

Energy client alert

AUCTION TIME – second METÁR tender has launched

July 24, 2020

METÁR auction opening in September

After the successful first METÁR tender last year¹, on July 15, 2020 the Hungarian Energy and Public Utility Regulatory Authority launched the second METÁR tender to support renewable electricity producers under the green premium scheme.

This auction will take place between September 15, 2020 and October 15, 2020, with a yearly maximum support budget of HUF 800 million and a maximum subsidized volume of 390 GWh/year.

As in the first tender, in the second round the renewable premium support is earmarked for new investment projects and existing plant units that undergo major refitting or development at a cost exceeding 50% of the initial investment cost.

As before, applicants can be companies with a registered office in the EU, the EEA or the Energy Community, Hungarian branch offices of foreign companies and Hungarian business entities or municipalities. However, the METÁR tender is only available to producers producing electricity at a site in Hungary. For various considerations, bidders are generally Hungarian entities, i.e. a new entrant needs to set up an SPV.

In the upcoming METÁR tender there will be two tender categories based on the nominal capacity of bidding projects:

- units with a nominal capacity of 0.3 to 1 MW ("**Small Category**"), where the maximum subsidy budget for allocation is HUF 200 million/year and the subsidized electricity volume available for allocation is 40 GWh/year;
- units with a nominal capacity of 1 to 49.99 MW² ("**Big Category**"), where the maximum subsidy budget for allocation is HUF 600 million and the subsidized electricity volume available for allocation is 350 GWh/year.

The tender rules set separate limitations with respect to bidders belonging to the same ultimate beneficial owner ("**UBO**"):

- Small Category: the maximum volume of subsidized electricity that may be awarded to bidders belonging to the same UBO is 15 GWh/year;
- Big Category: the maximum volume of subsidized electricity that may be awarded to bidders belonging to the same UBO is 175 GWh/year.

Applicants are to make a proposal for the initial subsidized price that may not be higher than HUF 26.70/kWh. Commercial operations of the winning projects must start within 3 years and the maximum term of the subsidy is 15 years again (possibly reduced by other support).

¹ There were more than two and a half times as many applicants as the tendered support volumes available for distribution. From the 168 proposals submitted, 72 successful tenderers (almost all solar projects, with a total capacity of approx. 132 MW) were awarded HUF 52.4 million (approx. €150,000) annual subsidy in total to be distributed over 15 years.

² The upper threshold of the Big Category has been increased from 20 MW in the first tender to 49.99MW.

Tender participation is conditional upon providing tender security, while winning bidders must provide and maintain performance security for implementation of the project. The amount of the tender security is 1.5%, while the amount of the performance security is 5% of the benchmark investment value³ defined in the tender documentation.

The tender rules have not changed significantly, but the increased upper threshold of the Big Category may be more attractive to potential developers. While the tendered volumes increased, the subsidy budget decreased, which is not surprising based on the result of the first tender, when almost the entire tendered subsidized volume of electricity (96.5%) could have been distributed with only 22.9% of the total available subsidy budget.

We are continuously monitoring the developments concerning METÁR so, if you have any questions, please feel free to contact us.

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³ The benchmark investment value for fixed solar units is HUF 300 million/MWe, whereas for solar tracking units is HUF 350 million/MWe.