

## Hungary grid stabilization

The Hungarian Electricity Transmission System Operator Ltd. (MAVIR or TSO) held a public consultation on 24 February 2022 on the long-awaited, high profile final rules for the connection of power plants to the transmission grid.

As we reported earlier this year, with effect from 1 April 2021, new, competitive capacity allocation principles were introduced in the Hungarian Electricity Act, bringing conceptual changes to the previous system. This was motivated by the emergence of a large number of new weather-dependent power plants connected to the grid, on the one hand, and by the harmonisation of practices between MAVIR and the relevant distribution system operators (DSOs) on the other hand. In view of this, MAVIR, in cooperation with the DSOs, decided to modify the grid connection rules in two steps: the so-called 'transitional' rules would be replaced by the so-called 'final' system, once the necessary legislative mandates and detailed rules have been adopted.

Based on the consultations between industrial and governmental stakeholders, the final capacity allocation system of the transmission system is expected to be established on 30 April 2022, when the amendment to Government Decree No. 273/2007 (X. 19.) on the implementation of Act LXXXVI of 2007 on Electricity (Implementing Decree) will be published, which, in addition to the amendment of the MAVIR rules, would also serve as a basis for the adoption of the 'final' system under the unified Distribution Code.

The new unified procedure for connection to the transmission grid is expected to be cyclical, with a six-monthly frequency, with two ways to access free capacity: a 'publication procedure' or an 'individual procedure'. The first publication procedure is expected to be launched on 2 May 2022. From that date, the majority of stakeholders will therefore have the possibility to apply for the free capacities by filling in and submitting the form published by MAVIR and by paying the relevant cash deposit of HUF 900,000/MVA (ca. EUR 2,500/MVA) as security for their application.

For participants in the so-called individual procedure, slightly different rules will apply. A power plant whose connection demand exceeds the published available capacity at the relevant grid node may switch to the individual procedure by submitting the appropriate form within the deadline for the application of the publication procedure. In addition, a stakeholder whose connection demand is likely to require the construction of a new grid node may apply for an individual connection procedure without a time limit. It is expected that the processing of individual applications will be aligned with the timing of the publication procedure that will expire closest to the date of submission.

For successful applicants in the first capacity allocation round, MAVIR will issue a 'technical economic information sheet' (MGT) by 6 June 2022 at the latest, after which, depending on whether the power plant is involved in a subsidy regime or not, there will be a period of approximately 10 to 30 days

for the applicant concerned to make the necessary declarations and pay the second cash deposit of HUF 3,600,000/MVA (ca. EUR 10,000/MVA). It is essential that in the event of an unsuccessful capacity request, the applicant would not automatically be deprived of the available capacity: they can switch to the individual procedure, provided that they fulfil the necessary conditions and indicate their request on the appropriate form and submit it in due time.

An important difference with respect to capacity requests for conventional power plants is that for weather-dependent plants, MAVIR will also take into account the operational safety limit when allocating capacity, which can be exempted in certain cases (see below).

Individual storage facilities are expected to be able to apply for grid connection only through an individual procedure.

In the case of the modification of an existing feed-in capacity right, the general procedure will not apply, as described above. In this case, only the grid connection contract will need to be amended, except that for weather-dependent power plants it will be necessary to verify whether the power plant meets the operational safety limit or whether it fulfils the criteria for exemption from this limit.

As mentioned above, in the new grid connection procedure, the operational safety limit (i.e., the limit on the solar and wind capacity that can be accommodated in the electricity system) will also have to be taken into account for weather-dependent power plants when allocating capacity. MAVIR will set the limit on the basis of the balance of the electricity system and available balancing capacities, mainly by taking into account public data available on its website and new accreditation requirements.

MAVIR will reject capacity requests exceeding the operational safety limit unless the weather-dependent power plant exercises the option to be exempted from the limit, subject to the plant's ability to assume aFRR regulatory responsibilities as set out in Annex 9.1 of the newly effective MAVIR Operational Code. It is expected that a time period of 3 months will be available to demonstrate this ability.

As a result of the amendment of MEKH Decree No. 10/2016 (XI. 14.) on the rules of application of electricity system usage fees, connection fees and special fees, MAVIR will include various indirect costs in the grid connection fee in addition to the direct investment costs of the connection. Such indirect investment costs may include those parts of the investments in the public grid which do not exclusively allow the connection of the plant requiring the connection, taking into account the minimum technical requirements laid down in the operation and distribution rules.

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