

Energy and Water Regulatory Commission (Bulgaria)
Regulatory Authority on Energy (Greece)

Energy regulators' joint decision on the approval of Daily Imbalance Charge Calculation Methodology for IGB

November 2022

I. Whereas:

1. On 17.07.2017, ICGB AD submitted to the Bulgarian Energy and Water Regulatory Commission (EWRC) and the Greek Regulatory Authority on Energy (RAE) an "Application pursuant to Art. 36 of European Parliament and Council Directive 2009/73/EC dated 13th of July 2009, concerning the general rules applicable to the domestic market of natural gas and the cancellation of Directive 2003/55/EC (Directive 2009/73/EC) on the Greece - Bulgaria Interconnection". Subsequently, two additional documents were filed to the National Regulatory Authorities (NRA): *"Unification of the assessment of the criteria for the granting of exemption after conducting the Market Test (Article 36.6)"*, which was sent in October 2017 after NRA requested further information, and *"Second unification of the assessment of the criteria for the granting of exemption after conducting the Market Test (Article 36.6)"*, submitted in April 2018.

2. On 29th of May 2018, EWRC and RAE (hereinafter referred to as the "Authorities") took a decision on the exemption of the Greece-Bulgaria Interconnection (IGB) from third party access, on regulated prices and on the separation of ownership for a period of 25 years, by adopting the common document titled "EWRC and RAE joint standpoint on an application for the exemption of ICGB AD", which document was stated in the Authorities' respective decisions № P-BO-1 dd. 29.05.2018 and 483/2018. Both decisions were notified to the European Commission.

3. On 25th of July 2018, the European Commission took a decision [C(2018) 5058 (final)] on the said exemption (hereinafter referred to as the "Commission's Decision").

4. On 8th of August 2018, the Authorities took a final decision on the exemption by adopting "A final joint decision of the Bulgarian Energy and Water Regulatory Commission and the Greek Regulatory Authority on Energy on an application for exemption sent by ICGB AD" (hereinafter referred to as the "Final Joint Decision") - a document jointly drafted by the Authorities, which amends the joint standpoint so as to reflect the Commission's Decision (EWRC Decision № P-BO-2 dd. 08.08.2018 and RAE Decision № 768/2018). The Final Joint Decision was amended by: EWRC Decision № P-BO-1 dd. 20.03.2020 and RAE Decision № 568 dd. 12.03.2020, which extended the Commercial Operation Date (COD) from 1st of July 2020 until 31st of December 2020 (target COD), but not later than 1st of July 2021; EWRC Decision № P-BO-1 dd. 20.05.2021 and RAE Decision № 424 dd. 13.05.2021, which extended the COD until 1st of July 2022; and EWRC Decision № P-BO-3 dd. 30.09.2022 and RAE Decision № 742 dd. 29.09.2022, which extended the COD until 1st of October 2022.

5. According to the Final Joint Decision, ICGB AD was granted an exemption for a period of 25 years, as from the Commercial Operation Date and at the terms and conditions set out in Section 4 of the Final Joint Decision from the provisions of: (i) Article 9 (separation of ownership); (ii) Article 32 (third party access) for the part of the capacity reserved through the Market Test and stated in the signed Advanced Reservation of Capacity Agreements; and (iii) Articles 41.6, 41.8, 41.10 (regulated prices) of Directive 2009/73/EC.

6. By EWRC Decision № CH-1 dd. 01.07.2022 and RAE Decision № 593 dd. 30.06.2022, the National Energy Regulatory Authorities of the Republic of Bulgaria and the Hellenic Republic approved a Final Joint Decision on the certification of ICGB AD as an Independent Transmission Operator.

7. In its letter with outgoing № IX-40 dd. 13.09.2022 (EWRC incoming № E-15-59-1014 dd. 14.09.2022 and RAE incoming № I-335723/14.09.2022), ICGB AD submitted for the Authorities' approval a "Daily Imbalance Charge Calculation Methodology for IGB" (hereinafter referred to as the "Methodology") as per Art. 20, para 1 of Commission's EU Regulation № 312/2014 dd. 26th of March 2014 related to the establishment of a Network Code on Gas Balancing of Transmission Networks (EU Regulation № 312/2014, Regulation). To this end, the company presented a draft of the Methodology updated in letter with outgoing № IX-108 dd. 30.09.2022 (EWRC incoming № E-15-59-1019 dd. 30.09.2022 and RAE incoming № I-336999/30.09.2022).

8. The Methodology defines the rules for the establishment of the daily imbalance, the derivation of the applicable price, as well as any necessary parameter.

9. The Methodology is applicable to the IGB's balancing zone which is included within the entry-exit points on the territory of the Republic of Bulgaria and the Republic of Greece.

10. According to Art. 22, para 3 of EU Regulation № 312/2014, in order to calculate the daily imbalance charge, ICGB AD will use the short-term standardized product transactions concluded on the trading platform of Balkan Gas Hub EAD. ICGB AD will enter into such transactions on the Balkan Gas Hub EAD trading platform with the purpose of taking balancing actions. The Methodology sets the small adjustment of art. 21 of the Regulation equivalent to 20 % of the weighted-average price of all transactions concluded for that day on the platform of Balkan Gas Hub, virtual trading point VTP Bulgaria. By letter with outgoing № E-15-59-1014 dd. 24.10.2022, the Authorities asked ICGB AD to provide a justification within the meaning of Art. 22, para 7 of EU Regulation № 312/2014. In this regard with letter outgoing № X-34 dd. 28.10.2022 ICGB states, that the value of the small adjustment reflects the need to strictly maintain a balance between entry and exit flow, which is imposed by the technical characteristics of the gas pipeline that lead to a very limited linepack. According to ICGB AD, a small adjustment of 20 % will achieve its main purpose of stimulating network users to balance their entry and exit flows, while it doesn't prevent the development of competitive markets, the entry of new market participants and cross-border trade. More specifically, the reasons which require of the small adjustment to be 20% are as follows:

- at the moment, there is no physical flow and no capacity products are offered at the point of interconnection with the Greek national gas transmission system;
- taking into account the technical characteristics of the gas pipeline, the input and output pressures and the signed Interconnection Agreements, the gas pipeline has a limited amount and flexibility of the linepack;
- according to the provision of art. 17, paragraph 2 of Commission's EU Regulation № 312/2014 the transmission system operator may not reject a nomination or renomination

of a network user only because the intended entry quantities of that network user are not equal to its intended exit quantities, which may cause serious imbalances in the gas pipeline and endanger its safe operation and integrity;

- the IGB operator does not have access to natural gas storage facilities and gas flows from two or more entry points, which would give flexibility to balance the gas pipeline;
- there is a limited number of users who are registered on the virtual trading point and could trade their imbalances;
- there are operational balancing accounts at the interconnection points and in case of submitted equal nominations at the entry and the exit points, network users will not realize imbalances;
- through its connection with the Trans-Adriatic gas pipeline, IGB connects two natural gas markets (Bulgarian and Italian), with a difference in the price levels of natural gas; at a low level of the small adjustment, this could create a profit margin for users that have a negative imbalance in IGB.

11. In the period between 11th of October 2022 and 25th of October 2022, the two regulatory authorities held a public discussion on the Methodology. In the course of this public discussion, EWRC received from Bulgargaz EAD a letter with outgoing № 34-00-3232 dd. 24.10.2022, stating that there is an inequality in the establishment of the small adjustment in the so proposed Methodology as compared to the EWRC approved Methodology of the other gas transmission operator in Bulgaria, Bulgartransgaz EAD. Bulgargaz EAD filed a request for the establishment of the same small adjustment in the Daily Imbalance Charge Calculation Methodologies. The Authorities reviewed the proposal submitted by Bulgargaz EAD and rejected it on the grounds of the arguments referred to in item I.10, since the two systems' topology differs greatly.

II. The Authorities have made a thorough assessment of ICGB AD's request for the approval of the IGB Daily Imbalance Charge Calculation Methodology and have reached the conclusion that:

1. The Methodology is in compliance with the requirements of Commission's EU Regulation № 312/2014 on the establishment of a network code on gas balancing of transmission networks, dated 26.03.2014.

2. The Methodology ensures the formation of non-discriminatory imbalance charges for the network users of the gas transmission network while creating incentives for the network users of IGB to balance efficiently their balancing portfolios.

3. The Methodology stimulates the network users to balance their incoming and outgoing quantities, does not prevent new participants from entering the market, does not obstruct the development of competitive markets, does not have a negative impact on cross-border trade and does not expose the network users to an excessive financial risk in terms of the daily imbalance charges.

4. The reasons for an increased small adjustment to 20% as set out by ICGB AD are well grounded.

III. Based on the aforementioned arguments, the regulatory authorities of the Republic of Bulgaria and the Republic of Greece have decided to:

Approve, within their powers, the Daily Imbalance Charge Calculation Methodology for IGB.

The IGB Daily Imbalance Charge Calculation Methodology shall be published on the webpage of ICGB AD. Any amendment to this Methodology shall be approved by the National Regulatory Authorities of the Republic of Bulgaria and the Hellenic Republic and shall be promptly published on the website of ICGB AD.