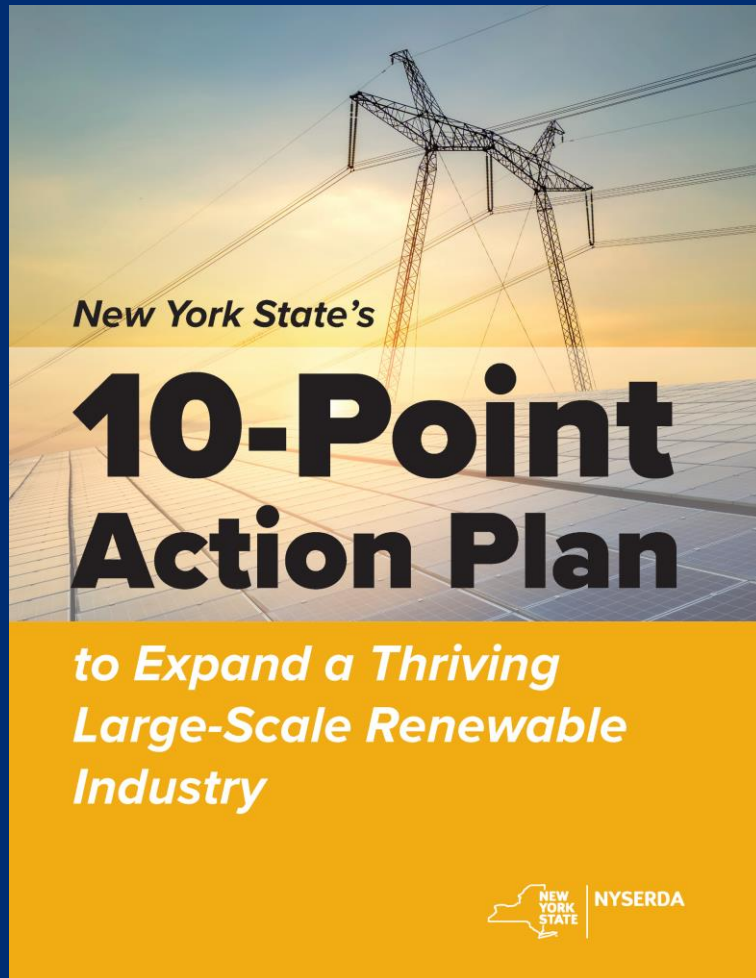
Participation for Members of the Public:

- > Members of the public will be muted upon entry.
- > If technical problems arise, please contact Sal.Graven@nyserda.ny.gov



You'll see  when your microphone is muted

New York's Actions to Advance Progress



New York remains committed to advancing a cleaner, more prosperous future for our State and our nation.

The 10-Point Action Plan was developed to reinforce New York State's dedication to clean energy development, sustainability, and economic growth. The State remains committed to advancing a cleaner, more prosperous future for our State and our nation.

ACTION 3: Launch Accelerated Competitive Procurements

NYSERDA will launch an accelerated renewable energy procurement process for both offshore wind and onshore renewables.

ACTION 6: Build the Offshore Wind Supply Chain

New York State is actively supporting the establishment and growth of a supply chain ecosystem to help the market scale, gain efficiencies, and reduce costs.

Contents

- **Fall 2023 Supply Chain RFI**
 - *Key Feedback Received*
- **Supportive Manufacturing & Logistics RFP (\$200 Million)**
- **OSWRFI24-1**
 - *Major Components RFP (\$300 Million)*
 - *ORECRFP24-1 (NY5)*



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Fall 2023 Supply Chain RFI



SCIPRFI23-1 Feedback: Overview

The RFI was structured around OSW supply chain manufacturing design

- OSW developers, ports and some manufacturers requested added focus on critical port infrastructure
- Port facilities did not align with the “cohort” model proposed
- Different timeline preferences for Ports vs. Manufacturing
 - **Port Infrastructure**: Request to move quickly - development timelines
 - **Local Manufacturing**: Can move slower - required for formation of cohorts
- Different Evaluation Criteria necessary to evaluate Port vs. Manufacturing proposals

RFI Feedback by Type of Project		
RFP Aspect	<u>Ports</u>	<u>Manufacturing</u>
Duration Open	<ul style="list-style-type: none">• 2-3 Months	<ul style="list-style-type: none">• ~6 Months
Cohorts	<ul style="list-style-type: none">• Do Not Align with Business Model	<ul style="list-style-type: none">• In Favor
Evaluation Criteria	<ul style="list-style-type: none">• Prioritize Logistical Imperative• Prioritize Advanced Permitted Projects• Prioritize Greatest Need for NYS OSW	<ul style="list-style-type: none">• Prioritize Direct Supplier Impacts• Prioritize Advanced Permitted Projects• Prioritize Cost Viability and Cost/Benefit

SCIPRFI23-1: Challenges and Solutions

Challenges with RFI Feedback:

- Providing funding for ports could potentially reduce funding available for manufacturing
- Splitting funds could potentially preclude larger “Port Manufacturing” projects from competing for funds needed for site of that type/scale
- Holding sequential RFPs (Ports and then Manufacturing) could address some timing concerns but could preclude understanding of selection in context of NYS portfolio

Solution:

- A single RFP that includes Port and Manufacturing Tracks
- Separate Evaluation Criteria for each track
- \$100 million for each track (Ports/Manufacturing), but reserve the right to shift funds between tracks
- RFP Timeline that seeks to balance needs of Ports and Manufacturing (Launch April, Close August)



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Supportive Manufacturing & Logistics RFP (\$200 Million)



RFP Format

1. *Introduction*

- RFP Summary, Funding Detail, Schedule, etc.

2. *Project Eligibility*

- Dual Track Structure
- Supply Chain MFG Track Eligibility
- Port Infrastructure Track Eligibility

3. *Evaluation*

- Supply Chain MFG Evaluation Criteria
- Port Infrastructure Evaluation Criteria
- Portfolio Evaluation Criteria

4. *Proposal Submission Guidelines*

5. *Award Process*

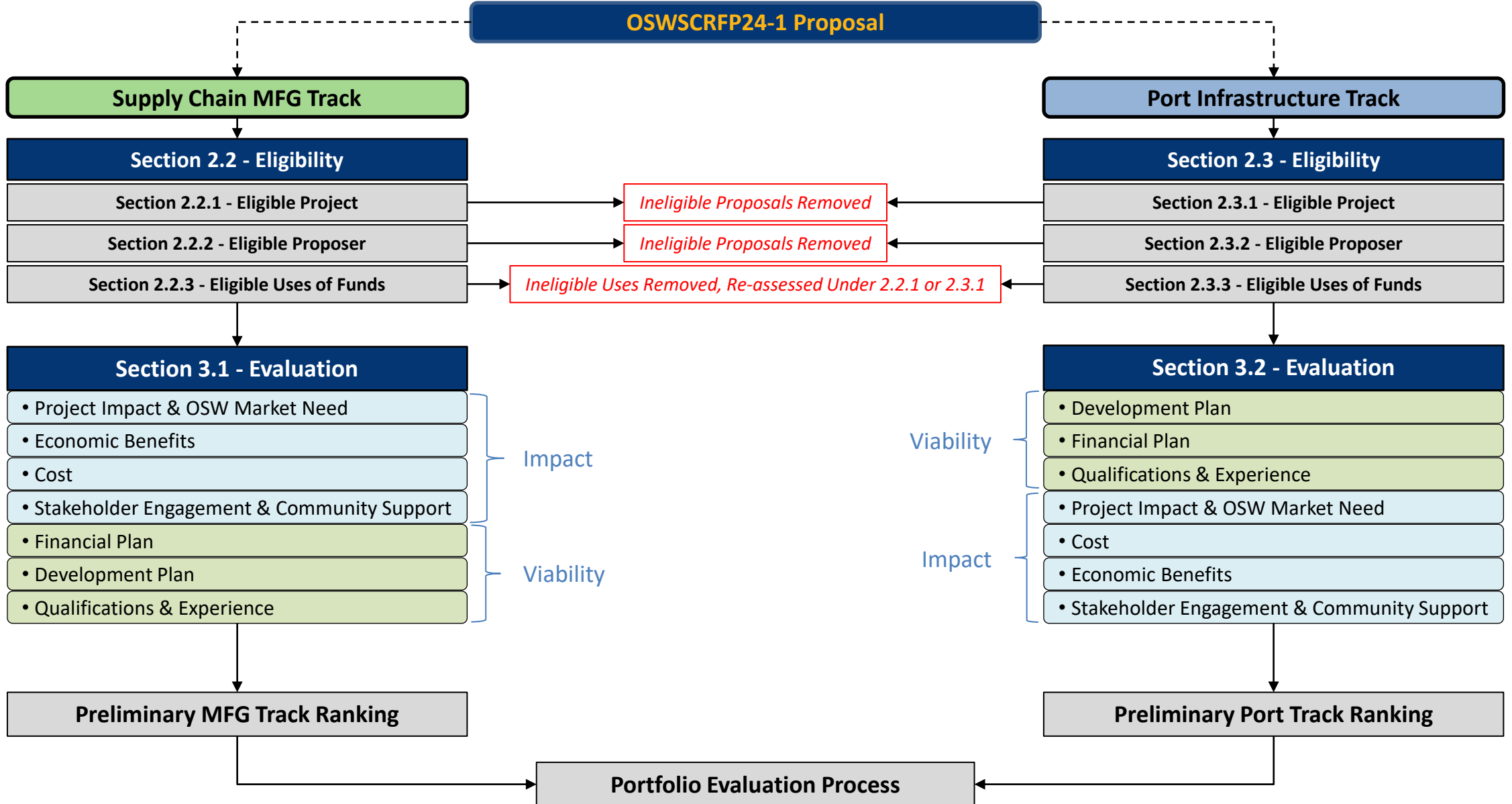
6. *Additional Requirements*

7. *General Conditions*

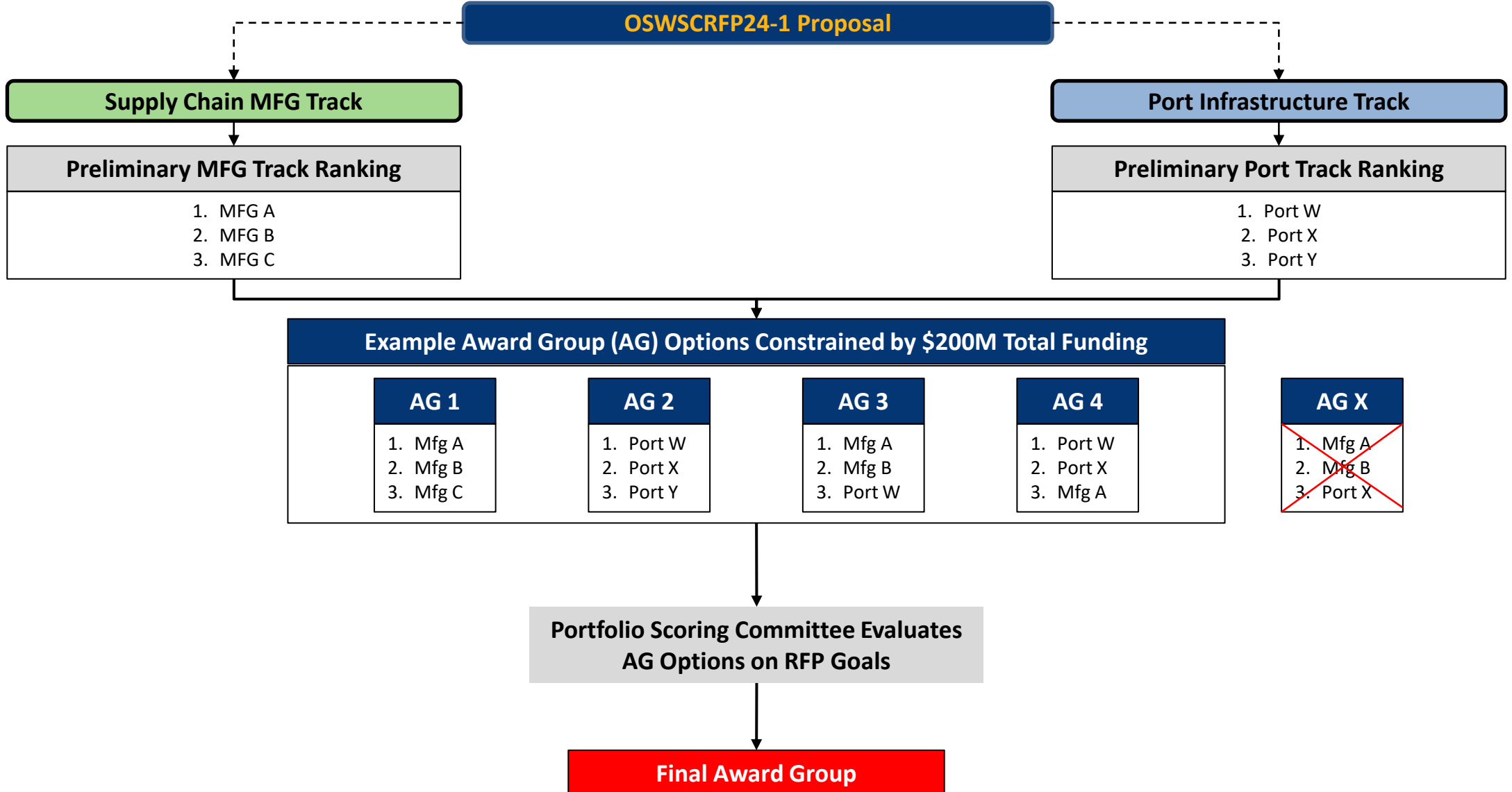
Basic Structure: Two Tracks

	Manufacturing Project	Port Project
Eligible Projects	Primary Components (Tier 1), Subassemblies (Tier 2), Subcomponents (Tier 3), Raw Materials Production (Tier 4)	NYS Located Operations & Maintenance, Staging & Marshalling, Laydown Ports
Minimum Total Project Cost	\$3 Million	\$10 Million
Minimum Award Size	\$1 Million	\$1 Million
Maximum Award Size	\$50 Million	\$100 Million
NYS-Funded Portion of Project Cost	33% Maximum	33% Maximum
Jobs	Wages paid through fifth year of operations \geq Award Amount	No specific threshold
Operations	No specific threshold	O&M Ports must support multiple developers & projects simultaneously

Track Evaluation Process



Portfolio Evaluation Process



Submission Materials

1. *Executive Summary*
2. *Supply Chain Data Form*
3. *Financial Model*
4. *Project Narrative*
 - *Proposer Background*
 - *Development Plan*
 - *Market Need & Commercial Strategy*
 - *Financial Plan*
 - *Economic Benefit Claims*
 - *Stakeholder Engagement Plan and Local Support*
5. *Additional Forms*
6. *Supplemental Attachments*



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OSWRFI24-1

Major Components RFP (\$300M)



Proposed Structure: “Major Component” RFP vs SML RFP

	Supportive Manufacturing & Logistics (SML) RFP OSWSCRFP24-1	Major Component RFP OSWSCRFP24-2 (Proposed)
Funding Available	\$200 Million between two tracks (Manufacturing Track & Port Infrastructure Track)	\$300* Million for single track <i>*Plus potentially funds not utilized in OSWSCRFP24-1</i>
Minimum Total Project Cost	\$3 Million (Manufacturing Track) \$10 Million (Port Infrastructure Track)	\$200 Million
Minimum Award Size	\$1 Million (Both Tracks)	\$50 Million
Maximum Award Size	\$50 Million (Manufacturing Track) \$100 Million (Port Infrastructure Track)	\$300* Million <i>*Plus potentially funds not utilized in SML RFP</i>
NYS-Funded Portion of Project Cost	33% Maximum	Proposed 25% Maximum
Project Focus	Supportive Supply Chain Manufacturing Projects & Logistical Port Infrastructure	Major Supply Chain Component Project(s)

Review of Prior OREC & Supply Chain Interplay

ORECRFP22-1 (NY3) :

- **Direct connection between OREC proposals and NYS grant funding** for supply chain development
- Developers of OSW **required to submit bids that included “Supply Chain Investment Plans” (SCIPs)**
 - SCIPs **would elicit a match of grant funding by NYS** in the specific facility proposed
- SCIPs had to include a direct financial investment by Developer in a NYS based facility and purchase commitments from the proposed facility dependent on timing
- SCIPs were key factors of the Economic Benefits and Viability evaluation criteria under the Public Service Commission Order mandating ORECs be evaluated based on 70% Price, 20% Economic Benefits, and 10% Viability

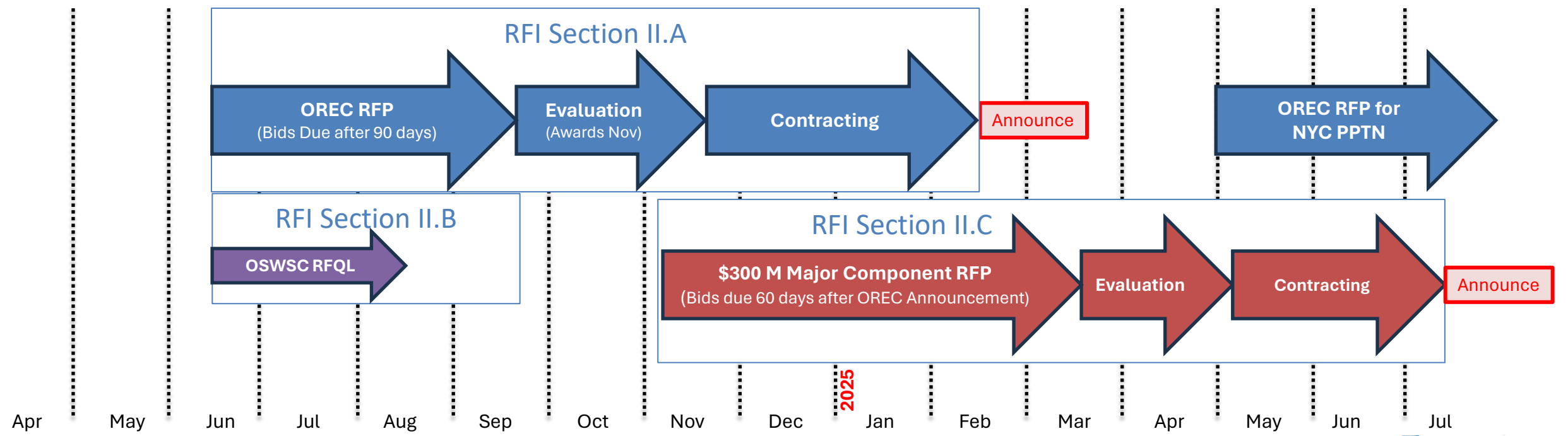
ORECRFP23-1 (NY4):

- **No connection between OREC proposals and NYS grant funding** for supply chain development
- Developers of OSW **had the option to submit bids that included “supply chain investments”**
 - Supply chain investments **would not elicit a match of grant funding by NYS** in the facility
- Supply chain investments could include a direct financial investment or purchase commitment from a NYS supply chain facility that would be factored in Economic Benefits evaluation criteria

NY5 & Parallel “Major Component” Supply Chain RFP Interplay

Goals of Separate OREC RFP & Major Component RFPs, but with interplay:

- Develop a supply chain supportive of industry long-term needs
- Incorporate flexibility to allow for changing market
- Balance the value of early purchase commitments from OSW Developers in establishing a supply chain facility’s business case, without overly restricting OSW Developers ability to advance their projects



Proposed “Major Component” RFQL & RFP Interplay

	Major Component RFQL / OREC RFP Process	Major Component RFP
Timing	RFQL Completed Prior to OREC RFP Submission	Following OREC RFP Submission & Contract Announcements
Eligible Projects	Exact Components TBD - <i>Dependent on RFI Feedback</i>	Exact Components TBD - <i>Dependent on RFI Feedback</i> <i>Not required to be pre-qualified through RFQL to participate in RFP</i>
Purpose	Enable Negotiations with OSW Developers to Demonstrate Supply Chain Facility Business Case in a manner benefitting both parties <i>*RFQL approval does not entitle Supply Chain Facility to NYS Grant Funding nor does it create a requirement that OSW Developers make purchase commitments*</i>	Provide NYS Grant Funding Assistance
Impact of Conditional Purchase Commitments on RFP Evaluations	<i>Conditional purchase commitments</i> contribute to portion of OREC RFP Economic Benefits score <i>*OREC Proposals may include different prices based on specific Component/Supplier. OREC Proposals not required to include any purchase commitments*</i>	<i>Conditional purchase commitments</i> contribute to supply chain facility proposal through project viability points <i>*Purchase commitments by OREC Proposal become firm if Component/Supplier selected and moves forward with the project*</i>



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OSWRFI24-1

ORECRFP24-1 (NY5)



OSWRFI24-1 Contents

1. ***Background and Objectives***
 2. ***Potential OREC and OSW Supply Chain Solicitations Approach and Timing***
 - A. ORECRFP24-1 Design
 - B. Major Component Pre-Qualification and OREC Conditional Purchases
 - C. OSWSCRFP24-2 Design
 3. ***Content of Response***
 4. ***Specific Questions Seeking Stakeholder Feedback***
 - A. ORECRFP24-1 Design
 - Structure, Timing, and Eligibility
 - Transmission
 - Economic Benefits
 - Contracting
 - Offer Price Adjustments
 - Reporting
 - B. Integration of Major Component Pre-Qualification and OREC Conditional Purchases
 - Approach to ORECRFP24-1 Evaluation and Contracting of RFQL Purchase Commitments
 - C. OSWSCRFP24-2 Design
 5. ***General Conditions***
- Appendix A***
1. ***Inflation Adjustment***
 2. ***Interconnection Cost Sharing***

Table 2. Prequalification facilities information for ORECRFP24-1 proposer consideration

RFQL Pre-Qualification Field	Description of RFQL Qualified Facility A	Description of RFQL Qualified Facility B	Description of RFQL Qualified Facility C
Specific component production (blades, nacelles, towers, foundations, cables, power conditioning equipment, etc.)			
Number of identified sub-suppliers, including how many will be localized and estimates of sub-supplier jobs created			
Technology proof such as product certification, market readiness, or number products sold with performance track record			
Project size, including total project cost, size of total private investment, and minimum grant funding sought			
Estimated facility offtake and, if applicable, minimum purchase requirements (in MW) to ensure return on investment			
Estimated facility production, or maximum capacity to serve the market (in MW per time period)			
Customer sponsorship and demonstration of project need and maturity to enter the market			
Site control and landowner sponsorship			
Estimated timeline, including start of production and ramp up time for products			

Table 3B. Illustrative example of information provided in ORECRFP24-1 submissions on commitments to prequalified facilities

RFQL Qualified Facility	RFQL Purchase Commitment? (Yes/No)	For RFQL Purchase Commitments		
		Conditional Total Expected Dollars	Offer Price Change if Realized	Mutual Exclusivity
Facility A	Yes	\$700 million	+\$1.25	Facility E
Facility B	No	N/A	N/A	N/A
Facility C	Yes	\$500 million	-\$0.25	None
Facility D	Yes	\$300 million	\$0.00	None
Facility E	Yes	\$900 million	-\$0.75	Facility A

Key RFI Topics

Topic	ORECRFP23-1 Approach	Contemplated ORECRFP24-1 Approach
ORECs Offered and Delivery Point Limitations	<ul style="list-style-type: none"> Each Offshore Wind Generation Facility included in a Proposal must represent a minimum Offer Capacity of either 800 MW or the maximum remaining available capacity (i.e., not committed under an active offtake agreement) from the lease area and a maximum of 1,400 MW. NYSERDA will select no more than 1,400 MW delivered via a single HVDC cable or up to 900 MW delivered via up to two HVAC cables into Zone J Delivery Point(s) and no more than 2,800 MW with a Zone K Delivery Point. 	<ul style="list-style-type: none"> Each Offshore Wind Generation Facility included in a Proposal must represent a minimum Offer Capacity of either 800 MW or the maximum remaining available capacity (i.e., not committed under an active offtake agreement) from the lease area and a maximum of 1,400 MW. NYSERDA will select no more than 1,400 MW delivered via a single HVDC cable into Zone J. NYSERDA makes no limitation on awardable capacity delivered into Zone K. NYSERDA is targeting an award group of at least 2,600MW.
Submission Steps	Proposals were submitted at one time with both Offer Price and non-price information included in the submission.	<ul style="list-style-type: none"> NYSERDA is considering a two-step RFP submission, with the initial submission containing only non-price information. Price would be submitted as a second step, with submission due four weeks following NYSERDA completing review and providing feedback to Proposers on OREC Purchase and Sale Agreement (“PSA”) comments, Interconnection Cost Allocation Baselines, Economic Benefits Claims and any other relevant matters. This would allow all relevant information to be incorporated into bid pricing and avoid the need for an additional re-price step as was included in ORECRFP22-1.

Key RFI Topics

Topic	ORECRFP23-1 Approach	Contemplated ORECRFP24-1 Approach
Award Security and Contract Signing	No award security; contract security due only after the OREC PSA is signed.	NYSERDA intends to require award security of \$10,000 per MW to be provided by any awarded proposer, which would be returned to the awarded proposer upon OREC PSA execution and provision of contract security or retained by NYSERDA if the OREC PSA is not signed within 90 days following notification of award (at which time NYSERDA would also be entitled to rescind the award).
Contract Security	<ul style="list-style-type: none"> • \$40,000/MW due at OREC PSA execution; additional \$20,000/MW due one year later; \$10,000/MW due each following year (for a 1.2GW project, this would amount to \$134 million seven years after OREC PSA execution). • All Contract Security is retained by NYSERDA in the event of contract termination (subject to certain exceptions). • If the Project is not built to at least 95% of Offer Capacity, a proportional amount of the Contract Security is retained by NYSERDA. For example, if a 1.2GW project is built to 900MW, NYSERDA would retain 21% of contract security (\$28.1 million in the example above). 	<ul style="list-style-type: none"> • NYSERDA is considering whether to maintain or potentially increase the contract security to roughly twice the amount in ORECRFP23-1 (i.e., resulting in \$268 million after seven years for a 1.2 GW project). • As noted below, NYSERDA is considering revising the OREC PSA to provide that in lieu of termination, NYSERDA may instead retain a certain portion of contract security if contractual milestones are missed. • NYSERDA is also considering revising the OREC PSA to provide that NYSERDA would retain 50% of Contract Security if by the date that is twelve (12) months following first power / commercial operation the Project is built to less than 95% of Offer Capacity but more than 80% of Offer Capacity and to retain all Contract Security and be entitled to terminate the contract if the Project is built to less than 80% of Offer Capacity within twenty-four (24) months following first power / commercial operation.

Key RFI Topics

Topic	ORECRFP23-1 Approach	Contemplated ORECRFP24-1 Approach
Outer Limit Date	<ul style="list-style-type: none"> • The Outer Limit Date was established as 1/1/2058 for 25-year terms and 1/1/2053 for 20-year terms, making the latest Contract Delivery Term start date to maintain a full term 1/1/2033. • The OREC PSA allows for up to two years extension of the outer limit date for certain enumerated reasons related to: <ul style="list-style-type: none"> ○ Certain interconnection-related delays ○ Actions taken by a permitting authority that apply to the offshore wind industry as a whole ○ Delays due to Force Majeure • As noted below, Section 5.06 also allows for extensions of the Outer Limit Date if applicable due to offshore transmission integration. 	<ul style="list-style-type: none"> • NYSERDA is considering setting the Outer Limit Date as 1/1/2059 for 25-year terms and 1/1/2054 for 20-year terms. • NYSERDA intends to maintain the maximum two-year extension to support de-risking projects while incentivizing projects come online as soon as possible. • In addition to the enumerated reasons for extension, NYSERDA is contemplating adding a provision that NYSERDA may provide extensions if NYSERDA determines in its sole discretion that development of the Project has been delayed due to reasons outside of the Project’s reasonable control. Such reasons could potentially include, depending on the circumstance, demonstrated unavailability of vessels or key components.
Offshore Transmission Integration	<p>The Offshore Transmission system Integration Adjustment provision (Section 5.06 of the OREC PSA) describes that in the event that NYSERDA determines that any changes to design or scope of the Selected Project (other than the Meshed Ready requirements) must be made to prepare for or implement a future offshore transmission system, the schedule (potentially including the Outer Limit Date), delivery and/or pricing provisions of the OREC PSA shall be adjusted based on a cost estimate or other study carried out on behalf of the Selected Project and reviewed by a third party mutually acceptable to the Seller and NYSERDA.</p>	<ul style="list-style-type: none"> • In light of ongoing offshore transmission initiatives including the New York City PPTN process, NYSERDA intends to further clarify that the offshore transmission integration provision applies to all Proposals. • In addition, NYSERDA is considering adding a binding dispute resolution component to Section 5.06 similar to the provision contained in Section 4.03(c)(iii) of the Tier 4 REC Agreement with Clean Path New York.

Key RFI Topics

Topic	ORECRFP23-1 Approach	Contemplated ORECRFP24-1 Approach
Qualifying Federal Support	OREC pricing is adjusted in the event that a Project obtains Qualifying Federal Support, which includes support arising from new federal legislation and certain bonus provisions of existing federal legislation but does not include federal loans.	<ul style="list-style-type: none"> • NYSERDA is considering expanding the definition of Qualifying Federal Support to include the incremental value (as compared to a market rate loan) of any federal loan or federal loan guarantee from the U.S. Department of Energy’s Loan Program Office (LPO), regardless of whether or not it arises from a law enacted by the U.S. Congress Before or after Proposal submission. • NYSERDA contemplates that this incremental value would be calculated by comparing the all-in cost on a present value basis of the LPO-backed financing with the published cost of a debt of the same weighted average life provided to a BBB rated credit, as of the date of the closing of the LPO-backed financing.
Climate Adaptation and Resiliency	Proposal submissions included a Climate and Resilience Strategy. No additional contractual requirements linked to the Project plans climate and resiliency strategy are included.	NYSERDA is considering requiring regular updates and contractual commitments to implement the climate adaptation and resiliency strategies presented in the proposal.
Energy Storage	Not included in RFP.	NYSERDA does not intend to include energy storage in ORECRFP24-1.
Fossil Repurposing	Not included in RFP.	NYSERDA intends to incorporate similar requirements and contract provisions that applied to proposals that contemplated an “Affected Resource” in ORECRFP22-1, including terms similar to Section 12.16 of the ORECRFP22-1 OREC PSA .

Proposed Inflation Adjustment

Element	ORECRFP23-1 Weighting (%)	Proposed ORECRFP24-1 Weighting (%)	Units, Frequency	Index
Labor	30	30	Unitless index, monthly	U.S. BLS, Employment, Hours, and Earnings from the Current Employment Statistics survey, Data Series CES2000000003, Average hourly earnings of all employees, construction, seasonally adjusted
<u>Fabrication</u>	25	0	Unitless index, monthly	U.S. BLS, PPI, Data Series PCU811310811310, Commercial machinery repair and maintenance
Steel	10	15	Unitless index, monthly	U.S. BLS PPI, Data Series PCU331110331110, Iron and steel mills and ferroalloy mfg, not seasonally adjusted
Fuel	10	7.5	\$/gal, daily	New York Harbor Ultra Low Sulfur No 2 Diesel Spot Price published by U.S. Energy Information Administration, Petroleum & Other Liquids Data https://www.eia.gov/dnav/pet/PET_PRI_SPT_S1_D.htm , daily price for last trading day of the month
Copper / aluminum	5	10	\$/lb, daily	COMEX, spot price on last trading day of month for prompt month, split 50:50 among copper and aluminium
Electricity	0	2.5	\$/MWh	Monthly load-weighted average LBMP price published by the NYISO as part of the Market Performance Highlights in the CEO/COO report included as part of the monthly Management Committee; https://www.nyiso.com/management-committee-mc-
Transport	0	5	Unitless index, monthly	FBX21 global ocean freight container pricing index https://terminal.freightos.com/freightos-baltic-index-global-container-pricing-index/
Other indexable	0	10	Unitless index, monthly	CPI https://www.bls.gov/cpi/
Other (Fixed)	20	20	-	None
Total	100	100		

Proposed Cost of Capital Adjustment

NYSERDA is considering augmenting the existing inflation adjustment formula with an additional new adjustment meant to capture changes in the cost of capital, in the following manner:

$$OREC_{adj} = OREC_{bid} \times \text{Inflation adjustment} \times \text{Cost of capital adjustment}$$

where:

$OREC_{adj}$ is the Index OREC Strike Price or Fixed OREC Price after adjustment

$OREC_{bid}$ is the Index OREC Strike Price or Fixed OREC Price as submitted with the Proposal

Inflation adjustment is the adjustment factor accounting for changes in commodity prices between Proposal Offer Price submission and COP approval as described in the “Inflation Adjustment” section above

Cost of capital adjustment is the adjustment factor accounting for a change in interest rates between Proposal Offer Price submission and COP approval

For the new *Cost of capital adjustment*, NYSERDA is considering utilizing the following formula:

$$\text{Cost of capital adjustment} = 11.4 \times \left(\frac{1 + i_T}{1 + i_B} \right)^2 - 17.5 \times \left(\frac{1 + i_T}{1 + i_B} \right) + 7.1$$

where:

i_B is the interest rate published by NYSERDA four weeks prior to the Proposal Offer Price submission deadline

i_T is the interest rate at the time of the Project’s COP approval

NYSERDA is considering using the Effective Federal Funds Rate as the interest rate for purposes of i_B and i_T in this formula.

Below is an illustrative example of the application of this *Cost of capital adjustment* formula:

Interest rate published by NYSERDA four weeks prior to the Proposal Offer Price submission deadline, $i_B = 4\%$

Interest rate at the time of the Project’s COP approval, $i_T = 5\%$

$$\text{Cost of capital adjustment} = 11.4 \times \left(\frac{1 + 5\%}{1 + 4\%} \right)^2 - 17.5 \times \left(\frac{1 + 5\%}{1 + 4\%} \right) + 7.1$$

$$\text{Cost of capital adjustment} = 11.4 \times (1.009615)^2 - 17.5 \times (1.009615) + 7.1$$

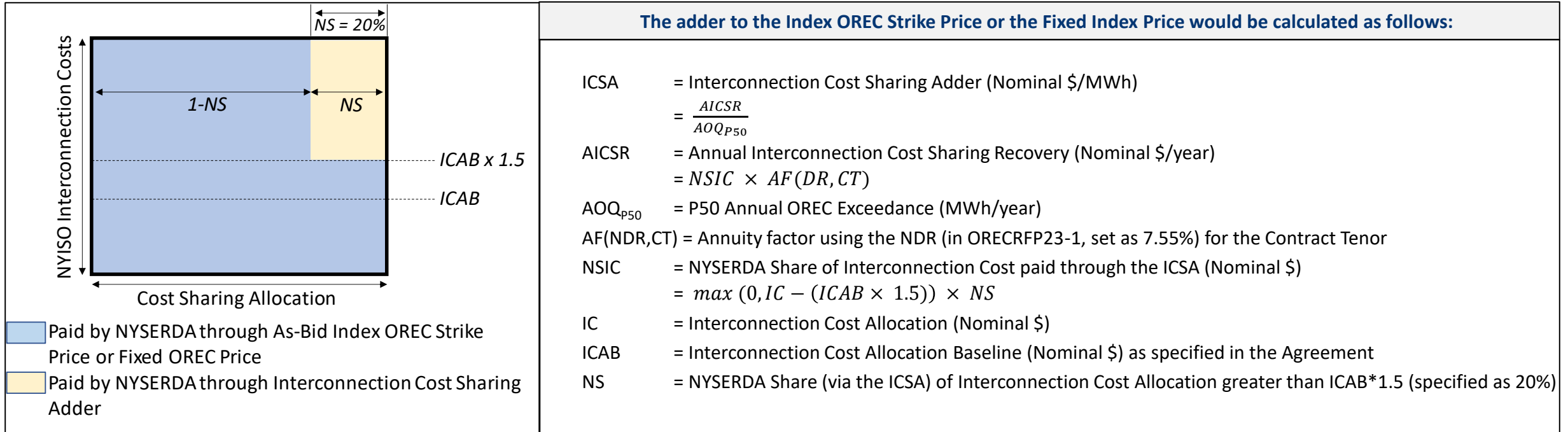
$$\text{Cost of capital adjustment} = 1.052$$

The above *Cost of capital adjustment* formula was derived through modelling the impact of various interest rate change scenarios on LCOE for a representative offshore wind project, using the following assumptions:

Parameter	Assumed value
Debt share	70%
Equity share	30%
Cost of equity	8%
Tax rate	21%
Project lifetime (years)	30
CAPEX LCOE contribution (@ 5% nominal WACC)	76%
OPEX LCOE contribution (@ 5% nominal WACC)	24%



Figure 2. Interconnection Cost Sharing Illustration



Upcoming Dates

May 14, 2024

OSWSCRFP24-1

Written Questions Due

May 21, 2024, 3:00 p.m. ET

OSWRFI24-1

Responses Due

August 13, 2024, 3:00 p.m. ET

OSWSCRFP24-1

Responses Due

Details available at:
nyscrda.ny.gov/Funding-Opportunities

OSWRFI24-1:

Questions should be directed in writing to:
offshorewind@nyscrda.ny.gov

OSWSCRFP24-1:

Questions should be directed in writing to Kevin Flynn, Peter Lion, Gregory Lampman, or Alex Stein by emailing:
offshorewind@nyscrda.ny.gov



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