

RES PPAs in Bulgaria and how to stimulate investment in RES generation



State Aid for RES Generation and Future Development

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Long-term PPAs at preferential prices set by the EWRC - state aid which facilitated the construction of a great amount of large-scale renewable power plants

Replacement of the PPAs with Contracts for Compensations with Premiums with the Electricity System Security Fund

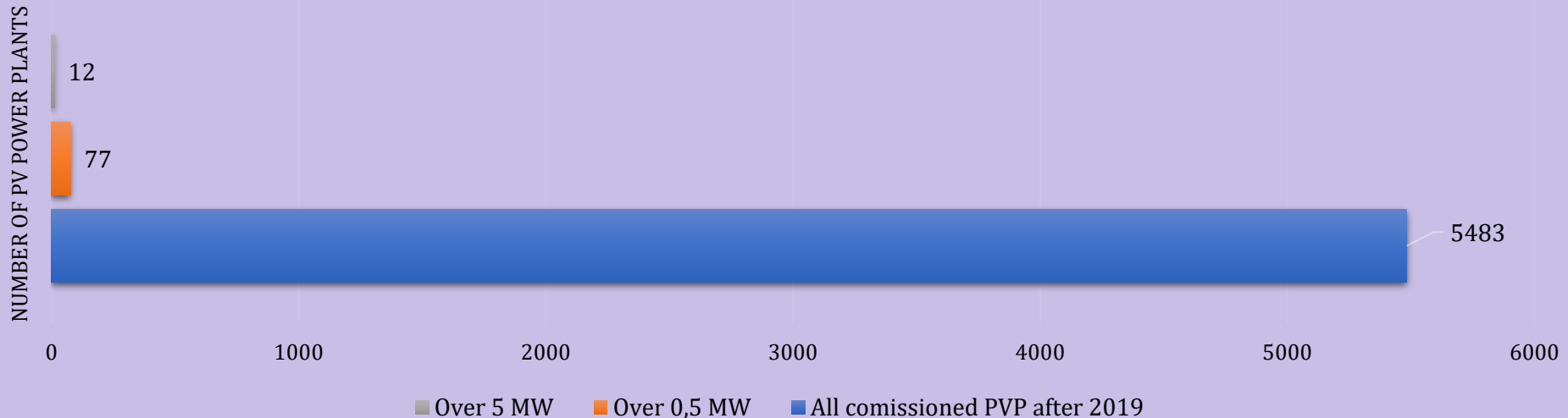
New Feed-in tariff applicable only to rooftop plants with total installed capacity up to and including 30 kW

Call for alternative methods of financing due to the lack of investment or operational financial state support

Bulgarian electricity market in terms of long-term PPAs

Mandatory transactions at freely negotiated prices on IBEX – an exception for producers of electricity from RES with works commissioned into operation after January 01, 2019

PVP commissioned after January 01, 2019



Bulgarian electricity market in terms of long-term PPAs

A trading screen for ultra long-term products to be launched by IBEX

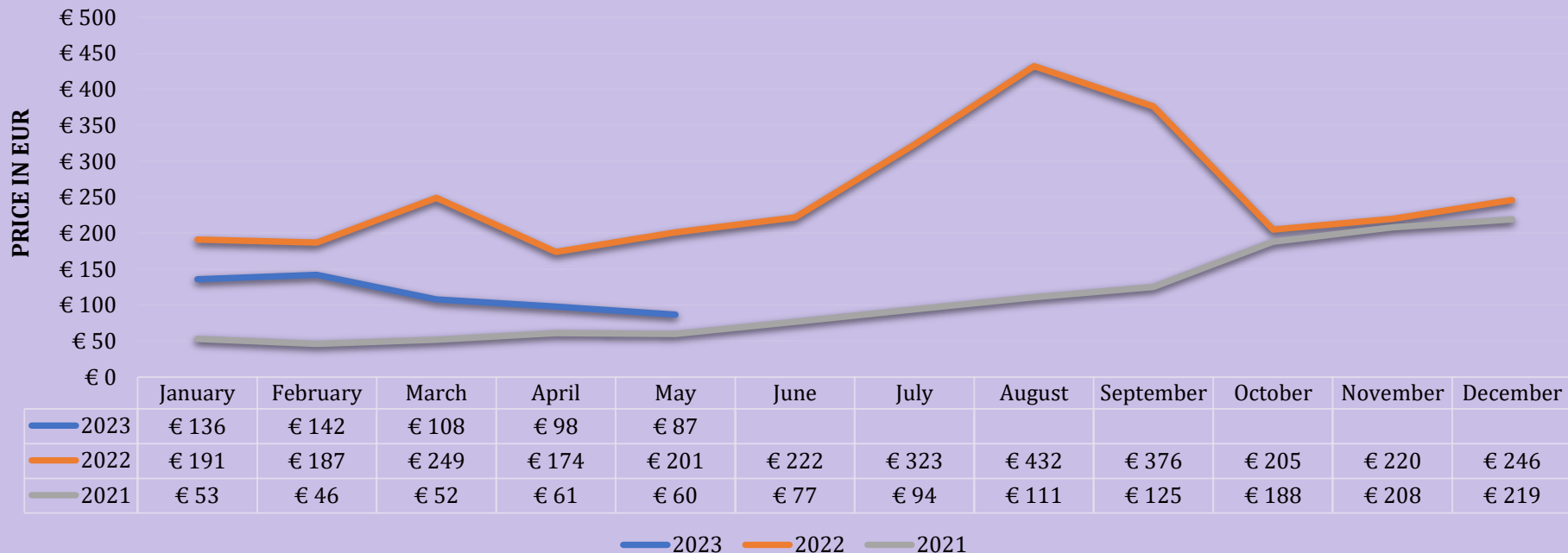
Participants: renewable energy producers, energy traders and corporate offtakers

Role of IBEX: to offer the screen on which sellers and buyers meet



Bulgarian electricity market in terms of long-term PPAs – Energy Prices

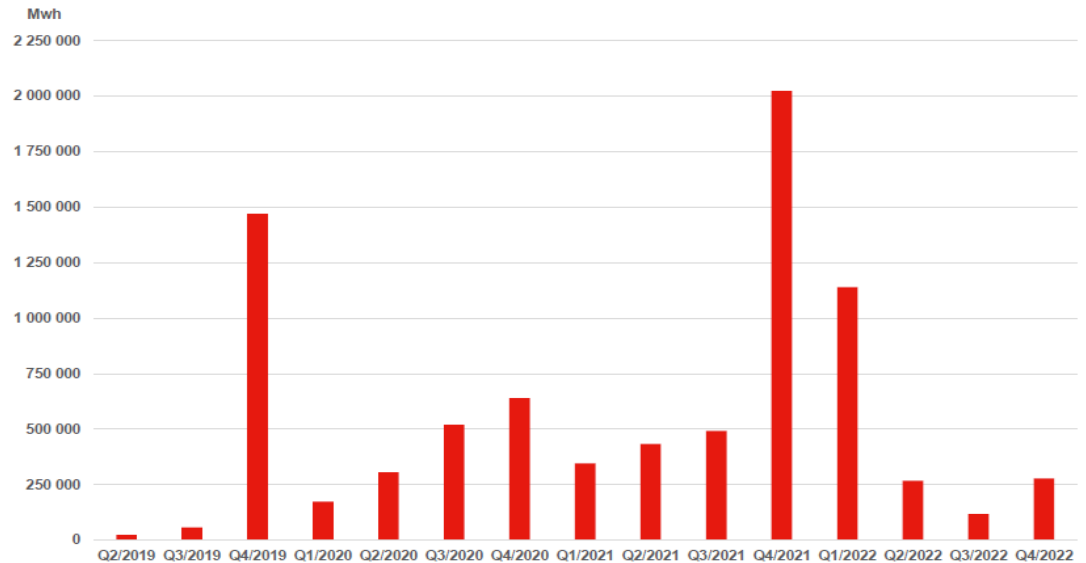
Average baseload electricity price on Day Ahead Market Segment by months for 2021, 2022 and 2023 in EUR



Bulgarian Power Futures

- ❑ No local risk hedging infrastructure
- ❑ Trading in Bulgarian power futures on the European Energy Exchange AG, the transaction being cleared by European Commodity Clearing AG
- ❑ Need of standardization and better risk management products

EEX-PXE Bulgarian Power Futures
Volume Development 2019 – 2022 (single-side)



Internal © EEX AG, 2022

Internal

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Project Financing

- ❑ Main challenges - access to finance and ensuring bankability of the new projects
- ❑ Long-term PPAs provide the necessary predictability for the lender and significantly reduce the credit risk
- ❑ Call for a reputable and financially strong counterparty as a buyer
- ❑ Government guarantees to be developed to facilitate project financing
- ❑ Grid connection to be secured



To be further taken into account

- ❑ Balancing Responsibility - volume imbalances to be managed via 'sleeving contracts'
- ❑ Guarantees of Origin – an integral component in a PPA; SEDA is not yet a member of the AIB
- ❑ Incentives – “obligation to society” price is not due for the quantities of electricity purchased with a bilateral transaction and produced by a RES facility commissioned after November 01, 2019



Actions to be taken at state level in the view of developing the PPA market

- ❑ Policies and measures to be developed to facilitate the entry regime for corporate PPAs
- ❑ Information campaign to be conducted
- ❑ Standard contract incorporating the specifics of the Bulgarian market to be prepared
- ❑ The commissioning and permit-granting process to be facilitated
- ❑ The process of SEDA becoming a member of the AIB to be completed
- ❑ A risk mitigation credit product to be prepared
- ❑ A risk hedging infrastructure to be created



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Questions &
Answers

