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The New Electricity Market Design – MEKH view

REKK Regional Forum

7 November 2023

Hungarian Energy and Public Utility Regulatory Authority

Clean energy, sustainable environment

Topics of the Electricity Market Design Review (EMD)



Improving forward markets

Carbon-free flexibility

Consumer rights and consumer protection

REMIT, other market proposals

Supporting (long term) power purchase agreements (PPAs)

Introducing peak shave product on the ancillary services market

CAPEX + OPEX based tariff regulation

Fixed price contracts for consumers (ToU based)

Right for energy-sharing
(simultaneous generation and self-consumption of renewable energy)

Sharing order books among NEMOs inside bidding zones

Supporting RES and carbon neutral generation with contracts for difference (CfDs)

Periodic announcement of available grid connection capacities by TSOs & DSOs

ID CZGCT closer to real time + maximizing cross-border capacities

Proposals to appoint supplier of last resort (SoLR)

Monitoring early termination fees of fixed price contracts

Transmission (grid) access guarantee for offshore RES

Developing forward markets (setting up regional virtual hubs; 3Ys FTRs)

Usage of dedicated metering devices (submetering)

Flexibility Reports, indicative national targets and support schemes

Hedging obligations for suppliers and traders

Retail price regulation below costs during declared electricity price crisis

Review, enhancement and extension of REMIT regulation

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14 March 2023:
EMD proposal
(COM)

14 September 2023:
EP Report on EMD

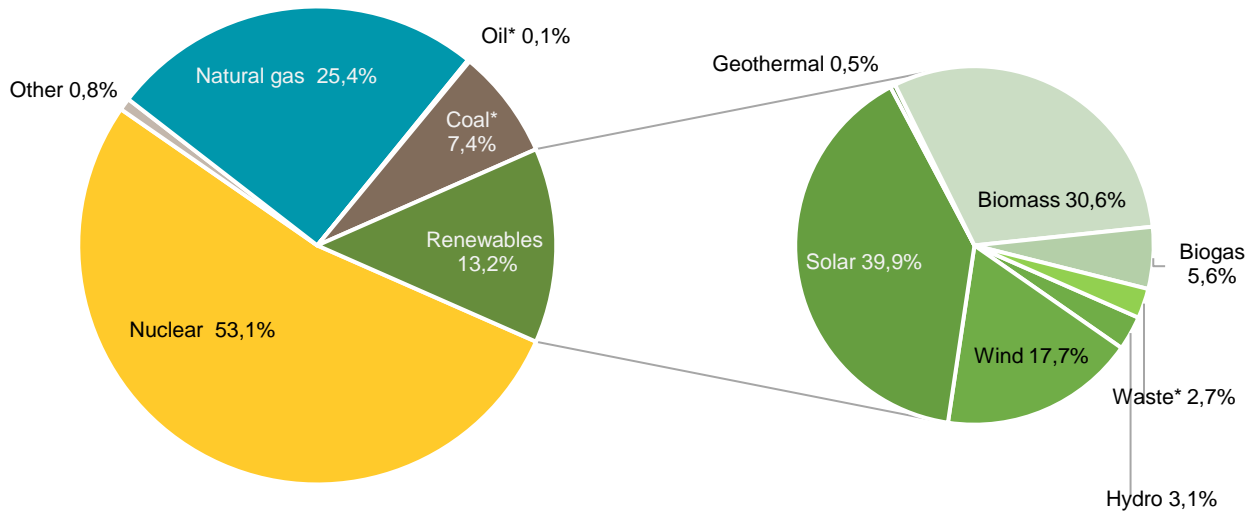
17 October 2023:
General Approach
of the Council on
EMD

19 October 2023:
First Trilogue

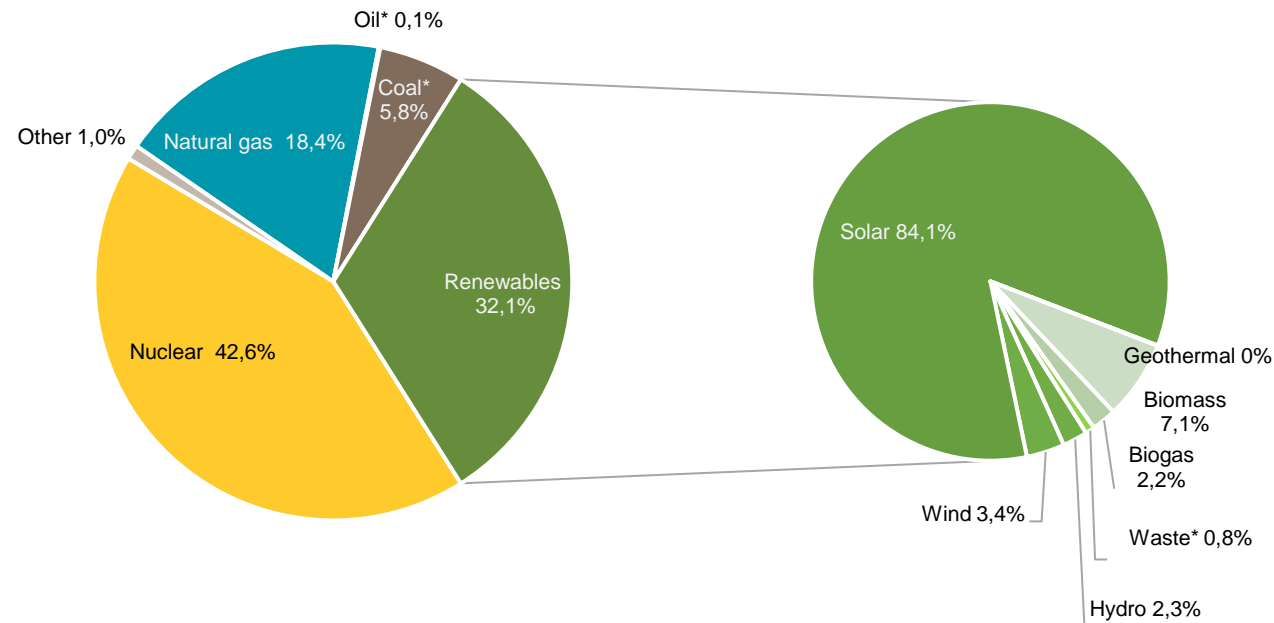
End of 2023:
Agreement on
Trilogue
Adoption of EMD

Electricity Mix of Hungary - Seasonality

Gross electricity production by source, January 2023 (GWh, %)



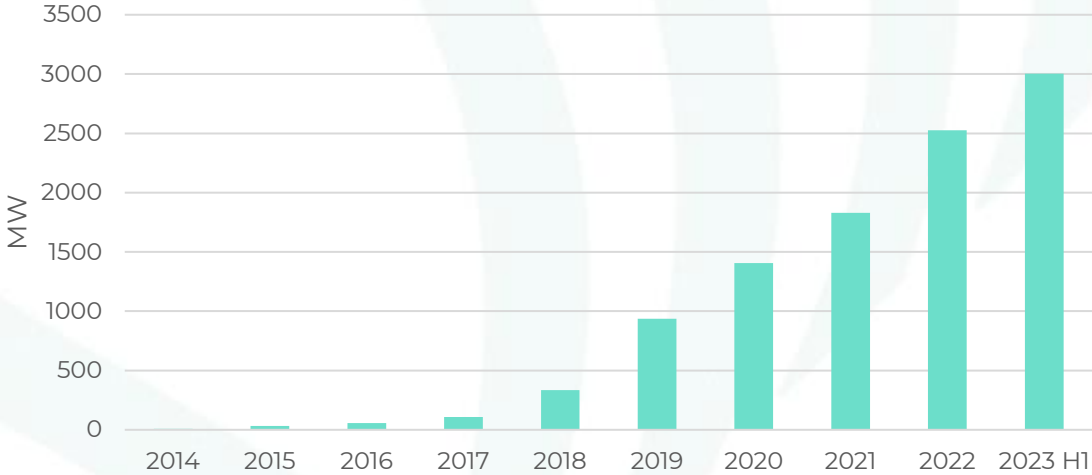
Gross electricity production by source, July 2023 (GWh, %)



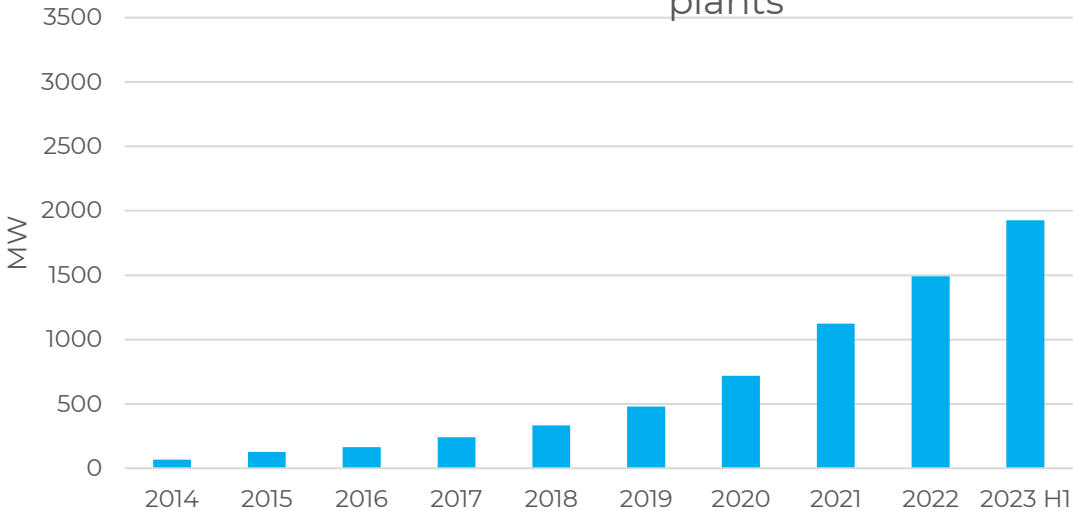
In the last decade, installed solar capacity has grown from nothing to 5 GW



Installed capacity above 50 kW



Installed capacity of small-size household power plants

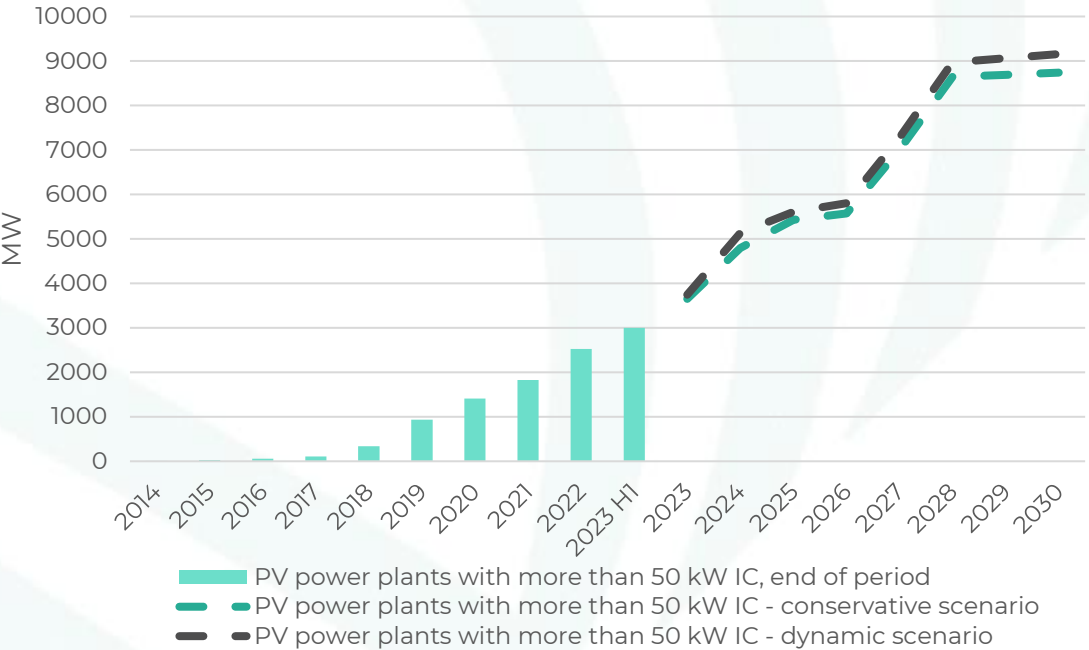


Over the last 5 years, the installed capacity above 50 KW and the installed capacity of SSHPPs has been growing at an accelerating pace, with the highest growth in the first half of 2023.

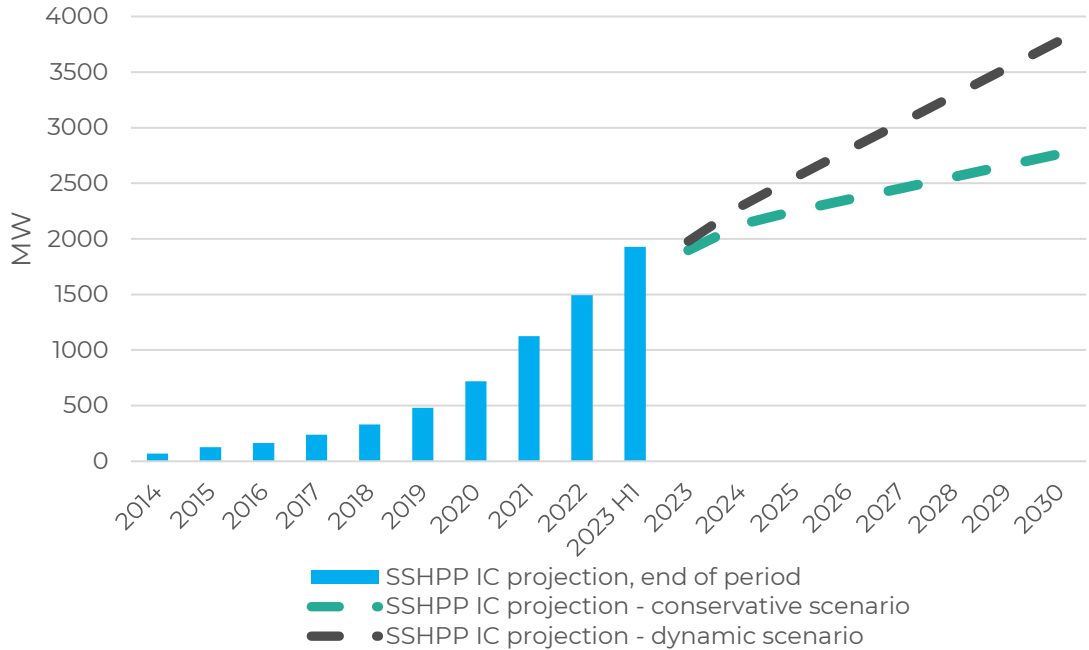
We expect further dynamic growth until 2030



Planned ramp-up: power plants above 50 kW



Planned ramp-up of SSHPP

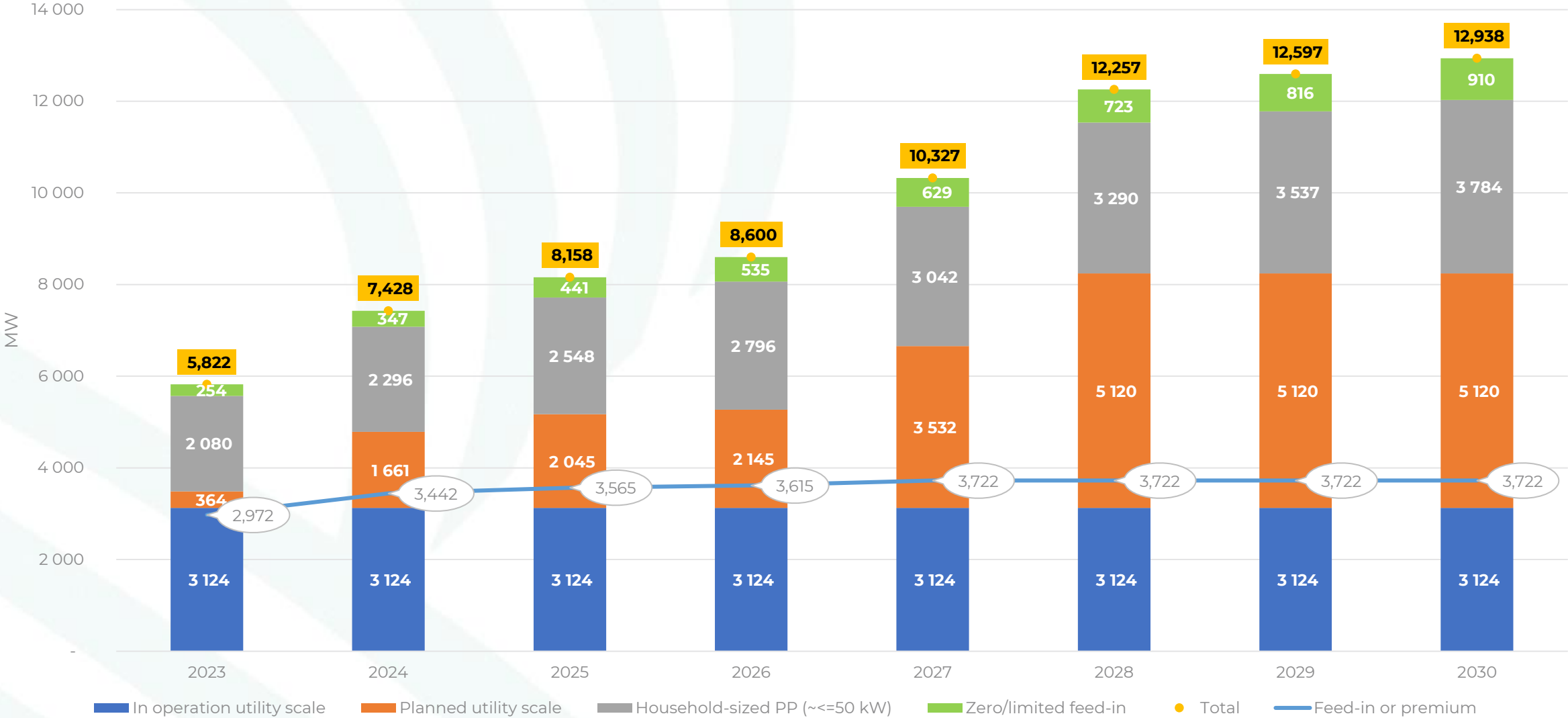


The growth seen in recent years will not stop, the IC of power plants with a capacity of over 50 KW will increase by a factor of three, while for SSHPPs we expect an increase of one and a half times.

5 GW PV capacity uncovered by FIT/FIP by 2030



PV capacity forecast up to 2030



Source: MAVIR

Surging balancing costs

- Over the past few years, the expansion of renewables has been followed by an increase in balancing needs
- Supply of conventional balancing capacity has not increased.
- Considerable scarcity premiums have emerged: the cost of booked aFRR capacity increased 6-fold between 2019 and 2023.
- In order for PV penetration to expand, new types of flexibility providers are needed in addition to the expansion of conventional technologies: storage, renewables, demand response...
- A new CfD subsidy scheme aimed at new storage deployment have been prepared by MEKH

