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Press Release from AFRY

Grid fee exemptions are key to battery storage profitability

A new analysis by AFRY Management Consulting reveals that maintaining grid fee exemptions is critical for the economic viability of battery energy storage systems (BESS).

As Germany redesigns its grid fee system under the Allgemeine Netzentgeltssystematik Strom (AgNes), AFRY's analysis highlights that the expiration of current grid fee exemptions in 2029 could reshape the investment landscape for energy storage, AFRY's Senior Principal Carlos Perez Linkenheil explains:

"Germany has become one of the most dynamic merchant battery markets in Europe. The current grid fee framework has enabled unsubsidized BESS deployment in a system that increasingly depends on flexibility to integrate renewables and maintain stability," he says.

Profitability hangs in the balance

German battery storage has grown rapidly on a merchant basis, largely supported by the absence of grid fees. This regulatory environment has been a major success factor for the flexibility market. However, with current exemptions set to end in 2029, the future profitability of these projects hangs in the balance.

AFRY analyzed how different grid fee structures could affect a Battery Energy Storage System (BESS) planned to begin operations in 2029, comparing potential fee levels with those in the UK and Belgium. The study found that BESS can remain a solid investment, with returns of around 12% (IRR), as long as current grid fee exemptions stay in place. However, this represents only a limited margin above typical investment thresholds, meaning even relatively small additional grid charges could materially reduce project viability. "Grid fee design should primarily incentivize behavior rather than impose fixed structural burdens. If charges do not influence operational decisions, their level must be calibrated carefully to avoid undermining investment while delivering limited system benefits. That is why small design choices can have massive consequences," Carlos Perez Linkenheil explains

A make-or-break moment

Even moderate operational constraints under Germany's Flexible Connection Agreements (FCA) do not break the business case. However, the introduction of static grid fees represents a structural break point. The analysis indicates that even low fees

push the IRR below necessary hurdle rates, while high fees eliminate financial viability entirely.

“Germany’s grid fee redesign represents a make-or-break moment for merchant storage economics. The system’s need for storage capacity is structural. If merchant economics are undermined by static charges, equivalent capacity would have to be subsidized. In economic terms, that shifts costs within the system rather than reducing them,” Carlos Perez Linkenheil ends.

Background information

Market complications arise from the current regulatory uncertainty regarding future fees and connection agreements. This unpredictability creates significant risk for developers and investors, potentially undermining Germany’s attractiveness for merchant BESS. While few assets slated for 2029 have reached a final investment decision, tariff design choices made today are already influencing the entire future project pipeline.

The full report can be found [here](#)

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