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TO:

**ASSOC. PROF. IVAN IVANOV  
CHAIRMAN OF ENERGY AND WATER REGULATORY COMMISSION**

**ABOUT: STATEMENT ON THE DRAFT FOR AMENDMENT AND SUPPLEMENT OF THE ELECTRICITY TRADING  
RULES (THE DRAFT OF ETR)**

Dear assoc. professor Ivanov,

Bulgarian Wind Energy Association (BGWEA) is a representative organization for the wind energy sector in the country. BGWEA brings together the majority of companies actively engaged in the sector, the most of them are producers.

Regarding the public consultation on the draft for amendment and supplement of the Electricity Trading Rules (**ETR**), held on February 12<sup>th</sup>, 2020, hereby we present BGWEA's opinion on the main aspects of the draft that concern wind energy producers. We are particularly concerned and disagree with the following suggestions:

**1. Proposal of ESO for a shorter settlement period, equal to 15 minutes**

BGWEA believes that the proposal is incompatible with the current situation of the electricity market, and its hasty implementation would create a number of difficulties for market participants. Such a change would lead to **a dramatic increase in the imbalances costs** not only for RES producers but also for end customers, since short settlement intervals, combined with forecasts far beyond real time, increase the inaccuracy of the forecast several times. Such consequences would be in contradiction with Art. 6 (1) of **Regulation 2019/943**, which emphasizes on the need to adapt the balancing market to the growing share of variable energy production.

BGWEA believes that changes in the functioning of the balancing market towards the introduction of a 15-minute settlement period should be accompanied by corresponding changes of the exchange market.

According to Art. 8 (2) of **Regulation 2019/943**, "The exchange market should enable market participants to trade energy at intervals that are at least as short as the imbalance settlement period."

Wind energy producers also insist that market participants should be allowed to **trade as close as possible to real time**, for example, one hour before settlement, maximizing the ability of all market participants to manage their imbalances (Art. 8 (1) Article 7 (2) (b) of **Regulation 2019/943**).

BGWEA insists on the implementation of the European regulations in their diversity and completeness. We believe that introducing the change regarding the settlement period on the balancing market, without the accompanying changes in the electricity market and without analyzing and taking into account technical feasibility, cost-effectiveness and impact on market participants, would have significant adverse influence on market players and end consumers.

Considering the arguments presented, and referring to the Art. 62 of **Regulation 2017/2195**, BGWEA insists that the Regulator should grant an exception with regard to the introduction of the 15-minute settlement period requested by ESO (§ 95. § 1, item 3 of the Additional Provisions of the draft of ETR).

## **2. Proposal for new formulas for calculation the price of balancing energy (Article 7, Paragraph 1 and Article 8, Paragraph 2)**

The new formulas would definitely lead to a **significant increase in balancing costs for trading participants**. The formula for the price of balancing energy for shortages combines quantities of balancing energy from different sources, which, under the new proposal, would be multiplied by the highest energy price that the independent transmission operator buys during the settlement period. This means that all balancing energy would be multiplied by a price that is significantly higher than the actual cost of ESO for individual purchases. Conversely, in the surplus price formula where ESO proposes that the balancing energy quantities shall be multiplied by the lowest price, the surplus price to market participants would be even lower. The new formulas will lead to a significant increase in the price of balancing energy and to an extension of the scissors between the price of surplus and the price of shortage.

**BGWEA insists that the Regulator should keep the current formulas for calculating the price of balancing energy, in which any amount of balancing energy, is valued at its real price. Precisely calculated in this way, the cost of balancing energy fairly reflects the actual cost of ESO for its purchase.**

With respect to the price of balancing energy, we would encourage the Regulator to work towards the application of Art. 6 (5) of **Regulation 2019/943**, namely: "**to set imbalances price that reflects the real-time value of energy**"

## **3. The proposal introduced by Art. 29, para. 4**

**BGWEA strongly opposes the newly created Art. 29, para. 4 of the draft of ETR.** Price for transmission through the transmission network, for access and transmission through the electricity distribution network shall be paid by the end customers on the amount of electricity consumed. The proposed change would result in **double payment of transmission and access prices** for the same quantities of energy and **unjust enrichment of transmission and distribution system operators**.

**Please note that Ordinance № 1 on electricity price regulation does not stipulate and set prices for:**

- **transmission through the transmission system** on the amount of energy produced and
- **access and transmission through the respective distribution network** on the amount of energy produced.

Regarding the transmission price, we note that the network operators do not provide this transmission service to producers but to end customers, since the latter are the recipients of the energy commodity and users of the transmission service. Producers transfer ownership of electricity after it crosses the border of ownership, i.e. electric meter. In addition, the energy of producers connected to the electricity grid could be largely distributed to end customers within the relevant grid and not access to the electricity grid.

According to Ordinance 1, the access price (Article 29) is due to the transmission system operator for activities (cold reserve, availability for reserve for additional services, for dispatching in regard with balancing) which are not performed by the electricity distribution system operators. BGWEA considers the proposed change as inconsistent with Energy Act and the applicable legal framework and the changes of ETR should comply with them. The adoption of the new paragraph 4 of Art. 29 of ETR would be another unlawful, discriminatory, retroactively imposed measure by producers connected to the electricity grid that would cause significant unfair financial burden for them at the expense of benefiting another group of market participants.

#### **4. New proposal: Transparency on hourly rates for balancing energy sources**

In order to ensure transparency in the functioning of the balancing market, our proposal is the Regulator to stipulate the obligation for ESO to publish imbalance prices according to the bids submitted and activated balancing energy sources, including the quantities of balancing energy activated, for each settlement period no later than the day following the day of delivery.

Considering the fact that the abovementioned proposals for ETR changes could lead to serious distortions in the electricity sector and discriminatory treatment of a part of the market participants, we

believe that EWRC, as an independent regulator, will consider our arguments when finalizing the ETR amendments and will fairly protect the interest of market participants.

Yours sincerely,

Miglena Stoilova

Chairperson of BGWEA Supervisory Board

