

Bird & Bird &
Structuring
your energy
storage project

EU Winter Package

- Storage is not consistently regulated - it is often uncomfortably squeezed into other frameworks.
- Winter package seeks to apply consistent regulation but still doesn't recognise storage as a different type of asset.
- Allows Member States to permit 5-year derogation from prohibition of DSO/TSOs owning or operating storage subject to strict conditions (no interest from the market, storage necessary to permit TSOs/DSOs to carry out their functions).

Grid connection

Due diligence in respect of the grid connection will need to be carried out, including:

- Is the connection to the transmission or distribution network?
- Is there a separate grid connection or shared grid connection point?
- Does an existing connection agreement need to be amended?
- How to mitigate against the "stranded asset risk" in the case of a shared grid connection?

Funding

- Debt funders are interested in storage, but key considerations for them are around certainty about the regulatory environment and potential revenue streams (see relevant boxes).
- Equity funding is the more common route for the time being.
- Funders will require confirmation that there is no impact on the accreditation of existing projects that are to be co-located with storage.

Revenues

- Capacity Market
- National Grid Services
- Demand Side Services
- Energy Management Services to Host Client
- TRIAD Management

Revenue streams

The potential revenue streams available to the operation of a battery are currently in flux:

- Type and number of National Grid Services contracts are under review and are likely to be consolidated.
- Evolving Capacity Market rules.
- Uncertainty in the TRIAD market for both export (short-term) and import avoidance (medium term).
- Shifting patterns of grid demand as more storage (and other technologies come online).

Interactions with other operations

Consideration of the interface of the battery with other forms of co-located or on generation including:

- Interface with battery operation and existing PPAs in place
- Technical interface between the battery and existing installations
- Appropriate metering arrangements
- Interface between EPC and O&M arrangements between battery and existing installations
- Ancillary contracts

Real estate

- An option may be required, conditional on planning or other matters.
- Lease needs to include all rights required for battery operation, including for operators, aggregators, and, in case of shared connection, rights to connect into existing connection points.
- Due diligence - key points to consider include access, cable routes and any pre-existing service media.

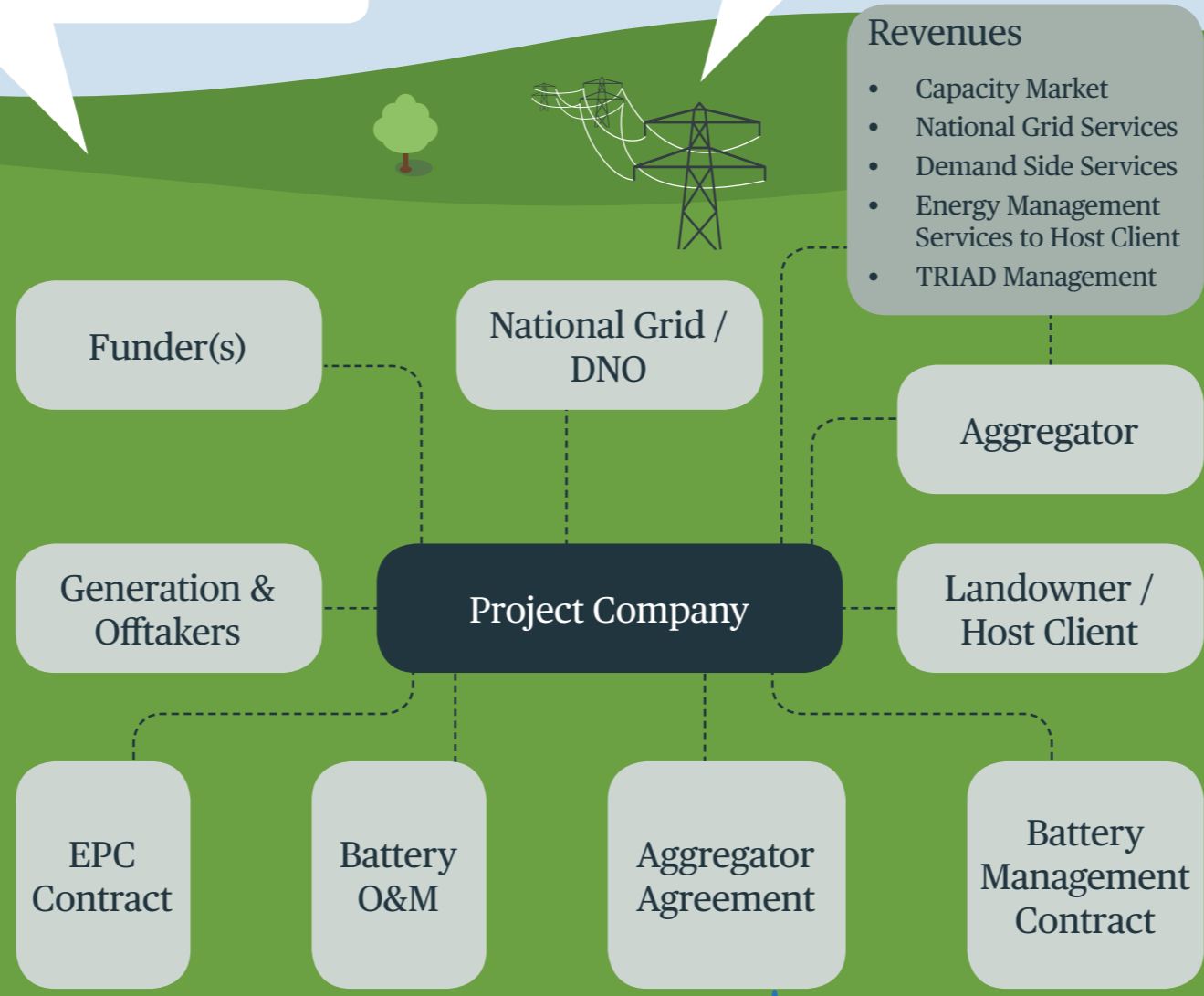
Battery storage considerations

- Determining the allocation of risk with respect to the management of the battery and delivery of revenues as between the battery operator, aggregator and project co.
- Battery performance, degradation and warranty protections. This will depend on the type of battery supplied, how it is operated and the revenue streams that are earned from it.
- Will the Aggregator be given any operational control of the battery?

Regulatory environment

The role of storage within the framework of the electricity regulatory system is currently being redefined. This will have broad market implications, including:

- To what extent a licence may be required to operate battery storage considering, in particular, the European Unbundling Regime.
- Ability for DNO/TNOs to own or operate storage.
- The availability of fiscal incentives and other revenue streams (see above).
- Grid charges applicable to battery storage.
- Taxes and final consumption levies that are applicable to energy stored and discharged by batteries.



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