



# ENERGY COMMUNITIES REPOSITORY

## Hungary



### OVERVIEW OF THE POLICY FRAMEWORK

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## DISCLAIMER

The content of this document aims to establish an overview of the national legal developments in the context of the Clean Energy Package for the Member State mentioned above. The document includes only final legislation which was published before the end of March 2023. It does not include provisions that are not yet applicable under law (i.e., currently drafted or discussed).

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## Overview

The Electricity Act LXXXVI as amended in 2021 established a framework for energy communities (ECs), with renewable energy communities (RECs) as a subset of the primary definition. They are granted rights and obligations in the electricity sector only, including the following activities: production, storage, consumption, provision of distribution flexibility services, electricity distribution, aggregation, provision of electromobility services and operation of electric charging equipment. RECs are allowed to produce electricity from renewable energy sources, consume, store or sell such electricity.

The National Regulatory Authority (NRA) in Hungary, the Hungarian Energy and Public Utility Regulatory (MEKH), has to register their creation and evolution, while also monitoring the barriers. Besides the creation of a registry, implementing acts of the law are still needed to clarify the framework for energy communities as recommended by IEA (2022).

## 1. Definitions

There is one principal definition of ECs, of which RECs constitute a subgroup that generates, consumes, stores or sells electricity from renewable sources – excluding renewable gas and district heating and cooling.

A [public registry of energy communities and aggregators](#) is established, complementing the Electricity industry license holders registry.<sup>1</sup> The registry is managed by the NRA. At the time of writing, no ECs appear on the registry.

### 1.1. Energy Community

An EC is defined<sup>2</sup> as a legal entity operating in the form of a cooperative or non-profit business company.<sup>3</sup> Associations and non-profit organisations (which cannot have an economic activity as a purpose) are hence excluded. The Hungarian cooperative legislation limits the participation of legal entities in the membership of cooperatives in general: the share of members that are legal entities cannot exceed 30% of the total number of members.<sup>4</sup> The rest should be natural persons. This limitation is specific to cooperatives: non-profit companies can welcome any type of members.

The primary purpose of an EC is not to obtain financial profits, but to provide environmental, economic and social community benefits to its members or to the operational area defined in the energy community's charter.

Any legal or natural person can be part of an EC. Natural and legal persons involved in the electricity and gas sectors, and those that have sole or majority ownership in a legal person, or a senior executive or a related undertaking of a legal person that engages primarily in the electricity and gas sector, cannot manage the EC,

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<sup>1</sup> Article 66 C of the Act LXXXVI

<sup>2</sup> Article 66 B (1) of the Act LXXXVI

<sup>3</sup> Namely general partnership, limited partnership, private limited-liability company, public limited company, private limited company

<sup>4</sup> Article 3:326 of the Civil Code



or be a majority member. They are not allowed to participate in the decision-making body of the EC if this is equivalent to taking part in management decisions.<sup>5</sup>

### 1.2. Renewable Energy Community

A REC is an EC that produces electricity from renewable energy sources, consumes, stores or sells such electricity.<sup>6</sup>

The management of the REC is provided by the member or members whose connection points are located under the same high/medium voltage transformer station area as the connection points of the storage and power plants owned by the REC.

## 2. Rights and obligations

### 2.1. Energy Community

An EC can perform one of the following activities: production, storage, consumption, provision of distribution flexibility services, electricity supply, aggregation,<sup>7</sup> provision of electromobility services and operation of electric charging equipment. ECs can manage power plants of any size (more than 0.5 MW and more than 50 MW).<sup>8</sup> It can trade electricity and establish and operate private lines, direct lines and storage facilities. An EC is allowed to participate in the organised electricity market under the same conditions as aggregators and electricity traders.<sup>9</sup> By law, ECs are allowed to handle the data associated to the balance settlement between members, provision of the flexibility service at the distribution level, aggregation and for energy efficiency.<sup>10</sup> ECs are obliged to be or cooperate with a balancing responsible party.

An EC cannot perform the following activities: operation of a transmission system, a distribution system, or an organised market and provision of universal services. ECs are not allowed to engage in cross-border participation.

Electricity sharing is defined in the Act LXXXVI as the sale or transfer of electricity produced by an active user or EC directly to another user or EC via the public network or private lines.

Complaints from members of the EC against the EC should be taken care of by the consumer protection authority in the case of residential users, and by the NRA if the person is not a residential user.<sup>11</sup>

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<sup>5</sup> article 66B (5) and 66B (6) of the Act LXXXVI

<sup>6</sup> Article 66B (1) a of the Act LXXXVI

<sup>7</sup> In the Electricity Act, aggregation is defined as combining power plants, user equipment, electricity storages connected to distribution, transmission networks or private lines for the purpose of sale, purchase or auction on an electricity market

<sup>8</sup> Article 66B (2) of the Act LXXXVI

<sup>9</sup> Article 53 (1) c of the Act LXXXVI

<sup>10</sup> Article 155 (8) of the Act LXXXVI

<sup>11</sup> Article 57 (5) a



## 2.1. Renewable Energy Community

By virtue of its definition (see section 1.2), a REC can produce, consume, store or sell electricity from renewable energy sources. All rights and obligations of ECs mentioned above also apply to RECs.

## 3. Assessment of obstacles, potential and removal of unjustified barriers

The NRA must monitor the evolution of the amount of electricity produced and consumed by active users, self-consumers, RECs and ECs, as well as the establishment of ECs. The NRA is asked to identify the factors hindering their development and formulate proposals for the minister in order to remove them.<sup>12</sup>

The NRA should also ensure competition and monitor the development of contracts for trading and sharing of electricity, including from renewable energy sources, and every two years, formulate proposals to the minister to eliminate regulatory and administrative obstacles that unreasonably hinder the creation of such contracts.<sup>13</sup> The deadline for the first report was set to the end of 2022, but the Energy Communities Repository did not identify a public version of the document.

In addition, the Office has to evaluate every 5 years the main impacts of changes in regulation on the support schemes on different consumer groups and on investments.

## 4. Enabling framework

### 4.1. Energy Community

Participation in an EC should not negatively affect the rights and obligations of the users.<sup>14</sup>

The basis upon which the balance responsible party pays the RES levies does not include the amount of electricity sold that is produced and dispatched by active consumers and energy communities.<sup>15</sup> Moreover, the income acquired from the sale of electricity by a member of an EC is income tax-free, up to a maximum of 12,000 kWh of electricity sold per year.<sup>16</sup>

An EC must apply to the NRA for registration at least 75 days before the start of the activity.<sup>17</sup> The application must contain statutes, list of activities, and a declaration that it complies with the effective control limitations.

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<sup>12</sup> Article 159 (16) of the Act LXXXVI

<sup>13</sup> Article 159 (17) of the Act LXXXVI

<sup>14</sup> Article 66B (4) of the Act LXXXVI

<sup>15</sup> Article 13 (3) c of the Act LXXXVI

<sup>16</sup> Article 4.49 of the Annex 1 of the Act CXVII of 1995 on personal income tax

<sup>17</sup> Article 39-B of the Decree 273/2007



The assessment of the application for registration is subject to a fee of 50 000 forints (approx. EUR 130).<sup>18</sup> Any change should be notified to the Office within 30 days of the change. The changes cost 10 000 forints (approx. EUR 26). The Office will run compliance checks on the registry, and publishes a list of ECs on its website.

#### 4.2. Renewable Energy Community

Similarly, RECs must apply to the Office for registration at least 75 days before the start of the activity.<sup>19</sup> The declaration must contain statutes, a list of activities, and a declaration that the REC complies with the effective control limitations as well as a list of the grid substations impacted by its creation.

The enabling framework for ECs also applies to RECs.

## 5. Access to financing and support

There were two rounds of government funding schemes for energy communities, a third one is under preparation at the time of writing this document. In 2020, the Ministry of Technology and Industry, jointly with the National Research, Development and Innovation Office, launched energy innovation calls to support investments in clean energy solutions and for the transition to a carbon-neutral economy. One of them aimed to establish and operate energy communities (EUR 5.6 million).

Another call was launched by ÉMI, the Quality Control and Innovation in Building Nonprofit LLC for supporting a multi-annual programme for energy communities (EUR 10 million).

The projects are largely in the initial stage of implementation.

Moreover, the Recovery and Resilience Fund call on community renewable energy consumption and production (RRF-3.4.1-22) allocated more than EUR 30 million to “social solar plants” with 25 MW installed capacity in total at the 300 most disadvantaged settlements in the country.

## 6. Other provisions

The NRA has a duty to monitor the removal of unjustified obstacles to and restrictions on the development of ECs.

The relevant energy user interest representatives - including the organisation representing the interest of the energy communities - are to be involved and consulted in the draft sectoral regulations, including those

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<sup>18</sup> Point 176 of the MEKH Decree 1/2014

<sup>19</sup> Article 39-B of the Decree 273/2007



prepared by the Distribution System Operator and the Office is in charge of their approval together with the comments received.<sup>20</sup>

## References

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<sup>20</sup> Article 51 of Decree 273/2007