

Hungary: First RES support scheme tender

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The majority of bids came from small and medium-sized enterprises, with no bids coming from large players on the Hungarian energy market. In March, 2020, the Hungarian Energy and Public Utility Regulatory Authority (MEKH) published the official results of the first tender procedure of the renewable energy support scheme (METAR), split into two categories: between 300 kW and 1 MW and between 1 MW and 20 MW.

Some 170 bids were submitted: 40 % of which were successful, 30 % were declared invalid and 30 % were valid but did not win any subsidy. In the category for smaller projects 61 were selected, with 11 projects in larger category. Bidding prices fell as low as 0.059 euros/kWh in the small systems category. The lowest bid for large-scale installations, of 0.056 euros/kWh, was submitted for a 20 MW solar power plant. The tender was capped at 0.072 euros/kWh.

The reason for key players' lack of interest might be that they did not find the 20 MW capacity limit attractive enough. Meanwhile, the high interest of SMEs in the METAR tender could be explained by the fact that this tender is the only one that provides subsidies for smaller investors.

It is also worth mentioning that recent changes in the Hungarian renewables support scheme, namely the introduction of full balancing responsibility for renewable generators as of 1 April 2020, and significant currency exchange rate fluctuation may be risk factors in financing projects. As to the first factor, in Hungary, a specific compensation system has been introduced in order to mitigate the severe financial consequences to solar power plant projects arising from full balancing liability. Pursuant to the new rules, the compensation is a fixed amount not to exceed the amount of the balancing charge which would be payable by the producer. The compensation system will be available only until 31 December 31 2025. As the second factor, the euro/forint exchange rate had significantly increased at the time of the submission of the bids since the end of 2019.

In addition, solar power plant manufacturers are also affected by the COVID-19 crisis, including the resulting shortage of raw materials and appropriate staff, and related disruptions in transportation may also cause uncertainties and possible higher procurement prices in the market.

Despite these difficulties, the first METAR tender can be considered a success, as it both provided investors with an up-to-date overview of the Hungarian market and generated competitive pricing.

Although the tender was declared as a technology-neutral one, all but one bidder plans to build solar power plants. The high representation of such projects is in line with the Hungarian National Energy Strategy, but there are issues to be addressed by the regulator before the next METAR tender, such as the promotion of other renewable technologies and

projects larger than 20 MW, which are likely to attract foreign investors.

No official information is available on the announcement of the next METAR tender, but given the success of the first tender and the recent classification of many solar power plant projects as projects of national interest by the Hungarian Government, strong interest is likely.