



Society for
Electronic
Communications

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Subject: Consultation on the Prolongation of the State aid Regulations and Guidelines reformed under the State aid modernisation (SAM) package and expiring by the end of 2020

Dear Sirs,

The Society for Electronic Communications (SEC) is an organization that brings together companies - suppliers of electronic communications networks and services and expresses their common interest in the performance of their activities and related relationships with others, including bodies of state and municipal administration. The activity of companies - members of SEC is related to the construction, use and maintenance of electronic communications infrastructure and networks and the provision of services through the network - fixed voice services, Internet access, distribution of radio and television programs and other.

In accordance with the running consultation on the Prolongation of the State aid Regulations and Guidelines we'd like to get you acquainted with the issue that our industry encounters and for which we'd like to seek your support.

Description of the issue:

The building and the development of Data Centers and the **Collocation of Telecommunication Equipment** as a service is a significant part of the business activity of many telecommunication operators. Collocation of telecommunication equipment is associated with the provision of required working environment for the electronic devices, which are collocated in the Data Centers. **Data Centers are consuming extremely high and ceaseless 24/7 electricity.** Generally the electricity consumption in the data centers exceeds 10 or more GWh per year and accounts to 25% or more of the total expenses of this business model.

The Guidelines adopted by the European Commission enable exclusively specified manufacturing enterprises (industrial consumers of electricity) to use state aid in the form of a price reduction from the components related to renewable energy (RES), which component is a part of the common cost for electricity consumption.

Pursuant to para. 185 from the Guidelines. *The aid should be limited to sectors that are exposed to a risk to their competitive position due to the costs resulting from the funding of support to energy from renewable sources as a function of their electro-intensity and their exposure to international trade.*

The Society of Electronic Communication (SEC)¹ is seeking at present support from the European Commission in order to incentive and support companies from the telecommunication sector that are building and developing data centers. Data centers are dependent on the electricity cost and in particular on the distribution of energy costs from renewable sources, which

¹ The industry organization representing the alternative telecommunication operators, including Neterra.

jeopardizes their competitive position on the market. The increase in the cost of energy components like 'green' and 'brown' energy results in increased costs of the service itself and deprives small and medium sized enterprises of the opportunity to bring their equipment out of their offices and production facilities, making them less energy efficient.

Proposal for possible solution:

The absence of Service Provision Activities in Annex No. 3 and Annex No. 5 from the EC Guidelines is the core issue.

*Paragraph 186, Section 3.7.2 of the EC Guidelines explicitly imposes that the granting of state aid through reduction on electricity charges **should apply not only to production companies, but also to companies from the services sector.** Paragraph 186 of the Guidelines stipulates that a Member State may include a specific enterprise in its national scheme to grant reductions in the costs arising from Renewable Energy, should such enterprise have electro-intensity of at least 4% at EU level, even if it is not part of a sector listed in Annex No. 3.*

Our understanding is that the Annex No. 3 and Annex No. 5 from the EC Guidelines shall be amended and the Telecommunication service sector to be added therein.

During 2019 the Commission will review the Guidelines for the state aid from the costs resulting from the funding of support to energy from RES. We believe that this is a good opportunity for us, our business sector to be included in the Lists of activities to which these state aid applies. We should take into consideration that the market environment and the technological development require an urgent amendment of the said EU Guidelines, so that the 'collocation in data centers' should be incorporated therein.

Proposed amendment to the EU Guidelines will contribute to the competitiveness of the telecommunication and IT business on European scale:

- By supporting the economic entities in the sector in choosing and developing their business on the territory of the EU;
- By encouraging businesses in the telecommunication sector to build data centers and develop competitive services on the territory of the EU accessible to all economic operators, small and medium-sized enterprises;
- By attracting foreign companies;
- By promoting corporate performance in the sector;
- By developing competition in the sector, insofar as the provision of more and more accessible services in data center would lead to an option for a choice, higher quality and optimal prices for the services that reach end-users.

In relation with the above described matter, we would highly appreciate your efforts in discussing this significant issue in the competent Directorates in the EC for resolution. Being a non-profit organization of the telecommunication industry, SEC is looking forward the above said proposal to be evaluated and duly resolved by the Commission. A well working strategy on how to encourage and support the telecommunication business, and especially the data center operators is a key to success in the light of the extensive development of the technologies in the EU.

Sincerely,
ANETA Ivanova
CEO SEC

