



## Shared grid connections – Do they work?

The prospect of shared grid connections for energy generating facilities, has become a hot topic in recent months with increasing pressure on grid capacity and increasing numbers of renewable (particularly solar) projects wanting to connect.

The typical route for connection has been for a developer to obtain and accept an offer from a Distribution Network Operator (DNO) to connect its generating plant capacity onto the network, ideally at a specified date. Developers have had to juggle a variety of issues including the availability of the capacity; the cost of the connection (which increasingly has become a significant barrier to deployment) and increased competition in obtaining the grid connection.

With the growing pressure on DNOs to connect projects, many DNOs are devising innovative ways of providing alternative “non-firm” connections (allowing customers willing to have their capacity temporarily reduced to connect ahead of grid reinforcements) and we are likely to see more of this in years to come. However, the energy industry itself has looked to another solution, that of sharing an existing or proposed grid connection. The question is “*do these arrangements work?*”

Sharing a grid connection may sound easy at the outset, but it is not. Shared grid is at its most simple when neither of the sharing projects require external funding. The moment that is not the case, the issue of security over the grid connection arrangements and assets comes into sharp focus.

Ultimately the connection agreement from the DNO will be held by one party. If that party wishes to allow someone else to share that grid connection, a robust contractual arrangement will need to be put in place, if the second party is to have meaningful rights to export their electricity. Assuming the contractual arrangements can be put in place and are palatable to the holder of the connection

agreement or offer, they may still not be satisfactory to, for example, a bank funding the second project. External funders will be concerned that if the person holding the grid connection defaults, the DNO will have a right to terminate the connection agreement notwithstanding the contractual arrangement sitting behind it between the developers. We have advised on a number of situations where shared grid connection arrangements between commercial projects have worked, but where external funding is required by both projects, it is achievable but not at all easy and can involve complex mechanisms to provide legal protection for both parties with an element of security over the connection. The key is persuading the holder of the connection that it is worth the effort.

The need for shared connection arrangements will only increase with the announcement of the Government’s Community Ownership Strategy and the adaptation of the rules governing the Feed-in Tariff (FiT) to allow larger solar projects which can no longer benefit from the Renewables Obligation, to be split into two. In January 2015 DECC announced that it would relax the rule that two sites must have separate grid and meter connections (MPAN’s) for each to qualify for the FiT, providing one of the projects is community owned. This was welcome news. Many existing developers are now looking at the connection arrangements they have for 10MW sites thinking that they can share a grid connection with a 5MW community site. This still brings us back to the problem of how the grid connection arrangement itself is shared. A single MPAN arrangement also needs careful consideration when it comes to the power offtake (PPA) arrangements. It is unlikely that separate offtakes can be easily negotiated which has led to the idea of “pseudo MPAN’s”.

For these form of community projects to piggy back off a single connection, the community project will need to be clear on how it intends to obtain funding and how it can rely on the availability of the grid connection notwithstanding the

connection offer and agreement is likely to be in the name of the original commercial developer. Burges Salmon has been at the forefront of developing a number of potential alternative structures which could be used. Ultimately, however, there will be an important role for the DNOs going forward to show a commitment to the Government's Community Energy Strategy and adapt their connection offers, agreements and arrangements to give all parties the necessary protection and assurances to enable these projects to go ahead.

## Contact

If you would like more information on structuring shared grid connection arrangements or further details about the Burges Salmon Renewable Energy Team, please contact Ross Fairley:



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