



STATE ENERGY REGULATORY COMMISSION - BULGARIA

ENERGY LEGISLATION

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Commissioner

May 18-25, 2002

Newark, New Jersey – Washington, DC, U.S.A.



The SERC regulates the prices in the energy sector:

- Prices at which producers, transmission enterprises and distributors sell electric power;
- Prices at which producers and transmission enterprises sell heat;
- Prices at which transmission enterprises and distributors sell natural gas;





The SERC regulates the prices in the energy sector:

- Prices and tariffs for electricity and natural gas transmission over the transmission and distribution networks and of heat over the heat transmission system;
- Prices and tariffs of connection to the respective networks;
- Natural gas storage prices and tariffs.



The SERC grants permits for:

- Construction of new and extension of existing energy facilities for electric power generation exceeding 5 MW, and for heat generation exceeding 1 MW;
- Construction of new heat and gas transmission networks;
- Construction of new gas distribution networks;
- Construction of natural gas storage facilities;





The SERC grants permits for:

- Construction of direct power lines and gas pipelines;
- Construction of transit gas and oil pipelines across the territory of the country;
- Decommissioning of energy facilities.



Bidding is the only way to select an investor for construction of:

- New generation capacities exceeding 25 MW;
- New heat transmission systems;
- New gas distribution networks;
- Natural gas storage facilities.



Licences are granted by the SERC for:

- Generation of electric power and/or heat;
- Transmission of electric power, heat and natural gas;
- Distribution of electric power and natural gas;
- Storage of natural gas;





Licences are granted by the SERC for:

- Transit transmission of natural gas or oil;
- Licences for transmission of electric power, heat or natural gas, and licences for distribution of electric power or natural gas are granted to legal entities registered in conformity with the Commerce Act;





Licences are granted by the SERC for:

- A licence for electric power or natural gas transmission is granted to one single person.
- For a delimited area, one single licence is granted for distribution of electric power or natural gas within the boundaries of such delimited area.
- No licensing is required:
 - a) for generation of electric power not exceeding 5MW;
 - b) for heat generation by heating plants of capacity not exceeding 1MW;
 - c) for generation of heat for auxiliary consumption.



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The SERC controls in compliance with the conditions of the licences granted:

- refusal of connection to the respective power systems;
- refusal to conclude contracts for sale of electricity, heat and natural gas;
- refusal of access to the power and natural gas transmission and distribution networks, and to the heat transmission systems.
- whenever a breach of licence conditions is established as a result of the control, the Commission issues mandatory instructions for its remedy within time limits to be set by it. In the event that these instructions are not complied with, the SERC imposes the penalties provided by the ***Energy and Energy Efficiency Act*** which may include revocation of the licence.

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Secondary Legislature in the work of the SERC:

- **Ordinance of the Terms and Procedures for Granting Permits and Licenses for the Execution of Activities in the Electric Power Sector;**
- **Ordinance of Formation and Application of Electric Energy Prices and Tariffs;**
- **Ordinance of Formation and Application of Heat Energy Prices and Tariffs;**
- **Ordinance of Formation and Application of Natural Gas Prices and Tariffs;**





Secondary Legislature in the work of the SERC:

- Ordinance of the Terms and Procedure for Access of Eligible Customers and Independent Producers to the Electricity Transmission and Distribution Networks;
- Ordinance of the Terms and Procedure for Providing Access to Gas Transmission and/or Distribution Networks to Eligible Customers and Gas Producers.



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Regulatory framework development on the background of the Energy Strategy and the preparation of the new Energy Law:

- Revision of the existing regulatory framework in the permits and licenses areas, price regulation aiming at achieving the main objectives of the Energy strategy, and harmonization with EU legislation and practice;
- Revision of the existing technical regulatory legislation and preparation of the necessary draft projects of legal acts, methods and models, including:
 - a) common technical regulatory framework;
 - b) network working standards;



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- c) introduction of maintenance quality stimulation;
 - d) service quality control;
 - e) energy capacities planning;
 - f) network overloading and losses.
- Development of a new regulatory framework for step-by-step free access introduction to the network, including:
 - a) common free access problems;
 - b) future Bulgarian electricity market model;
 - c) achieving electric power balance;
 - d) electric power and natural gas cross-border trade;
 - e) free access retail problems;
 - f) transmission and system service price formation;

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- Revision and introduction of new pricing methods by reviewing the approved legislative documents of formation and application of electric power, natural gas, and heat energy prices, aiming at introducing of encouraging regulation, and at providing transparency and non-discrimination.
- Analyzing the information gathered in order to assess the economically justified costs of the prices proposed by the energy enterprises – improvement of the ordinances, including:
 - a) defining factors for increasing the network productivity and retail;
 - b) regulatory and accounting framework synchronization;
 - c) rate of return assessment;

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d) capital costs assessment;

e) investment control;

f) economic aspects of the free access:

- transmission and retail price formation;

- stranded costs.

- The SERC training needs:

- a) pricing methods application;

- b) quality control of the technical and legal aspects of licensing implementation;

- c) legal defense in situation of legal disputes.

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