

To the attention of

DG ENER Unit C3

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**Committee on Energy, National
Assembly of the Republic of Bulgaria**

Mr. Delian Dobrev

In copy to

**Ministry of Energy of the Republic of
Bulgaria**

Mr. Rossen Hristov
**Energy and Water Regulatory
Commission**

Mr. Ivan Ivanov
Bulgargaz EAD

Ms. Deniza Slateva

Amsterdam, 23 January 2023

**Subject: EFET reaction to the long-term gas agreement between Bulgaria and
Turkey**

The European Federation of Energy Traders (EFET¹) would like to raise concerns over a recently reported agreement between Bulgarian and Turkish entities over access to transmission capacity at the interconnection point Strandzha 1 / Malkoclar. Capacity has not been offered to the market, and preferential access appears to have been granted to

¹ The European Federation of Energy Traders (EFET) promotes and facilitates European energy trading in open, transparent and liquid wholesale markets, unhindered by national borders or other undue obstacles. 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. EFET currently represents more than 130 energy trading companies, active in over 27 European countries. For more information: www.efet.org

Bulgarian incumbent Bulgargaz. This restricts access to the Bulgarian gas market, particularly in view of the discontinuation of the gas release programme. We also understand that this has been put in place prior to resolution of issues such as the conclusion of an Interconnection Agreement. We ask that the European Commission, in conjunction with Bulgarian and Turkish authorities, investigate whether the process met EU rules and if the granting of exclusive access can be considered to have anti-competitive effect.

At the time of writing, it has not been disclosed whether the agreement is for transportation capacity only or includes supply, and what agreements have been put in place between Bulgargaz, Bulgartransgaz and Botas (as potential supplier and transporter). We thus identify the lack of a transparent framework for information exchange between TSOs Bulgartransgaz and Botas on the technical use of the Trans Balkan line original IP, which could upgrade the role of Turkey and Bulgaria in supply into the broader SEE region, subject to efficient interoperability of the adjacent transmission networks. We also stress that discriminatory access to transmission capacity risks hindering competition on the Bulgarian wholesale market.

The agreement does not ensure compliance of the transfer of gas via Strandzha 1 with the EU gas market acquis

EFET recognises that access to the Botas transmission system for transfer of up to 1.5BCM/a, as well as access to Botas idle re-gasification capacity, will contribute to Bulgaria's security of supply, including as an alternative to slots allocated from the Revithoussa terminal and capacity booked in the proposed Alexandroupolis FSRU, upon arrangement of reverse flows with Greece as of 2019. This is because the agreed volumes correspond to half of the initial capacity of IGB, or half of Bulgaria's annual gas demand.

In refraining from alluding to anywise undisclosed details of the ratified agreement, we understand that a transit agreement would, as opposed to a gas sales one, entail regulatory action on the part of Turkey which has still to be put to the test, such as establishment of a domestic company as a shipper, licensing and allocation processes for regasification capacity and access to the network of Botas.

We are also fully aware of the intricacies entailed in the applicability of the EU Network Codes and CMPs to capacity at entry points from and exit points to non-EU countries, which is largely left to the discretion of NRAs². However, we consider that the use of IP Strandzha 1/ Malkoclar should, at least on the EU side, abide by the EU gas market acquis, ensuring properly agreed operating procedures for delivery/ withdrawal of gas and equal and transparent access for all network users.

² CAM NC art. 2, INT NC art. 1 and amended Annex I of Gas Regulation 715

The agreement is not accompanied by a separate interconnection agreement between Bulgartransgaz and Botas

Despite it now being capable of reverse flow, the former eastern end-point of the Trans-Balkan pipeline is, to the best of our knowledge, still not governed by procedures and rules for operation commonly agreed between Bulgartransgaz and Botas. We are aware of a draft agreement which was aimed at facilitating the physical reversal of flows at Malkoclar, but we are not aware of it ever being concluded.

As per our response to the previously consulted draft agreement³, we understand that a number of modifications will need to be implemented particularly by Botas, including implementation of the Edig@s communication protocol, offer of interruptible capacities on the IP, introduction of renomination cycles, use of energy units and re-definition of the Gas Day in Turkey to facilitate capacity allocation and nominations on the border.

We thus request of the Bulgarian authorities to clarify, and of DG ENER to investigate, whether the long-term agreement between Bulgargaz and Botas is an exclusive one which is intended to be accompanied by an interconnection agreement, or, at a minimum, a technical agreement between the Turkish and Bulgarian TSOs adhering to the rules referred to in Article 3 of INT NC.

The agreement seemingly denies access of gas market participants beyond the incumbent to transmission capacities of Strandzha 1

We call on the Bulgarian authorities to provide clarity to the market, and on DG ENER together with DG COMP to further look into, whether the intention under the long-term agreement is for the IP in question to be used to the benefit of all gas market participants beyond Bulgargaz. Denying and discriminating over access to gas infrastructure and transmission capacities to the benefit of selected network users goes fundamentally against the CAM NC and Art. 102 of TFEU and risks hindering effective competition on the Bulgarian wholesale market.

This has particular relevance bearing in mind the abrupt decision last year to suspend the gas release programme, for reasons which are unclear⁴. As the gas release programme was introduced in response to the European Commission's decision to fine Bulgarian Energy Holding for blocking competitor's access to key gas infrastructure, this decision seems misguided and the gas release programme should be reinstated immediately.

³<https://data.efet.org/Files/Documents/Gas%20Market/Capacity%20Issues/EFET%20response%20to%20the%20BG-TR%20interconnection%20agreement%20consultation.pdf>

⁴<https://efet.org/files/documents/221201%20TF%20CSEEG%20LETR%20BG%20GRP%20abolition%20FINA L.pdf>

We finally note that the discussed suboptimal market conditions for other licensed gas traders are being imposed by a Member-State where the ITO-certified system operator still remains part of the vertically integrated group, despite the separation of the company and network assets between distinct legal entities.

We remain at the full disposal of the EU Commission and the Bulgarian authorities to further discuss the matter.

Kind regards,
On behalf of the EFET TF CSEE-G

A handwritten signature in black ink, appearing to read 'Davide Rubini', written in a cursive style.

Davide Rubini,
Chairman of the EFET TF CSEE-G