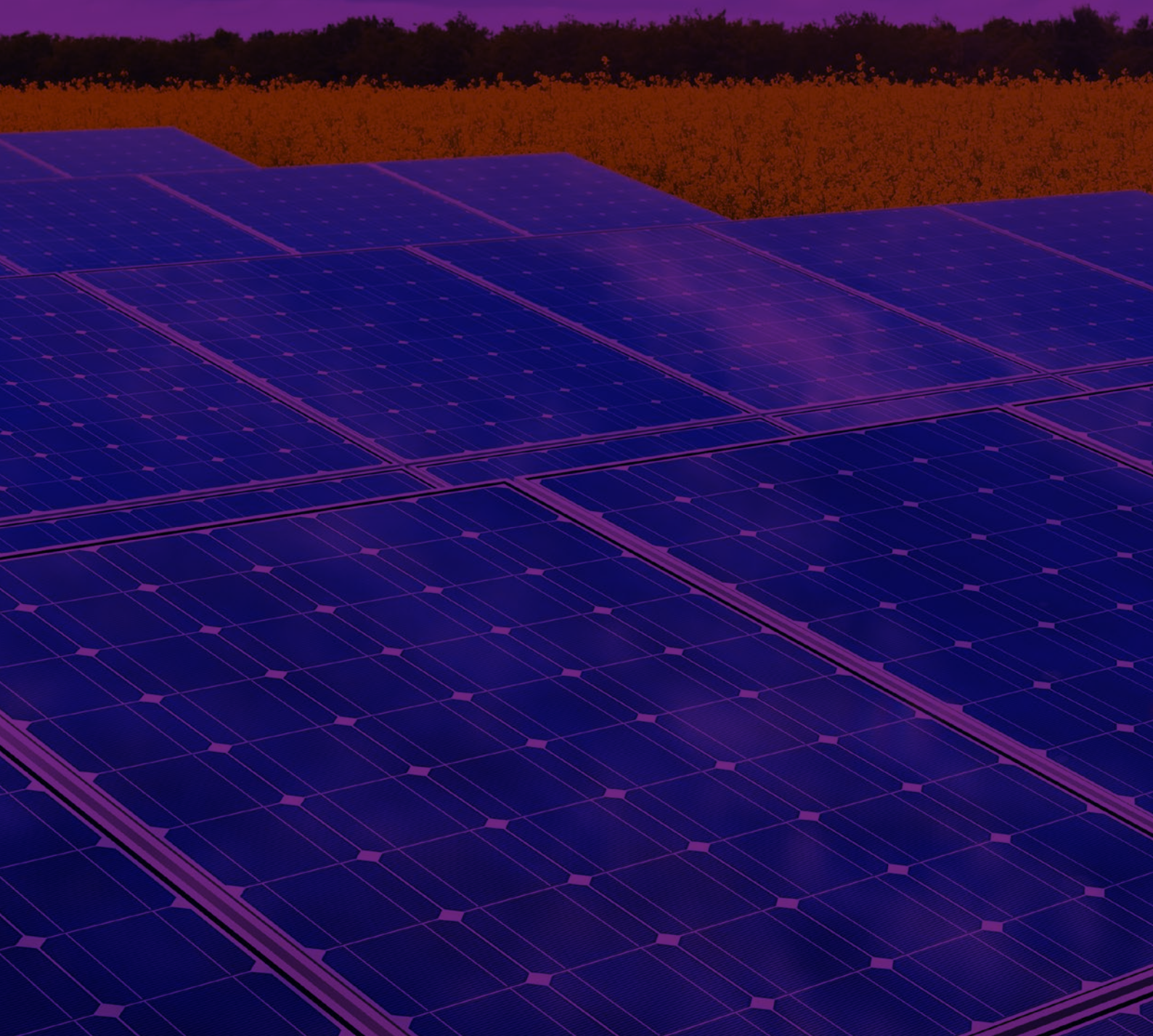


# Energy client alert

Changes in the regulation  
on FIT projects



# Full balancing responsibility as of 1 April with a temporary compensation

Several amendments were made to laws impacting on renewable energy projects benefitting from support schemes at the end of last year. One of the most significant changes affects all feed-in tariff system (FIT) generators, irrespective of whether they are already in commercial operation or waiting to be commissioned. According to the new regulation, FIT producers will bear the cost of imbalances they cause in the FIT balancing circle. The new regulation is driven by and based on Article 5 of Regulation (EU) 2019/943 of the European Parliament and of the Council on the internal market for electricity that introduced the concept of balance responsibility as of 1 January 2020. In order to mitigate the financial burden of the above change in law, FIT producers will be entitled to temporary and gradually decreasing compensation in the next six years or so.

Amendments to the FIT regulations were published on 30 December 2019. In order to transpose the newly introduced concept of the balance responsibility into Hungarian law, the legislator had to revise the existing balancing surcharge and bonus system. The following is a brief summary of the most significant changes that will be uniformly applied to feed-in tariff projects either under the so called old KÁT or the new METÁR system.

## **FIT producers will bear the cost of imbalances they cause to the FIT balancing circle**

As of 1 April 2020, FIT producers will bear the costs of balancing energy arising in the FIT balancing circle in given quarter hourly settlement periods, where scheduled production deviates from actual production. The balancing cost of each settlement quarter-hour will be distributed among the FIT producers causing the deviation in proportion to their individual degrees of deviation from their own production schedules. This means that as of 1 April 2020, the balancing surcharge payable by all FIT producers (including FIT producers under both KÁT

and METÁR) will be in line with the actual cost of balancing of the FIT balancing circle, and its total amount will be distributed among the FIT producers responsible for the imbalance.

The technology-based tolerance bands and schedule-accuracy coefficients currently in place for determining balancing surcharges will be set aside. Moreover, power plants with a nominal generation capacity of less than 0.5 MW and entitled to feed-in tariffs under the old KÁT regulation, will no longer enjoy the favorable treatment that motivated them to produce accurate production scheduling by balancing bonuses and exempted them from the payment of balancing surcharges unless they fail to submit production schedules.

FIT producers will continue to be incentivized to submit intra-day schedules if they can refine their day-ahead production forecasts. Under the new formula for determining the balancing surcharge, FIT producers will be interested in accurate scheduling both on a day-ahead and intraday basis.

## **Temporary and gradually decreasing compensation**

FIT producers will be entitled to temporary and gradually decreasing compensation until the end of 2025 in order to mitigate the increased financial burden they face due to the new rules of balancing responsibility. The compensation will reduce, but may not exceed, the amount of the monthly balancing surcharge payable by FIT producers.

Between 1 April and 31 December 2020, the compensation will amount to 3 HUF/kWh for solar power plants and wind turbines and 0.5 HUF/kWh for other types of FIT power plants. This compensation will be calculated on the basis of actual (metered) production and FIT producers will not be entitled to compensation for calendar days for which no production schedules are submitted. This facility will be gradually reduced year-by-year down to zero by 1 January 2026. The above 3 HUF/kWh and 0.5 HUF/kWh rates of compensation will decline to 95% as of 1 January 2021, to 85% as of 1 January 2022, to 70% as of 1 January 2023, to 50% as of 1 January 2024 and finally to 25% as of 1 January 2025.

## Repeal of the balancing bonus

As of 1 April 2020, FIT producers with a nominal generation capacity of less than 0.5 MW will no longer be entitled to balancing bonus.

## Scheduling groups

FIT producers may still form scheduling groups to discharge their scheduling obligations but they must appoint capable and responsible scheduling representatives. The balancing surcharge for a scheduling group will be calculated on the basis of the aggregate production schedule and the aggregate actual production of the scheduling group, whereas the compensation will be calculated and accounted for on the basis of the actual production of the individual members of the group. MAVIR (the Hungarian TSO) will settle the balancing surcharge and compensation allocated to the given scheduling group of FIT producers with the scheduling representative.

## Balancing by storage

Renewable power plants supported under the old KÁT or METÁR may apply storage technology in order to improve their ability to comply with their production schedules and thereby to decrease their balancing costs. Under the revised KÁT and METÁR regulations, the volume of electricity stored will not be included in the self-consumption figures as of April 2020.

As a result of the amendment, subsidized renewable producers may balance their production by putting surplus production in storage and later feed that energy into to the public grid with the assistance of storage capacities put in place at their premises. Under the changed law, renewable energy producers will also be entitled to the feed-in tariff or premium in respect of the electricity volumes kept in storage and later fed into the public grid.

We are continuously monitoring the amendments to the renewable support schemes so, if you have any questions, please feel free to contact us.



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