

**INFORMATION RELATING TO ARTICLE 30 (1)(B)(III) OF REGULATION (EU)
2017/460**

1. TYPES OF ASSETS INCLUDED IN ASSETS REGULATORY BASE

Types of assets	Depreciation period	Depreciation quota, in %	Average carrying amount for the regulatory period in BGN thousand
Gas pipelines	35	2,86%	2 810 766
Equipment	15	6,67%	303 940
Compressor equipment	15	6,67%	367 929
Cable networks	15	6,67%	36 347
Computer and communication equipment	5	20,00%	15 822
Buildings and structures	25	4,00%	79 633
Lands	Non-depreciable	0,00%	8 448
Cushion gas (linepack) depreciable	60	1,67%	1 294
Cushion gas (linepack) non-depreciable	Non-depreciable	0,00%	17 497
Other fixed tangible assets	5	20,00%	32 002
Intangible fixed assets	7	14,29%	7 858

In determining the basis of return (regulated asset base) from the carrying amount of the assets, securing the transportation activity, the carrying amount of the group of assets, acquired at the expense of financing, including those acquired at the expense of the connection fee, is deducted. The regulatory base of the assets also includes the required working capital for the respective year.

According to the general accounting policy of the parent company Bulgarian Energy Holding EAD and the company the assets are revalued every 3 years. The revaluation is carried out by a licensed valuer according to Methodology of „Fair value“ by International Standards on evaluation. Fair value is the amount for which an asset can be exchanged between informed and willing parties in a direct / fair transaction between them. (International accounting standards 16).

The forecast development of the regulatory base of assets for the regulatory period is presented in the table below. Its development over the years is mainly due to the impact of depreciation and planned investments according to the approved 10-year network development plan.

Regulatory base of assets at the end of the price period thousand BGN	Regulatory period				
	2020	2021	2022	2023	2024
	3 001 251	3 892 368	3 792 409	3 636 637	3 516 332

2. RATE OF RETURN ON CAPITAL

Parameter	Value
Weighted average rate of return on capital for the regulatory period (2020 – 2024) before tax	6.69%
Weighted average rate of return on capital for the regulatory period (2020 – 2024) after tax	6.21%
Ratio equity to debt capital for the regulatory period	52.20%/47.80%
Cost of equity	6.69%
Cost of debt	4.09%
Corporate tax	10%

The weighted average price of capital is the rate of return of the attracted and own capital, weighted in line with the share of each of these funding sources. The capital rate of return is determined as a real rate before tax. The Capital Asset Pricing Model has been used to assess the price of equity. The rate of return on capital is adopted on the basis of a capital structure consisting of 52.20% equity and 47.80% debt.

3. AMOUNT OF OPERATING COSTS

Estimate amount of costs in line with article 7, para 1 of Methodology setting prices of access and transmission of natural gas through Bulgartransgaz EAD gas transmission networks for the third year of the regulatory period:

Parameter	Value in BGN thousand
Controllable costs	272 541
▪ Operational expenditures	89 909
▪ Depreciation	182 632
Pass through costs	30 335
▪ Total pass through costs	2 587
▪ Pass through costs forming the technological component	26 963
▪ Pass through costs forming the component of the price for transmission to national exit points/zones, covering obligations to the public	785

4. EFFICIENCY IMPROVING FACTOR

The efficiency improving factor applies to the average value of controllable operating costs for the regulatory period.

Parameter	Value
Efficiency improving factor	0.6%

5. INFLATION INDICES

Parameter	Value
Reported average annual inflation for the second year of the regulatory period	3.3%

6. Ratios for the revenue

Parameter	Value
Ratio of the revenues derived from commodity based tariffs and capacity-based tariffs out of technological component	15/85
Ratio of the revenues derived from capacity-based tariffs from entry points and exit points of the gas transmission system	50/50
Ratio of the revenues derived from commodity based tariffs from	50/50

entry and exit points of the gas transmission system	
--	--

7. Information regarding the reconciliation of the regulatory account, when the transmission system operator functions under a non-price cap regime

Parameter	Value
Over recovery/Under recovery of allowed revenues for the second year of the regulatory period	TBD