

Bulgartransgaz  
[info@bulgartransgaz.bg](mailto:info@bulgartransgaz.bg)

24 August 2020

**Subject: EFET<sup>1</sup> response to Bulgartransgaz draft Management Board Decision**

---

EFET welcomes the opportunity to comment on the draft Management Board Decision implementing art. 25 of the Daily Imbalance and Neutrality Charge Calculation Methodology. We particularly appreciate that the consultation is held in English, allowing us to provide feedback on the important parameters of the Bulgarian gas market's balancing regime.

We note that the proposal retains the small adjustment at the level of 8%, which is relatively high. Eventually we would hope for sufficient liquidity that system imbalances can be resolved in the market and imbalance prices are market-based. In the meantime, this is not possible and the small adjustment may need to be preserved. A lower level would likely be helpful to liquidity in a small way, but should not expose shippers to unsustainable imbalance costs.

In relation to the proposed criteria for applying the market price for balancing, we cautiously support the proposal to limit the volume of trades that allow for using the hub prices for imbalance settlement. However, in markets with low liquidity, the reliance on a small number of trades can create greater exposure to price volatility. Transparency and speed of information is key to allow shippers to manage these risks. In other markets, during early times when liquidity is still low, reference to prices at more liquid hubs – either allowing prices to be set at a bundle of indexes or as a cap/collar to protect against the risk of extreme levels being set – have proved successful. This can be reduced over time as the market gains in liquidity and reliability.

We take this opportunity to restate other opportunities within the design of the Bulgarian gas market to help improve liquidity and ultimately system balancing. The reserve price under the gas release programme reflects the prices under the long-term contracts, rather than the overall costs incurred by the incumbent. The released volumes are also sold with flexibility removed but no adjustment to the price, exposing parties to higher imbalance costs. Participation to the Bulgarian gas market is also discouraged through limitations placed on exports of part of the auctioned commodity. Altogether, these barriers hinder commercial activities in Bulgaria and limit the market's potential to become a possible reference gas hub for the region.

<sup>1</sup> The European Federation of Energy Traders (EFET) promotes competition, transparency and open access in the European energy sector. 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. We currently represent more than 100 energy trading companies, active in over 27 European countries. For more information: [www.efet.org](http://www.efet.org).



European Federation  
of Energy Traders  
SO YOU CAN RELY ON THE MARKET

Amstelveenseweg 998  
1081 JS Amsterdam  
+31 20 520 7970  
secretariat@efet.org  
www.efet.org

We remain at your disposal should you wish to discuss these matters further. We would also encourage a broader dialogue with the stakeholders in Bulgaria in order to establish a market-based procedure for setting the imbalance price in the event of low liquidity at the Balkan Gas Hub.

Kind Regards,  
On behalf of EFET TF CSEE-G

A handwritten signature in black ink, appearing to read 'Davide Rubini', is written over a light grey horizontal line.

Davide Rubini,  
Chairman of EFET TF CSEE-G