

TO: Energy and Water Regulatory Commission
8-10, Knyaz Al. Dondukov Boulevard, Sofia

13 August 2021

**Subject: EFET¹ letter to EWRC requesting clarifications on the upcoming
licensing obligations for gas trading entities**

In this letter, EFET would like to request clarifications on the licensing requirements imposed on gas trading entities by the Bulgarian Energy Act and the Licensing Ordinance that are to enter into force on 1st October 2021. We remain of the view that the overall license acquisition procedure constitutes an unnecessary market entry barrier that adds little to the market integrity and transparency that is already ensured under the EU acquis. However, since the licensing obligation has already been formalised by the Bulgarian authorities, we would like to point to certain aspects of the procedure that may discourage or prevent different companies from trading on the Bulgarian gas hub, especially in absence of clear secondary legislation.

The gas trading license in Bulgaria is to entitle companies both to conduct trading at a wholesale level and supply end consumers. Since the procedure does not envisage issuing a license for a narrower scope of activities (e.g. exclusively wholesale trading, as it is done in other EU countries), the licensing procedure entails a set of requirements that need to be met regardless of whether they apply to the envisaged business activity or not. This refers primarily to the obligations on the suppliers of end customers under Section VI of the Energy Act, that require applicants to sketch out and/or commit to terms of gas supply service and the establishment of customer service offices. For companies that have no intention to supply end customers in Bulgaria, this is a bureaucratic burden and potentially the source of legal complexities that have no impact on the quality of services offered to the local consumers, uninterrupted gas supply, or the general market integrity.

It is our understanding that the EWRC expects applicants to provide a description of services provided to consumers as defined above, yet these services would only be reasonably expected to be implemented if a licensed entity intended to supply customers on the territory of Bulgaria. We note with special preoccupation that among the requirements it is included the need for establishing a local office, something that would have serious impact on trading entities and would constitute a significant entry barrier.

Against this background we would appreciate receiving a written confirmation that requirements listed in articles 38a to 38c of the Energy Act are applicable only to licensed companies delivering natural gas to protected customers. Therefore, any declaration linked to

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 enable the transition to a carbon neutral economy. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: www.efet.org.

such obligations must be understood as conditional on a licensed company actually performing such service.

Alternatively, we would appreciate if the EWRC could confirm that market participants carrying out only wholesale trading activities could simply be waived from any obligation related explicitly to suppliers of protected end customers in Bulgaria by a mere declaration that until further notice they do not intend to perform any activity other than wholesale trading.

Such approach is of particular importance to wholesale trading entities wishing to commence or continue trading activities from their offices located outside Bulgaria without any physical deliveries envisaged. If this would not be the case and companies would be forced to establish a local subsidiary in Bulgaria or even just physical office centres to service customers they do not envisage to acquire, the financial consequences of such requirement would most likely discourage them from trading on the Bulgarian VTP.

Given the extraordinary complexity of the foreseen licensing process and the fact that secondary legislation was long awaited but remains to be published, we take the opportunity to raise a further request and ask to consider whether companies already active in the Bulgarian gas market could be granted the possibility to continue trading in so far they have been able to submit a license application with only an ex-post verification of the conditions necessary to maintain it.

We would also appreciate the opportunity to discuss the licensing obligations further in detail to seek ways through which it could be improved and become less burdensome to energy trading entities.

Kind Regards,
On behalf of EFET TF CSEE-G



Davide Rubini,
Chairman of EFET TF CSEE-G



Doug Wood,
Chairman of the EFET Gas Committee

