

# CNMC Circular 1/2024: network access and connection of demand-side facilities

Access and connection of demand-side facilities (storage facilities, data centres, hydrogen plants, etc.) to the transmission and distribution networks will provide the electricity system with greater flexibility

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## ENERGY TEAM

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**P**ublished in the Official Journal of Spain of 11 October 2024, the rules instrument Circular 1/2024, of 27 September, of the Spanish Markets and Competition Authority (“CNMC”), setting out the methodology and conditions of access and connection to the transmission and distribution networks of demand-side electricity facilities, will come into force on 12 January 2025.

Relating to demand-side facilities, Circular 1/2024 completes the regulation of the procedure for access and connection to the networks

provided for in Circular 1/2021 of 20 January as far as facilities producing electricity are concerned, in a manner consistent with Royal Decree 1183/2020, of 29 December, on access and connection to electricity transmission and distribution networks.

This paper contains a summary of the main aspects of Circular 1/2024.

### 1. Subject matter and scope

Circular 1/2024 sets out the conditions and methodology for facilities that will be de-

manding electricity and having to obtain network access and connection permits<sup>1</sup>, applicable both to initial access and connection permit requests and to requests to modify or increase the power of permits already held.

The Circular's scope of application comprises the following: a) requesters for access and connection permits (electricity consumers, owners of distribution facilities connecting to the networks of another distribution or transmission company and other parties with right of access or the possibility of having access and connection permits from the demand side); b) transmission and distribution network owners in their capacity as permit processors and issuers; and c) owners of closed electricity networks<sup>2</sup>.

## 2. Access capacity typology

One of the most important changes introduced by Circular 1/2024 is the establishment of two types of access capacity:

### a) *Firm (or ordinary) access capacity:*

This is the maximum active power that can be served with guaranteed supply during all hours of the year.

### b) *Flexible access capacity:*

This is where the firm power requirements are not fully met (because supply is not guaranteed at all hours of the year), inasmuch as a specific criterion of the capacity analysis performed is not satisfied.

Requests for flexible access shall be voluntary.

Flexible access capacity can only be granted if the analysis determines that the facility is expected to be able to consume at least a certain percentage of hours per year; if the facility will not be able to consume above this percentage, the conclusion will be that there is no flexible access capacity.

In this regard, the CNMC must approve the detailed specifications for demand-side facilities<sup>3</sup>, which will establish the percentage that determines whether or not flexible access capacity exists and the different types of flexible access capacity that may exist. Therefore, until the regulatory development that allows its full request is adopted, flexible access capacity permits cannot be requested or granted<sup>4</sup>.

<sup>1</sup> According to Article 17 of Royal Decree 1183/2020.

<sup>2</sup> Under the terms set out in Royal Decree 314/2023, of 25 April, implementing the procedure and requirements for the granting of administrative authorisation for closed electricity distribution grids.

<sup>3</sup> This, in accordance with the procedure established for this purpose in Article 18 of Circular 1/2024, which will require a prior hearing with the Ministry for the Ecological Transition and Demographic Challenge (the procedure will include the participation of a working group from the CNMC, as well as the transmission and distribution grid operators). Likewise, the detailed specifications to be approved must be in accordance with the energy policy guidelines regulated in Order TED/1494/2021, of 22 December, laying down the energy policy guidelines in relation to demand-side facilities' access and connection to the grid.

<sup>4</sup> As provided for in the first transitional provision of Circular 1/2024.

### 3. Access and connection procedure for demand-side facilities

#### a) *Requesting access and connection permits*

The required content of requests for access and connection, including associated technical information, is set out in Schedules I and II (applicable to the fast-track procedure<sup>5</sup>) of Circular 1/2024. Requesters may at the same time apply for both firm and flexible access capacity, indicating in each case the amount thereof.

It is also provided that certain types of facilities, due to their nature or technological constraints, may apply for zero firm access capacity or may be required to have a minimum of firm access capacity.

#### b) *Analysis of requests<sup>6</sup>*

The criteria for assessing whether or not capacity exists are set out in Schedule III of Circular 1/2024 and the criteria for assessing the viability of a connection are set out in Schedule IV of Circular 1/2024<sup>7</sup>.

In those cases where an request has an influence on a network other than the one to which the connection is intended (according to the criteria set out in Schedule V of Circular 1/2024), the upstream network operator shall issue an acceptability report on whether access capacity exists<sup>8</sup>; if unfavourable, access shall be refused.

Provided that the priority criterion and time limits set out in Royal Decree 1183/2020 are observed, the distribution network operators may analyse access and connection alternatives that take into account other requests when such alternatives represent a more efficient and lower cost solution for the system and for the interested parties, and provided that there is prior agreement between the parties (given that they would have to share network connection facilities).

Rejections of requests shall specify the grounds for rejection and shall include an explanatory report to that effect.

#### c) *Content of the preliminary proposal*

A preliminary proposal is issued, determining the existence of access capacity

<sup>5</sup> The facilities under Article 16 of Royal Decree 1183/2020 will be eligible for the fast-track procedure.

<sup>6</sup> Express reference is made to the provisions of Articles 10, 11, 13 and 20 quarter (8) of Royal Decree 1183/2020 concerning the admission for processing, the assessment of requests, the parties responsible and the applicable deadlines.

<sup>7</sup> However, the criteria for assessing the existence or not of capacity, the viability of the connection point and the influence on the upstream grid of requests made prior to the request of the detailed specifications shall be those used at the entry into force of Circular 1/2024 (according to Article 33(2) of the Electricity Sector Act 24/2013 of 26 December).

<sup>8</sup> According to the criteria in Schedule III of Circular 1/2024.

and the viability of the connection, that cannot be modified once accepted. The preliminary proposal contains two main sections:

- Technical conditions<sup>9</sup>:
  - Access capacity, distinguishing between firm and flexible capacity<sup>10</sup>. Where there is no capacity under the conditions requested, the best available solution shall be indicated by stating the alternative firm capacity and, where requested, the available flexible capacity.
  - Connection point and technical parameters thereof. Where the connection point is on networks with a voltage equal to or greater than 1 kV, detailed information on the identifier of the element through which the connection is made shall be provided.
  - Technical specifications, including the work necessary
- Financial conditions<sup>11</sup>:
  - Other aspects, such as situations where the right of access may be temporarily restricted or where certain facilities need to be transferred to the distribution company.
  - Financial budget with the amounts that have to be paid by the requester for connection of the facilities<sup>12</sup>.
  - Payment agreement for signature<sup>13</sup>.
  - Full information on the existence of compensation agreements of the proposed technical solution affecting the facilities, with detailed information on the amounts involved.

to connect to the network (including that to be borne by the requester) and an indicative timetable for execution thereof.

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<sup>9</sup> Pursuant to Article 12(1) and (3) of Royal Decree 1183/2020.

<sup>10</sup> Where a flexible access permit is envisaged, the grid operator shall submit the results of the access capacity study in order for the requester to be aware of possible demand constraints and shall provide information on congestion profile and recurrence (hours of the day, percentage of days, etc.).

<sup>11</sup> Pursuant to Article 12(4) and 12(8) of Royal Decree 1183/2020.

<sup>12</sup> In the case of flexible access permits, the cost of the relevant network reinforcements necessary to achieve the requested firm access capacity and the applicable minimum percentage of hours per year shall be indicated. For distribution grids, where inclusion in the budget is requested, the cost of demand-side facility devices to manage the flexible access capacity shall be indicated and shall be borne by the requesters.

<sup>13</sup> From Article 14(9) of Royal Decree 1183/2020.

d) *Content of access and connection permits*

The minimum content of the access and connection permits is set out in Article 15 of Royal Decree 1183/2020<sup>14</sup>.

Where permits grant flexible access capacity, network operators shall include the following information<sup>15</sup>: the planned percentage of operation, the conditions of physical network congestions under which access will be limited, the period of notice of limitation of active power consumption, response times to curtailment requests, technical requirements of the facility, real-time information exchange requirements with the network operator (monitoring of set points, remote operation or enablement to participate in curtailment mechanisms or other) and system operation priority, where applicable.

Non-compliance with technical or financial conditions (included in the access and connection permits as minimum content) may lead to the revocation of access and connection permits. In such a case, if the permits had firm and flexible capacity, the permit may be maintained only for that part of the firm or flexible access capacity granted for which there was no such non-compliance.

4. **Actions after obtaining access and connection permits**

After the access and connection permits have been obtained, the following contracts must be signed by the permit holders:

a) A project commissioning agreement (“CEP”), regulated in Article 25 of Royal Decree 1183/2020. Essentially, its content will be as follows (notwithstanding applicable particularities depending on whether it involves a new network extension or a connection to the transmission network):

*One of the most important changes is the flexible access capacity*

- identification of the access and connection permit holder and of the owner the network on which the connection point is located;
- descriptive report of the actions to be carried out by the network owner, including plans and single-line diagrams;
- specifications with the technical conditions of the facilities and a detailed financial budget for the actions;

<sup>14</sup> See: firm and flexible access capacity granted, location of the final connection point, voltage level, technical parameters, technical and financial conditions, date of issue of permits, expiry date of permits, technical report describing the electricity supply point, financial collateral provided, grounds for revocation, etc.

<sup>15</sup> The detailed specifications shall set out this information for each type of flexible access permit.

- for connection points at voltages above 36 kV, proof of payment of 10 % of the value of the investment in the network<sup>16</sup>;
  - a project implementation programme including a timetable (identifying, where appropriate, external constraints that may delay the usual deadlines).
- b) A technical access agreement (“CTA”), regulated in Article 21 of Royal Decree 1183/2020. Essentially, its content will be as follows:
- identification of the signatory user (and, where applicable, the representative) and of the owner of the network where the connection point is located;
  - access capacity as stated in the access and connection permit, including whether it is firm capacity, flexible capacity or both;
  - for cases of connection to the distribution network, network connection point, metering point (including the characteristics of the control, connection, safety and metering equipment) and maximum design power of the demand-side facility;
  - conditions of access to the facilities<sup>17</sup> and the resulting responsibilities;
  - specific conditions on time restrictions or maintenance windows;
  - clauses on duration, renewal conditions and grounds for termination or addendums.
- For the purposes of commissioning and network connection (when the above-mentioned agreements, the applicable authorisations and notifications and the current access and connection permit are in place), it will be necessary to install metering and protection equipment and verify the ability to comply with the applicable requirements for each flexible access type, as well as those included in the connection network codes for demand-side facilities<sup>18</sup>.

## 5. Transparency measures on web platforms

Circular 1/2024 establishes the minimum content that transmission and distribution network operators’ web platforms must have in order to handle and process access and connection requests and to report on the status of these requests (which can be consulted by requesters)<sup>19</sup>.

<sup>16</sup> Pursuant to Article 25.1 of Royal Decree 1183/2020.

<sup>17</sup> In the case of flexible access permits, reference shall be made to the access conditions laid down in the permit for that purpose.

<sup>18</sup> See Article 12 of Circular 1/2024.

<sup>19</sup> Circular 1/2024 provides in its Article 13 that it can be a free platform for joint publication by distribution network operators; the responsibility will be that of the network operator in each case (not of the publication platform owner).

a) Information on the access capacity of nodes<sup>20</sup>

Network operators must keep the information related to the substations they operate (in each of their busbars with voltage higher than 1 kV) updated at least monthly by publishing the following information on their website: name, georeferencing, province, voltage level, total firm access capacity, occupied access capacity (considering connected capacity with current permits and with a favourable capacity study), access capacity of requests allowed to proceed and pending assessment, available capacity and storage capacity for the maximum power that can be absorbed (applying a specific profile).

Flexible access capacity may be published under the terms of detailed specifications pending approval.

b) Content of the web-based platforms for the access and connection permit granting procedure

In order to make the procedure as transparent as possible, the following will be available on the web platforms:

- All stages of the case proceedings, in order, to allow full coordination of the procedure<sup>21</sup>.
- The identify of the person responsible for carrying out each stage, the applicable deadlines, the specific information to be provided and the planned and actual dates for execution.
- A channel ensuring agile communication with the network operator and the possibility of making requests for information on the state of proceedings. Communications and their content shall be recorded with date and time.
- A section dedicated to case-related frequently asked questions, complaints, claims and incidents<sup>22</sup>.

It is also provided that web platforms will have additional information on network access and connection, such as short-circuit power at border points, power thresholds to be connected according to voltage level, indicative information on electricity connections

<sup>20</sup> As provided for in Article 5(4) of Royal Decree 1183/2020.

<sup>21</sup> The main stages are as follows: submission of the request, reception, normal or fast-track procedure, curing, permission to proceed, analysis of the request (whether or not it affects the upstream network and referral, where appropriate, to the upstream operator), result of the analysis, preliminary proposal, acceptance or rejection, issue of the access and connection permit, proof of payment of 10 % if applicable, project commissioning agreement (request, reception, acceptance, execution, remaining payments, etc.), technical access agreement, information on compensation agreements, etc.

<sup>22</sup> Specifically, specific channels will be set up (where all communications between the parties will be recorded) on the stages of requests for access and connection permits, granting and processing, development of new extension facilities or network reinforcements and network connection.

and other actions necessary to meet the supply, and links to public investment plans with a favourable report from the devolved regions or approved by the Central General Government<sup>23</sup>.

Finally, we should mention that Circular 1/2024 provides that, for proceedings relating to electric vehicle charging infrastructure, the web platform must have tools that enable integrated handling of network access cases (even where access and connection permits do not have to be requested) and that their minimum content is to be regulated by a decision of the CNMC<sup>24</sup>.

## *The transparency measures introduced in web platforms are particularly noteworthy*

Network operators will have ten months to introduce all these transparency measures and adapt the contents of the web

platforms as of the entry into force of Circular 1/2024.

### 6. Other aspects

Lastly, the first final provision modifies several provisions of Circular 1/2021, relating to production facilities, to adapt it to the provisions of Circular 1/2024, especially in relation to storage facilities and self-consumption facility cases.

As mentioned above, Circular 1/2024 also provides for: a) the approval of the detailed specifications by the CNMC (Art. 18) for the implementation of key aspects of flexible capacity; b) the taking of several CNMC decisions to complete the content of this circular; and c) the review of the system operator's operating procedures (within six months of the entry into force of the detailed specifications) and distribution to make the operation of these networks more flexible and resolve existing congestion<sup>25</sup>.

<sup>23</sup> In any case, the CNMC is expected to take a decision containing the additional information to be provided by web platforms on network access and connection processes.

<sup>24</sup> With stages such as: permit request or indication of exempted facilities, execution stage, legalisation, distribution company verifications and operational notifications.

<sup>25</sup> In this regard, network operators shall have a period of six months from the entry into force of Circular 1/2024 to submit their proposals to the CNMC.