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METAR TENDER IN HUNGARY: CHANGES IN THE PROCEDURAL RULES AND FINANCING INSTRUMENTS

Introduction

Earlier this month, some important legislative changes were announced regarding the METAR tender, which aims to support renewable energy producers. The most significant amendments to NFM Decree 62/2016 (XII. 28.), which contain the rules of the tender procedure, entered into force on 2 October 2021. NFM Decree 63/2016 (XII. 28.) on the detailed rules of the funds required to finance the METAR tender has also been amended, and the most relevant elements will enter into force on 1 January 2022. A brief summary is given below of the most important information.

Changes in the tender rules

A substantial difference is that **the deadline for publishing the tender documents has been significantly shortened**: compared to the previous time requirement of 3 months, the Hungarian Energy and Public Utilities Regulatory Office (HEPURA) now only needs to publish the documents 20 days before the deadline for submission of the tender. Therefore, in the forthcoming METAR tender, **investors will only have about one-third of the preparation time in order to prepare and submit the application**. Unlike in the previous tenders, in the forthcoming METAR tenders, multiple proposals can be accepted as the winner for a single site.

In forthcoming METAR tenders – in contrast to previous ones – **multiple bids will be accepted for a single site**.

New elements are now added to the METAR tender:

- a) the highest bidding price that can be submitted;
- b) participation requirements ensuring the safety of the electricity system;
- c) requirements regarding the preparedness of the projects;
- d) the duration of support granted for the tenderers; and
- e) other types of support compatible with the eligibility of the METAR support.

It is important to note that the **price cap, as a new element** of the tenders, could further reduce the bid prices in line with market trends.

Additionally, the maximum amount of **the annual support has been modified to HUF 12,26 billion for the year 2021**. Thereafter, until 2026, an annual support of HUF 548 million can be granted. Consequently, **the legislator has reallocated a substantial part of the grant amount to this year**, which will have a major impact on the financing of the METAR tenders.

A further change is that the new regulation now grants the option to establish a committee of a maximum of three members to evaluate the eligibility of the incoming tenders. For new METÁR tenders, the evaluation committee can also prepare the previous consolidated summaries by tender categories. In future METÁR tenders, producers who produce electricity from biomass or biogas will no longer be required to demonstrate that the power plant is suitable for high-efficiency cogeneration.

Changes related to the financial instruments

Regarding the definition of daily production schedule, the term "KÁT producer" has been replaced by "Producer Obligated to Provide Schedule". The new term of "Inter-daily Production Schedule" has also been introduced, which means: a schedule of the Producer Obligated to Provide Schedule for the purpose of modifying the relevant parts of the daily production schedule, without the independent balancing management provided for in the relevant Government Decree. This is the schedule of the KÁT producer or, in the case of a consolidated schedule, of the KÁT producers belonging to the Schedule Group, containing the planned production data for each settlement measurement interval of the day.

With respect to the determination of the amount of the KÁT financial instruments, the Receiver shall take into account the following:

- a) the monthly regulatory fee that is imposed on the Producers Obligated to Provide Schedule on the basis of the relevant government decree;
- b) the income from the sale of the Receiver's guarantees of origin (GoO) in the organised energy market at the exchange rate determined in accordance with the commercial code;
- c) the counter value of the electricity accounted to the Producer Obligated to Provide Schedule in the course of its self-balancing management for the current month.

Regarding the settlements made in the organised energy market, new scheduling rules will be used to establish the organised energy market's bidding schedules for the balancing group of the KÁT.

The Receiver is now also obliged to publish information about any technical disruptions affecting its website within 1 working day.

New accounting rules have been incorporated in the rules on invoicing and payment obligations.

Summary

In terms of the frequent changes to METAR tender legislation, developers face a major challenge. In addition to the changes described above, further changes are also expected (e.g. in relation to the classification of sites by geographical location, the type of land usage, the type of cultivation, the quality class and the golden-crown value). It is therefore essential to keep track of the legislative developments, and our law office can always provide you with the latest information and counsel on these topics.

This memorandum is a brief overview of the METAR tender's recent legislative changes. If you need more information – including the anticipated impacts to the market and the most important requirements and deadlines for the coming months, or other relevant questions – please do not hesitate to contact us through the colleagues listed below.

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