

## **Bulgarian lower gas prices savings to be used for TPP Maritsa East 2 subsidies**

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A drop in natural gas prices by over 40 % from 1 April will not affect electricity bills. Bulgarian Commission for Energy and Water Regulation (KEVR) has reduced wholesale natural gas price by 42.78 % from 1 April, while maintaining the price of electricity. Specifically, the savings of around 51 million euros will be offset by the higher operating costs of the state-owned coal-fired thermal power plant Maritsa East 2, whose financial status is temporarily preserved by writing off a debt of over 300 million euros towards the parent Bulgarian Energy Holding (BEH).

Despite the fact that the coronavirus pandemic led to record low electricity prices on exchanges across Europe, Bulgarian households will not benefit from it. They will continue to pay the costs of maintaining TPP Maritsa East 2 in operation.

Due to the lower price of natural gas, the costs for gas-fired cogeneration plants, which in addition to steam and hot water, also generate electricity, will be reduced. As a result, KEVR has to set new, lower preferential electricity prices for these producers. The calculations show that this will reduce the costs of the Electricity System Security Fund, which pays premiums to cogeneration plants in the amount of about 49.2 million euros annually. These savings should be reflected in the final price of electricity for all consumers, by reducing the so-called "obligation to society" fee.

However, it is clear from the regulator's report that the money will go to keep TPP Maritsa East 2 in operation. Based on the decision of the Ministry of Energy, Maritsa East 2 should provide additional electricity to the regulated market, which supplies households and small businesses. This is a volume of 1,981,420 MWh, which will be delivered by 30 June 2020, at a price of 137 million euros. However, the National Electricity Company (NEK) can pay for this electricity only around 87 million euros at regulated prices set by KEVR. This difference will be offset through the Electricity System Security Fund.

On the other hand, according to the Energy Law, NEK has the possibility to buy electricity for the regulated market on the stock exchange in case of shortages. Currently, prices at IBEX are three times lower, at around 25.6 euros/MWh, than those paid to TPP Maritsa East 2.