

▶ **Main statements of the proposal of the Subcommittee on  
Secondary Market led by HETA on functioning issues**  
**Summary**

▶ HETA ▶ 2020. 09. 03.

The Task Force chaired by the energy and climate policy department of Ministry of Innovation and Technology that is responsible for developing the rules necessary for the implementation of the Energy Efficiency Obligation Scheme (hereinafter EEOS) in Hungary, set up a subcommittee in order to prepare a proposal for the development of the secondary market of EEOS.

The subcommittee was led by HETA the representative organisation of the electricity- and natural gas trading license holders as well as those of the potential obligated parties that directly involved in the drafting of the proposal such as E.ON, ELMŰ-ÉMÁSZ, MET, MOL, MVM, Hungarian Energy and Public Utility Regulatory Authority (HEA) and the HUPX Group.

## **Main statements of the proposal of the Subcommittee on Secondary Market led by HETA on functioning issues**

### Summary

*The subcommittee has set itself the objective to construct an efficient and liquid i.e. well-functioning secondary market model. Energy efficiency savings are in many ways similar to the guarantee of origin (GoO) in Hungary. Therefore – for reasons of time-, and cost-efficiency – it is suggested to use the infrastructure being built for the GoO's system.*

### **Its advantage:**

An efficient secondary market can reduce the administrative and financial burden of the participants and allow small obligants to fulfil their obligations without physical accomplishment.

### **Announcement (registration) of energy efficiency measures:**

The subcommittee assumes that HEA will develop an online platform for the registration to reduce administrative burdens and specify the necessary documentation. For risk-decreasing savings should only be reported after the measures. The HEA maintains the savings in the account, which all obligants have. It is possible to transfer the savings between the years.

### **Bilateral transfer of measures:**

After the declaration savings could be traded in the form of so-called White Certificates (WhC). The proposed definition of WhC is: „a marketable electronic document which authentically attests to the implementation, extent and time of energy efficiency savings and which is registered in a authentically certified electronic system of accounts operated by the HEA”. Trading can take place bilaterally (OTC platform or outside of it). The transaction takes place on an online platform, during which the seller transfers the white certificates concerned by the transaction.

### **Organised market trading:**

The HUPX Group announced its interest in the development of the WhC organized market. The standpoint of the Subcommittee is that the organised market trading should be optional and voluntary. Neither HUPX nor any other market participant would have an exclusive right to develop a secondary market. The Subcommittee supports the implementation of the auction trading market. Organised market trading takes place through the central counterparty and is therefore anonymous and automated. The self-clearing ensures that the transactions be fulfilled, which can provide a simple administration to the parties.

### **Responsibility for the measures behind the savings:**

In the view of the Subcommittee, it is essential for the confidence in the secondary market that purchased WhC as a standard product cannot be invalidated by posterior measures taken by the authorities. On the secondary market, only the right to eligibility for the obligation will be transferred, the extent of the savings and the liability for accountability remain with whom the measure was announced.

### **Self-declaration of savings by non-obligant:**

The proposal of the Subcommittee is to allow a pre-qualified third party (e.g. ESCO company) to have an independent account and liability in addition to the obligants. This makes it easier for them to enter the market and to sell the exhibited WhC-s. This will lead to an increase in supply and price competition. Additionally, in the case of savings announced by a third party, it is true, that the ESCO company is responsible for the measure.

### **Launch of the secondary market:**

Connected to the launch of the secondary market, the Subcommittee recommends gradualism. The bilateral trade has to be made possible from the launch of the EEOS and it is recommended to provide an online platform for this. The proposal deadline for the launch of the organised market is 01.09.2022.