

# Closed Distribution Systems

## Legislation and challenges in Hungary

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## Closed Distribution System – EU legislation

Closed Distribution Systems (CDS) are defined in Art. 38. of the **Electricity Directive (2019/944/EU)** and in Art. 28. of the **Gas Directive (2009/73/EC)**. The special characteristics of CDSs are:

- **they distribute electricity or gas within a geographically confined industrial, commercial or shared services site;**
- **they do not supply household consumers,** with the exception small number of households with employment or similar associations with the owner of the distribution system and located within the area served by a CDS

# Closed Distribution Systems – Hungarian legislation for electricity



## Closed Distribution System – Hungarian legislation for electricity Definition

Closed Distribution Systems (CDS) are called „private lines/grids” in the Act LXXXVI of 2007 on Electricity.

Private line: a network component or line, other than a public line, production line or direct line, or a transformer or switching equipment, **installed beyond the connection point and intended to supply final customers linked directly or indirectly to the transmission or distribution network.**

A private line is not a direct line! (Direct line: a power line, other than a public utility, private or production line that does not cross the borders of Hungary, or a network component or transformer that is not part of the public utility system, connecting a plant that is linked to the public utility system with the final customer.)

## Closed Distribution System – Hungarian legislation for electricity Establishment and licensing



Who can establish or operate a private line:

- **Any network user who is directly connected to the public network** can install a private line inside his/her own service location/place of consumption (any contiguous area supplied through one or more connection points, where the consumer uses electricity).








Important:

- The establishment of a private line must be **licensed by the NRA!**

## Closed Distribution System – Hungarian legislation for electricity Establishment and licensing

For what purposes can a private line be established:

-  for supplying electricity for own purposes
-  for supplying electricity to affiliated companies
-  for supplying electricity to customers or other users, whose operations or production processes are integrated for specific technical or safety reasons,
-  for the installation of public chargers
-  to connect with generators, but this must be agreed upon with the DSO before the generation can be started.

## Closed Distribution System – Hungarian legislation for electricity Obligations of the operators of private lines

Obligations of the operators of private lines:

- compliance with safety requirements, environmental protection and the relevant technical specifications during operation and upkeep;
- shall perform maintenance and repair works and improvements in due time;
- shall deliver electricity to customers (receivers) and users from the connection point through the private line;
- must provide access to final customers, users and generators for non-discriminatory and reasonable charges, and shall make available their private lines to producers;
- must keep records of its activity, including network errors, interruptions, voltage quality and services provided.

## Closed Distribution System – Hungarian legislation for electricity Other special characteristics

Operators of private lines:

- must enter into a written contract with their users
- can pass on network charges of the public grid, but without any financial gains;
- must cooperate with DSOs in order to establish and carry out metering;
- only those household consumers can be supplied by private lines that are employed or contracted by the operator of the private line.



## Closed Distribution System – Hungarian legislation for electricity

### The supply and the consumers

Supply on a private line has special definitions, because the operator of a private line acts as an intermediary between the supplier and the final consumers:

- pass over/relay: the supply of electricity purchased by the user for consideration within a single service location, through a metered private line to receivers (final customers);
- receiver: a consumer supplied with electricity via private line or direct line for her/his own use;
- the operator of a private line is not considered as a supplier if the average annual price of the relayed electricity is not higher than the price of the procured energy;

## Closed Distribution System – Hungarian legislation for electricity

### The supply and the consumers

- the operator of a private line must notify the supplier that the private line operator relays electricity;
- in case the operator of a private line is granted a supply licence, it must stop passing over/relaying electricity;
- consumers can choose from being supplied by pass over/relay **or** supply by a supplier;
- in case of disconnection of a receiver the supplier and the DSO must initiate the process at the operator of the private line and must cooperate during the process;
- The NRA has jurisdiction in cases of complaints regarding private lines, or pass over/relay

## Closed Distribution System – Hungarian legislation for electricity The number of operators of private lines

- In 2023, there were **7** licensees for operating private lines.

## Closed Distribution System

### Practical experiences and challenges in electricity

- In one case a private line licensee received a supply licence, which caused the licence for the private line to cease. The consumers (receivers) did not conclude a supply contract only until later and had difficulties to connect to the public grid.
- The fee for the usage of a private line is not set by the NRA, it is up to the parties, the only condition is that it must be cost-reflective.

# Closed Distribution Systems – Hungarian legislation for gas



## Closed Distribution System – Hungarian legislation for gas Definition

Closed Distribution Systems (CDS) are called „**location(site)-specific services**” in the Act XL of 2008 on Natural Gas.

Location-specific services: the operation of a **private line** through which to supply the customers connected to the line.

Private line: a pipeline within a **contiguous business establishment** used for supplying natural gas to customers receiving natural gas or location-specific customers.

Isolated system: a network that is connected to a production line only, and where the feed in of gas cannot physically be accomplished from the interconnected gas system.

## Closed Distribution System – Hungarian legislation for gas Definition

Closed Distribution Systems (CDS) are called „**location(site)-specific services**” in the Act XL of 2008 on Natural Gas.

Contiguous business establishment: any **contiguous property owned, managed or used by a consumer of natural gas**, where the connecting line, consumer equipment, the pressure regulator controlling the flow of natural gas, the gas meter or the customer’s stop-valve is located. One business establishment may have more than one service location if the customer or network user differs.

## Closed Distribution System – Hungarian legislation for gas Establishment and licensing



No new private lines can be established only the existing ones are allowed to remain in operation!

- This was a deliberate choice when the legislation was established
- The goal was to achieve transparent relationship between the DSOs and the consumers.



Who can establish or operate a private line:

- **Companies** that supplied natural gas through private lines being operated **before 01. 08. 2005.**
- Now it is a rather a theoretical option.



Important:

- The establishment of a private line must be **licensed by the NRA!**



## Closed Distribution System – Hungarian legislation for gas Establishment and licensing

For what purposes could a private line be established



for supplying gas for own purposes



for supplying gas to companies located at the **contiguous business area**,

## **Closed Distribution System – Hungarian legislation for gas Obligations of the operators of private lines**

Obligations of the operators of private lines:

- compliance with safety requirements, environmental protection and the relevant technical specifications during operation and upkeep;
- shall perform maintenance and repair works and improvements in due time;
- shall deliver gas to customers;
- must provide access to final customers, for non-discriminatory and reasonable charges;
- must allow customers to connect to distribution/transmission grids and provide service until the connection is established;
- must keep records of its activity, including network errors, interruptions, and services provided.

## Closed Distribution System – Hungarian legislation for gas

### Other special characteristics

Operators of private lines:

- must enter into a written contract with their consumers
- can perform services exclusively for the consumers located at their contiguous area;
- can pass on network charges of the public grid, but without any financial gains;
- must cooperate with DSOs in order to establish and carry out metering;
- only those household consumers can be supplied by private lines that are employed or contracted by the operator of the private line.

## Closed Distribution System – Hungarian legislation for gas Other special characteristics

Operators of private lines:

- the operator of a private line providing location specific services cannot carry out other licenced activities.

## Closed Distribution System – Hungarian legislation for gas

### The supply and the consumers

Supply by location specific services has special definitions, because the operator of a private line acts as an intermediary between the supplier and the final consumers:

- location-specific customer: a customer to whom natural gas is supplied through a private line by a provider of location-specific services
- the operator of a private line is cannot sell gas at a price higher than average annual price of the procured gas;

## Closed Distribution System – Hungarian legislation for gas

### The supply and the consumers

- the operator of a private line is responsible for metering;
- the licence for location specific services includes the supply activity regarding the consumers located at the contiguous area;
- the NRA has jurisdiction in cases of complaints regarding private lines.

## Closed Distribution System – Hungarian legislation for gas The number of operators of private lines

- In 2023, there were **0** licensees for operating private lines.

# Closed Distribution System

## Practical experiences and challenges in gas

### Historical background

After the collapse of communism some big industrial companies were privatized. The privatization did not always go well and in some cases the ownership of certain industrial areas were confusing and/or disregarding the physical gas network.

In order to be awarded licence for location(site)-specific services the ownership and thus the responsibility (e. g. technical and safety standards) for the grid must be clear.

In light of these challenges the operators and consumers of such networks either decided to obtain a licence for distribution, or to connect to a DSO.



# Thank you for your attention!

**Hungarian Energy and Public Utility Regulatory Authority**

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