

INVITATION FOR EXPRESSION OF INTEREST FOR THE SELECTION OF A CONTRACTOR IN PROVIDING CLEARING SERVICES FOR BALKAN GAS HUB MARKET NEEDS

1. BACKGROUND INFORMATION

BALKAN GAS HUB EAD (BGH) is a sole member joint stock company, registered on 18.01.2019. As of March 2021, 100% of the capital belongs to Bulgartransgaz EAD (BTG), a combined operator, offering natural gas transmission and storage services. The trading platform provides trading environment for an organized natural gas exchange market for short-term and long-term trading on a bilateral and on an exchange basis, which reflects the needs of the natural gas markets within the Balkan Gas Hub EAD. This aims to increase the liquidity of the natural gas market in Bulgaria and the region of Southeast Europe. As an EU Member State, Bulgaria applies the requirements of Commission Regulation (EU) № 312/2014 establishing a Network Code on Gas Balancing of Transmission Networks (NC BAL). On 15.11.2019, Trayport Limited (Trayport) and Balkan Gas Hub EAD entered into an agreement on applying Trayport Exchange Trading System (ETS) for the trading needs of Balkan Gas Hub EAD.

BGH is a licensed operator of a "fully-fledged platform", which offers both long-term and short-term standardized products, and has the functionality to conduct special auctions and continuous trading. BGH has sufficient experience in maintaining communication and interfaces with TSO-systems, while also meeting the requirements of Regulation 1227/2011 on market transparency and data reporting. The platform is well known to the active traders in Europe, as proved by the growing number of diverse participants.

Key statistics:

- In the first month of its activity BGH registered 20 companies as members. As of the 20th of February 2024 the registered members of the BGH market are **93**;
- BGH members originate from Bulgaria, neighboring EU member states, Greece and Romania, as well as a number of Central and Western European companies. European companies make up about 40% of the companies registered on the BGH market;
- **326%** increase in the total number of trades for 2023 compared to 2022 – reaching a total of 25 356 trades;
- Long-term quantities for 2023 compared to 2022 have **273%** increase – reaching 33 323 850 MWh;
- Short-term products quantities for 2023 compared to 2022 have **310%** increase – reaching 12 811 250 MWh.

Additional information regarding company`s financial and business results can be found [HERE](#)

In terms of market fundamentals perspective, the necessary gas transmission infrastructure has been built in Bulgaria, which connects the natural gas markets of the member states in the region - Bulgaria, Greece, Romania, Hungary, Croatia, Slovenia and those of the member states of Central and Western Europe, as well as with the countries of The Energy Community - Ukraine, Serbia, Northern Macedonia, Bosnia and Herzegovina, etc., thus contributing to the main priorities of European energy policy related to building a common, liquid and competitive European energy market.

The ring gas transmission system in the country, in combination with the already implemented concept for development of commercial and distribution gas hub through a number of finalized projects for expansion of the network in recent years, projects for new interconnections, expansion of UGS Chiren, access to LNG terminals in the region and maximizing the capacity of interconnection points ensure the possibility of efficient transmission of significant quantities of natural gas in all directions, which in synergy with the gas exchange, provides the necessary infrastructure for supply, trade and further transport of quantities traded on VTP Bulgaria.

A well-developed large-scale gas infrastructure with the largest installed compressor capacity in the region, excellent interconnection with neighboring TSOs and the existence of signed Interconnection Agreements between them, together with well-developed market fundamentals, will ensure unhindered transmission to neighboring Member States and Energy Community contracting parties in the region.

The existence of clear and well-known mechanisms for capacity allocation at the IPs, along with the introduced required balancing regime, together with the introduced entry-exit tariff model and VTP as a tool for title-transfer of gas in the country, ensure not only regulatory compliance but also transparent and well-known manner of trading for market participants.

Bulgarian gas market development and security is of vital significance for the regional trade thus for the benefits of both the customers and market players. In this sense, providing clearing solution and financial security, is a vital milestone in the development of the national and regional gas market.

Clearing is the process of guaranteeing financial market transactions between the execution of the transaction and its settlement. The main benefits of clearing can therefore be summarized as follows:

- Efficiency. Clearing reduces the obligations between counterparties by netting offsetting positions. This netting process reduces counterparty credit risk and liquidity needs between those clearing members involved in those transactions.
- Risk management. Clearing independently manages the risk of counterparties through risk modelling and ensures there are resources available to absorb potential losses that could result from the default of a clearing member, limiting any potential contagion to other clearing house participants.

2. OBJECTIVE OF THE PROJECT

Considering the market fundamentals, liquidity results as well as efficiency and risk management, the objective of this procedure is selection of service provider for the implementation and provision of clearing and settlement for BGH market in accordance with the market specifics.

3. CONDITIONS FOR PARTICIPATION

3.1. SUBMISSION OF APPLICATION FOR PARTICIPATION AND ELIGIBILITY

All interested parties must submit to the e-mail address: admin@balkangashub.bg a completed Expression of interest application form together with all necessary documents.

Additionally, the applicant must prove and confirm compliance with eligibility criteria below through submission of the relevant **descriptions and notarized declarations** as follows:

1. The participant must prove that is not:
 - bankrupt or being wound up, are having their affairs administered by the courts, have entered into an arrangement with creditors, have suspended business activities or are in any analogous situation arising from a similar procedure provided for in national legislation or regulations;
 - subject to proceedings for a declaration of bankruptcy, for winding-up, for administration by the courts, for an arrangement with creditors or for any similar procedure provided for in national legislation or regulations;
 - convicted of an offence classified as a felony under the legal provisions of the country where they are established and/or in the Republic of Bulgaria;
 - guilty of grave professional misconduct proven by any means which the contracting authority can justify;
 - liable for unfulfilled obligations relating to the payment of social security contributions or other labor related violations in accordance with the legal provisions of the country where they are established and/or in the Republic of Bulgaria;
 - liable for unfulfilled obligations relating to the payment of taxes in accordance with the legal provisions of the country where they are established and in the Republic of Bulgaria.

*The participant must provide **Declaration(s) confirming lack of all of the above.***
2. The participant must confirm interoperability with the current software solution for trading (Trayport) and Trayport RiskPlugIn. The participant must provide technical description proving capability to perform pre-order and trade validation with respect to the limit calculation and order placing.

*The participant must provide detailed **Description** of the technical model.*
*The participant must provide **Declaration** for interoperability with Trayport.*
3. The participant must prove at least 7 years of experience in clearing and settlement activities in the natural gas trading;

*The participant must provide **Declaration** for experience in clearing and settlement activities in the natural gas trading.*
4. The participant must prove at least at least 3 years of financial markets clearing;

*The participant must provide **Declaration** for experience in financial markets clearing.*
5. The participant must hold a license for Clearing and settlement or equivalent, issued in the respective country of registration and in-line with the applicable EU Regulations;

*The participant must provide a **copy** of the respective license/s.*
6. The participant must prove that it can operate a multi-bank settlement model;

*The participant must provide **description and proof** that they operate a multi-bank settlement model.*
7. Proof that the clearing and settlement model ensures full anonymity of all transactions concluded;

*The participant must provide detailed **Description** of the clearing and settlement model.*

3.2. OTHER

BGH reserves the right to request additional documents at its discretion. BGH reserves the right to cancel the current procedure at any time. In the event of cancellation of the procedure, participants will be notified of the cancellation by BGH. In no event shall BGH be liable for any damages whatsoever including, without limitation, damages for loss of profits, in any way

connected with the cancellation of the procedure. The publication of an invitation for expression of interest does not commit BGH to implement the assignment in reference. No costs occurred related to the participation of candidates in the current procedure are covered by BGH.

4. AWARD CRITERIA AND INVITATION TO SUBMIT OFFER

Participants shall be shortlisted on a pass/fail basis for each of the described above requirements. The shortlisted participants shall be invited to submit offers at a next step of the procedure.

5. APPLICATION

5.1. Deadline for receipt of applications

The deadline for expression of interest is 17.00 o'clock (5 p.m.) Sofia time on 15th of March 2024. Any application received after this deadline will not be considered.

5.2. Application format and details to be provided

Applications must be submitted using the Expression of Interest Application Form as provided by BGH whose format and instructions must be strictly observed.

5.3. Submission of applications

Applications must be submitted in English at the e-mail address stated above (item 3.1):

The Application form and the accompanying documents can be submitted both signed with qualified electronic signature or by wet signature – scanned, and sent to the stated e-mail address. All the originals of documents that are not signed with qualified electronic signature must be sent by post not later than 5 business days after the submission deadline to the following address:

*Bulgaria, Sofia, 1756, Studentski district, residential complex Darvenitsa
bul. Sv. Kliment Ohridski, next to bl. 19, Kintex Business Building*

The date and time of receipt is considered the date and time of registration. Applications submitted to other BGH e-mail addresses will not be considered.

BGH reserves its rights to requests additional information and/or clarifications on the documents submitted.

5.4. Legal Status of the Applicant

As a part of the Expression of Interest Application form the Applicant must provide:

- Certificate providing the current legal status of the Applicant or equivalent document in line with the national legislation of the country of its registration (issued no earlier than 30 calendar days before the date of submission);
- Notarized power of attorney if the Application is signed by an authorized representative;

6. SUBMISSION OF A DETAILED OFFER

The short-listed Applicants should submit their detailed offers that shall be ranked based on the following criteria:

6.1. The participant must provide an implementation road-map in line with the following terms:

- First stage of the Project – implementation of the service for the short-term segment - not later than the beginning of 2025;

- Second stage of the Project – implementation of the service for the long-term segment not later than the end of 2025;

6.1.1. If the road-map for the implementation of the service for the short-term segment is shorter than the one expressed above the following scoring shall apply:

Implemented by the end of February 2025 – 7 points;

Implemented by the end of January 2025 – 8 points;

Implemented by the end of December 2024 – 9 points;

Implemented by the end of November 2024 – 10 points.

6.1.2. If the road-map for the implementation of the service for the long-term segment is shorter than the one expressed above the following scoring shall apply:

Implemented by the end of December 2025 – 4 points;

Implemented by the end of November 2025 – 5 points;

Implemented by the end of October 2025 – 6 points;

Implemented by the end of September 2025 – 7 points;

Implemented by the end of August 2025 – 8 points;

Implemented by the end of July 2025 – 9 points;

Implemented by the end of June 2025 – 10 points;

If the participant could not provide an implementation road-map compliant with the deadlines stated in point 6.1, 0 points should be appointed.

6.2. The participant must provide a price list for its services, incl. annual fees, transaction fees expressed in EUR. If there are any additional costs, they should be included in the annual and/or the transaction fees.

Annual fee criteria = \sum Annual fees of all respective participants/ Respective participant annual fee * 2 points

Transaction fee criteria = \sum Transaction fees of all respective participants/ Respective participant transaction fee * 2 points

If there is no annual fee by a specific participant, they receive an extra point added to the highest scored received for all the other participants for annual fee.

If there is no transaction fee by a specific participant, they receive an extra point added to the highest scored received for all the other participants for transaction fee.

6.3. Discount from the annual and transaction fees expressed in EUR for the first two years of operation with BGH.

Annual fee discount criteria = Respective participant annual fee discount express in EUR/

Σ Annual fees discounts of all respective participants express in EUR;

Transaction fee discount criteria = Respective participant transaction fee discount express in EUR/ Σ transaction fees discounts of all respective participants express in EUR;

6.4. Different types of collaterals accepted by the respective participant for the long-term segment;

Cash deposits – 1 point;

Bank guarantees – 2 points;

European emission allowances – 1 point;

Government guarantees/Corporate guarantees – 1 point.

The deadline for submission of detailed offers is 17.00 o'clock (5 p.m.) Sofia time on 9th of April 2024. Any offers received after this deadline will not be considered.

7. OPERATIONAL LANGUAGE

All written communications and documentation for this procedure must be in English.

If the language of a document/certificate issued by an official institution (regulatory bodies, courts, ministries, etc.) is different than English, the respective paper must be translated in English by certified translator.

8. ADDITIONAL INFORMATION

The procedure will be governed by the Bulgarian law.