

Most recently, the Bulgarian Energy Regulator has taken significant steps towards the full liberalisation of the natural gas market: In December 2016, the Bulgarian Energy Regulator adopted legislative amendments to the Rules for Trading of Natural Gas (Правила за търговия с природен газ, "Trading Rules") and the Rules for Access to the Gas Transmission and/or Gas Distribution Networks and the Natural Gas Storage Facilities (Правила за предоставяне на достъп до газопреносните и/или газоразпределителните мрежи и за достъп до съоръженията за съхранение на природен газ, "Access Rules"). Moreover, it adopted new Rules for Balancing of the Natural Gas Market (Правила за балансиране на пазара за природен газ, "Balancing Rules").

New Trading Rules

Under the Trading Rules, energy traders are entitled to trade natural gas at freely negotiated prices with the public supplier, end suppliers, other gas traders and end customers. Notably, no specific licence or physical presence is required for trading (both wholesale and retail) with natural gas on the Bulgarian territory. The trading regime is therefore considered to be favorable to foreign traders, at least from a mere legal / regulatory perspective.

Establishment of two Virtual Trading Points (VTPs)

Under the newly adopted Balancing Rules, the Bulgarian TSO (Bulgartransgaz) is required to create and operate a separate virtual trading point ("VTP") for each of the two balancing zones of the Bulgarian transmission network – national and transit. The VTP is a notional point at which market participants can trade natural gas within the respective market area (domestic market or transit market) after injection and before offtake. The VTP is not a physical entry or exit point but enables natural gas buyers and sellers to purchase and sell natural gas without the need to book capacity. In order to trade on the VTPs, gas traders need to register with Bulgartransgaz.

Access Rules

The amendments to the Access Rules made in December 2016 introduced a completely new procedure for access to the transmission network and capacity booking. An entity requesting access to the network needs to submit a standard application form with Bulgartransgaz. Network capacities are tendered via the Regional Booking Platform ("RBP"), operated by FGSZ Ltd.

Financial guarantees

It is worth mentioning that, presently, the applicable Bulgarian legislation and the currently used template agreements of Bulgartransgaz do not provide for any financial guarantees required from gas traders, except for the security obligations in the procedure for the

provision of access to the underground storage facility “Chiren”. However, considering that the actual free gas trade and free access to the gas network has just started, we expect that additional collaterals will be introduced in the legislation and/or in the respective agreements.

Tax aspects

Another favourable aspect for foreign traders is that in most of the cases, when they do not supply natural gas to end-customers, they will be released from the compulsory registration regime linked to the VAT and excise duty.

Source: Mondaq