



Newborn Wind Sector in Trouble

The Hungarian feed-in tariff system was introduced in 2003 as a result of the new Electricity Act (2001/CX). This new opportunity generated a boom in the wind energy sector. By the end of 2005 a bit more than 1100 MW of projects were in the pipeline. But with the modification of the Electricity Act in 2005 the wind energy legislation suffered a clear setback. Since January 2006 every single wind turbine has been subject to an authorisation procedure of the Hungarian Energy Office (MEH). At the same time a 330 MW limit was imposed which maximises the wind capacity to be fed into the Hungarian electricity system. The Hungarian Power Companies Ltd. (MVM) and the – MVM owned – transmission system operator (TSO) have been campaigning against wind park investments arguing that the electricity system would not be able to cope with the fluctuating wind energy production. Therefore only one third of the planned projects received permission. It is worth mentioning that a recent research has shown that 1000 MW wind capacity could be easily integrated into the system by utilising the existing back-up capacities.

The Electricity Act was modified in a very intransparent procedure. The Hungarian Energy Agency as well as the TSO and the Ministry of Economy and Transport took part in the decision making process without a clear separation of responsibilities and without the involvement of respective professional bodies. Due to the lack of research and professional consultation a distorted market was created with the 330 MW limit for wind capacity and new improper administrative prices for renewable electricity. The Hungarian Energy Office also limited the number of authorisations for wind energy plants within a very short period. The lack of transparency gave no time to stakeholders to prepare for the new authorisation requirements and created a breeding ground for corruption and unfair competition among companies (several judicial proceedings are currently open).

The administrative price for supporting renewable electricity production is financed by consumers, as this cost item is included into the cost of electricity. Therefore, if the authorisation process at national level is not transparent, consumers at local level – who are financing the system – have no information about what their money is spent on and why and they also have no chance to influence this proceeding.

The story goes on... While the EU Commission was proposing the new renewable energy targets for member states, the Hungarian Government introduced a new legislation in January 2008. New and unprecedented requirements set by both the governmental order and MAVIR are impossible to fulfil for most of the small green electricity producers and especially for wind parks. It is a contradiction that the TSO of the green electricity producers (MAVIR) requires to forecast the electricity production for every 15 minutes while the governmental order is softer and poses requirements that would be otherwise achievable for the wind parks. Therefore the mood of the TSO is pretty causeless and new legal actions are expected. Already operating wind energy producers are in big trouble as the conditions assumed in their business plans have significantly changed. The punishment for inaccuracy raises the costs of operation, which could even force several operators to close down their facilities, if they are not able to pay the instalments to the banks.

Due to the new legal circumstances and the complicated licensing process only 43 wind turbines have been erected till the end of 2007 with a nominal capacity of 66 MW. Investors have stopped to build new facilities because of these unfavourable conditions. There is a big threat that besides the risk of present wind energy producers going bankrupt also the building and operating of the authorised 330MW wind capacity is jeopardised. Not to mention the overall renewable energy targets.