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Will MA Continue to Lead on Offshore Wind Development?

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Recently, the ocean east of Block Island and south of Martha's Vineyard has seen a "gold rush" of interest as a location for future offshore wind farms. Would be wind farm developers are bidding aggressively in federal auctions to win the rights to build in this area. To date, four commercial wind energy leases have been awarded and recently three more proposed leases have been sold by the federal government at a price of \$135 million each. Carbon-free power generated there could be sold to consumers in Massachusetts, Rhode Island, Connecticut, New York or New Jersey. To date, Massachusetts has been leading the way with state-mandated procurements of power. But current state law may make it difficult for Massachusetts to maintain its lead.

The state led the way with the first competitive procurement of a 20 year power supply agreement for 800 MWs of wind energy to be delivered to its consumers. The winning bid, submitted by the Vineyard Wind Project in the summer of 2018, set a record low price of 6.5 cents per kilowatt hour. While this low price created optimism for the future supply of clean, affordable power for the region, it revealed a conundrum for future wind energy procurement in Massachusetts. State law requires that each subsequent procurement result in a price lower than the one that precedes it.

The problem this presents for future Massachusetts contracts was illustrated by the next procurement. On February 7, 2019, Rhode Island approved a 20 year wind energy power supply contract to serve its consumers. National Grid and Ørsted U.S. Offshore Wind were awarded a 20 year power supply contract for 400 megawatts of energy to be delivered by the Revolution Wind wind farm. The project, located northeast of the Vineyard Wind project and 15 miles south of Rhode Island, has a "levelized" price of 7.4 cents per kilowatt hour.

Herein lies the problem for Massachusetts. The Revolution Wind price is almost a full cent higher than Vineyard Wind's inflation-adjusted contract price of 6.5 cents per kilowatt hour. The price indicates future projects in the area will not be able to meet the current requirement that they be lower than the Vineyard Wind price. If not, the bidders won't be eligible to receive a long-term contract to supply Massachusetts with energy.

[An Act to Promote Energy Diversity](#), signed by Governor Baker in August, 2016, put Massachusetts at the forefront of offshore wind development in this deep water ocean area. However, the Act stipulates that "the department of public utilities shall not approve a long term contract that results from a subsequent solicitation and procurement period if the levelized price per megawatt hour, plus associated transmission costs, is greater than or equal to the levelized price per megawatt hour plus transmission costs that resulted from the previous procurement." Massachusetts is obligated by this same law to initiate another procurement for an additional 800 megawatts of wind energy by June of 2019. Yet, the state cannot approve a contract with a levelized price greater than 6.5 cents per kilowatt hour.

Massachusetts faces the prospect that prices bid in this and subsequent procurements will not meet the



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requirements of the Act. Legislative leaders and the Baker Administration are understandably concerned. The legislature could fix this problem by altering or removing the price cap. One bill (HD 697) has been filed by House Speaker Pro Tem Patricia Haddad to do just that. However, the legislature is just beginning a new session and it is not clear when an amendment to the 2016 law could be accomplished.

A subsequent law, [An Act to Advance Clean Energy](#), enacted in 2018, requires the Department of Energy Resources to file a report with the legislature this summer on the need to conduct additional solicitations, of up to 1,600 megawatts of wind generation. That report is likely to confirm the need to amend the existing law.

Until the current law is amended to alter or remove the pricing requirement, Massachusetts is in danger of having to watch other states mine the energy “gold” in the ocean waters just off its shores.

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