



РЕПУБЛИКА БЪЛГАРИЯ

Комисия за енергийно
и водно регулиране



DECISION:

No. II - 1 of 26/08/2021

THE ENERGY AND WATER REGULATORY COMMISSION

at a closed meeting held on 26.08.2021, after reviewing the investment request bearing incoming No.E-15-45-27 of 02.06.2021 submitted by Bulgartransgaz EAD for the project of common interest 6.20.2 Chiren UGS Expansion (BG), the following has been established:

Having regard to the implementation on the territory of the Republic of Bulgaria of the project of common interest 6.20.2 Chiren UGS Expansion (BG) of Bulgartransgaz EAD (PCI 6.20.2., the Project) and on the basis of Article 12(3) of Regulation (EU) No.347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No.1364/2006/EO and amending Regulations (EC) No.713/2009, (EC) No.714/2009 and (EC) No.715/2009 (Regulation (EU) No.347/2013) Bulgartransgaz EAD had submitted an investment request for cross-border cost allocation to the Energy and Water Regulatory Commission (EWRC), the energy regulatory authority of the Republic of Romania (ANRE) and the energy regulatory authority of the Hellenic Republic (RAE). The investment request is with outgoing No. 24-00-792 of 02.06.2021 and has been registered in the registry office of EWRC with incoming No. E-15-45-27 of 02.06.2021.

The following documents have been enclosed to the investment request: Project-specific cost-benefit analysis, prepared on the basis of the methodology in line with Article 11 of Regulation (EU) No.347/2013 taking into account the benefits beyond the borders of the Republic of Bulgaria; Business Plan assessing the financial viability of the project, including the selected financing option and a proposal on cross-border cost allocation envisaging the costs of the implementation of PCI 6.20.2 to be completely taken on by the Bulgarian transmission system operator – Bulgartransgaz EAD, with a percentage funded by the Connecting Europe Facility as well as documents on the organised consultations.

Regulation (EU) No.347/2013 addresses the identification of projects of common interest necessary to implement priority corridors and areas falling under the energy infrastructure categories in electricity, gas, oil, and carbon dioxide; facilitates the timely implementation of projects of common interest by streamlining, coordinating more closely, and accelerating permit granting processes and by enhancing public participation; provides rules and guidance for the cross-border allocation of costs and risk-related incentives for projects of common interest and determines the conditions for eligibility of projects of common interest for Union financial assistance. In the meaning of the definition under Article 2(4) of Regulation (EU) No.347/2013 ‘a project of common interest’ means a project necessary to implement the energy infrastructure priority corridors and areas and which is part of the Union list of projects of common interest.

In line with Article 3(4) of Regulation (EU) No.347/2013 the Commission shall be empowered to adopt delegated acts that establish the Union list of projects of common interest (‘Union list’). In this context, with Delegated Regulation (EU) No. 2020/389 the Project Chiren UGS Expansion (BG) under number 6.20.2. has been included in the list of the European Union) of common projects in section 6 „Priority Corridor Gas interconnections North-South in Central,

Eastern and South-Eastern Europe („NSI East Gas“), as part of cluster 6.20. To increase the storage capacity in South-Eastern Europe, including one or more of the following PCIs: 6.20.2. Chiren UGS Expansion (BG); 6.20.3. South Kavala underground gas storage and metering and regulating station (EL) and one of the following PCI: 6.20.4. Depomures underground gas storage, Romania; 6.20.6. Sarmasel underground gas storage, Romania.

PCI 6.20.2 is needed to achieve the objectives of NSI East Gas priority corridor - North-South connections between the gas transmission networks in Central, Eastern and South-Eastern Europe, with the main objective of increasing the security of supply and enhancing market competition and integration. PCI 6.20.2 „Chiren UGS Expansion (BG)“ on the Bulgarian territory falls into the scope of Annex II „Energy infrastructure categories“, item 2 (b) of Regulation (EU) No 347/2013, namely: underground storage facilities connected to the high-pressure gas pipelines mentioned in letter (a). In addition, pursuant to the requirements of Art. 4(2)(b) of the same regulation, the overall benefits of project implementation, assessed according to the specific criteria: market integration, security of supply, competition and sustainable development, exceed its costs.

According to Article 12(1) of the Regulation, the efficiently incurred investment costs for this project, excluding maintenance costs, shall be borne by the relevant TSOs or the project promoters of the transmission infrastructure of the Member States to which the project provides a net positive impact, and, to the extent not covered by congestion rents or other charges, shall be paid for by network users through tariffs for network access in that or those Member States. According to the provision of Article 12(3) of Regulation (EU) No.347/2013 when such a project has reached sufficient maturity, the project promoters, after having consulted the TSOs from the Member States to which the project provides a significant net positive impact, shall submit an investment request, that shall include a request for a cross-border cost allocation and shall be submitted to all the national regulatory authorities concerned, accompanied by the documents specified in para. 3 (a) (c). Pursuant to Art. 3(6) of Regulation (EU) 347/2013, the projects of common interest included in the Union list shall become an integral part of the relevant regional investment plans and of the relevant national Ten-Year Network Development Plans and such projects shall be conferred the highest possible priority within those plans. Within the meaning of the definition of Article 2(6)(a) of Regulation (EU) No. 347/2013, Bulgartransgaz EAD is the project promoter of PCI 6.20.2. and as such has submitted an investment request for cross-border cost allocation under the project to EWRC, ANRE and RAE - the regulatory authorities of the member states, to which the project provides a significant net positive impact.

According to Article 12(4) of Regulation (EU) No. 347/2013 after receiving the investment request, the national regulatory authorities shall hold consultations with the project promoters concerned and take coordinated decisions on the allocation of investment costs to be borne by each system operator for the project, as well as their inclusion in tariffs. In this respect, Recommendation No.05/215 of the Agency for the Cooperation of Energy Regulators (ACER) of 18 December 2015 states that when allocating costs and compensations between the parties involved in the project of common interest, the net positive impact of the project implementation on each of them should be taken into account. The net positive impact is considered to be significant in case it surpasses a materiality level of 10% of the amount of the net positive benefits of all parties involved with net benefits. According to the cost-benefit analysis carried out by Bulgartransgaz EAD (CBA), PCI 6.20.2. Will ensure net benefits, as follows: For the Bulgarian transmission operator and/or the Republic of Bulgaria in the tune of 70%, for the Romanian transmission operator and/or the Republic of Romania in the tune of 17,5%, for the Greek transmission operator and/or the Hellenic Republic in the tune of 8,2%, for the Serbian transmission operator and/or the Republic of Serbia in the tune of 3,9% and for the transmission operator of Bosnia and Herzegovina and/or the Republic of Bosnia and Herzegovina in the tune of 0,4%. At the same time, for the above-mentioned operators and/or states, PCI 6.20.2. Will not lead to any negatives – investment costs and compensations, since the costs linked with the implementation of the project will be fully borne by the Bulgarian gas transmission operator – Bulgartransgaz EAD.

PCI 6.20.2. shall ensure net benefits for the Romanian transmission operator and/or the Republic of Romania in the tune of 17,5% and shall not result in negatives – investment costs and compensations. In this regard, by letter Outgoing No.E-15-45-27 of 11.06.2021, EWRC had notified ANRE on the need for the two regulatory authorities to take coordinated decisions on the allocation of the investment costs for PCI 6.20.2. With a letter incoming No.E-12-00-328 of 09.07.2021, addressed to EWRC and Bulgartransgaz EAD, ANRE had expressed their full support for the project and agreement with the proposed cost allocation that are fully to be borne by the Bulgarian party. Concerning the project benefit allocation method ANRE believes that the approach adopted by Bulgartransgaz EAD for calculating the net benefits in line with the national consumption of the states that are close to the Republic of Bulgaria, particularly 17,5%, calculated for the Republic of Romania, must apply where the neighbouring countries have no natural gas resources. In this respect they add that the Republic of Romania covers its needs of natural gas almost completely using its own sources and has its own projects to increase the storage capacity of the underground gas storage facilities with almost 1 bcm/y. In addition, ANRE shares the Romanian transmission operator's view, SNTGN Transgaz S.A, submitted to Bulgartransgaz EAD with letter No.49266 of 30.06.2021 in accordance with the provision of item 1.3 of Recommendation 5/2015 of ACER and it does not consider appropriate the approval of a coordinated decision of the EWRC and ANRE on the cross-border cost allocation request, submitted by Bulgartransgaz EAD.

PCI 6.20.2. will ensure net benefits in the tune of 8,2 % and will not lead to any negatives – investment costs and compensations for the Greek regulatory authority and/or the Hellenic Republic. Thus, with letter No. E-15-45-27 of 18/06/2021, EWRC informed RAE on its understanding that these circumstances do not justify the need for a coordinated decision between the Bulgarian and Romanian regulatory authorities regarding the cross-border cost allocation of PCI 6.20.2. An electronic letter of 28 June 2021 has been received by EWRC from RAE, with which the Greek regulatory authority expressed their position regarding the need of making coordinated decisions by EWRC and RAE on the cross-border allocation of costs for PCI 6.20.2. In this context, at the initiative of ACER on 15 July 2021, a teleconference call has been arranged between experts of EWRC, RAE and representatives of ACER. According to the opinion expressed by RAE experts, taking into consideration the low liquidity level of the gas market in the Hellenic Republic, and the insufficiently developed wholesale short-term natural gas market, the Project will have a positive impact by improving the management of the portfolio of natural gas traders and also contribute to enhancing the security of supply to the Greek market. In addition, it is stated that currently the country does not have its own underground gas storage, although there is a planned construction of such facility in South Kavala. The representatives of ACER expressed the understanding that Recommendation No. 5/2015 is not binding and therefore the taking of a coordinated decision between EWRC and RAE under Project 6.20.2 is in compliance with the provisions of article 12(4) of Regulation (EU) No. 347/2013.

Project 6.20.2 envisages a total investment amount of EUR (...) thousand, VAT excluded. The cost-benefit analysis and the business plan have shown that in case PCI 6.20.2. will be financed with Bulgartransgaz EAD own funds, the Project will be commercially unviable. The Project may be realised with an option of up to (...) % financing of the eligible costs related to the construction of the infrastructure and own funds with EU grant under the Connecting Europe Facility (CEF). The value of the eligible investment costs for the implementation of the PCI 6.20.2. amounts to EUR (...) thousand, as the necessary co-financing to ensure the financial viability of the Project is in the tune of EUR (...) thousand under CEF and EUR (...) thousand provided by TSO own financing.

The project promoter, Bulgartransgaz EAD, provides for the costs of implementing PCI 6.20.2 to be allocated entirely at its expense. In order to ensure financial viability of the Project, Bulgartransgaz EAD considers that funding under CEF of up to (...) % of the eligible construction costs must be ensured.

Bulgartransgaz EAD investment request has been analysed by EWRC and RAE based on the criteria under Article 12(4) and (5) of Regulation No.347/2013 and the requirements of ACER Recommendation No. 05/2015. The results of the analysis and the conclusions of the national

regulatory authorities are reflected in the agreement reached between the regulatory authorities for the investment costs allocation under Project 6.20.2.

Apart from the above, given the sensitivity to significant changes in the tariffs for the activity “storage of natural gas”, the full inclusion of the Project costs in the tariffs will reduce the expected social and economic benefits for the Republic of Bulgaria, as a result it will be necessary to review the implementation of Project 6.20.2 in order to apply such deadlines for implementation and technical solutions that will not exceed the allowable amount of the final natural gas prices for certain periods of time.

Having regard to the above and on the basis of Article 12(4) of Regulation (EU) No.347/2013 of the European Parliament and the Council of 17 April 2013 on guidelines for trans-European energy infrastructure and repealing Decision No.1364/2006/EC and amending Regulations (EC) No.713/2009, (EC) No.714/2009 and (EC) No.715/2009 (Regulation (EU) No.347/2013)

ENERGY AND WATER REGULATORY COMMISSION

DECIDED TO:

1. Accept Agreement between the Energy and Water Regulatory Commission and the energy regulatory authority of the Hellenic Republic for the cross-border cost allocation for project of common interest 6.20.2 Chiren UGS Expansion (BG).

2. Determine for Bulgartransgaz EAD a cross-border investment cost allocation for projects of common interest 6.20.2 Chiren UGS Expansion (BG) on the Bulgarian territory in the amount of 100% or EUR (...) thousand, VAT excluded, where: (...) % of the total eligible investment costs for the construction shall be financed by grant aid in line with Regulation (EU) No. 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Connecting Europe Facility and (...) % of the total eligible investment costs for the construction by way of own resources.

3. In case Bulgartransgaz EAD shall not receive (...) % grant aid in line with Regulation (EU) No.1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, the conditions and terms of implementation of the project of common interest Chiren UGS Expansion (BG) on the Bulgarian territory shall be reviewed to allow a balanced impact of the project implementation on the natural gas access and storage tariffs in Chiren UGS to be achieved.

4. This Decision shall be communicated to the energy regulatory authority of Greece and the Agency for the Cooperation of Energy Regulators.

5. The cost allocation Decision shall be published.

The Decision may be appealed within 14 (fourteen) day term before Sofia Administrative Court.

PRESIDENT

Assoc. Prof. PhD Ivan Ivanov

CHIEF SECRETARY:

Rositsa Totkova