

Regulatory Framework for Development of Stand-Alone Battery Storage Projects in Southeast Europe



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MEMBERS



ALBANIA

KALO & ASSOCIATES

Kavaja Avenue
Tirana Tower
5th Floor, Tirana
T: +355 4 2233 532
info@kalo-attorneys.com
www.kalo-attorneys.com



GREECE

Kyriakides Georgopoulos Law Firm

28, Dimitriou Soutsou Str.
115 21 Athens
T: +30 210 817 1500
kg.law@kglawfirm.gr
www.kglawfirm.gr



KYRIAKIDES GEORGOPOULOS
Law Firm



ROMANIA

Nestor Nestor Diculescu Kingston Petersen

201 Barbu Vacarescu Str.
Globalworth Tower, 18th Floor
District 2, 020 276 Bucharest
T: +40 21 201 12 00
office@nndkp.ro
www.nndkp.ro



BOSNIA & HERZEGOVINA

Maric & Co

Mehmeda Spahe 26
71000 Sarajevo
T: +387 33 566 700
contact@mariclaw.com
www.mariclaw.com

MARIĆ & Co



KOSOVO

KALO & ASSOCIATES

Qyteza Pejton, Mujo Ulqinaku
5/1 Str.
10000 Pristina
T: +383 38 609181
pristina@kalo-attorneys.com
www.kalo-attorneys.com



SERBIA

BDK Advokati

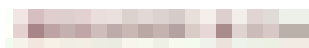
Bulevar kralja Aleksandra 28
11000 Belgrade
T: +381 11 3284 212
office@bdkadvokati.com
www.bdkadvokati.com



BULGARIA

BOYANOV & Co.

82, Patriarch Evtimii Blvd.
1463 Sofia
T: +359 28 055 055
mail@boyanov.com
www.boyanov.com



MONTENEGRO

BDK Advokati

11, Cetinjska, The Capital Plaza
81000 Podgorica
T: +382 20 230 396
office.cg@bdkadvokati.com
www.bdkadvokati.com



SLOVENIA

SELIH & PARTNERJI Law Firm

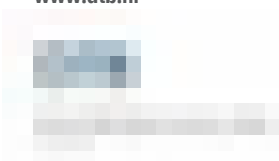
36, Komenskega Str.
1000 Ljubljana
T: +386 1 300 76 50
info@selih.si
www.selih.si



CROATIA

Divjak Topic Bahtijarevic & Krka

EUROTOWER, 18th Floor
Ivana Lucica 2A
10000 Zagreb
T: +385 1 5391 600
info@dtb.hr
www.dtb.hr



REPUBLIC OF NORTH MACEDONIA

Polenak Law Firm

98 Orce Nikolov Str.
1000 Skopje
T: +389 2 3114 737
info@polenak.com
www.polenak.com



TURKEY

Kolcuoğlu Demirkan Kocaklı Attorneys at Law

Saglam Fikir Sokak
Kelebek Cikmazi No. 5
34394 Esentepe, Istanbul
T: +90 212 355 99 00
info@kolcuoglu.av.tr
www.kolcuoglu.av.tr

KOLCUOĞLU DEMİRKAN KOÇAKLI
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PREFACE

Dear Partners and Friends of SEE Legal,

Southeast Europe is a region with immense potential for renewable energy development, considering its abundant natural resources such as solar, wind, and hydroelectric power. In the rapidly evolving landscape of energy systems, Battery Storage technology has emerged as a focal point of innovation, sustainability, and economic transformation, which is capable to fully harness renewable energy sources. The region heavily relies on imported fossil fuels, making it vulnerable to price fluctuations and geopolitical tensions. However, battery storage projects and hybrid renewable projects offer a solution to enhance the region's energy security. By increasing the share of renewable energy sources and reducing reliance on imported fossil fuels, these projects are expected to decrease energy dependency and improve energy self-sufficiency. This diversification of energy sources will ensure a more resilient and secure energy supply, reducing vulnerability to external factors.

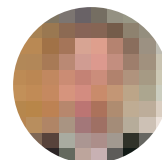
Thus, as the demand for efficient energy solutions intensifies, our region finds itself at the crossroads of adopting this groundbreaking technology to address both its energy security and environmental aspirations. However, with innovation comes complexity, and the deployment of battery storage systems brings to the forefront a myriad of legal considerations and potential challenges that warrant meticulous examination.

This road map is dedicated to shedding light on the intricate legal matters surrounding battery storage development in Southeast Europe. As legal practitioners well-versed in energy law and infrastructure projects, we recognise the profound implications of this technology on the region's energy landscape.

The journey towards establishing battery storage facilities is intricately woven into a complex regulatory tapestry. From regional energy policies to national legislative frameworks, the legal nuances governing this technology necessitate careful attention. We dig into the landscape of permits, licenses, and market rules to elucidate the challenges and opportunities associated with obtaining regulatory approvals.

As we embark on this exploration of legal frontiers within the realm of battery storage in Southeast Europe, we invite our readers to delve into the pages that follow. This initiative is more than a compilation of legal insights; it is an ode to our commitment to fostering informed decision-making, sustainable development, and innovative progress. The complexities are manifold, but so are the prospects.

Our network is available to further guide you through this journey of legal discovery and empowerment.



Gus J. Papamichalopoulos

Head of the SEE Legal Energy & Renewables,
Utilities & Natural Resources Practice Group

Disclaimer

This publication is intended to provide a general guide and each section has been prepared by the relevant SEE Legal Group member law firm covering the particular jurisdiction(s). This publication is not meant to be a treatise on any particular legislation and is not exhaustive but is meant to assist the reader in identifying the main principles governing the subject matter in the various jurisdictions in Southeast Europe, and to provide helpful guidance in this respect. Legal advice should always be sought before taking any action based on the information provided herein. The information contained in this publication is based on the respective legislation as of 15 August 2023. No part of the publication may be reproduced in any form without our prior written consent.

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TURKEY

1. Legal Status and Key Authorities

Activities in the Turkish electricity market are regulated under, among others, the Electricity Market Law numbered 6446, published in the Official Gazette dated 30 March 2013 and numbered 28603 ("**Law No. 6446**") and the Electricity Market License Regulation ("**License Regulation**").

The electricity market activities listed under the License Regulation are:

- generation,
- transmission,
- distribution,
- wholesale,
- retail,
- trade,
- import,
- export,
- energy exchange, and
- aggregation.

Conducting any of these activities requires a license from the Energy Market Regulatory Authority ("**EMRA**"). Energy storage is not defined as a separate electricity market activity.

That said, stand-alone storage facilities were recently regulated. A stand-alone storage facility is defined as a storage facility directly connected to the grid without connection to any generation or consumption facility. The Regulation on Storage Activities in the Electricity Market ("**Storage Regulation**") states that in order to operate a stand-alone storage facility, it is necessary to hold a supply license and the installed capacity of the facility cannot be less than 2 MW. Accordingly, supply license holders have the right to establish stand-alone storage facilities, provided that the installed capacity exceeds 2 MW. If a new supply license application is made to establish a stand-alone storage facility, an affirmative opinion in relation to compliance with the necessary technical criteria is required from the Turkish Electricity Transmission Company ("**TEİAŞ**"). In addition, if supply license holders intend to establish a stand-alone storage facility, they are required apply to EMRA for an amendment to their existing licenses, to include one or more than one storage facility into their existing license. TEİAŞ's affirmative opinion is required in case of an amendment to existing supply licenses as well.

The minimum share capital as well as guarantee-related obligations do not apply to stand-alone storage facilities.

2. Credit Support Requirements

Only supply license holders are entitled to establish stand-alone storage facilities. The License Regulation provides for minimum share capital requirements for supply license holders. However, there is no additional minimum share capital or guarantee-related obligation specific to stand-alone storage facilities.

3. Third Party Access

Non-domestic entities are allowed to incorporate companies in Turkey and then apply to EMRA to obtain supply licenses, under which they are entitled to establish stand-alone storage facilities. Alternatively, they may acquire shares of companies holding supply licenses. Such acquisition would not be subject to EMRA's approval.

4. Environmental Requirements

Establishment of a stand-alone storage facility requires environmental impact assessment under the Environmental Impact Assessment Regulation. The environmental impact assessment decision must be obtained and submitted to EMRA, within the time limit to be determined by EMRA. The Ministry of Environment, Urbanization and Climate Change is in charge of environmental impact assessment. EMRA generally tends to grant a one-year time limit to obtain the required Environmental Impact Assessment.

5. Securing Access to the Grid

Access of stand-alone storage facilities to the grid is regulated under the License Regulation. For stand-alone storage facilities' connection to and use of the system, EMRA applies to TEİAŞ and/or the electricity distribution company within the relevant region to obtain their opinion. TEİAŞ and/or the relevant electricity distribution company are required to provide their opinion to EMRA within 45 days. EMRA then shares TEİAŞ's and/or the relevant electricity distribution company's opinion with the supply license holder. The supply license holder is entitled to object to TEİAŞ and/or the relevant electricity distribution company's opinion. There may be, however, delays in obtaining opinions from TEİAŞ and/or the relevant electricity distribution company.

6. Electrification

If TEİİAŞ's opinion in relation to the connection to and use of the system is affirmative, EMRA grants 18 months for the construction of the stand-alone storage facility. The supply license holder is then required to obtain an approval from the Ministry of Energy and Natural Resources (the "Ministry") for the storage project. Once the construction is completed, the supply license holder applies to the Ministry for the acceptance of the storage facility. The storage facility can be electrified only after the Ministry's acceptance.

7. Fast Track Schemes

The applicable law does not provide any fast-track framework. However, if a company is already holding a supply license, this company can apply to EMRA for a license amendment, which would allow the license holder to establish a stand-alone storage facility.

8. State Aid/Investment Aid Frameworks

Storage facilities connected to renewable power plants commissioned after 30 June 2021 benefit from a feed-in tariff based on Turkish lira for ten years. This tariff is adjusted on a monthly basis, based on the inflation and FX rates, and subject to pre-determined monetary caps in terms of USD as well as incentives for use of domestically manufactured equipment, based on TRY for five years. However, stand-alone storage projects do not benefit from the same mechanism.

9. Off-Take Schemes

Under the current legal framework, only supply license holders are able to establish stand-alone storage projects. Through their supply licenses, license holders can trade electricity through bilateral negotiated agreements on an over-the-counter (OTC) basis or in organized electricity markets.

10. Anticipated Regulatory Initiatives

None at this time.



ABOUT SEE LEGAL

The South East Europe Legal Group (“**SEE Legal**”) is a unique regional group of 10 leading independent law firms covering each of the 12 jurisdictions in Southeast Europe.

Over the course of the last 20 years, SEE Legal has become the preferred choice of multinational corporations, financial institutions and governmental bodies looking for the top quality local legal support. As a result, it has been continuously ranked as the only Band 1 legal group in Central and Eastern Europe by Chambers & Partners.

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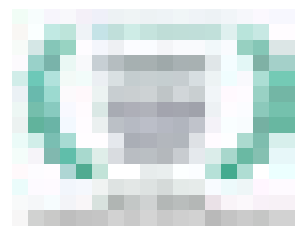
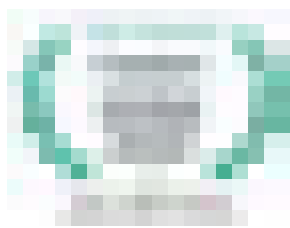
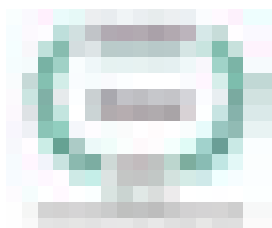
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CONTACTS

REGIONAL CONTACTS

Gus Papamichalopoulos
g.papamichalopoulos@kglawfirm.gr

ALBANIA

Jola Gjuzi
j.gjuzi@kalo-attorneys.com

BOSNIA & HERZEGOVINA

Slaven Dizdar
slaven.dizdar@mariclaw.com

BULGARIA

Alexander Chatalbashev
a.chatalbashev@boyanov.com

CROATIA

Marina Kovac Krka
marina.kovac@dtb.hr

GREECE

Gus Papamichalopoulos
g.papamichalopoulos@kglawfirm.gr

KOSOVO

Ahmet Hasolli
a.hasolli@kalo-attorneys.com

MONTENEGRO

Luka Popovic
luka.popovic@bdkadvokati.com

REPUBLIC OF NORTH MACEDONIA

Kristijan Polenak
kristijan@polenak.com

ROMANIA

Gabriela Cacerea
gabriela.cacerea@nndkp.ro

SERBIA

Dragoljub Cibulic
dragoljub.cibulic@bdkadvokati.com

SLOVENIA

Blaz Ogorevc
blaz.ogorevc@selih.si

TURKEY

Melis Oget Koc
mokoc@kolcuoglu.av.tr