

New opportunities for on-site electricity producers and suppliers in Hungary

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In the evolving landscape of the Hungarian energy market, there is a growing emphasis on transitioning to self-sufficiency and on-site energy which helps with substantial costs and energy losses associated with transmission. As a result, there is an increasing interest in the industrial sector and commercial property developments for investments that reduce the environmental impact by producing and using green energy locally, such as on-site solar or wind power plants. However, parallel to this, legal challenges and regulatory obstacles have emerged, often thwarting the widespread adoption of efficient and decentralized self-sustaining energy systems.

The recently adopted Act XCIX of 2023, amending certain energy-related laws, may pave the way for the prevalence of self-sustaining energy systems, such as on-site solar power plants and storage facilities. Moreover, this legislative amendment creates the possibility for a power plant operating or being constructed in the vicinity of a property to directly supply and sell electricity to the owner of the respective industrial or commercial property (without the use of the public grid and the payment of grid usage fees).

1 New directions in on-site electricity supply and sales

While before 2024, various uncertainties arose regarding how property owners or tenants could establish an on-site power plant (including solar and wind power plants) and subsequently sell electricity to businesses operating on the site, the rules coming into effect in January 2024 aim to clarify these uncertainties. This is particularly significant for property owners (i.e., grid users) intending to establish their own power plants or electricity storage units to supply businesses (i.e., consumers) located on their premises, or similarly if, for instance, the tenant of the property wishes to make such an investment. The legislative amendment provides some guidance on the establishment of private cable lines and grids, specifically regulating the conditions under which users (primarily the owner of the respective property) and consumers (such as tenants) can sell the electricity they generate through their own power plants.

Users can now plan private cable lines and grids not only for their own energy consumption or for the purpose of installing electric charging stations **but also for supplying electricity to consumers located on-site through such private grids**. Under the new regulations, it is no longer a prerequisite for consumers supplied through private grids to be technically and securely connected to the user. In effect, the legislator expands the scope where users

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are entitled to establish private grids. This change is particularly crucial for on-site electricity sales, as it broadens the opportunities for users or consumers to sell electricity through the established private grids.

The new provisions further specify and elaborate on the necessary steps during the establishment of private cable lines and grids, as well as the framework for cooperation between the competent network operator, the producer or electricity storage operator, and the system user. The private grid operator and the producer or electricity storage operator must submit **a preliminary system user claim to the competent network operator**.

However, if **an increase in the specified feed-in capacity at the designated connection point is necessary** due to the electricity generated by the producer or stored by the electricity storage operator connected to the private

This system user claim must be submitted even if the specified feed-in capacity at the designated connection point remains unchanged.

grid, **the producer or electricity storage operator shall submit their system user claim through a publication procedure or an individual procedure with the consent of the private grid operator**, as specified in the relevant codes of the competent network operator. The network operator determines the economic and technical conditions required for such connection either during the preliminary system user claim process or in a publication or individual procedure. These conditions are, of course, not yet in practice, leaving uncertainties about the criteria the network operator will set and the potential costs for power plants operating in private grids. The functioning of the public grid could experience significant consequences, such as sudden interruptions or substantial reductions in power plant production due to technical issues or unexpected weather events. In these scenarios, immediate supplementation from the public grid might be necessary, impacting its overall operation.

The legislative amendment prominently addresses the re-regulation and expansion of electricity sharing as well. Consequently, it distinguishes between two main forms of electricity sharing. In the first option, electricity generated or stored by an active user or energy community can be directly transmitted to other users via the public grid, a private grid, or connecting equipment, or it can be transmitted to a consumer through a private grid. As a novelty, there is also the possibility for electricity generated or stored by the consumer to be sold directly to the private grid operator.

Similarly to electricity transmission, in case of electricity sharing, the private grid operator and the consumer must conclude an agreement if they intend to sell or transfer the electricity they generate themselves through electricity sharing. This agreement must at least include the price of the shared electricity and the rules for settlement. The legislative amendment also stipulates that such electricity sales do not qualify as either transmission or electricity trading. Additionally, the consumer has the option to sell the electricity passed on or generated by them within their consumption site. This scenario also does not qualify as electricity trading if the prescribed regulations are adhered to appropriately. This flexible system aids users and consumers in being active in the field of generated or shared energy without having to deal with complex regulatory issues.

A defining innovation is that power plants or storage units operated on a property adjacent to the designated consumption site – or reasonably close to it in case of power plants over 5 MW capacity – can directly connect to the private grid of the site.

This requires the construction of an interconnector (production) line, but the cost of this can be recovered realistically by not using the public grid for energy transmission, i.e. by not having to pay the so-called system charges. If the producer supplies only on-site consumers, it may even be exempted from the obligation to compete for scarce feed-in capacity to the public network or to bear the costs of its development. A further condition is that electricity produced or stored by the power plant/storage facility must not result in any change in the feed-in capacity of the

grid connection point of the site supplied and that only one site can be connected to a power plant or electricity storage facility.

2 Introduction of self-sustaining generation units to the electricity market

The concept of a self-sustaining generation unit has also been introduced. Under the new provisions, **a self-sustaining generation unit is a facility with a 5 MW of installed capacity, connecting to the public grid without a feed-in capacity, and sharing the generated electricity at the same connection point with the user or another consumer within the same corporate group. A self-sustaining generation permit must be obtained** for the establishment of a self-sustaining generation unit. The detailed rules for permitting follows the regulations applicable to power plants with a nominal capacity of 50 MW or more.

The purpose of regulating self-sustaining generation units through this legislative amendment is to promote sustainable and efficient electricity generation. The self-sustaining generation permit allows for the modernization of facilities and capacity expansion while ensuring necessary controls for the stability of the electricity system.

3 Private grid permitting retrospectively

The rules concerning private grid permits have not undergone substantial changes. **If the owner/operator of an industrial or commercial property (i.e., the user) who transmits electricity for its tenants (and the private grid is not located within a single building), the installation or extension of the private grid requires a permit.** However, **an application for a license must be submitted to the Hungarian Energy and Public Utility Regulatory Authority (HEPURA) for private lines installed after October 2011 without a license that are subject to a license under the newly enacted rules within 90 days of the entry into force of the amendment (i.e., until 31 March 2024).** HEPURA may impose a fine of up to HUF 100 million for on-site energy supply without a permit.

4 Expected market impact

The amendment will unlock new business opportunities for alternative, decentralized energy systems. The new rules will help achieve this by clarifying the legal framework for on-site energy supply. Under the new regulations, installing power plants in proximity to large industrial consumers will become a more attractive option, as private lines may be exempted from paying system charges by directly supplying to the user.

However, there are also legal and regulatory challenges, particularly concerning licensing obligations and infrastructure conditions, which could impact the adoption of decentralized energy supply systems. The details of the rules are not yet clear, thus in each case, consulting an expert in this specific area is essential, both at the design and implementation phase of such projects.

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