BESS Investment Readiness in DACH

A Market Standard Proposal for Institutional Capital Allocation

HardtRock Capital Partners GmbH

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Executive Thesis

The next bottleneck in the German BESS market is not a lack of capital. It is the absence of a shared investment-readiness standard.

Battery Energy Storage Systems are becoming a core component of Europe's energy infrastructure. They support grid flexibility, renewable integration, ancillary services and intraday optimisation. Germany's installed storage capacity continues to grow, and utility-scale storage projects are increasingly moving from technical development into institutional capital allocation. Public market data and industry reporting point to rapid growth in installed battery storage capacity, while large-scale storage projects are becoming increasingly relevant within the German storage market.

Yet the market remains inefficient. Developers, grid operators, legal advisers, technical consultants and institutional investors often assess the same project through different lenses. Developers typically structure projects around grid connection, site control, permitting and technical feasibility. Investors underwrite legal investability, downside protection, revenue durability, governance, execution timing and exit liquidity.

The result is a translation gap.

Projects that may be fundamentally attractive often reach the capital market before they are institutionally legible. Conversely, investors spend time screening opportunities that are not yet capital-market ready. This creates longer due diligence processes, repeated information requests, cost escalation and unnecessary delays in the project development timeline.

HardtRock Capital Partners therefore proposes a practical BESS Investment Readiness Standard for the DACH market: not as a substitute for legal, technical or commercial due diligence, but as a structured pre-underwriting framework to determine whether a project is sufficiently mature to approach institutional capital.

It follows one simple principle:

Gates before Scores.

A BESS project should not be allowed to compensate for binary deficiencies through qualitative strengths. A strong market story does not offset an unresolved grid position. A sophisticated revenue model does not replace clear site control. A compelling developer track record does not replace complete documentation, clean ownership or an investable SPV structure.

Institutional capital requires discipline, not optimism.

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1. Why BESS Needs an Investment-Readiness Standard

Every emerging infrastructure asset class goes through a similar institutionalisation curve.

In the early phase, the market is shaped by developers, specialists and early capital providers. Documentation is inconsistent. Risk allocation is project-specific. Commercial assumptions differ from project to project. Capital is available in principle, but underwriting conventions are still immature.

As markets mature, successful asset classes develop a common language. Real estate markets have established valuation, benchmarking and reporting standards. Renewable energy has developed conventions around yield studies, technical adviser reports, lender's engineer reviews, grid studies and bankable EPC structures. BESS is now entering that phase.

The need for standardisation is particularly high because BESS is not a conventional infrastructure asset class. Battery storage combines characteristics of grid infrastructure, merchant power, software-enabled dispatch optimisation, regulated energy markets, land and planning law, technical degradation and contractually governed operations.

A bankable BESS project is therefore not simply a battery on a secured site. It is an integrated investment case across six core dimensions:

Technical feasibility - grid connection, network compatibility, design, EPC, interconnection risk and operating concept.

Legal investability - site rights, SPV structure, ownership clarity, permitting pathway, regulatory treatment and enforceability of contracts.

Commercial bankability - revenue-stack logic, merchant exposure, contracted revenues, participation in ancillary services markets and downside modelling.

Operational resilience - O&M structure, availability assumptions, degradation management, warranties, cybersecurity, dispatch optimisation and asset management capability.

Execution timing - financial close, procurement, construction, commissioning, grid energisation and regulatory cut-off risks.

Investor fit - alignment between project risk profile and mandate, return target, ticket size, governance requirements and merchant tolerance of the relevant capital source.

Without a shared readiness standard, the same project can look attractive to one party, premature to another and uninvestable to a third.

That is not market failure. It is a standardisation gap.

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2. The Core Principle: Gates before Scores

Many project assessment tools fail because they allow qualitative scores to conceal binary deficiencies.

- A project either has sufficient site control - or it does not.
- A project either has a credible grid position - or it does not.
- A project either has a diligence-ready ownership and SPV structure - or it does not.
- A project either has a usable financial model with documented assumptions and downside cases - or it does not.

The purpose of a gate-based framework is not to reject projects prematurely. It is to identify what must be solved before capital is approached.

This distinction matters.

- A project can be commercially promising but not yet investor-ready.
- A project can be technically advanced but not yet legally investable.
- A project can be attractive for private capital but still unsuitable for institutional infrastructure capital.
- A project can be suitable for Value-Add Infrastructure PE but not for insurance or pension capital.

An investment-readiness standard should therefore separate two questions:

1. Are the minimum institutional requirements satisfied?
2. Does the project withstand qualitative underwriting?

Only once the first question has been answered should the second become decisive.

This is why HardtRock applies a gate-led methodology. A marketable standard does not require every participant to adopt the same scoring model. It does, however, require agreement on the prior question: which deficiencies are structural blockers - and which issues merely affect pricing, risk allocation or investor matching?

3. The Six Dimensions of Investment Readiness

A credible BESS Investment Readiness Standard should cover at least six dimensions.

1. Grid and Site

Grid connection is the central institutional gate. It determines whether a BESS project is a realisable infrastructure asset - or merely a development option.

A bankable project needs more than a grid-connection story. It needs evidence of connection status, network compatibility, connection timeline, curtailment exposure, grid-operator interface and a credible timetable through to grid energisation.

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Site control is equally critical. Leasehold or freehold rights, easements, access, planning constraints and competing claims must be clearly documented so that institutional due diligence can rely on them.

A BESS project with weak grid evidence or unresolved site rights should not be taken into an institutional capital process.

2. Permitting and Legal Structure

Investors need to understand which permitting route applies, which documents are already available, which permits have been granted, which remain outstanding and which conditions must be satisfied before financial close, construction start or commissioning.

The SPV structure must be in place. Ownership must be clear. Encumbrances, side agreements, silent participations or shareholder disputes will not be tolerated by an investment committee as administrative noise. They are investment risks.

For institutional capital, the legal structure is not a bottleneck. It is a precondition.

3. Commercial Model and Revenue Stack

BESS economics depend on revenue stacking: FCR, aFRR, intraday trading, day-ahead arbitrage, imbalance optimisation, tolling structures, route-to-market agreements, capacity mechanisms where applicable, and potential co-location or hybrid strategies.

Merchant exposure is not an exclusion criterion per se. It becomes problematic where it is unmanaged, unsubstantiated or not modelled with sufficient robustness.

Operational evidence from deployed projects confirms that value creation depends not only on price forecasts but on dispatch quality, market allocation and reserve-market constraints.. That reinforces the core underwriting point: investors need to understand how the revenue stack is generated - not merely what IRR the model produces.

A credible revenue stack must therefore be modelled, stress-tested and presented in language that investment committees can understand.

4. Technical Delivery and Operations

BESS projects carry execution risk: battery supply, inverter configuration, grid interface, EPC pricing, warranty package, degradation profile, fire safety, insurance, O&M scope, dispatch software and availability assumptions.

Institutional investors do not need every technical detail at first screening stage. But they do need to know whether the project has a credible technical delivery path and whether key operational risks have been allocated to parties that understand and can actually manage them.

A project without a credible EPC/O&M pathway may still be developable. It is not necessarily institutionally marketable.

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5. Governance and Documentation

Many projects fail during due diligence not because the underlying asset is weak, but because the documentation is inconsistent.

A professional BESS review process requires a structured data room, current project documents, version control, consistent assumptions, aligned legal and financial materials, and a clear explanation of what has been confirmed, what remains open and what is still conditional.

For institutional investors, documentation quality reflects sponsor quality.

Poor documentation creates delay. Delay creates cost.

6. Investor Fit

There is no universal BESS investor.

Value-Add Infrastructure PE can accept development and merchant exposure where return and risk are appropriately compensated. Core+ capital will generally require greater permitting maturity, stronger contractual structures and lower residual uncertainty. German institutional capital is often more conservative on merchant revenues. Insurers and pension funds typically require greater revenue visibility, governance comfort and operational maturity.

A project is therefore rarely generically “investor-ready”. It must be assessed against the capital source for which it is realistically suitable.

Investor fit is not marketing. It is underwriting discipline.

4. Regulatory Timing as an Underwriting Variable

German BESS projects operate within a regulatory environment that is material to the investment case. Grid charges, storage classification, permitting status, REMIT considerations, market access, ancillary services rules and potential changes to revenue regimes can materially affect underwriting.

HardtRock takes a deliberately conservative position: regulatory timing should be treated as a dedicated execution-risk dimension.

This is particularly relevant where project profitability depends on commissioning dates, grid-charge treatment or transitional regimes. Rather than presenting regulatory cut-offs as simplified binary assumptions, investors should expect explicit downside modelling based on timing sensitivities and legal analysis.

For an investor, the right question is not: **“Is this regulation favourable to me?”**

The right question is: **“Which part of the project return depends on this regulatory treatment - and what happens if timing or interpretation changes?”**

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This is where many BESS presentations fall short of institutional expectations.

A robust investment-readiness process should therefore include legal and regulatory sensitivity analysis - ideally validated by a specialised adviser.

5. What a Market Standard Should - and Should Not - Do

A BESS Investment Readiness Standard does not replace legal, technical or commercial due diligence, tax review, grid studies, valuation work or investment committee judgement.

It operates earlier: at the stage where it becomes clear whether a project can reach capital-market readiness - and, if not, what specifically prevents it from doing so.

It answers:

- Which exclusion criteria are present?
- gaps are binary, which are curable and which are merely pricing issues?
- Which investor type is the project suitable for?
- Which conditions must be satisfied before formal investor outreach begins?
- What should be disclosed upfront to avoid later due diligence showstoppers?

The standard should be practical, evidence-based and investor-calibrated. It must not replace evidence with assumptions or unverified commitments.

6. HardtRock’s Proposed Three-Tier Approach

HardtRock proposes a three-tier model for engaging the BESS market.

Tier 1 - Public

A public market paper explaining the investment-readiness challenge, the “Gates before Scores” principle and the need for investor-specific calibration.

The purpose of Tier 1 is market education. It creates a shared language without disclosing proprietary scoring mechanics.

Tier 2 - Calibration

A confidential 1:1 discussion with selected developers, investors and advisers.

This includes anonymised examples, investor-fit analysis, execution-timing review and discussion of typical documentation gaps. The objective is to test and refine the proposed standard with real market participants.

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Tier 3 - Mandate-Specific

The Investment Readiness Score within project-specific mandates.

This includes the full scoring assessment, blocker analysis, documentation audit, investor-fit assessment and a clear strategy on whether, when and how institutional capital should be approached.

This distinction is critical.

The public framework creates credibility.

The calibration discussions create trust.

The mandate-specific scoring engine creates commercial value.

7. Invitation to the Market

HardtRock can neither impose a standard on the market nor does it claim to do so as a boutique advisory firm.

But standards are often initiated by practitioners close enough to transactions to identify recurring failure points - and independent enough to propose a common language.

The BESS market in DACH needs that language now.

Developers need to understand institutional investor expectations before taking a project to market. Investors need a faster way to distinguish promising but premature projects from genuinely investable opportunities.

HardtRock invites selected institutional investors, developers, legal advisers, technical consultants and route-to-market specialists to participate in a closed calibration process around BESS Investment Readiness in DACH.

The objective is not to create another proprietary checklist.

The objective is to help define the pre-underwriting standard this market is currently missing.

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About HardtRock Capital Partners

HardtRock Capital Partners is a Berlin-based placement advisory boutique focused on institutional equity and joint-venture structures for Data Centre and Battery Energy Storage infrastructure across DACH and Continental Europe.

HardtRock supports developers and asset owners in preparing, structuring and positioning infrastructure projects for institutional capital - from investment-readiness assessment and targeted investor engagement through to transaction management.

The firm combines senior real estate and infrastructure transaction experience with structured, process-driven project analysis and investor-fit calibration.

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