

Residential Prosumers in the European Energy Union

EAHC/2013/CP/04

Mapping the legal and regulatory framework in the 28 Member States, Iceland and Norway

Hungary



This study is part of the mapping of the legal and regulatory framework for residential prosumers in the 28 Member States, Iceland and Norway, within the project on Residential Prosumers in the European Energy Union EAHC/2013/CP/04, and carried out by Milieu Ltd (Belgium), Chaussée de Charleroi, 112, B-1060 Brussels, tel: +32 (0)2 506 1000; web address: www.milieu.be

This study presents the legal and regulatory framework for residential prosumers in Hungary. It has been prepared by Katalin Adamis-Császár as the author and reviewed by the managers of the project Marta Ballesteros (Marta.Ballesteros@milieu.be). The study has been completed in June 2017.

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Regulatory framework for residential prosumers in the EU Hungary

General Description of the national legal and regulatory framework

General

The role of renewable energy sources in Hungary:

Hungary is bound by Directive 2009/28/EC¹ and by the national target of having 13% of its total gross energy consumption from renewable energy sources by 2020. The Hungarian National Reform Programme² increased this target to 14.65%. As of 2014, renewable energy represented 9.5% of total gross energy consumption.

To ensure that Hungary's 2020 objectives are met, the Hungarian Government decided to adopt a new national renewables action plan in 2015, determining the method for meeting Hungary's renewables related obligations by 2020. The **Renewables National Action Plan (2010-2020)** (*Megújuló Energia – Magyarország Megújuló Energia Hasznosítási Cselekvési Terve (2010-2020)* – Renewables Action Plan)³ does not include reference to household power plants, amongst the main objectives. However, it refers to household power plants while describing the measures necessary for achieving the objectives set out in the Renewables National Action Plan. In addition to this policy development, Hungary has adopted legislative measures to support **electricity production by residential prosumers**. The main provisions are set out in:

- **Act LXXXVI of 2007 on electricity (2007. évi LXXXVI. Törvény a villamos energiáról - Act LXXXVI of 2007)**⁴;
- **Government Decree 273/2007 (X.19.) on the implementation of Act LXXXVI of 2007 on electricity (273/2007. (X. 19.) Korm. rendelet a villamos energiáról szóló 2007. évi LXXXVI. törvény egyes rendelkezéseinek végrehajtásáról- Government Decree 273/2007 (X.19.))**⁵.

Hungary has also established the institutional framework necessary to ensure the production of energy by household power plants. This institutional framework is described under Question 2.

1. What types of residential prosumers are there in your country on the basis of type of RES used and size of the installation?

Answer:

The term 'residential prosumer' is not used in Hungarian legislation. A similar concept, however exists, under the term 'household power plant' (*háztartási méretű kiserőmű*).

Pursuant to Article 3(24) of Act LXXXVI of 2007 'household power plant' means a 'micro power

¹ Directive 2009/28/EC of 23 April 2009 on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC, OJ L 140, 5.6.2009, p. 16–62.

² Hungarian National Reform Programme (2016) is available at:
http://ec.europa.eu/europe2020/pdf/csr2016/nrp2016_hungary_en.pdf.

³ Renewables National Action Plan (2010-2020) (*Megújuló Energia – Magyarország Megújuló Energia Hasznosítási Cselekvési Terve*), available at: http://2010-2014.kormany.hu/download/2/b9/30000/Meg%C3%BAjul%C3%B3%20Energia_Magyarorsz%C3%A1g%20Meg%C3%BAjul%C3%B3%20Energia%20Hasznos%C3%ADt%C3%A1si%20Cselekv%C3%A9si%20terve%202010_2020%20kiadv%C3%A1ny.pdf.

⁴ Act LXXXVI of 2007 on electricity (2007. évi LXXXVI. Törvény a villamos energiáról), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=110829.322935.

⁵ Government Decree 273/2007 (X.19.) on the implementation of Act LXXXVI of 2007 on electricity (273/2007. (X. 19.) Korm. rendelet a villamos energiáról szóló 2007. évi LXXXVI. törvény egyes rendelkezéseinek végrehajtásáról), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=110829.322935.

plant connected to a low-voltage system with an interconnection capacity of less than 50 kVA⁶ at a connection point⁷.

Household power plants either produce energy exclusively for self-consumption (option 1) or feed the surplus energy produced back into the electricity grid (option 2)⁸. The amount of the surplus energy depends on what the household power plant was originally established for. The options are:

1. The household power plant could be established mainly for self-consumption. In this case household power plants only occasionally feed electricity back into the grid.
2. The household power plant could be established with the main purpose of feeding most of the energy produced back into the grid, thereby leaving only a small amount for self-consumption.

It is noted that these alternatives are not specifically spelled out in applicable legislation, but can be extrapolated from literature⁹.

Act LXXXVI of 2007 and Government Decree 273/2007 (X.19.) do not specify the renewable energy (RES) type, which could be used by the householder power plant. Existing statistical data show however that solar photovoltaic energy is the main energy source from the following energy sources that can potentially be used by household power plants: natural gas (*földgáz*), biogas (*biogáz*), water energy (*vízenergia*), wind energy (*szélenergia*), solar energy (*napenergia*)¹⁰. In 2014, 98,62% of the household power plants used photovoltaic energy¹¹. Consequently this report mainly focuses on household power plants using photovoltaic energy.

The graph below, covering the period of 2008-2015, shows the number of household power plants in Hungary per the energy source used. The rows in the table below the graph mean the following (in order): other (*egyéb*); natural gas (*földgáz*); biogas (*biogáz*); water energy (*vízenergia*); wind energy (*szélenergia*); solar energy (*napenergia*); total number of household power plants (*összesen*).

⁶ The term interconnection capacity refers to the electricity production capacity of the household power plant.

⁷ The English translation (unofficial) of Act LXXXVI of 2007 is available at: <https://www.scribd.com/document/270209903/Hungarian-Electricity-Act-LXXXVI-2007-ENG>.

⁸ Article 5(4) and (5) of Government Decree 273/2007 (X.19.).

⁹ NAV, 'The obligation of paying value added tax by natural persons operating household power plants' (*Háztartási méretű kiserőművet üzemeltető magánszemély általános forgalmi adó alanyisága*), available at: https://www.nav.gov.hu/nav/ado/afa080101_hatalyos/tajekoztato_afa_alanyisag.html.

¹⁰ Hungarian Energy and Public Utility Regulatory Authority (Magyar Energetikai és Közmű-szabályozási Hivatal), 'Summary – On data related to household power plants, which are not subject to permitting obligation (2008-2015)' (*ÖSSZEFOGLALÓ a nem engedélyköteles – ezen belül a háztartási méretű – kiserőművek adatairól*), p.4., available at: http://enhat.mekh.hu/wp-content/uploads/2015/10/osszefoglalo_nem_engedelykoteles_kiseromuvek_adatairol.pdf.

¹¹ Hungarian Photovoltaic Association (Magyar Napelem, Napkollektor Szövetség - MNNSZ), 'Data related to household power plants between the period of 2008-2014' (*A háztartási méretű kiserőművek adatai a 2008 és 2014 közötti időszakra vonatkozóan*), available at: <http://www.mnnsz.hu/ugrasszeruen-megnott-a-haztartasi-meretu-kiseromuvek-szama/>.

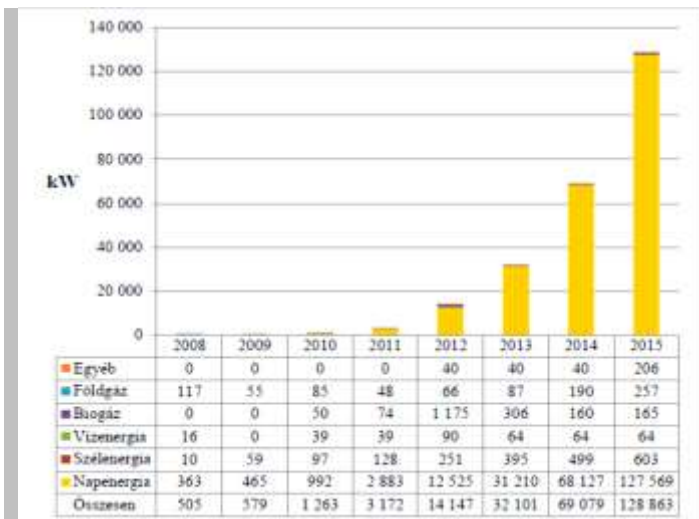


Figure 1: The number of household power plants per type of energy used (2015)¹²

Except for specifying the maximum size of household power plants, no other reference to the size of these establishments is provided in Hungarian legislation. The desk research did not reveal statistical data on the size of all household power plants. Such data are available, regarding the size of household power plants using photovoltaic energy. In these statistics, household power plants using photovoltaic energy are categorised according to the capacity of energy production (quantity of energy produced) as follows: under 5kW, between 5-10kW, between 10kW-50kW. As the graph below illustrates most of the household power plants in Hungary fall under the first category (under 5kW):

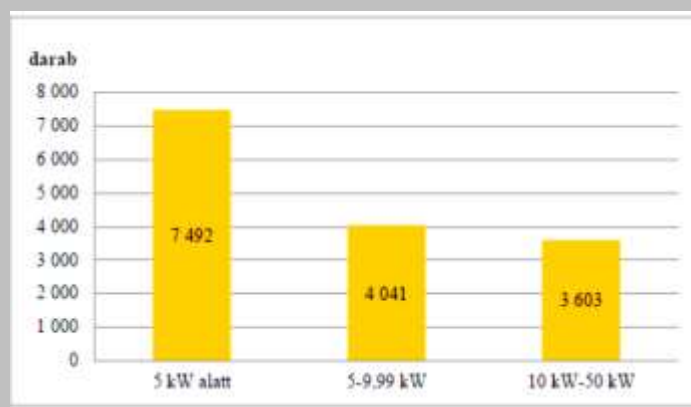


Figure 2: The number of household power plants using photovoltaic energy per the quantity of energy produced (2015)¹³

¹² Hungarian Energy and Public Utility Regulatory Authority (Magyar Energetikai és Közmű-szabályozási Hivatal), 'Summary – On data related to household power plants, which are not subject to permitting obligation (2008-2015)' (ÖSSZEFOGLALÓ a nem engedélyköteles – ezen belül a háztartási méretű – kiserőművek adatairól), p.4., available at: http://enhat.mekh.hu/wp-content/uploads/2015/10/osszefoglalo_nem_engedelykoteles_kiseromuvek_adatairol.pdf.

¹³ Hungarian Energy and Public Utility Regulatory Authority (Magyar Energetikai és Közmű-szabályozási Hivatal), 'Summary – On data related to household power plants, which are not subject to permitting obligation (2008-2015)' (ÖSSZEFOGLALÓ a nem engedélyköteles – ezen belül a háztartási méretű – kiserőművek adatairól), p.5., available at: http://enhat.mekh.hu/wp-content/uploads/2015/10/osszefoglalo_nem_engedelykoteles_kiseromuvek_adatairol.pdf.

2. What is the institutional framework & division of competences regarding residential prosumers in your country?

Answer:

The institutional framework includes the following actors, whose roles and responsibilities are described below:

- Ministry responsible for energy (currently the Ministry of National Development (*Nemzeti Fejlesztési Minisztérium*)).
- Hungarian Energy and Public Utility Regulatory Authority (*Magyar Energetikai és Közműszabályozási Hivatal* -MEKH);
- Electricity distributor (*elosztó hálózati engedélyes*);
- Universal electricity provider (*univerzális szolgáltató*);
- Electricity trader (*villamosenergia-kereskedői engedélyes*);
- User of the household power plant (*háztartási kiserőmű üzem felhasználója*);

Prior to describing the roles and responsibilities of each of these actors, it is important to provide a short explanation on the functioning of the Hungarian electricity market¹⁴.

The electricity grid is owned by four companies. These are the so-called universal electricity providers. In addition to these companies there are six so-called electricity distributors, which are in charge of operating the electricity grid. This implies the following duties: maintenance and operation of the grid, measuring electricity consumption, making sure that the electricity produced or sold by electricity trader reaches the connection point, operating the networks of different sizes (0,4 kV, 10 kV, 20 kV and 35 kV). In addition, there are electricity producers (*termelői engedélyesek*), which could be big companies (e.g. Paks Power Plant) or even household power plants. Moreover there are companies specialised in the trading of electricity (electricity trader). Regarding this point it is noted that some of the distributor companies established subsidiaries (*leányvállalat*) for the trading of electricity, thus in Hungary it is quite common that the electricity distributor and the electricity trader is the same actor.

The main roles and responsibilities of each actor:

- The Ministry responsible for energy is in charge of preparing draft legislation in this area (e.g. legislation about energy issues). The body in charge of the adoption of the draft legislation depends on the type of legislation in question. As an example, legislative acts are to be adopted by the Parliament, whereas ministerial decrees are to be adopted by the minister in charge. The Ministry responsible for energy is also in charge of developing the country's national renewable energy plan.
- MEKH: The Regulatory authority supervises whether the aforementioned actors (except for the users of the household power plant) fulfil their obligations. It also regularly publishes information on household power plants.
- Electricity distributor: The electricity distributor is the one with whom a contract is signed by the user of the household power plant. Pursuant to Article 8 of Government Decree 273/2007 (X.19.), the electricity distributor should send a report on an annual basis to the Hungarian Energy and Public Utility Regulatory Authority on the number of household power plants, their type, capacity, and the quantity of energy produced and subsequently fed back into the electricity grid and the quantity of energy purchased/used by the household power plant. Pursuant to Article 41 of Act LXXXVI of 2007, it also falls under the obligation of electricity distributor to measure the performance of household power plants.
- User of household power plant: Pursuant to Article 116(3)(a) of Act LXXXVI of 2007, the establishment of household power plants is not subject to building permit (*építési engedély*). Pursuant to Article 5(3) of Government Decree 273/2007 (X.19.) the user of the household

¹⁴ More information is available at: Energiapedia.hu, available at: <http://energiapedia.hu/magyar-energiapiac-szereploi>.

power plant must inform the electricity distributor with whom the user had previously established a contractual relationship about his/her intention to establish a household power plant in a written or electronic request (*igénybejelentés*), containing some basic technical data about the household power plant. In accordance with Article 5(4) of the aforementioned Government Decree the user of the household power plant in his/her request must declare if he/she intends to use the electricity produced to cover his/her own consumption (option 1) or feed the surplus electricity back into the public electricity grid (option 2).

- Universal electricity provider/Electricity trader: Pursuant to Article 5 of Government Decree 273/2007 (X.19.), in cases where the user of the household power plant decides to feed the electricity surplus produced back into the public electricity grid (option 2), the electricity trader or the universal service provider must mandatorily purchase the electricity produced by the household power plant.

Either the electricity trader or the universal service provider is obliged to apply a monthly, semi-annual or annual balance counting (*szaldó elszámolás*), thereby calculating the difference between the electricity fed back into the network and the total purchased electricity (if any) by the household power plant per metering period. The outcome of this exercise might vary depending on the ratio of the quantity of the electricity fed back into the grid and used by the household power plant. There are three possible scenarios¹⁵:

1. The quantity of the electricity used exceeds the fed-back amount:

If the householder decides to feed most of the energy generated and the quantity of the purchased electricity is more than that of the fed-back one, the amount to be paid by the prosumer for the electricity purchased should be reduced according to the electricity fed into the grid. When the electricity is produced for self-consumption only, the user of the household power plant may still purchase electricity from the electricity grid. In this case, he/she is treated as any other consumer and should pay the fee for the electricity purchased (if any).

2. The quantity of the electricity fed-back exceeds the amount of the used one:

This situation captures the case where the prosumer decides to feed all or most of the electricity generated while he/she purchases some from the grid. If the quantity of the fed-back electricity exceeds the purchase one, the surplus should be bought by the universal electricity provider/electricity trader at the average product price of electricity.

3. The quantity of the fed-back amount equals to that of the used one:

This option reflects the situation where the prosumer consumes the electricity generated and feeds the rest into the grid as well as where the prosumer consumes part of the electricity generated, purchases the rest of the energy needed and feeds an equal part into the grid. The user is to pay 'any other fees' (e.g. fee for using the electricity grid).

Specific Questions on the regulatory framework for residential prosumers

3. What is the regulatory framework for residential prosumers in your country?

General

Renewable energy production is a fast-developing area of law in Hungary. The applicable rules are set out in numerous legislation. The main rules regulating the situation of residential prosumers in Hungary are set out in:

- Act LXXXVI of 2007; and
- Government Decree 273/2007 (X.19.).

The former provides a definition of household power plants (national equivalent of the term

¹⁵ E.ON. Guidelines for the establishment of household power plants (*Háztartási Méretű Kiserőmű létesítésének folyamata*), available at : http://www.eon.hu/hmke/pdf/HMKE_nyomtatvany_folyamat.pdf.

residential prosumer) under its Article 3(24); regulates the obligation of universal electricity provider/electricity trader to purchase the electricity produced by household power plants under its Article 12(9); and regulates some technical aspects (e.g. connection of household power plants to the electricity grid – Article 35).

The latter provides more detailed information regarding the provisions set out in Act LXXXVI of 2007. In particular, under its Articles 4 and 5 it provides for more details on the connection of household power plants to the electricity grid.

3.1. What is the existing legislative framework regulating Renewable Energy Projects in your country?

This area of law is fast developing in Hungary. This section provides a **non-exhaustive list of legislation** governing this area:

- Act LIII of 1995 on the general rules of environmental protection (*1995. évi LIII. törvény a környezet védelmének általános szabályairól*)¹⁶ – the said act is a framework law, governing the basic framework for the protection of environment. It serves as a ‘lex generalis’, compared to other pieces of legislation;
- Act CXL of 2004 on the general rules of administrative proceedings and services (*2004. évi CXL. Törvény a közigazgatási hatósági eljárás és szolgáltatás általános szabályairól*)¹⁷ – the said act is a framework law, regulating the general rules of administrative proceedings. Typically, administrative authorities are involved in projects that concern renewables, thus the importance of the aforementioned act;
- Act LXXXVI of 2007 – defines the term ‘renewable energy source’ and sets out the main rules for the production and use of renewables;
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- Act LXXXVIII of 2003 on energy tax (*2003. évi LXXXVIII. Törvény az energiaadóról*)¹⁸ – legislation specifying the tax obligations to be paid after the production of energy (including from renewables);
- Act XVIII of 2005 on district heating services (*2005. évi XVIII. Törvény a távhőszolgáltatásról*)¹⁹ – legislation regulating the use of renewables in district heating services;
- Act XXII of 2013 on the Hungarian Energy and Public Utility Regulatory Authority (*2013. évi XXII. Törvény a Magyar Energetikai és Közmű-szabályozási Hivatalról*)²⁰ – setting out the rules governing the operation of the Hungarian Energy and Public Utility Regulatory Authority (MEKH), which is the country’s regulatory body for energy and public utility market, in charge of supervising the national economy’s sectors of strategic importance. Its remit covers a variety of issues ranging from licensing to consumer protection;
- Government Decree No. 157/2005 (VIII. 15.) on the implementation of Act XVIII of 2005 on district heating services (*157/2005. (VIII. 15.) Korm. rendelet a távhőszolgáltatásról szóló*

¹⁶ Act LIII of 1995 on the general rules of environmental protection (*1995. évi LIII. Törvény a környezet védelmének általános szabályairól*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=23823.316884.

¹⁷ Act CXL of 2004 on the general rules of administrative proceedings and services (*2004. évi CXL. Törvény a közigazgatási hatósági eljárás és szolgáltatás általános szabályairól*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=85989.321399.

¹⁸ Act LXXXVIII of 2003 on energy tax (*2003. évi LXXXVIII. Törvény az energiaadóról*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=75746.320542.

¹⁹ Act XVIII of 2005 on district heating services (*2005. évi XVIII. Törvény a távhőszolgáltatásról*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=93360.326914.

²⁰ Act XXII of 2013 on the Hungarian Energy and Public Utility Regulatory Authority (*2013. évi XXII. Törvény a Magyar Energetikai és Közmű-szabályozási Hivatalról*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=159626.329304.

2005. évi XVIII. törvény végrehajtásáról)²¹ – provides detailed measures for the implementation of Act XVIII of 2005;

- Government Decree 273/2007 (X.19.) – provides detailed measures for the implementation of the provisions set out in Act LXXXVI of 2007;
- Government Decree 389/2007 (XII.23.) on the feed-in obligation and feed-in tariff of electricity produced from renewable energy resources or from waste and electricity generated in cogeneration facilities (389/2007. (XII. 23.) *Korm. rendelet a megújuló energiaforrásból vagy hulladékból nyert energiával termelt villamos energia, valamint a kapcsolatosan termelt villamos energia kötelező átvételéről és átvételi áráról*)²² – setting out some important rules regarding the feed-in tariff of electricity produced from renewables;
- Government Decree No. 19/2009 (I.30.) on the implementation of provisions of Act XL of 2008 on natural gas supply (19/2009. (I. 30.) *Korm. rendelet a földgázellátásról szóló 2008. évi XL. törvény rendelkezéseinek végrehajtásáról*)²³ – provides detailed measures for the implementation of the provisions set out in Act XL of 2008;
- Government Decree No. 309/2013 (VIII.16.) on the guarantee of origin of electricity produced from renewable energy sources or from cogeneration with high efficiency (309/2013. (VIII. 16.) *Korm. rendelet a megújuló energiaforrásból és a nagy hatásfokú kapcsolt energiatermelésből nyert villamos energia származásának igazolásáról*)²⁴ – legislation on guaranteeing the origin of electricity produced from renewables;
- Ministerial Decree 4/2011 (I.31.) on the pricing of universal provision of electricity (4/2011. (I. 31.) *NFM rendelet a villamos energia egyetemes szolgáltatás árképzéséről*)²⁵ – legislation setting out some pricing rules, including with respect to electricity produced from renewable sources;
- Ministerial Decree 1/2012 (I.20.) on the calculation methodology of the ratio of energy produced of renewable energy sources (1/2012. (I. 20.) *NFM rendelet a megújuló forrásokból előállított energia részarányának kiszámítási módszertanáról*)²⁶ – legislation setting out calculation methods for the brut use of energy produced from renewables;
- MEKH Decree 4/2013 (X. 16.) on the electricity system charges and the rules regarding the application thereof (4/2013. (X. 16.) *MEKH rendelet a villamos energia rendszerhasználati díjakról és alkalmazásuk szabályairól*)²⁷ – legislation regulating the rules on the use of the electricity grid;
- MEKH Decree 7/2014 (IX. 12) on the criteria for determining electric power grid connection fees, the elements and rates thereof as well as the rules regarding the application thereof (7/2014. (IX. 12.) *MEKH rendelet a villamos energia hálózati csatlakozási díjak meghatározásának szempontjairól, a díjak elemeiről, mértékéről és alkalmazásuk*

²¹ Government Decree No. 157/2005 (VIII. 15.) on the implementation of Act XVIII of 2005 on district heating services (157/2005. (VIII. 15.) *Korm. rendelet a távhőszolgáltatásról szóló 2005. évi XVIII. törvény végrehajtásáról*). The text thereof is incorporated in the text of Act XVIII of 2005.

²² Government Decree 389/2007 (XII.23.) on the feed-in obligation and feed-in tariff of electricity produced from renewable energy resources or from waste and electricity generated in cogeneration facilities (389/2007. (XII. 23.) *Korm. rendelet a megújuló energiaforrásból vagy hulladékból nyert energiával termelt villamos energia, valamint a kapcsolatosan termelt villamos energia kötelező átvételéről és átvételi áráról*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=112846.327933.

²³ Government Decree No. 19/2009 (I.30.) on the implementation of provisions of Act XL of 2008 on natural gas supply (19/2009. (I. 30.) *Korm. rendelet a földgázellátásról szóló 2008. évi XL. törvény rendelkezéseinek végrehajtásáról*). The text thereof is incorporated in the text of Act XL of 2008.

²⁴ Government Decree No. 309/2013 (VIII.16.) on the guarantee of origin of electricity produced from renewable energy sources or from cogeneration with high efficiency (309/2013. (VIII. 16.) *Korm. rendelet a megújuló energiaforrásból és a nagy hatásfokú kapcsolt energiatermelésből nyert villamos energia származásának igazolásáról*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=162575.293545.

²⁵ Ministerial Decree 4/2011 (I.31.) on the pricing of universal provision of electricity (4/2011. (I. 31.) *NFM rendelet a villamos energia egyetemes szolgáltatás árképzéséről*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=137081.317359.

²⁶ Ministerial Decree 1/2012 (I.20.) on the calculation methodology of the ratio of energy produced of renewable energy sources (1/2012. (I. 20.) *NFM rendelet a megújuló forrásokból előállított energia részarányának kiszámítási módszertanáról*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=143461.293433.

²⁷ Decree 4/2013 (X. 16.) on the electricity system charges and the rules regarding the application thereof (4/2013. (X. 16.) *MEKH rendelet a villamos energia rendszerhasználati díjakról és alkalmazásuk szabályairól*), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=163844.315706.

szabályairól)²⁸ – legislation regulating the fee applicable to accessing the electric power grid. The following source contains a more exhaustive list of relevant legislation: Hungarian Energy and Public Utility Regulatory Authority, ‘Annual Report 2015’²⁹.

3.2. Does the Renewables National Action Plan include any objectives for residential prosumers (if so, please specify)

The **Renewables National Action Plan (2010-2020)** (*Megújuló Energia – Magyarország Megújuló Energia Hasznosítási Cselekvési Terve (2010-2020)* – Renewables Action Plan)³⁰ does not include reference to household power plants, amongst the main objectives. However, it refers to household power plants while describing the measures necessary for achieving the objectives set out in the Renewables National Action Plan. More precisely, under Chapter 4.3 specific reference is made to:

- the concept of electricity production by household power plants;
- that it is mandatory for electricity service providers to purchase the surplus energy produced by household power plants;
- the financial support available for household power plants, i.e. fee applicable to the acceptance of energy fed-back by the household power plants into the electricity grid; and investment support (*beruházási támogatás*);
- the financial support that might contribute to the increased production of energy from renewables (referred to above);
- the applicable regulatory framework, including in particular Act LXXXVI of 2007 and Government Decree 273/2007 (X.19.);
- the system has been in place in Hungary since 1 January 2008, which is the date of entry into force of Act LXXXVI of 2007;
- Hungarian legislative provisions setting a maximum (but not minimum) threshold for the production of electricity per household power plant (50 kVA);

3.3. Is there a definition (legal or regulatory) of residential prosumers (or self-consumption) in your country? If so, state it and describe the elements of this definition?

The terms ‘**residential prosumer**’ and ‘**self-consumption**’ are not defined per se in applicable legislation.

As mentioned above, under Question No. 1, the term ‘household power plant’ is the equivalent of the term ‘residential prosumer’ in Hungarian legislation. In particular according to Article 3(24) of Act LXXXVI of 2007 ‘household power plant’ means a ‘micro power plant connected to a low-voltage system with an interconnection capacity of less than 50 kVA³¹ at a connection point’³². Household power plants either produce energy for self-consumption or feed the surplus energy

²⁸ Decree 7/2014 (IX. 12) on the criteria for determining electric power grid connection fees, the elements and rates thereof as well as the rules regarding the application thereof (7/2014. (IX. 12.) MEKH rendelet a villamos energia hálózati csatlakozási díjak meghatározásának szempontjairól, a díjak elemeiről, mértékéről és alkalmazásuk szabályairól), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=171613.270441.

²⁹ Hungarian Energy and Public Utility Regulatory Authority, ‘Annual Report 2015’, available at: www.ceer.eu.

³⁰ Renewables National Action Plan (2010-2020) (*Megújuló Energia – Magyarország Megújuló Energia Hasznosítási Cselekvési Terve*), available at: http://20102014.kormany.hu/download/2/b9/30000/Meg%C3%BAjul%C3%B3%20Energia_Magyarorsz%C3%A1g%20Meg%C3%BAjul%C3%B3%20Energia%20Hasznos%C3%ADt%C3%A1si%20Cselekv%C3%A9si%20terve%202010_2020%20kiadv%C3%A1ny.pdf.

³¹ The term interconnection capacity refers to the electricity production capacity of the household power plant.

³² The English translation (unofficial) of Act LXXXVI of 2007 is available at: <https://www.scribd.com/document/270209903/Hungarian-Electricity-Act-LXXXVI-2007-ENG>.

produced back into the electricity grid³³. The amount of the surplus energy depends on what the household power plant was originally established for.

Whilst the term ‘self-consumption’ is not defined in Hungarian legislation, the concept itself is reflected. Pursuant to Article 5(4) of Government Decree 273/2007 (X.19.) the user has two options while establishing a household power plant³⁴:

- To establish a household power plant for self-consumption. This way of establishment is typically referred to as ‘island like establishment’ (*szigetszerű rendszer*). This system is chosen, when the user does not intend to feed the electricity (or the part thereof) back into the electricity grid. Literature shows that this option is typically preferable in cases where access to the electricity grid is difficult or at the time of establishment the user does not have access to the electricity grid, or when the costs linked to the establishment of the connection would be disproportionately high compared to that linked to the establishment of an island like household power plant³⁵.
- To establish a household power plant for feeding the electricity back into the electricity grid. It is understood that the household power plant may decide to feed most of the electricity produced back into the grid or only a part (surplus produced) thereof. The literature³⁶ refers to this system as a household power plant with parallel operation (*hálózatpárhuzamos üzemi rendszer*).

4. What are the permitting requirements for each type of residential prosumer?

General

As a general rule, the establishment and operation of household power plants **are not subject to building permit**. Potentially household power plants could be subject to local permitting requirements (requirements imposed by the local authorities which have some regulatory autonomy in Hungary). These requirements however are not centrally registered and there is no literature on the topic³⁷.

Instead Hungarian law prescribes the obligation for the user to **file a request** with the electricity distributor.

Hungarian legislation does **not** foresee an **application fee/one-off cost** for the establishment/operation of household power plants.

It allows the users of household power plants, however to **feed the electricity produced back into the grid**, under **specific financial conditions**.

4.1. Does your country recognize certain forms of self-consumption and subject prosumers to certain

- requirements,
- application fees and
- one-off costs

in order to give them a **permit or licence to generate energy?**

³³ Article 5(4) and (5) of Government Decree 273/2007 (X.19.).

³⁴ NAV, ‘The obligation of paying value added tax by natural persons operating household power plants’ (*Háztartási méretű kiserőművet üzemeltető magánszemély általános forgalmi adó alanyisága*), available at: https://www.nav.gov.hu/nav/ado/afa080101_hatalyos/tajekoztato_afa_alanyisag.html.

³⁵ Hungarian Electrotechnical Association Electric Power Society (*Mee-vet Villamos Energiái Társaság*), ‘Household power plants’ (*Háztartási méretű kiserőművek*), available at: <https://www.meevet.hu/kcfinder/upload/files/MEE-VET-201-256.pdf>.

³⁶ Hungarian Electrotechnical Association Electric Power Society (*Mee-vet Villamos Energiái Társaság*), ‘Household power plants’ (*Háztartási méretű kiserőművek*), available at: <https://www.meevet.hu/kcfinder/upload/files/MEE-VET-201-256.pdf>.

³⁷ Hungarian Electrotechnical Association Electric Power Society (*Mee-vet Villamos Energiái Társaság*), ‘Household power plants’ (*Háztartási méretű kiserőművek*), available at: <https://www.meevet.hu/kcfinder/upload/files/MEE-VET-201-256.pdf>.

³⁷ Hungarian Electrotechnical Association Electric Power Society (*Mee-vet Villamos Energiái Társaság*), ‘Household power plants’ (*Háztartási méretű kiserőművek*), available at: <https://www.meevet.hu/kcfinder/upload/files/MEE-VET-201-256.pdf>.

Answer:

In Hungary household power plants are **not** subject to a **classical permitting procedure** (see above – Question 4 General). Instead there is a **four-step procedure** between the household power plant and the electricity distributor.

Step 1: Pursuant to Article 5(3) of Government Decree 273/2007 (X.19.), the user of the household power plant must inform the electricity distributor with whom the user had previously established a contractual relationship about his/her intention to establish a household power plant in a written or electronic request (*csatlakozási igény*), containing some basic technical data about the household power plant.

In accordance with Article 5(4) of the aforementioned Government Decree, the user of the household power plant in his/her request must declare if he/she intends to feed electricity back into the public electricity grid, or use the electricity produced to cover his/her own consumption.

Step 2: The electricity distributor must decide on the request. In case of a positive decision, the electricity distributor will authorise the establishment of the household power plant. In its decision it specifies the technical requirements towards the establishment of the household power plant. After the installation of all technical equipment, but prior to the operation thereof, the user of the household power plant must file a so-called ‘final operation declaration’ (*rendszer készre jelentése*) with the electricity distributor.

Step 3: Following this declaration the electricity distributor replaces the measuring equipment of the household to one, which could measure both the electricity production and consumption of the household power plant.

Step 4: The electricity distributor and the user of the household power plant sign a contract for the use of the electricity grid (*hálózat használati szerződés*).

There is no application fee or one-off cost foreseen in the law.

- 4.2. Does the national legal/regulatory framework determine the contractual conditions under which prosumers are allowed to feed or sell their surplus back into the grid or to other consumers?

Answer:

Under Hungarian law household power plants **cannot directly sell** their electricity surplus to other **consumers**. However the electricity can be sold indirectly through the process of **feeding the electricity back** into the electricity grid, which could eventually be used by other consumers.

The provisions determining the contractual conditions and the process of feeding back electricity into the electricity grid and the use of electricity from the electricity grid are described below:

Pursuant to Article 5(4) of Government Decree 273/2007 (X.19.) the user while requesting the establishment and operation of the household power plant has to declare whether it intends to feed the electricity back into the electricity grid, or use it exclusively for self-consumption. The filing of this request constitutes the beginning of a four-step process described under Question 4.1.

If the household power plant declares that it intends to feed electricity back into the power grid; it can do that in line with the rules described under Question 2.

5. What are the rules applicable to the access to the grid?

General

Grid access, including the financial aspects thereof is **well-defined** in Hungarian legislation.

5.1. What is the inter-connection configuration used for each type of residential prosumer?

Answer:

The inter-connection configuration **does not depend on the type of household power plant**. Article 5(4) of Government Decree 273/2007 (X.19.), refers to **two types of inter-connectivity models**:

1. According to the first model the household power plant intends to feed the electricity produced back into the power grid;
2. According to the second model the household power plant intends to produce energy exclusively for self-consumption.

More information on these two models is provided under Question No. 3.3.

In case of the first model the legislation does not specify whether the fed-back electricity concerns only the surplus or all the electricity produced by the household power plant.

Regardless of the method, the household power plant should file a request for the establishment and operation of the plant with the energy distributor. If the request passes, the energy distributor signs a contract with the household power plant (see Question No. 4.1).

5.2. Does the competence to determine the inter-connection configuration lie at State level or at a regional/lander level?

Answer:

The main rules determining the inter-connection configuration are set out in Act LXXXVI of 2007 and Government Decree 273/2007 (X.19.), thus it is regulated at the **State level**. It is noted, however, that no state authorities are involved in the authorisation/permitting of the establishment/operation of household power plants. This responsibility lies with the **electricity distributors**. **It is noted that the electricity distributors operate in specific areas in Hungary.**

Figure 3: Electricity distributors in Hungary³⁸



³⁸ Index, 'The State will own EDF EMASZ' ('Az államé lesz az EDF Démász'), available at: http://index.hu/gazdasag/energia/2016/12/06/allamositjak_az_edf_demaszt/.

5.3. Are there any rules to ensure that prosumers are inter-connected to the distribution network/the grid?

Answer:

Article 5(4) of Government Decree 273/2007 (X.19.) specifically provide for the **right of household power plants to connect** to the electricity grid.

5.4. What are the grid access and grid use principles and rules for the energy generated by each type of residential prosumer?

Answer:

As mentioned above, prior to the establishment/operation of the household power plant, a request must be filed with the electricity distributor. In this request the household power plant must indicate if it intends to **feed electricity back into the electricity grid, or produce energy for self-consumption**.

Should the household power plant decide to feed the electricity back into grid, it may a) feed almost all of the electricity produced back into the electricity grid and thereby use only a small amount for self-consumption or b) use the electricity produced mainly for self-consumption and feed only some minimal surplus back into the electricity grid. As mentioned above, this is based on applicable legislation (Article 5(4) of Government Decree 273/2007 (X.19.) and confirmed by literature³⁹. These **rules** are the same regardless of the type of the household power plant.

5.5. What are the network costs and charges for each type of residential prosumer?

Answer:

Household power plants do **not** need to pay a **fee** while connecting to the electricity grid⁴⁰.

There is a network cost, however, which is collected by the universal service provider. The rules applicable to the calculation of the **network charges** (*rendszerhasználati díj*) are set out in MEKH Decree 4/2013 (X.16.) on the electricity system charges and the rules regarding the application thereof. The network charges are indicated on the electricity bill sent to the consumer. The amount of the network charge is indicated in HUF/kWh, thus it is linked to the consumption of the consumer. Article 9(2) of MEKH Decree 4/2013 (X.16.) specifies that in case of household power plants where the capacity is measured in 'both ways', thus both while discharging and taking electricity, the amount of the network charges depends on the ratio of these two operations. More information on the calculation of charges is provided under Question No. 2.

The network charges **do not depend on the type of the household power plant**.

6. What are the incentives (e.g. through taxes or tariffs) for each type of residential prosumers?

General

In Hungary household power plants do not benefit from specific tariff while drawing electricity from the grid for consumption. Hungarian legislation ensures, however that household power

³⁹ NAV, 'The obligation of paying value added tax by natural persons operating household power plants' (*Háztartási méretű kiserőművet üzemeltető magánszemély általános forgalmi adó alanyisága*), available at: https://www.nav.gov.hu/nav/ado/afa080101_hatalyos/tajekoztato_afa_alanyisag.html.

⁴⁰ Zoltan Harsányi (E.ON) 'Presentation on household power plants'.

plants are **compensated for the electricity** that they feed back into the grid. There is a calculation method set out in applicable legislation, which takes the difference of the electricity drawn from the grid and the electricity fed back into the grid as a baseline, while calculating the fee to be paid by the household power plant (See Question No.2.).

There have been some programmes to encourage the establishment of household power plants. These are:

Photovoltaic energy: The warmth of home programme (*Otthon melege program - a családi házak energetikai korszerűsítése*): A tendering procedure launched by the Government in August 2016, with the aim of modernising the energy infrastructure of family homes. The total value of the programme is HUF 5 billion (EUR 1,6 million). The beneficiaries may receive a non-refundable sum of up to HUF 2.5 million (EUR 8,000). The exact amount depends on the project, but normally the financial support covers between 40-55% of the total costs of the investment. The programme is available for those whose house was built before 1996, provided that the total habitable surface thereof does not exceed 135 m². The programme is covering the installation of photovoltaic collectors and cells.

This programme is considered as a positive development, given that the last state funded tendering procedure was terminated in 2012⁴¹. Thus there was a four-year period (2012-2016), when those investing in photovoltaic energy could not apply for funds. Their only option was to take a loan for covering the costs of their investments⁴².

The desk research did not reveal information on the financial incentives available for household power plants that use other types of renewables.

6.1. Does your country apply specific tariffs to prosumers

- to charge them for the electricity they draw from the grid for consumption?
- or to compensate them for the electricity they feed back into the grid?

Answer:

Hungarian legislation **does not apply specific tariffs** for household power plants, which draw electricity from the electricity grid for consumption. It allows however for the **compensation** of household power plants for the electricity they feed back into the grid.

The applicable rules are set out in Article 5(5) of Government Decree 273/2007 (X.19.). The calculation of the scheme specified under Article 5(5) is described in the answer provided to Question No. 2.

6.2. Does your country

- tax prosumers in a specific way?
- allocate to them a certain part of the cost to upgrade the grid to accommodate the extra generation they feed into the grid?

Answer:

Hungarian legislation **does not require the coverage of costs** linked to the upgrading of the grid

⁴¹ Alternative Solutions Limited, 'Tendering for installing photovoltaic panels on family homes: what are we tendering for and what tenders are in the pipeline' (*Napelemes pályázat családi házra: mire pályázunk és milyen pályázatok lesznek?*), available at: <https://www.napelemek-napkollektorok.hu/magazin/napenergia/napelemes-rendszer-csaladi-haz-tamogatas/>.

⁴² Hírközpont.eu, 'Green energy financial incentive for photovoltaic panels in 2015-2016' (*Zöld energia támogatás napelemre 2015/2016*), available at: <http://hirkozpont.eu/index.php/bulvar/676-zoeld-energia-tamogatas-napelemre-2014-2015-bucusu-a-zoeldenergia-tamogatasatol>.

to accommodate the extra electricity generation they feed into the grid.

The currently applicable legislation is unclear as to whether or not the electricity fed back into the grid is a taxable 'product' or not and thus should be subject to **value added tax**. According to the National Tax and Customs Administration of Hungary (*Nemzeti Adó-és Vámhivatal* - NAV⁴³) taxability should be decided upon a case-by-case basis in line with the following factors: the capacity of the household power plant, the quantity of the electricity fed back into the electricity grid, the frequency of feeding the electricity back into the electricity grid. According to NAV⁴⁴, while taking into account the aforementioned factors, the following principles should be complied with:

- The fact that the household power plant feed electricity back into the grid, which should be procured by the universal electricity provider and the electricity trader (as set out in Article 4 of Government Decree 273/2007 (X.19.)), does not automatically mean that the electricity should be subject to value added tax.
- As a general rule, household power plants are not obliged to pay value added tax, if they produce electricity mainly for self-consumption and only occasionally feed the energy back into the electricity grid.
- As a general rule, household power plants are obliged to pay the value added tax, in cases where the household power plant was originally established with the aim of producing almost exclusively electricity surplus. In these cases, the quantity of the energy produced regularly exceeds the quantity of the energy which could be self-consumed. According to NAV in these cases the household power plant provides economic activity as specified under Article 6(1) of Act CXXVII of 2007 on value added tax (2007. évi CXXVII. törvény az általános forgalmi adóról⁴⁵) and thus should be subject to the obligation of paying value added tax.

7. A. What are the conditions that may encourage the take up of residential prosumers (to entry into activity or during functioning)?

General

The desk research **did not reveal any measuring/billing related conditions** which could be **unfavourable** for residential prosumers.

7. B. What are the conditions that may act as barriers for residential prosumers (to entry into activity or during functioning)?

General

It is noted that certain equipment used by household power plants are subject to **product fee** (*termékdíj*). This fee is a type of built-in tax, which is reflected in the price of the products. This fee, as set out in Annex 1 to Act LXXXV of 2011 on product fee (2011. évi LXXXV. Törvény a környezetvédelmi termékdíjról⁴⁶), concerns e.g. photovoltaic panels. The product fee increases the price of photovoltaic panels and thus serves as a disincentive for those who consider purchasing one⁴⁷.

⁴³ NAV website, available at: <http://nav.gov.hu/>.

⁴⁴ NAV, 'The obligation of paying value added tax by natural persons operating household power plants' (*Háztartási méretű kiserőművet üzemeltető magánszemély általános forgalmi adó alanyisága*), available at: https://www.nav.gov.hu/nav/ado/afa080101_hatalyos/tajekoztato_afa_alanyisag.html.

⁴⁵ Act CXXVII of 2007 on value added tax (2007. évi CXXVII. törvény az általános forgalmi adóról), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=111467.329438.

⁴⁶ Act LXXXV of 2011 on product fee (2011. évi LXXXV. Törvény a környezetvédelmi termékdíjról), available at: http://njt.hu/cgi_bin/njt_doc.cgi?docid=138957.314081.

⁴⁷ Alternatívenergia.hu, 'You, you should not get energy from the Sun' (*A Napból maguk csak ne nyerjenek energiát!*), available at: <http://www.alternativenergia.hu/a-napbol-maguk-csak-ne-nyerjenek-energiat/70716>.

Regarding the taxation, the electricity produced by household power plants, might or might not be subject to **value added tax** (*általános forgalmi adó*). The border line between the two is unclear.

7.1. What are the metering systems for each type of residential prosumer? Do these systems provide adequate conditions for prosumers integration in the market?

The measuring of electricity consumption and production takes place by means of an electric measuring device. There are three types of measuring devices that could be used depending on the capacity of the household power plant (i.e. type 1 – capacity of 3*32A, type 2 – capacity of 3*32A-3*80A, type 3 – above 3*80A).

Based on the data collected by the **measuring device**, the universal electricity provider calculates the consumption and electricity production of the household power plant. The user of the household power plant receives detailed information on the amount of electricity produced and used. This is indicated on the **bill** for the user of the household power plant. The bill is either produced on a monthly or a yearly basis. Yearly billing is recommended to those users whose electricity production capacity is aligned with their consumption needs. If this is not the case, the electricity distributors usually recommend monthly billing to the users⁴⁸.

The desk research carried out did not reveal **any evidence** indicating that the metering conditions are **unfavourable** for the integration of household power plants.

The metering systems **do not vary depending on the type of the residential prosumer**. As indicated above, the type of the measuring machine may differ depending on the capacity of the household power plant.

7.2. What are the billing conditions for each type of residential prosumer?

The **billing conditions do not depend on the type of the residential prosumer**. In other words, regardless of the size of the residential prosumer and the type of renewables used, the same rules apply.

The main rules governing the billing system are outlined under Question No. 7.1.

7.3. Are there measures to encourage the creation of energy communities at municipal level, or other schemes to encourage inclusive development of the market?

According to the desk research carried out **no incentives** exist for encouraging the creation of energy communities at municipal level.

7.4. Are there rules facilitating the creation of energy cooperatives to provide a legal entity to energy communities? Are there measures facilitating other type of schemes and if so which ones?

According to the desk research carried out in Hungary there are **no rules** for facilitating the creation of energy cooperatives.

⁴⁸ E.ON, 'Establishment of household power plants' (*Háztartási méretű kiserőmű (HMKE) létesítési folyamata*), available at: <http://www.eon.hu/hmke/folyamat/6>.

7.5. What are the procedures/provisions for establishing cooperatives for prosumers? Are they more simple/less costly than those for other schemes?

See above.

8. Other questions on the regulatory framework

8.1. What are the provisions for establishing the complaint procedure? What are the complaint handling procedures for each type of residential prosumer?

Pursuant to Article 57(6) of Act LXXXVI of 2007, the household power plant may **file a complaint** against the electricity distributor. The ground for filing a complaint is not specified, thus it is assumed that with the complaint the user of the household power plant may contest any decision/procedural action of the electricity distributor. In accordance with paragraph (5) of the same provision, the MEKH proceeds at second instance. As a general rule, the electricity distributor has 15 calendar days to address the complaint.

Article 168(4) of **Act LXXXVI of 2007** regulates the length of the procedure before the MEKH, which is 45 days. The MEKH is an administrative authority, which proceeds in line with the rules applicable to administrative procedures. Act CXL of 2004 provides for the general rules of administrative proceedings. Act LXXXVI of 2007 is a *lex specialis vis a vis Act CXL of 2004* in that the provisions of the latter apply to aspects which are not regulated by Act LXXXVI of 2007. Regarding the handling of complaints by the electricity distributor, Annex 21 to 273/2007 (X. 19.) notes that such rules are to be outlined in the **business regulations** (*üzletszabályzat*)⁴⁹ of the electricity distributors. For the purpose of this study the business regulations of E.ON was checked, which is the main electricity distributor in the country. The latest version of the business regulations focuses on the following aspects:

- Definition of main terms, such as complaint;
- The mechanism for filing, registering and recording a complaint and the deadlines for responding to the complaint (as a general rule 15 calendar days from the receipt of the complaint);
- Dispute resolutions deriving from complaints;
- Rules applicable to the competence for handling complaints.

8.2. Are there any specific redress procedures available only to residential prosumers?

The desk research carried out **did not reveal any specific redress procedures** available exclusively to residential prosumers. The procedures described under Question No. 8.1. apply to all customers.

There is no collective redress mechanism for consumer issues in Hungary⁵⁰.

⁴⁹ E.ON, 'Business regulations' (*Üzletszabályzat*), available at: <https://www.eon.hu/eon.php?id=544>.

⁵⁰ European Commission submitted by Civic Consulting and Oxford Economics 'Evaluation of the effectiveness and efficiency of collective redress mechanisms in the European Union' p. 118, 2008. Available at: http://ec.europa.eu/consumers/archive/redress_cons/finalreportevaluationstudypart1-final2008-11-26.pdf

Country fiche (Summary and ranking)

The **country fiche** below summarises the information from the report and ranks the **level of favourable impact** of measures in relation to its favourable impact to the take up of residential prosumers.

Country fiche	Ranking Low/Medium/High
General Description of the national regulatory framework • Types of residential prosumers • Institutional framework • Applicable legislation, plans and objectives • Definition of residential prosumers Hungarian legislation explicitly refers to residential prosumers, under the term household power plant and provides a clear definition. Moreover, Hungary has built a comprehensive institutional framework around the establishment and operation of household power plants.	High
Specific Questions on the regulatory framework for residential prosumers	
Permitting requirements for each type of residential prosumer As a general rule, prosumers are not required to obtain a permit per se. Household power plants are subject to a four-step procedure which; however does not involve authorities, just the electricity distributor.	High
Rules applicable to the access to the grid? As the rules are set out in applicable legislation and the literature did not point to any difficulties in this respect.	High
Incentives (e.g. taxes and tariffs) for each type of residential prosumers Except for some programmes and the fact that the electricity surplus produced by household power plants is bought, there are no real incentives (e.g. tax exemption) in Hungary.	Medium/low
Conditions encouraging or acting as barriers for residential prosumers • Metering systems for each type of residential prosumer • Billing conditions for each type of residential prosumer • Measures encouraging the creation of energy communities at municipal level • Rules facilitating the creation of energy cooperatives? As there are no specific billing conditions for household power plants. Also, there are no measures to encourage the creation of energy communities at municipal level. Moreover, there are no rules to facilitate the creation of energy cooperatives.	Medium/Low
Other questions on the regulatory framework • What are the complaint handling procedures for residential prosumer?	Medium

• What are the redress procedures available only to residential prosumers? As there are complaints mechanisms available, which are regulated in applicable legislation and business regulations. It is a shortcoming that there are no collecting redress procedures available only for residential prosumers.	
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Executive Summary

Renewable energy production, including by residential prosumers, is a fast-developing area of law in Hungary. The main rules regulating the situation of residential prosumers in Hungary are set out in: Act LXXXVI of 2007; and Government Decree 273/2007 (X.19.).

The term ‘residential prosumer’ is not used in Hungarian legislation. A similar concept; however exists, under the term ‘household power plant’ (*háztartási méretű kiserőmű*). ‘Household power plant’ means a ‘micro power plant connected to a low-voltage system with an interconnection capacity of less than 50 kVA at a connection point’. Household power plants either produce energy exclusively for self-consumption (option 1) or feed the surplus energy produced back into the electricity grid (option 2). Applicable legislation does not specify the renewable energy (RES) type, which could be used by the householder power plant. Existing statistical data show; however that solar photovoltaic energy is the main energy source used by household power plants. Hungary has also established the institutional framework necessary to ensure the production of energy by household power plants.

The household power plants, as a general rule, are not subject to classical permitting procedures (i.e. permitting by administrative authorities) and this is considered an incentive. Instead, residential prosumers conclude an agreement with the electricity distributor. At the same time, a number of obstacles may limit the development of residential prosumers. Except for some programmes and the fact that the electricity surplus produced by household power plants is bought by universal electricity providers/electricity traders, there are no real financial incentives (e.g. tax exemption) to encourage the production of energy by residential prosumers. Moreover, there are no measures in place to encourage the creation of energy communities at municipal level or to create energy cooperatives.