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BULGARIA: FURTHER LIBERALISATION OF THE ELECTRICITY MARKET AT PRODUCTION LEVEL (UPDATE)

THE PARLIAMENT ADOPTED A NEW BILL AMENDING THE ENERGY ACT INTRODUCING A NUMBER OF MEASURES TO FURTHER INTEGRATE RES GENERATION INTO THE LIBERALISED MARKET AND ABOLISHING ELECTRICITY EXPORT FEES

As we already reported in April 2019 (see our alert on the topic on this [link](#)), on 9 May 2019 the Bulgarian Parliament adopted Bill for the amendment and supplementation of the Energy Act ("**Bill**") as a continuation of the efforts of the state authorities to further extend the number of stakeholders on the liberalised market at generation level, thereby increasing the liquidity of the Independent Bulgarian Energy Exchange ("**IBEX**"), and to abandon the former model of supporting RES producers through feed-in tariffs.

The President of the Republic issued its decree for promulgation of the Bill published in State Gazette on 21 May 2019. Apart from the provision relevant for the RES producers which enter into force considered as of 01 July 2019 the provisions of the Bill are entering into force as of the day of the publication.

The Bill was adopted as proposed, with no major amendments between the first and second reading. The most significant amendments concern the following:

- **RES Producers with installed capacity above 1 MW to sell electricity at IBEX**

With the new Bill, smaller RES producers with installed capacity of 1 MW and above are now also excluded from the RES support scheme abolished back in year 2018. Instead, they should conclude contracts for compensation with premiums ("**CfCPs**") with the Security of the Energy System Fund ("**FSES**") and receive compensation up to the amount of the previously applicable feed-in tariffs for the produced electricity sold at free negotiated prices at IBEX. As of the start of the new regulatory period from 1 July 2019, the RES producers will have the choice to shift to the new regime. The deadline to conclude CfCPs with FSES is 31 August 2019 with an option to postpone their entry into force latest by 1 October 2019.

- **New highly-efficient combined heat and electricity generation to be built only upon a public tender**

In an attempt to harmonise the Bulgarian legislation with the *Guidelines on state aid for environmental protection and energy 2014-2020 of the EC*, the Bill envisages to only allow a new build of highly-efficient cogeneration of heat and electricity projects based on a public tender procedure and under the condition that an existing installation is decommissioned or the approved state aid budget may cover the cost of purchasing the expected highly-efficient combined energy production.

- **Electricity export fees to be abolished**

The obligation applicable to traders of electricity to pay access and transmission prices ("**Export fee**") to the Bulgarian TSO- "ESO" EAD when exporting electricity is now abolished by the new Bill. Art. 104 of the Energy Act was supplemented to specify which stakeholders owe payment of Export fees to ESO and it specifically excludes now the electricity traders. The amendment is long awaited by the electricity traders and is expected to have positive effects as regards the integration of the Bulgarian electricity market in the regional one.

- **Amendments seeking to promote RES without state financial support**

The Bill also attempts to promote RES generation without any form of state financial support, concerning mainly relief of administrative burden for smaller RES producers (below 30 kW of installed capacity);

- **Introduction of options for Smart Metering**

The Bill introduced the possibility for customers to require the electricity distribution companies to install smart metering devices for objects with a capacity of 10 kW and above.

WOLF THEISS COMMENT

The proposed amendments and supplementations are expected and long-awaited measures towards the integration of RES producers into the liberalized market while increasing competition at electricity production level. As expected, there were no major changes to the Bill between the two readings. Due to the delay in the procedure for adoption of the Bill, it would not be possible to apply all amendments as of the start of the new regulatory period as of 1 July 2019. Therefore the initially proposed deadlines were extended in order to ensure smoother transition, mainly for the RES producers. The concerns related to the little to no assessment of the effects of the amendments that are mandatory in such cases, however remained unaddressed.

For more detailed analysis of the amendments you can check out WT Track changes on the further liberalization of the electricity market at production level at the following link: <https://www.wolftheiss.com/knowledge/client-alerts/detail/bulgaria-further-liberalisation-of-the-electricity-market-at-production-level/>

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