

BULGARIAN COMPETITION WATCHDOG LAUNCHES A SECTOR INQUIRY INTO ELECTRICITY MARKETS

On 22 January 2018 the Bulgarian Competition Protection Commission ("**CPC**") announced that it opened a sector inquiry into the electricity markets in Bulgaria. The formal decision has not yet been published. However, the sector inquiry is expected to cover the entire electricity value chain.

This decision came at a time of considerable turbulences for the Bulgarian electricity market. The current sector inquiry comes 2 years after the start of operations of the Bulgarian energy exchange – the IBEX. Just recently, changes to the Energy Act were introduced to change the existing organization of bilateral trade, by forcing all transactions above 5 MW to be performed via the IBEX, effective as of 1 January 2018. The reasons for the changes to the Energy Act were allegedly to ensure better transparency and reduction of possibilities for speculations.

The previous sector inquiry on the electricity sector in Bulgaria was back in 2013 when a number of competition concerns were identified on all levels of the value chain of electricity – generation, transmission, wholesale and trading and distribution. In December 2017, the CPC has issued three decisions imposing considerable sanctions to electricity distribution companies and their trader affiliate companies for abuse of dominance.

The CPC is expected to send out questionnaires to a wide range of market participants in the coming weeks, which should allow the CPC to obtain a comprehensive picture of the Bulgarian electricity markets. The previous electricity market inquiry was completed within 3 years.

Considering the thorough approach of the CPC and based on our experience from sector inquiries in other sectors over the past few years, it will be critical for all stakeholders to undertake internal analysis of their operations and prepare very carefully for the upcoming questionnaires from the CPC. There are a number of examples where answers by stakeholders in the course of such inquiries were not carefully considered and raised competition concerns leading to formal breach investigations. It remains to be seen what the main focus of the sector inquiry will be, however all stakeholders should be prepared for taking part in the inquiry.

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