



Main parameters of the planned METÁR auction

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Background

- Electricity Act (Nr. 86/2007)
- Government decree on METÁR support scheme (Nr. 299/2017)
- Ministry Decree on the tendering (Nr. 62/2016 NFM)
 - main legal framework
 - Funds available for the coming years
 - No restrictions on changes
- Letter from the Minister of Innovation and Technology to the Regualtory Authority (HEA) with the main parameters of the (next) tender
- Call for Tender by HEA



The green premium scheme

- The renewable energy producer **sells electricity on the market** and **bears balancing costs**
- **The producer may join any balancing circle**, except the feed-in tariff balancing circle
=> Sanctions for deviation from production schedules are agreed bilaterally between the producer and the balancing circle responsible party (**Risks!**)
- Support is granted above the reference market price => the producer receives **the premium from the TSO (MAVIR Zrt.)** for electricity injected to the public grid
- Premium = bid price – reference market price
- Reference market price (**ex post!**) = arithmetic average of HUPX day-ahead hourly prices,
 - Except for solar PV and wind where: weighted average of HUPX day-ahead hourly prices (weights: solar PV or wind production)
 - The TSO (MAVIR Zrt.) publishes the reference market prices on its website
- Premium=0, in case of negative prices (HUPX day-ahead hourly prices negative for at least 6 consecutive hours)
- In case the reference market price exceeds the bid price the producers pay back the difference!



Main features of the METÁR tenders

- The following categories can get support only via tenders:
 - Renewable energy power plants with an installed capacity of 1 MW or above
 - Wind turbines
 - Renewable energy power plants in operation that plan to undergo major reconstruction or upgrade
 - In case the value of the new investment reaches 50 % of the present value of the initial investment (indexed with CPI)
 - Investment needed to maintain or increase productivity
- **Technology neutral, one round, pay-as-bid auctions**
- Price only evaluation based on the bids for the initial supported price
- Maximum 20 years support period (to be defined in the call for tender)
- Bid price indexed yearly with CPI – 1%



Further details in the Ministry Decree

- Maximum bidding price
 - 32,59 HUF/kWh (~102 EUR/MWh) or
 - 26,08 HUF/kWh (~81,5 EUR/MWh)
 - To be clarified later
- Bidding deadline at least 3 month after the call
- A grid connection offer is needed from the relevant system operator
 - No other licensing prerequisites



Letter from the Minister

- The minister responsible for energy issues (Minister for Innovation and Technology) decides on the main features of the tender:
 - a) Date of the call for tender;
 - b) Volume (MWh) or budget (HUF) of the tender;
 - c) The deadline for building the projects
 - Can have a big effect on the participating technologies
 - d) Maximum value of support opened for renewable electricity produced outside of Hungary

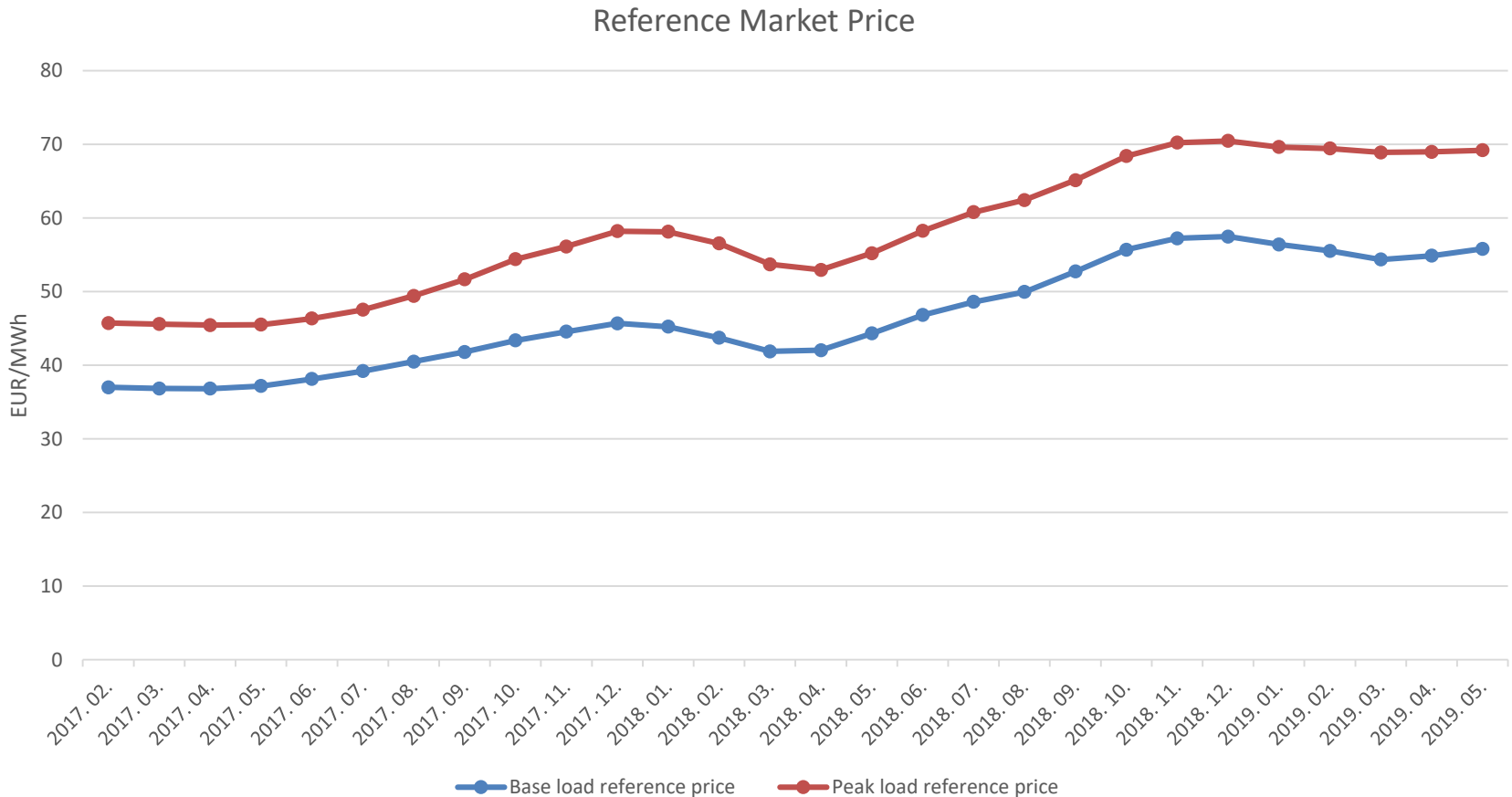


Budget constraints

- Calculation of the yearly new support:
 - An ex ante estimation of the yearly support
 - $(\text{bid price} - \text{reference market price}) \times \text{yearly volume}$
 - Market price:
 - For PV: HUDX peak forward price
 - Other technologies: HUDX baseload forward price
 - The budget constraint is not effective in case of bids very close to the reference market price
- Support limits in the Ministry Decree:
 - Maximum yearly new support of 1 billion HUF for the years 2017-2026 (10 billion altogether)
 - Unused support amounts can be added to next years' budgets
 - Currently an accumulated volume of max. 3 billion HUF is available (2017-2019)



Reference market prices (ex ante)



ELLÁTÁSBIZTONSÁG • MEGFIZETHETŐSÉG • ÉLETMINŐSÉG

Opening of the support system

- **The tenders have to be opened for power plants which are planned to be built in other countries :**
 - The degree of opening is set in the call for tender and the Minister decides on it
 - Only for countries with a regarding intergovernmental treaty
 - The opening has to be mutual
 - The renewable electricity produced abroad is taken into account in the Hungarian RES-E goals
- **The degree of opening:**
 - Formula in the Ministry Decree – based on electricity import and RES-E shares of the neighbouring countries
 - It accounts for about 12% of the support given for new RES-E investments through METAR (brown premium not included)
 - The goal is for the average of years 2007-2026, the concrete value on a given tender is set by the Minister



The call for tender

- Financial safeguards
 - Bid bond and Completion bond
- Benchmark capacity factors for technologies
 - The bidder specifies the technology and the MW value, the MWh is calculated by these benchmarks
- Support period
 - Max. 20 years, reduced if the project benefits from other support instruments
- Detailed rules of handing in the application and the evaluation phase
- The call for tender will be published on HEA's website, in at least 2 countrywide daily papers and the Official Journal of the EU



Current status

- HEA started working on the Call for tender based on the letter of the Minister, **but**
- The ministry decree needs to be modified in order to ensure proper applicability (modification in progress)
- The modification of the ministry decree effects also the previous letter by the minister
- HEA continues preparing the **call for tender** after the modification.
- Before finalizing the call for tender HEA plans to organize a **stakeholder workshop**
- This presentation is based on the version of the ministry decree 62/2016. NFM in effect.





Thank you for your kind attention!

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