

# RES-E policy developments in Hungary

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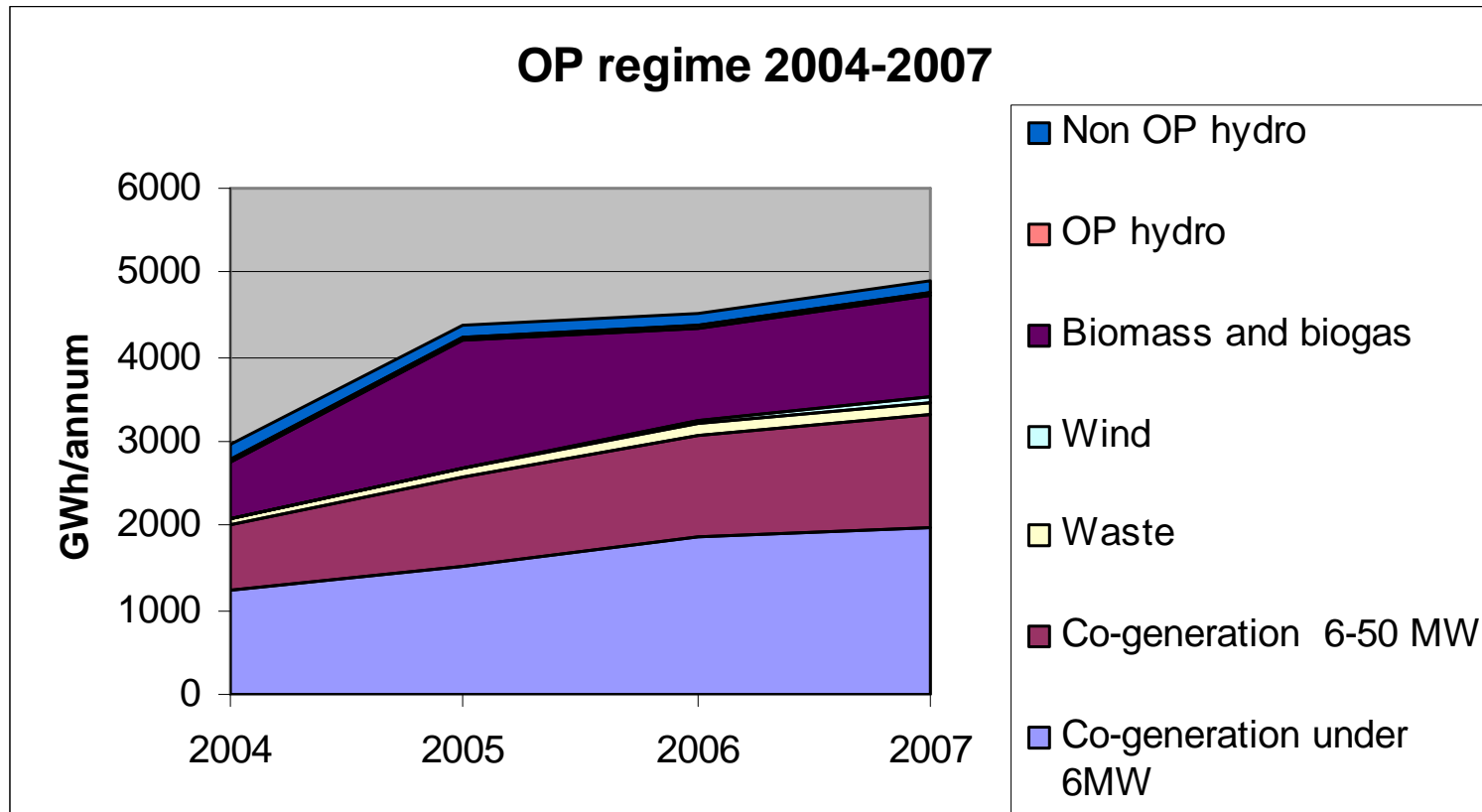
Futures-e seminar  
29/2/2008 – Warsaw

- Regional Centre for Energy Policy Research (REKK)
- Based at Corvinus University of Budapest
  - Teaching
  - Research
  - Consulting
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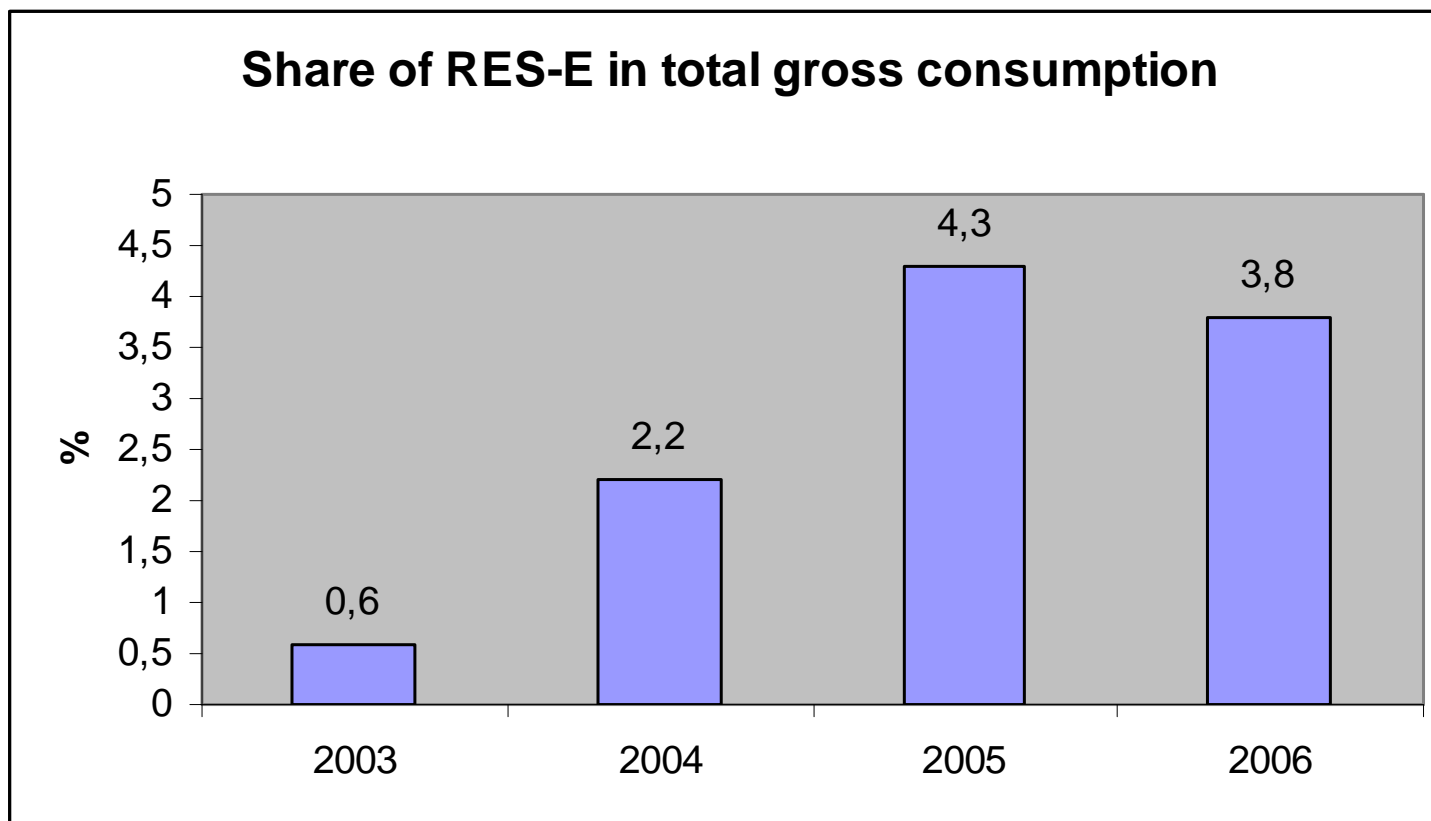
# Structure of presentation

- Basic information on RES-E in Hungary
- The new regulatory regime of 2008
- Problem #1: co-generation
- Problem #2: wind

# RES-E production



# Share of RES-E



## Electricity Act 86/2007

- ▶ **10. §** ...(4) Producers of electricity subject to purchasing obligation shall be required to ... join the networked meter–balancing account ... balanced by the TSO
- ▶ Electricity traders (including providers of universal services) and authorized producers supplying electricity directly to end users shall be required to procure electricity that is subject to purchasing obligation consistent with the quantity of electricity they sell to end users

# Gov. order 389/2007 on electricity purchase obligation of renewable/waste/cogeneration

- *Eligibility for OP*
  - ▶ Renewables: biomass, biogas, geothermal energy, hydro, photovoltaics, wind
  - ▶ Waste
  - ▶ Cogeneration

- *Qualifications:*
  - Biomass
    - in case of co-firing only if RES/waste is under 50% (monthly)
    - sustainable origin of biomass
    - minimum efficiency requirements
  - Biogas
    - minimum efficiency requirements
  - Wind
    - pending on the permission of the regulator considering the overall cap of wind production

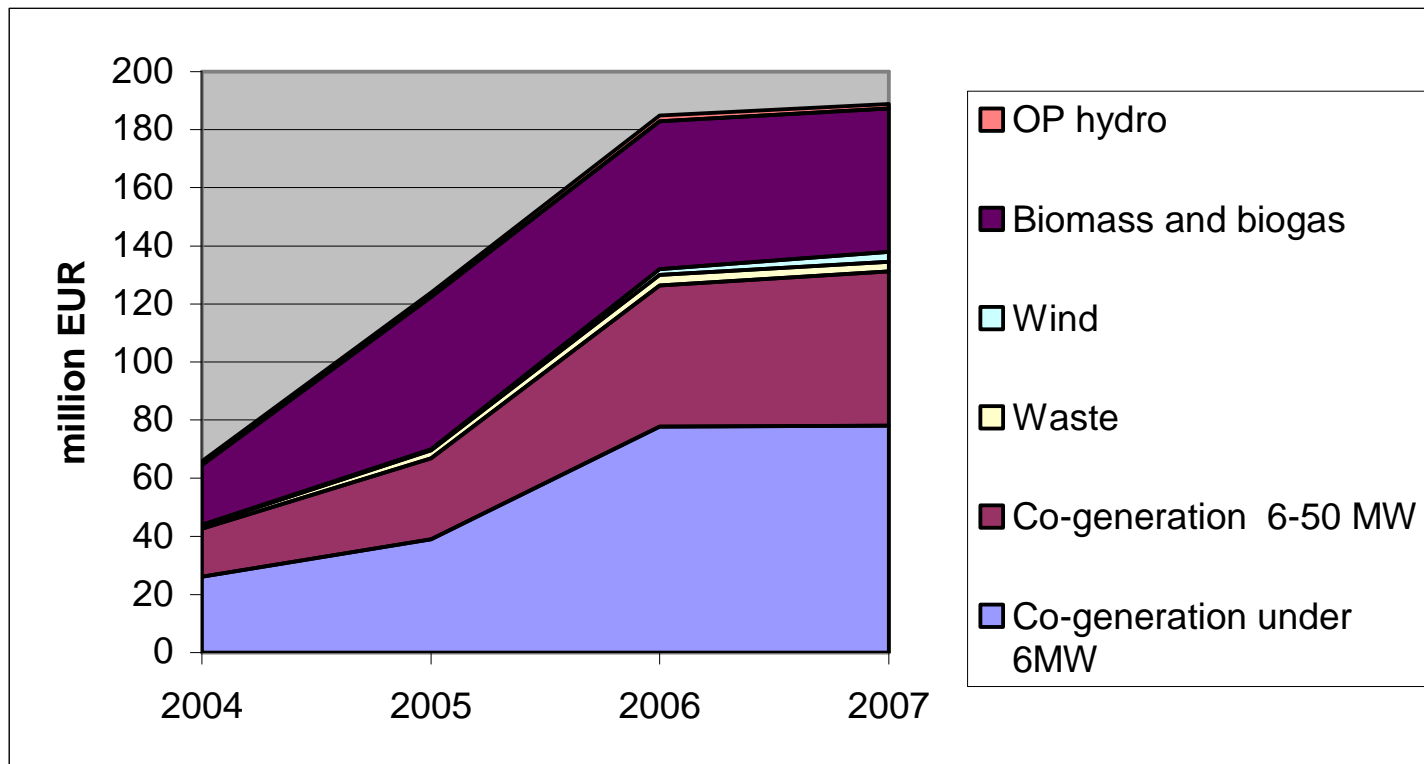
- *Procedure (HEO)*
  - ▶ OP FIT setting:
    - Annually and corrected for inflation
    - minus 1% efficiency factor in case of future installations that are above 20MW (or 5 MW hydro)
  - ▶ OP period setting: set by the regulator based on return to investment (10/15-year business plan)
  - ▶ OP quantity setting: set by the regulator based on capacity, load factor and self-consumption
  - ▶ obligatory monthly production schedule
    - balancing fee over  $\pm 5\%$  ( $\pm 30\%$  for wind)
  - ▶ monitoring (certificate of origin, 0.17 multiplier for feed)

- *Prices* differentiated by
  - ▶ Source
  - ▶ Technology: preference for new
  - ▶ Capacity: preference for smaller
  - ▶ Load period: preference for peak

# General problems

- Price and period setting is case-by-case – problem of transparency
- Risk of ex-post quota reduction for OP due to lack of public budget
- OP drains the anyway limited supply of the electricity market

# Problem #1: subsidizing cogeneration



- Their inclusion in the OP regime is hardly justifiable being more efficient than non-combined
- ‘alibi heat’ generation to qualify for OP
- Cogeneration is no capped: ever increasing share
- In 2007 cca. 120 m EUR subsidy paid by electricity consumers

- **10. §** ...(3) The provisions governing the purchasing obligation pertaining to electricity produced by wind turbines and wind farms shall be determined ... *separately*, in light of the limited technical means of ancillary services
- 330 MW overall cap is disputed
- Allocation of the total amount is free and non-transparent
- Dumping of permit requests (1 500 MW) but fragment put into operation (60 MW)
- Huge investment risk – secondary permit market

**Thank you!**

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