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Subject: Act on the Amendments and Supplements to the Energy Law (Act)

The European Federation of Energy Traders (EFET¹) is a business association of more than 100 energy trading companies from across Europe, promoting competition, transparency and open access in the European energy sector. As Europe's largest trader's association, we are closely following the developments on the European gas market and we are an active participant to the discussions around the structure of the Bulgarian gas market.

We have been following the recent Parliamentary debate on the reform of the Energy Law, focusing on the provisions related to the introduction of a natural gas exchange and to the trading licensing regime and while encouraging any effort to improve the functioning of the Bulgarian natural gas market we would like to share a few considerations.

First of all and as done in the past, we would like to encourage the Assembly to take into account the EFET Gas Hub Development Study which not only works as a benchmarking exercise for all European gas hubs, but also functions as a roadmap towards the design of a liquid and competitive gas market.

Against this background we would like to emphasise that, while being a very desirable final outcome, **a gas exchange should not be set up until after at least some initial liquidity is reached**. To do so in the early phase of a market development may in fact inhibit early trading, not least by introducing additional complication over contractual (non-)standardisation.

Rather than rushing in the direction of a fully functioning exchange that remains without participants, **focus should be** on enabling a user-friendly title transfer facility, sound balancing rules with end-of-day cash-out rules, and even more importantly **on establishing an effective gas release program in parallel to improved access to flexibility**.

In setting the rules for gas release programs, EFET has provided consistent guidance and we would be happy to make ourselves available to support the introduction of such a measure and cooperate on drafting the specific necessary implementing regulations. In doing so we would like to remind that gas release programs are tools to create liquidity in a given market by increasing competition, inter alia, via the reduction of the incumbent's market share. To this

¹ The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. We build trust in power and gas markets across Europe, so that they may underpin a sustainable and secure energy supply and a competitive economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

end the program should target at least 15%-20% of the overall supply portfolio of the dominant players. Therefore, in this context we recommend:

- To impose marketing obligations onto dominant players only, at least until enough level of liquidity is reached in the market;
- To avoid targeting domestic production only, but rather extending the obligation to the overall supply portfolio of the dominant player;
- To avoid putting purchase obligations onto consumers and end suppliers;
- To put on hold the introduction of market makers and wait until a first gas release program has been brought to completion and its impact has been measured and evaluated;
- To limit to the extent possible any interference with the functioning of the market staying away from any sell or buy obligation other than those imposed on the dominant players via the gas release program.

To do the above article 10 of the Act should undergo major revisions in particular with reference to paragraph 4 and paragraph 5 amending article 17(6) of the Energy Law. More importantly, we have noted that paragraph 3 of article 10 restricts the sale of the released gas to consumers in Bulgaria. We believe that such provision is bluntly against the EU law and the free movement of goods. A restriction of this sort would undoubtedly undermine the potential of Bulgaria becoming a liquid regional gas hub and we urge the authorities to have it deleted.

On the different but equally important matter of licensing obligations, we would like to emphasise how important is to avoid excessive burden on market players. Several European Gas Markets **do not foresee any licencing requirement to perform trading activities on the wholesale market** limiting all necessary steps to participate to the exchange registration and in some case to a balancing contract between the TSO and the balancing responsible parties. We recommend following the same route for the Bulgarian market. This of course should not happen to the detriment of appropriate monitoring and control powers of the Regulator.

As a final general point, we would like to stress the following points with respect to the governance of any public consultations. Good practise wants that they remain open for at least a period between 6 and 8 weeks, they are published also in English language and, when possible, they are accompanied by public workshops announced to the market with at least 2 weeks' notice and run in English (or with interpreter). These remain the very basic features for facilitating access to new market participants.

While continuing to follow your work we would like to make ourselves available to discuss our views on these matters and contribute to the development of the Bulgarian gas market to the highest extent possible.

Kind Regards,
On behalf of EFET TF CSEE-G

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SO YOU CAN RELY ON THE MARKET

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