



CURRENT PROFILE OF SCEWR

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LEGAL FRAMEWORK

- Energy Act – SG, 107/ December 9, 2003;
- Amendments of the Energy Act – SG, 74/ September 8, 2006;
- Act for regulation of water distribution and waste water systems - SG, 18/ February, 25, 2005;
- Regulation of licensing in the energy sector;
- Regulation of pricing of electricity, natural gas, and thermal energy;
- Regulation of long-term levels, standards, and process for setting annual targets for quality of clean water and waste water systems;
- Regulation of prices for water distribution and waste water services;
- Regulation and registration rules for experts monitoring water and waste water companies.



STATUS OF ENERGY SECTOR

Restructuring:

- Complete vertical disintegration of the energy sector in 2000;
- Establishment of plant-level production entities, 7 regional companies and NEC SA. in 2000;
- Clustering of the electricity distribution sector through package-based privatization of the 7 regional companies in 2004;
- AE sets limitations for the number of activities and the number of licenses for natural monopolies;
- There are no legal barriers (except the ones mentioned above) to clustering corporate structures within the energy sector.



RESTRUCTURING AND SEPARATION OF NATURALLY MONOPOLIST STRUCTURES

- Requirements of EO Directive 2003/54 on the General Rules for Domestic Market and EO Directive 2003/55 on the General Rules for Domestic Markets for Natural Gas.
- Subjects of restructuring:
 - NEC SA;
 - Electricity distribution companies;Accounting, legal, and organizational separation of transmission and distribution networks and introduction of requirements for independent operators.
- This will lead to:
 - An environment for effective regulatory control;
 - Clear and transparent environment for network access;
 - Limit possible frauds from natural monopolists.



PRIVATIZATION

Over 66% of the assets set for privatization are already privatized, including:

- The electricity distribution sector is completely privatized;
- Around 91% of the auxiliary and renovation activities;
- Over 42% of the electricity distribution companies (EDC);
- Currently the Thermal Power Plant (TPP) Varna;
- The most significant privatization deal in the energy sector is for the 7 EDC in 2004.

ECD package

North-east Bulgaria

140.70 mln. €

ECD package

West Bulgaria

281.50 mln. €

ECD package

South-east
Bulgaria

271 млн. €



STATUS OF ELECTRICITY MARKET

The commission adopted rules for liberalization of the electricity market and technical standards for the networks in 2004.

- Rules for access to electricity transmission and distribution networks;
- Rules for trading electrical power;
- Rules for management of electrical power systems;
- Rules for management of distribution networks;
- Rules for metering;



STATUS OF ELECTRICITY MARKET

Currently there are two parallel segments in the electricity market – a market with regulated pricing and market with unrestricted pricing.

Regulated market:

- NEC – public utility - 1;
- public distributors - 8

Liberalized market:

- electricity trade operator - 1;
- registered trade participants - 26;
- producers - 6;
- consumers – 14;
- traders - 5;
- NEC – public utility - 1;

Liberalization of the market as of June 2006 - 25%



UPCOMING REFORMS

Before 2007:

- Development of the domestic electricity market:
 - from 01 July 2006 to 31 December 2006 – introducing the right to choose a supplier for consumers of over 9 GWh;
 - from 01 January 2007 to 30 June 2007 – introducing the right to choose a supplier for all non-residential consumers;
 - from 01 July 2007г. – introducing the right to choose a supplier for all Bulgarian consumers.
- Development of the wholesale market (developed network of national suppliers).

After 2007:

- lift NEC's monopoly over import and export;
- develop liquid wholesale market (energy exchange market);
- synchronized development and unification of national, regional and European energy markets.



DEVELOPING A LEGAL FRAMEWORK CONSISTENT WITH THE AMENDMENTS IN THE ENERGY ACT FROM SEPTEMBER 2006

Commission Responsibilities:

- Adopts rules for the end suppliers of electricity and natural gas as part of regulating the electricity and natural gas markets;
- Reviews reimbursement claims submitted by energy companies for expenses, which are unrecoverable or associated with imposed restrictions, and regulates their size and method of reimbursement;





STATE COMISSION ON ENERGY AND WATER REGULATION (SCEWR)

- Sets the availability of electricity production, based on which every producer is required to sign agreements with end suppliers and/or the public utility;
- Provides European Union institutions with information required by the EU legislation (after the start of Bulgaria's EU membership);
- In accordance with its rights and responsibilities and with the EU legislation, the Commission submits to relevant EU institutions requests and notifications for temporary waiving of the EU regulations and transitional periods as provided in the EU legislation (after the start of Bulgaria's EU membership);



WHEN CARRYING OUT ITS REGULATORY RESPONSIBILITIES THE COMMISSION IS LEAD BY THE FOLLOWING PRINCIPLES:

- Prevent restrictions and violations of fair competition in the energy market;
- Balance the interests of energy companies and consumers;
- Provide a level playing field for different types of energy companies and different consumer groups;
- Provide incentives to raise efficiency of regulated energy companies;
- Provide incentives for the development of a competitive energy market where possible.



THE COMMISSION REGULATES THE PRICES:

- At which the public utility sells electricity to consumers connected to the distribution network and to the distributing company to cover additional distribution costs;
- At which the public utility sells electricity to public suppliers, to consumers connected to the distribution network and to the distributing company to cover additional distribution costs;
- At which the public utility sells to end suppliers the electricity purchased by producers.



- At which the end suppliers sell electricity and natural gas to residential consumers and to businesses with less than 50 employees and annual turnover of less than 19.5 Million BGL;
- For access to the transmission and distribution networks.

ACTIVITIES SUBJECT TO LICENSING:

- Supplying electricity or natural gas from end suppliers;
- Management of the electricity system;
- Distribution of traction electricity on the rail transportation distribution network;



TRADE RELATIONS AND PARTIES TO ELECTRICITY TRADE AGREEMENTS

- Consumers, including privileged consumers;
- End supplier;
- Electricity system operator;
- End suppliers provides supply of electricity with certain quality and reliability to residential consumers and businesses with less than 50 employees and annual turnover of up to 19.5 Million BGL as specified in the rules in правилата по article 21, section 1, item 7 a;
- End suppliers purchase electricity produced from RES and high efficiency combined production of electricity and thermal energy from producers connected to the distribution network;



STATE COMISSION ON ENERGY AND WATER REGULATION (SCEWR)

- Producers, traders, the public utility, public suppliers, end suppliers of electricity, and privileged consumers may sign agreements with local parties from EU member countries or from a country, which has a signed agreement with Bulgaria based on an international agreement or an agreement of the European Community:
 - When the legislation of the other country has adopted the right of free trade of electricity for producers, traders, the public utility, public suppliers, the end suppliers, and privileged consumers; and
 - When under the reciprocity of legislation with the other country free trade of electricity is allowed for privileged consumers;



STATUS OF NATURL GAS SECTOR

The gas distribution network is 870 km long, diameter - 40 and 27 inches and branches of 950 km with diameter of 4 to 20 inches.

Distribution networks are with diameter of 2 to 12 inches and are 1750 km long spread through the territories of 44 municipalities and 5 established regions.

Based on the business plans of distribution companies by (year) 2010 the length of the distribution network will reach 2100 km.



In 2005, the consumption of natural gas in Bulgaria was 3223 million meters³; the market share of Bulgargas SA (public utility) is 94.9%.

The local gas production is about 16% of consumption and the increase of production is due to the development of the Galata Gas Production Facility; in 2005, 528 million m³ of gas was produced.

226 million m³ of natural gas was sold in 2005 by gas distribution companies.



Development of natural gas consumption in the country:

In 2005, 3.2 billion m³; as of 2010 – 3.9 billion m³ and 2015 – 4.6 billion m³.

The market for privileged consumers is 85% liberalized and is in accordance with EU Directive 2003/55.

17 privileged consumers with consumption of more than 20 million m³.

4 consumers have developed co-generation capacities; additional 18 are currently in development.

11 privileged consumers have their own gas-station for compressed natural gas.

Residential consumers are expected to reach 67 000 by 2010.



Based on the business plans of distribution companies, the consumption of natural gas is expected to reach 508 million m³ by 2010.

The development of the market is impacted by the search for alternatives to supply and the integration of national transmission networks with other transmission networks.

The unbundling of Bulgargas operations into supply, transmission, and storage will create an environment for new trading businesses.



STATE COMISSION ON ENERGY AND WATER REGULATION (SCEWR)

- Licenses – SCEWR issued licenses for distribution of natural gas and public supply to 44 gas companies. Licenses were issued for “distribution of natural gas” and for “public utility” for the autonomous regions Danube and Thrace.
- Price regulation – SCEWR set natural gas prices for sale by the gas-transmission and gas-distribution companies for each quarter of 2005.
- Supervision – 9 regular and 2 special oversight visits were conducted in 2005.
- Legislation – In accordance with the EU Monitoring Report on Bulgaria and the provided guidelines, SCEWR and the Ministry of Economy and Energy (MoEE) were involved in the development an Amendment to the Energy Act.



➤ Development trends and liberalization of the natural gas market.

- According to the Bulgarian Energy Strategy adopted by the Government, Directive 2003/55/EC, and Directive 2004/67/EC, in 2005, the natural gas market was moving towards liberalization and enabling the development of new gas distribution networks.

➤ Conduct competitions for licensing. According to the Bulgarian Energy Strategy, the gas sector will develop towards “creating a low-pressure natural gas market and introduction of gas in households as a competitive alternative of other energy sources”.

During the reporting period, SCEWR conducted competitions and announced license recipients for regions Thrace, Danube, and West, and launched a competition for Kostinbrod municipality.



STATUS OF THE HEATING ENERGY SECTOR

Companies in the heating energy sector - 37 in total, including:

➤ **Based on type of heating capacity:**

- ✓ **Residential heating: - 23**
- ✓ **Industrial (plans): - 14**

➤ **Based on ownership type:**

- ✓ **Private ownership – 26**
- ✓ **Public ownership – 8**
- ✓ **Joined – 3**



COMPANIES IN THE HEATING ENERGY SECTOR

Negotiated (included) heating capacity:

- In heating energy companies: 7 240.315 MW
- In industrial companies and central plants: 440.586 MW

Sale and delivery of heating energy in 2005:

- From heating energy companies: 6 745.221 GWh
- from industrial companies and central plants: 6 554.223 GWh



COMPANIES IN THE HEATING ENERGY SECTOR

Installed capacities for combined production of electrical energy:

- Before 2003 – 1 794 MW (in 22 companies)
- After 2003 – 27.3 MW (in 3 companies)
- Stated plans for project development – 55 MW (in 3 companies)

Total sale of combined electricity in 2005:

3 614.630 GWh



“ECONOMIC ANALYSES” DEPARTMENT

Takes part in the development of pricing guidelines for energy companies, and water & waste-water (W&WW) companies in accordance with the AE and the Water & Waste-Water Regulation Act (WWRA);

- Introduced a unified system of accounts, which provides a standardized approach in reporting and accounting for all companies in the heating energy and the natural gas sector;
- Developed a methodology for setting the required turnover capital for energy companies and W&WW operators;
- Developed a methodology for calculating the rate of return on capital for energy companies and W&WW operators;
- Developed financial analyses of the success and the current financial status of energy companies and W&WW operators as of 31 December 2005;
- Reviews presented by energy companies and W&WW operators business plans and prepares statements on the relation between current financial status, investment plans and expected economic outcomes;
- Analyzes and monitors the regular financial reporting of energy companies and W&WW operators;
- Participates in commissions for licensing competitions for natural gas distribution in autonomous regions.



CUSTOMER SERVICE AND COMPLAINTS DEPARTMENT

Developed internal rules and procedures for processing customer complaints and voluntary settling of disputes;

- Participates in the analysis of the general agreement rules proposed by energy companies and W&WW operators as provided by the EA and WWWRA;
- Developed and currently maintains a data base of complaints and information, including a registry of complaints and a registry of voluntary settled disputes;
- Participates in control visits based on customer complains or signals and in voluntary settling of disputes as provided in the AE;
- Prepared reports on all received by SCEWR complains and agreements for voluntary settling of disputes for 2005;
- Created and equipped a special customer service office;
- Created a customer hotline;
- Maintains a SCEWR website with information on the rules and procedures regarding customer complaints and customer service;
- Participates in the development of information brochures with answers to FAQs.



WATER REGULATION

The Water and Wastewater Regulation Act adopted in 2005 and the amendments to the Energy Act transformed the State Commission on Energy Regulation into a State Commission of Energy and Water Regulation (SCEWR).

The changes of the Rules & Regulations of SCEWR lead to the joining of 6 new members – one deputy chair and five members.

A new W&WW Services Directorate was created with two bureaus – Supervision and Pricing.

W & WW SERVICES DIRECTORATE DEVELOPED:

- Regulation for the pricing of water and wastewater services
- Regulation for the long-term levels, requirements, and procedures for the setting of annual target levels for W&WW service quality;
- Regulation for the requirements and procedures for registration of experts monitoring W&WW operators;
- Rates for the fees collected by SCEWR as provided by the W&WW Regulation Act.



WATER REGULATION

After the Council of Ministers adopted the regulations in 2006, special guidelines were developed for:

- Pricing of water and wastewater services based on standard rates of return on capital and the content of the information required for pricing;
- Enforcement of the Regulation for the long-term levels, requirements, and procedures for the setting of annual target levels for W&WW service quality;
- Format and content of information required for development of business plans for W&WW operators.

During the third quarter of 2006 the Commission adopted the general conditions for 55 W&WW operators and launched a process of approving business plans and setting prices for the W&WW sector.



**THANK YOU FOR YOUR
ATTENTION!**

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