



**PROJECT FOR DEVELOPMENT AND EXPANSION OF
THE GAS TRANSMISSION SYSTEM OF
BULGARTRANGAZ EAD**

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PROJECT FOR DEVELOPMENT AND EXPANSION OF THE GAS TRANSMISSION SYSTEM OF BULGARTRANGAZ EAD

- **Bulgartransgaz EAD** is owner of the Bulgarian gas transmission system;
- **Bulgartransgaz EAD** is certificated as a **ITO**;
- Bulgarian gas transmission system transits natural gas quantity to gas consumers in the country and a transit of natural gas to **Turkey, Greece, Romania** and **North Macedonia**;
- The main natural gas quantity in Bulgaria comes from Russia via Ukraine and Romania;





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- Bulgartansgaz EAD started project for incremental capacity in regards to the so called project: **“Turkish stream”** on the territory of Bulgaria.
- Bulgartransgaz EAD named this project: **Expansion of the gas transmission infrastructure of Bulgartransgaz EAD.**
- Within the period July 21, 2017 - August 21, 2017, Bulgartransgaz EAD conducted a market survey on the demand for incremental (new) gas transmission capacity, Open Season, **Phase 1** (nonbinding forecasts on the demand for incremental capacity to/from the neighboring market areas), to assess the need for development and expansion of the Bulgarian gas transmission infrastructure to the neighboring market areas.



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- The company has informed all interested parties that **Phase 1** has been launched by publishing a notice on its website.
- Applications were received from three users.
- Within this **Open Season Procedure** the binding allocation of incremental capacity from the border with Turkey (physical entry) to the border with Serbia (physical exit), where for realization of the physical flow the following new and existing Bulgartransgaz EAD infrastructure will be used:
 - From the **Bulgarian - Turkish** border to CS Strandzha - a new gas pipeline of 11 km length and 7,5 MPa operating pressure, where next to the existing CS Strandzha GMS Strandzha for commercial metering shall be constructed;



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- From CS Strandzha to CS Nova Provadia - existing infrastructure of 155 km length and 5.4 MPa operating pressure functioning in reverse mode. In the region of CS Lozenets, connection with GMS Lozenets is foreseen;
- From CS Nova Provadia to the border with the Republic of Serbia, a new gas pipeline of 484 km length and 7,5 MPa operating pressure (to be constructed);
- Two new compressor stations - CS Nova Provadia close to the existing CS Provadia and CS Rasovo located at about 400 km from CS Provadia (to be constructed).





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- In the period March 27, 2018 - April 27, 2018, Bulgartransgaz EAD carried out **Phase 2 of the Open Season Procedure** (non-binding requests for incremental capacity).
- On the basis of requests received from five potential network users within Phase 1 and Phase 2, as well as the pre-investment and technical surveys executed in coordination with the neighboring TSOs/project companies, the potential projects for incremental capacity were identified, which require expansion of the existing Bulgartransgaz EAD infrastructure, respectively the necessity of conducting binding capacity allocation procedure including an economic test and taking a final investment decision.
- Bulgartransgaz EAD has **submitted for approval to EWRC "Binding Rules for the Open Season Procedure" - Phase 3.**



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- Up to 90% of the technical capacities shall be allocated on the long-term basis according to the Binding Rules.
- Firm capacities on a short-term basis, long-term and short-term interruptible capacities and long-term and short-term capacities for reverse commercial transport (backhaul) for these points shall be allocated by Bulgartransgaz EAD at **regular auctions on the Capacity Booking Platform**, according to NC CAM in line with the auction calendar as prepared by ENTSOG.





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- The amount of the **Offered Capacity**, the start date of its availability and the initially calculated reference prices are the following:

| IP Strandzha 2/Malkoclar: | |
|--|--------------------------------------|
| Number of the offered gas years | 15 |
| Amount of the Offered Capacity in Phase 3 of the Open Season Procedure | 510 688 800 (kWh/d)/y |
| First availability | 1 January 2020 |
| Flow direction | From Turkey to Bulgaria |
| Minimum capacity for booking - Unit | 10 000 (kWh/d)/year |
| Reference price | 322.44 BGN/MWh/d/year (VAT excluded) |

| IP Kirevo/Zaychar: | |
|--|--|
| Number of the offered gas years | 15 |
| Amount of the Offered Capacity in the Phase 3 of the Open Season Procedure | 113 970 000 (kWh/d)y as of 01.01.2020 until 01.10.2021 355 680 000 (kWh/d)/y – as of 01.10.2021 |
| First availability | 1 January 2020 |
| Flow direction | From Bulgaria to Serbia |
| Minimum capacity for booking - Unit | 10 000 (kWh/d)/year |
| Reference price | 542.97 BGN/MWh/d/year (VAT excluded) |



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- The amount of the F-factor is **set at 0.9** and complies with Regulation (EU) 2017/459 with a minimum of 10% of the proposed interconnection point capacity to be offered on a short-term basis.
- The binding rules provide for an **economic test in three phases**.
- In case of a negative phase 1 test, Bulgartransgaz EAD has the right to change the following parameters: the reservation price and/or the size of the offered capacity and/or the term for the reservation of capacity. In the case of a Phase 2 negative result, Bulgartransgaz EAD is entitled to change the same parameters in order to successfully carry out an economic test by conducting Phase 3. In case Phase 3 of the economic test has a negative result, Phase 3 shall be terminated.





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- In connection with the "Binding Rules for the Open Season Procedure - Phase 3" submitted for approval, EWRC approved the following documents for Bulgartransgaz EAD:
 - **OPEN SEASON PHASE 3 BINDING RULES** for „Project for development and expansion of the gas transmission system of Bulgartransgaz EAD“;
 - **METHODOLOGY ON SETTING THE BOOKING PRICES.**
 - In addition, EWRC has approved Bulgartransgaz EAD:



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- Required annual revenues from the realization of the added capacity allocated in Phase 1 of the economic test of the Open season procedure for the Bulgartransgaz EAD Gas Transmission System Development and Extension Project, amounting to **BGN 329 331 thousand**, with a factor of allocation of required revenue related to **F-factor of 0.9**;
- Pre-tax return on capital applicable to the various stages of the economic test of the Open season procedure, amounting to **8.86%**.



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- The results of the **Phase 1** and **Phase 2** economic tests were negative.
- **Phase 3** of the market test of the Bulgartransgaz EAD gas transmission and development project has been **successfully completed with the following parameters:**



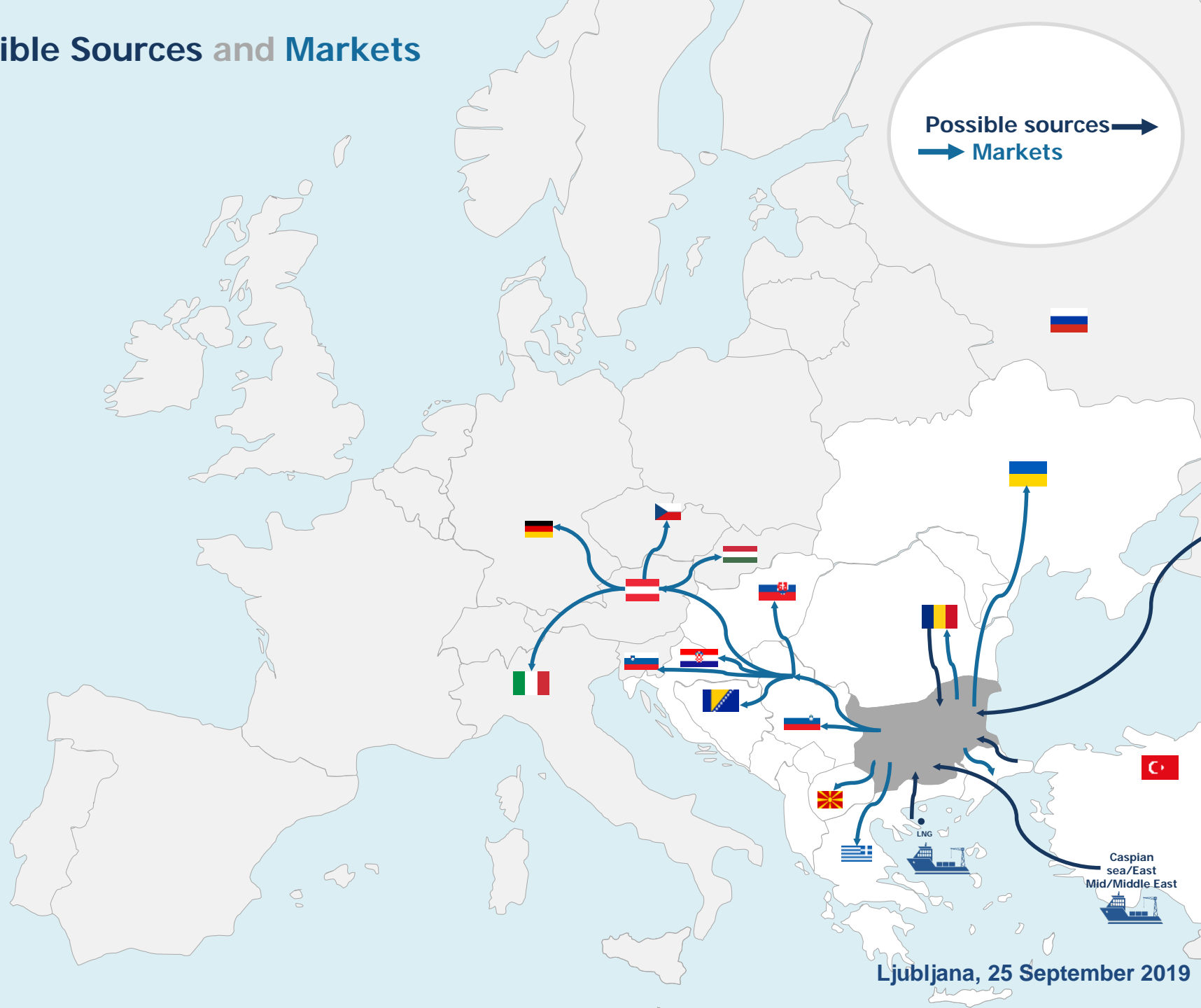


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| IP Strandzha 2/Malkoclar: | |
|--|--------------------------------------|
| Number of the offered gas years | 20 |
| Amount of the Offered Capacity in Phase 3 of the Open Season Procedure | |
| - From 01.01.2020 to 30.09.2021 | 289 524 800 (kWh/d)/y |
| - After 30.09.2021 | 510 688 800 (kWh/d)/y |
| Flow direction | From Turkey to Bulgaria |
| Reference price | 344.25 BGN/MWh/d/year (VAT excluded) |

| IP Kirevo/Zaychar: | |
|---------------------------------|--------------------------------------|
| Number of the offered gas years | 20 |
| Amount of the Offered Capacity | |
| - From 01.01.2020 to 30.09.2021 | 96 886 000 kWh/d/y |
| - After 30.09.2021 | 318 0680 000 kWh/d/y |
| Flow direction | From Bulgaria to Serbia |
| Reference price | 584.69 BGN/MWh/d/year (VAT excluded) |

Possible Sources and Markets





**Thank you for your
attention!**



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