CEER Citizens' Q&A

CEER Paper on Alternative Connection Agreements
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1 What are alternative electricity network connection agreements?

Any electricity system user, whether injecting electricity into or taking electricity off the grid (or a combination of the two), has a contractual agreement (connection agreement) with the grid operator. This connection agreement is typically firm, meaning that the system user always has access to a certain amount of network capacity. An alternative connection agreement is a variation to this firm connection agreement, for example regarding the level of firmness of the contracted capacity. In return for a connection agreement with a limited level of firmness, system users may pay a lower connection fee.

2 What are the benefits of alternative connection agreements?

The current European-wide ambition to decarbonise energy systems and electrify energy demand puts pressure on local electricity grids. In the context of grid congestion issues, i.e. the existing grid infrastructure being unable to accommodate new loads or causing instability of the grid, grid operators have traditionally solved these issues solely by investing into reinforcing the grid. As an intermediary or alternative to grid reinforcements, alternative connection agreements are one of the ways for electricity grid operators to access flexibility available with system users and manage their networks better via a more optimal use of available grid capacity. This can allow users to connect to the grid earlier than otherwise and possibly at lower cost.

3 Are there any other important considerations relating to alternative connection agreements?

Alternative connection agreements can allow for a more efficient use of available grid capacity but there are some important considerations to take into account when allowing or implementing them. Most importantly, they should be considered as only one of the possible instruments (also referred to as mechanisms) that are available to distribution grid operators to efficiently manage their networks. For example, distribution grid operators can also directly procure flexibility from system users via bilateral negotiations or trading platforms. Moreover, EU legislation provides a clear preference for distribution grid operators to use flexibility available with system users via such market-based mechanisms. When national regulatory authorities (NRAs) consider allowing distribution grid operators to enter into alternative connection agreements with system users, they need to assess whether other instruments are available and perhaps should be preferred. Especially in cases where there is not yet a (local) market for flexibility, alternative connection agreements can be a useful additional instrument for distribution grid operators to use.

4 Are alternative connection agreements already used in practice?

The interest in – and the use of – alternative connection agreements vary largely between Member States. Explanations for this variation seem to lie in the flexibility implicitly present within current legislation on the one hand, and the severity of local grid congestion issues on the other. In some countries, alternative connection agreements have become practice as the legal and regulatory framework did not explicitly rule them out, giving grid operators the ability to implement them. Others have only started to adapt the legal or regulatory framework – or started to think about adapting. The amount of congestion observed across distribution networks acts as a particularly strong trigger for NRAs to consider the implementation of alternative connection agreements.

5 Why is this important for energy customers and what is the impact on them?

Amidst the strong push for more (variable) renewable electricity generation and the electrification of energy demand (e.g. heat and electric mobility) there is the real risk of grid operators not being able to meet the required pace of distribution network reinforcements. Alternative connection agreements are one of the possible instruments to use all available grid capacity as efficiently as possible. They may not solve the problem of insufficient grid capacity to fulfil all current demand for grid capacity but can reduce this problem to a certain extent. This results in decreasing delays in the connection of new system users or the upgrade of connection capacity of existing system users and possibly at a lower cost as well.