

**Measures taken to introduce a certificate of origin scheme for electricity from high efficiency cogeneration of heat and power based on useful heat demand and to ensure the reliability of the certificate system in Hungary**

(report in accordance with Article 10(1) of Directive 2004/8/EC of the European Parliament and of the Council, containing the elements listed in Article 5(3))

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## **Certificate of origin rules in Hungary**

In compliance with Directive 2004/8/EC, Hungary also introduced a certificate of origin scheme for electricity from high efficiency cogeneration of heat and power based on useful heat demand. Domestic introduction of the certificates of origin is prescribed in Article 12(1) of Act LXXXVI of 2007 on electricity (hereinafter referred to as the 'Electricity Act'). It stipulates that the Hungarian Energy Office (hereinafter referred to as the 'Office') shall, at the request of the producer, certify the amount of electricity and useful heat produced from renewable energy sources or waste, as well as the primary source of energy used to produce cogenerated energy.

Article 2(1)d) of Government Decree 389/2007 (XII. 23.) Korm. defines the certificate of origin as a certificate on the amount of electricity (expressed in MWh) produced in the given calendar year from renewable energy sources or waste, and – in the event of cogeneration – on the amount of cogenerated electricity which meets the conditions of Decree 110/2007 (XII. 23.) GKM on the calculation method for determining the amount of high efficiency cogenerated electricity and useful heat.

In accordance with the provisions of Regulation 2004/8/EC, certificates of origin for electricity from high efficiency cogeneration of heat and power shall be suitable for producers of electricity as proof of compliance of the electricity produced by them with the conditions specified in the relevant decree.

The legislation on issuing certificates of origin meets the relevant provisions of Directive 2004/8/EC as well as Commission Regulation 2007/74/EC. Certificates of origin are issued by the Hungarian Energy Office at the request of the producer. To decide on an application, the Office may request additional data and information from the applicant, the buyer of heat and/or electricity or – in the event of feeding into the public natural gas network – from the producer of the biogas, specifying a deadline for submission.

Applications for a certificate of origin shall be submitted no later than the 28<sup>th</sup> of February following the subject year.

Annex 10 to Government Decree 389/2007 (XII. 23.) Korm. lists the **required content of an application for a certificate of origin, which is as follows:**

- a) name and seat of the Seller,
- b) name, position and phone number of the Seller's representative,
- c) name and phone number of the contact person,

- d) designation of the period (calendar year) in which the energy was produced,
- e) designation and address of the site where the electricity was produced,
- f) designation, identification detail, model, time of manufacturing and of commissioning of the equipment,
- g) nominal thermal and electric capacity of the equipment,
- h) designation, calorific value and amount of the energy resource(s) used for energy production,
- i) the amount of (useful) heat energy output and electricity produced,
- j) the power to heat ratio ( $\sigma$ ) of the plant,
- k) the partial efficiency and overall efficiency values for heat production and the production of electricity,
- l) the reference efficiency value used to calculate energy savings (heat production and electricity production),
- m) the primary energy resource savings figure calculated by the Seller,
- n) the manner and purpose of using cogenerated heat energy,
- o) circuit diagram of the cogeneration unit, specifying the energy amounts,
- p) proof of payment to the Office of the administration service fee specified in separate legislation, issued by a financial institution.

Certificates of origin contain the data specified in Annex 11 to the Government Decree 389/2007 (XII. 23.) Korm. Therefore *certificates of origin contain* the following:

**Certificates on the origin of high efficiency electricity cogenerated together with useful heat energy shall contain the following:**

- a) serial number of the certificate
- b) name and seat of the producer,
- c) designation of the period (calendar year) in which the energy was produced,
- d) designation and address of the site where the electricity was produced,
- e) designation, identification detail, model of the equipment,
- f) nominal thermal and electric capacity of the equipment,
- g) designation, calorific value and amount of the energy resource(s) used for energy production,
- h) the amount of electricity cogenerated together with high efficiency heat energy,
- i) the power to heat ratio ( $\sigma_{\text{nominal}}$ ) of the plant,
- j) the partial efficiency and overall efficiency values for heat production and the production of electricity,
- k) the reference efficiency value used to calculate energy savings (heat production and electricity production),
- l) the primary energy resource savings expressed as %,
- m) the manner and purpose of using cogenerated heat energy.

Producers who started operating after 1 January 2008, when the Electricity Act entered into force, were required to apply for a certificate of origin on the amount of electricity produced in the year of 2008 by 28 February 2009. Other producers have to submit an application for the year 2010 by 28 February 2011. Consequently, there has been no significant experience yet from which universal conclusions could be drawn.

**The body with statutory authorisation in Hungary to issue certificates of origin is the Hungarian Energy Office; this ensures that the body responsible for issuing certificates of origin is one fully independent from production and distribution operations.**

The required content and attachments to the application for a certificate of origin are also specified in legislation, in Government Decree 389/2007 (XII. 23.), which assures the objectivity and reliability of the procedures of the Office. The procedures of the Office are also subject to the Electricity Act and, as background legislation, to Act CXL of 2004 on the general rules of public administration procedures and services.

If required to ensure the reliability of a certificate of origin, the Office may request additional data and information from the applicant, the buyer of heat or electricity for the purpose of deciding an application, specifying a deadline for submission. In the manner stipulated in Article 9 of Government Decree 389/2007 (XII. 23.) Korm., the Office may verify whether the electricity sold in the relevant annual period or in the period elapsed since the end of such period or at a specific point in time – or a portion of such electricity – met the statutory criteria.

The reliability of certificates of origin is also solidified by the fact that producers are providing information to the Office on an ongoing basis. The Office may verify the truth of data communicated by the producers, submitted for the purpose of applications for a certificate of origin, also in the scope of its general supervisory powers, and may thus request additional data and information or conduct on-site inspections.

### **Relevant legislation**

- Act LXXXVI of 2007 on electricity
- Government Decree 389/2007 (XII. 23.) Korm. on the mandatory off-take and purchase price of electricity from energy obtained from renewable energy sources or waste and of cogenerated electricity
- Decree 110/2007 (XII. 23.) GKM on the calculation method for determining the amount of high efficiency cogenerated electricity and useful heat
- Decree 91/2007 (XI. 20.) GKM on the public administration service fee rates payable to the Hungarian Energy Office and on the rules of payment of administrative service and supervisory fees