

Sectors in focus

DATA CENTER COMPLEXITY GOES BEYOND GRID CONNECTIVITY

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Summary

Power is the pivotal factor for data center viability. AI and high-performance computing have pushed demand into the hundreds of megawatts, capacity is scarce, and grid connection dates are extending over several years. Diligence must test the connection date, reinforcement dependencies, security requirements, curtailment rights, expansion capacity and cost. An accepted offer is not the same as an energized connection.

As power becomes a material constraint on data center development, it's necessary to take a more proactive approach to delivering powered land. While most projects will remain grid-connected, gas connections, private energy parks, batteries and on-site generation all offer routes to support flexibility.

The most sophisticated data center projects go further still, co-locating power generation and storage directly to build a genuinely integrated energy platform. This means new comprehensive agreements, risk allocation models and legal structures that protect value and maximize exit options.

"A hybrid power strategy is only bankable if the grid, generation, storage and campus arrangements work together in operation, finance and exit."

Mark Richards, Partner, London.

Snapshot: What's changing in power?

	Now	Next
Grid connection timeline	Queue positions are measured in years with growing capacity reallocation risk. A grid position is an increasingly valuable project attribute, although its transferability depends on the relevant connection agreement and network rules.	Grid queue reforms signal a pivot to a “first ready, first connected” principle. Developers assess grid alternatives as a core part of every business case.
Power requirements	Growing AI-related demand is straining data centre infrastructure, with supply struggling to keep pace.	Baseline density rises market wide as co-location and enterprise operators retrofit for AI inference and general compute growth. Power availability becomes a common constraint, not just for gigawatt campuses.
Generation & storage	Power diversity via renewables isn't a primary bankability consideration. On-site generation and storage can support phasing, resilience, cost or carbon objectives.	On-site generation and battery storage become increasingly common for AI-density campuses. When combined with qualifying carbon-free generation and an appropriate procurement and accounting framework, storage can support progress toward 24/7 carbon-free energy matching.
Energy contracting	Energy cost is a known variable. Lenders test power availability, contract term, price exposure, credit support, curtailment, change in law and transferability.	Power-contract structure, duration, credit support and counterparty quality become increasingly important for lenders. Private-wire and sleeved Power Purchase Agreements (PPAs), utility tariffs and special contracts become increasingly relevant physical supply instruments, while virtual PPAs may provide a financial hedge and support

	Now	Next
		renewable procurement but do not physically supply the data centre.

What next? Key questions for leaders

- How can a hybrid grid and on-site energy model help accelerate projects?
- What will grid reform mean for you?
- Are you confident that private wire PPAs and co-located generation agreements are responsive to regulatory change?
- What are your exit options and do you have enough flexibility to capture value?

How BCLP can support you across the data center lifecycle

We help clients compete where others can't, bringing global insight to the legal challenges of next generation digital infrastructure. We understand the unique complexities and commercial drivers of the sector, and look at the whole asset, so you can maximise value. Our seamless coverage across real estate, planning, energy, construction, finance, tax, regulatory, data and disputes helps you connect the dots across the data center lifecycle.

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- Data Centers

Meet the team



Tim Cline

Partner, St. Louis

tim.cline@bclplaw.com

[+1 314 259 2238](tel:+13142592238)



Erin L. Brooks

Office Managing Partner - Chicago,
Chicago / St. Louis

erin.brooks@bclplaw.com

[+1 312 602 5093](tel:+13126025093)



Mark Richards

Partner and Regional Practice Group
Leader - Energy, Environment and
Infrastructure, London

mark.richards@bclplaw.com

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