

Tocheva & Mandazhieva

— LAW OFFICE —

Corporate Presentation



Tocheva & Mandazhieva

Our Philosophy

Established in 2004 as a boutique law firm initially focused on advising and representing clients in the financial industry and real estate & construction sector, T&M Law Office today offers advice to Bulgarian and foreign corporate clients and financial institutions on a wide range of Bulgarian legal issues.

T&M Law Office is not among the largest Bulgarian law firms, however, our partner-led practice is recognised and respected for its quality, integrity and business friendly, flexible solutions.

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Tocheva & Mandazhieva

Practice Areas

Energy Law and Natural Resources

Environmental Law

Real estate and Infrastructure

Capital markets

Banking and Finance

Company Law and M & A

Intellectual and Industrial Property Law

TMT

Employment

Tocheva & Mandazhieva

Among Our Clients Are

RWE Power AG, Germany

Sofia Airport Center AD (Tishman and GE Real Estate Central and East Europe SPV)

Anio Global Investment Funds, USA

Tradeville SA, Romania

Asteros Group, Russia

TomTom International B.V.

Cosmo Bulgaria Mobile AD

*Go East – CEE Special
8-9 Dec. 2010*

Legal framework in Bulgaria

Zhulieta Mandazhieva, Tocheva & Mandazhieva Law Office

2010 in the RES-e energy sector in Bulgaria

2010 - a year on hold

- ✓ New government
- ✓ New National policy in the energy sector, and in particular - in the RES-e sector
- ✓ A factual Moratorium on new RES-e projects
- ✓ Discussion on the healthy correlation between EU driven national targets (Bulgaria – 16% by 2020, 10% - transport sector) in alternative energy and limitations on grid capacity
- ✓ Necessity to transpose EU Directive 2009/28/EC

New perspective: 2011

2011: new rules for the RES-e sector

- ✓ Bulgarian Energy Strategy (until 2020) & National Strategy for Development of the RES-e sector – drafts
- ✓ Pending amendments to the Energy Act
- ✓ National Renewable Energy Action Plan (“NREAP”) - adopted 30 June 2010
- ✓ New Renewable Energy Sources Act (“RESA”) – bill (agreed on governmental level)
- ✓ 10-year Plan for the Development of the National Grid - TSO (“10PDNG”) - (in elaboration)
- ✓ Elaboration and annual update of a map of the environmentally sensitive zones in Bulgaria (Nature 2000+): levels of concentration of RES-e projects (envisaged in the Energy Strategy)

Key moments in the new Bill of Renewable Energy Sources Act - I

Off-take and preferential prices

- ✓ Guaranteed off-take for 15 years as of the date of successful commissioning (after tests on completion, and upon obtaining of a permit for utilisation of the wind farm)
- ✓ Fixed feed-in tariff for the 15-year period

Of note: for wind farms commissioned after 31 Dec. 2015, guaranteed off-take/fixed feed-in tariff period is the remaining period from the date of successful commissioning up till 31 Dec. 2030

- ✓ Guaranteed access to the transmission/distribution grid and guaranteed further transmission of the produced electricity for projects selected for initial grid connection (some exceptions to the guaranteed access rule may apply)

Key moments in the new Bill of Renewable Energy Sources Act – II

Connection to the grid: pre-selection process and conditions (1)

- ✓ Overall national “limitation” on connection of future RES-e projects (10PDNG, NREAP): 1 800 MW wind, 600 MW solar
- ✓ Zone limitation (revisited annually):
- ✓ Distribution grid operators (“DGOs”) file with TSO by 28 Feb. prognosticated max. RES-e capacities for connection to the distribution grid as per: (i) types of connection zones, (ii) voltages levels, (iii) type of RSE
- ✓ TSO, based on the 10PDNG and the information from the DGOs, files with the State Electricity and Water Regulation Commission (“SEWRC”) prognosticated max. RES-e capacities for connection to the transmission/distribution grid by 30 April (all RSE-e of more than 5 MW must be connected to the transmission grid – NEK)

Key moments in the new Bill of Renewable Energy Sources Act -III

Connection to the grid: pre-selection process and conditions (2)

- ✓ Per-zone max. capacities for connection to the grid are published annually by 30 June (SCEWR)
- ✓ New RES-e operators of 30 KW+/1 MW+ RES installations, seeking grid connection, who have not waived the right to an off-take at a preferential feed-in tariff need to file applications b/n 1 July – 30 Sep
- ✓ SCEWR pronounces on admissibility of applications by 31 Oct.

Key moments in the new Bill of Renewable Energy Sources Act -IV

Connection to the grid: selection process and criteria

- ✓ Selection (for admissible applications - if the overall requested capacity exceeds per- zones limitations) per type of RES: the criteria of the selection are being elaborated in a Regulation
- ✓ Selected applications must be filed with NEK/the respective DGO
- ✓ Cost allocation: shallow
- ✓ Fee for participation in the selection and participation guarantee of EUR 5 000
- ✓ Price of connection: (i) fixed for larger projects (of 30 kW+/1 MW+): EUR 25 000 per MW installed capacity and (ii) variable for small projects

Feed-in tariff determination

- ✓ The price for newly commissioned RES-e is fixed annually for the term of the guaranteed off-take
- ✓ Price is fixed by the SCEWR
- ✓ Price components: at least 70% x the average sale price of the suppliers of last resort + a mark-up determined by the SCEWR
- ✓ Criteria for determination of the mark-up: technology type, capacity volume, intensity of the RES given the full efficient hours of operation (annually) – up to/above 2250 hours
- ✓ Prices RES wind regulated market 2010: efficiency up to 2250 hours – 96,63 EUR /MWh; above 2250 hours - 87,94 EUR/MWh

Stages of implementation of a RES-e project - I

- ✓ Acquisition of ownership over the land where the project is going to be implemented
- ✓ Pre-investment studies (report on the estimation of the prognosticated potential of the RES inclusive (wind audit))
- ✓ Decision on the approval of environmental impact analysis report duly entered into force
- ✓ Change of the agricultural land's designation
- ✓ Approval of the detailed zoning plan for the wind farm
- ✓ [Acquisition of the construction right necessary for the construction of the wind farm and the adjacent easements]

Stages of implementation of a RES-e project – II

- ✓ [Establishment of the adjacent easements – right of access to the installations, easements for construction of electricity lines, easement for exploitation and repair of the installations – d - of the wind generator's rotor - + 2 m]
- ✓ Preliminary agreement for connection to the grid
- ✓ License for generation of electricity
- ✓ Agreement on the connection to the grid
- ✓ Permit for construction
- ✓ Permit for utilization of the wind farm

Administration of the RES-e sector

- ✓ SCEWR
- ✓ Minister of Economy, Energy and Tourism
- ✓ Agency for Sustainable Energy Development (new under the RESA bill): issuance and cancellation of the certificates of origin; maintenance of the RES-e geographical register, etc.

Financing of RES-e projects

EU

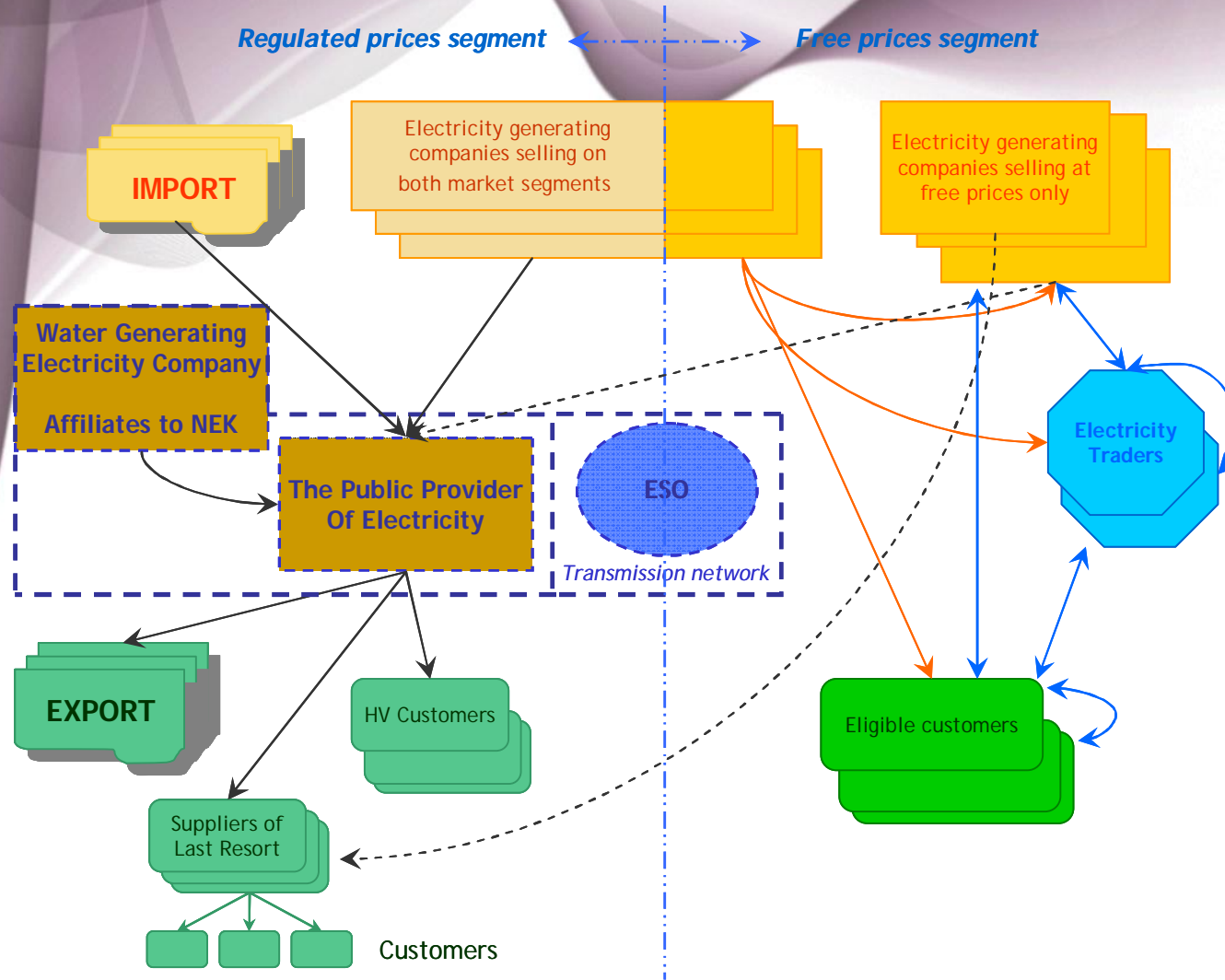
- ✓ Operational programme: “Competitiveness of the Bulgarian Economy” – until 2013
- ✓ Operational programme: “Regional Development” – until 2013
- ✓ Rural Development Programme – until 2013

EBRD

- ✓ Bulgarian Energy Efficiency and Renewable Energy Credit Line

Overview of the Bulgarian electricity market

- ✓ 2 segments: regulated and free
- ✓ Key participants: electricity generating companies, public provider of electricity, suppliers of last resort, electricity distribution companies, eligible customers, TSO
- ✓ Regulated quotas and prices – determined individually and annually (RES-e have an opt-out from the annual principle under the new RESA)
- ✓ Day ahead market as of 2010
- ✓ Limited trans-border capacity





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Thank you!

For additional information on other practice areas of T&M and our team, you are invited to visit our web-site at

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