



TO MR. IVAN IVANOV

ENERGY AND WATER REGULATORY COMMISSION
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TO MR. ANDREY JIVKOV

MINISTRY OF ENERGY
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STATEMENT

Subject: Draft Rules for amendment and supplement to the Electricity Trading Rules.

In the midst of the unprecedented crisis in the energy markets, the Energy and Water Regulatory Commission has surprisingly announced a draft amendment to the Electricity Trading Rules (ETS), which are the main legal act regulating trade relations between all electricity market participants.

The proposed changes are a step in the opposite direction of market liberalization because they maintain free market relations in the market of balancing services and concentrate huge financial resources in the state energy company ESO EAD which is a prerequisite for inefficiency and non-transparency.

The direct consequences will be an increase in electricity costs for consumers through significantly higher balancing costs. There is no assessment of the impact of the proposed changes in the ETS on market participants, they are not discussed with electricity market participants and stakeholders - legitimate consumer organizations, electricity producers, traders and balancing groups, but are offered administratively and without clear expert reasons. The argument that the proposals are an anti-crisis measure is untenable and misleading, as is the claim that energy is exchanged in market groups in order to circumvent the obligation to sell to the IBEX. Failure to comply with the obligation to sell on an organized electricity market the entire volume of energy produced (except for that produced by

producers below 500 MW) is possible in groups involving consumers and producers, but is well protected by norms in the ETS.

We should emphasize that such proposals have been made in the past, and after analysis and public consultations, have been withdrawn as being contrary to the principles of free electricity trade and the liberalization of the electricity market. Along with the indisputable flaws of the proposed changes in the ETS, even more puzzling is their proposal at a time of extremely high electricity prices, which they would further increase.

Last but not least, the proposals to deprive the market participants of freedom of association to reduce balancing costs will harm the electricity market in Bulgaria and will send a negative signal of unpredictability and uncertainty in the investment environment. Extremely bad regulatory practice is, in the middle of the price period, to change the regulation which determines the medium-term trade relations between all participants. The changes in the balancing market proposed by the EWRC will have a direct negative effect on the investment intentions for construction of new RES power plants because it will reflect in much higher balancing costs.

Days after Bulgaria is fully integrated into the European electricity market in the day ahead market segment, which gives the country a unique opportunity, taking advantage of the competitive advantages in terms of high wind and solar potential, to trade electricity originating in Bulgaria on the other European markets and thus contribute to a positive trade balance, such a regulatory change will have a detrimental effect on market progress. As an additional consequence, it will make it impossible to achieve the goals set for new RES capacities in the Recovery and Sustainability Plan, officially sent to the EC a few days ago.

As members of the European Associations of the Wind and Photovoltaic Industry, we will take the matter to the competent directorates of the European Commission and insist that the actions of the Bulgarian authorities regarding the non-market environment for renewable investments be part of the talks on the Recovery and Sustainability Plan.

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Sofia, Bulgaria

BULGARIAN WIND ENERGY ASSOCIATION

BULGARIAN PHOTOVOLTAIC ASSOCIATION