

Bulgarian Federation of Industrial Energy Consumers (BFIEC) calls on the Commission for Energy and Water Regulation (KEVR) to investigate free market transactions due to suspicions of non-market behavior. The association insists on implementing urgent measures on the electricity market to ensure its functioning.

According to the association, most trading is currently done in the day-ahead (DAM) and intraday (IDM) markets of the IBEX stock exchange, which are generally intended for short-term trading. Transactions for the purchase and sale of standardized block products (monthly, quarterly, semi-annually and annually, are not so common. However, in many cases, there is a suspicion that these transactions were concluded after preliminary agreements.

An example of this is the contract concluded on 16 July 2020 on the centralized market for bilateral contracts, for the purchase of a base load of 50 MW for the fourth quarter of 2020. The transaction price was 39.9 euros/ MWh, which is significantly lower than the weighted average price on day-ahead for the fourth quarter of 2019 of 47.2 euros/MWh. The price at which futures for the delivery of the base product were traded on the same day in the fourth quarter of 2020 on the European Energy Exchange (EEX) was 48.95 euros/MWh. In addition, on the same date, Hungarian futures for the fourth quarter of 2020 were traded at a price of 49.08 euros/MWh. Numerous objections have been addressed to the regulator regarding this transaction and it was soon announced that the seller was Toplofikatsiya Sofia.

Somewhat later, on 25 September, also on the centralized market for bilateral agreements, a transaction was concluded for the purchase of a base load of 100 MW for the fourth quarter of 2020 at a price of 47 euros/MWh. The price of this transaction is comparable to the movement of futures for the delivery of the base product in the fourth quarter of 2020 on the EEX in mid-July. According to BFIEC, this is another proof of the non-market character of the transaction concluded on 16 July.

The association concludes that this agreement distorts the market for several reasons. The difference in price levels between transactions concluded on 16 July and 25 September is 7.1 euros/MW or 17.9 % for the same product - base load for the fourth quarter of 2020 . The damage to the seller due to the difference in price amounts to almost 800,000 euros. In that way, the buyer who concluded the transaction on 16 July was significantly favored in relation to the buyer who concluded the transaction on 25 September.

According to the association, the lack of standardized products also contributes to market disruptions. The limited supply of basic products, which are in demand in the industrial sector, also carries the risk of price increases and resale at speculative prices.