



# Industry Update

23 September 2014 Brussels

25 September 2014 London

# Agenda & Timings

- 14:00 – 14:30 Registration and coffee
- 14:30 – 14:40 PART 1: INTRODUCTION
- 14:40 – 15:15 PART 2: INTERCONNECTOR NEW MODEL
- 15:15 – 15:40 PART 3: FLUXYS BE EE Model
- 15:40 – 16:00 PART 4: CONCLUSIONS & NEXT STEPS
- 16:00 – Coffee & Networking

# **PART 1: Introduction**

# ZIGMA: Reminder of the Proposition

- Merged cross-border entry-exit zone
  - Interconnector pipeline and Zeebrugge
  - Between the GB (NBP) and Belgian (ZTP) gas markets
- Compliant with the CAM and BAL Network Codes
- Combines
  - Interconnector services offered by IUK
  - Services in the Zeebrugge area offered by Fluxys Belgium
  - Zeebrugge Beach trading services
- The Zeebrugge Beach traded market incorporated within ZIGMA as the Virtual Trading Point (VTP) of the zone
- Creation of a Balancing Agent for ZIGMA

# Consultation Feedback

- Fluxys BE and IUK Consultation on ZIGMA, CAM, BAL and WDO
  - 15 respondents
- Support from stakeholders
  - ambition to increase market liquidity and provide greater flexibility for the market
- Recurrent concerns
  - New Entry-Exit zone with additional balancing requirements
  - Creation of a new virtual hub
  - Complexity of the contractual set up
  - Need to preserve Zeebrugge Beach and the current Zeebrugge area arrangements
  - Interim regime (2015-2018) additional complexity of two regimes in parallel but only small quantities available

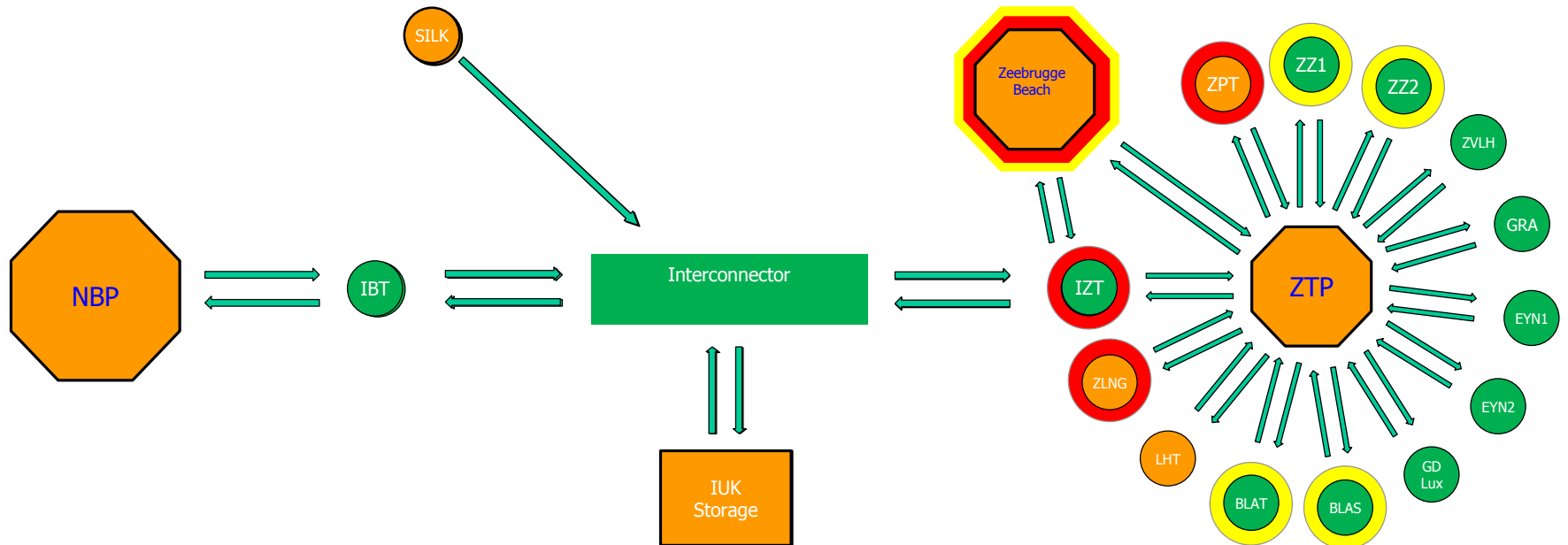
# New Model Characteristics

## Based on your feedback

- Create a simpler model, with no new Entry-Exit zone or new balancing regime
- Preserve Zeebrugge Beach as a physical hub
- Preserve Zeeplatform
- Allow Shippers the option of bundling their IUK capacity with either ZTP or Zeebrugge Beach
- Create new IUK storage services from 1 October 2018

→ Simple, flexible, efficient

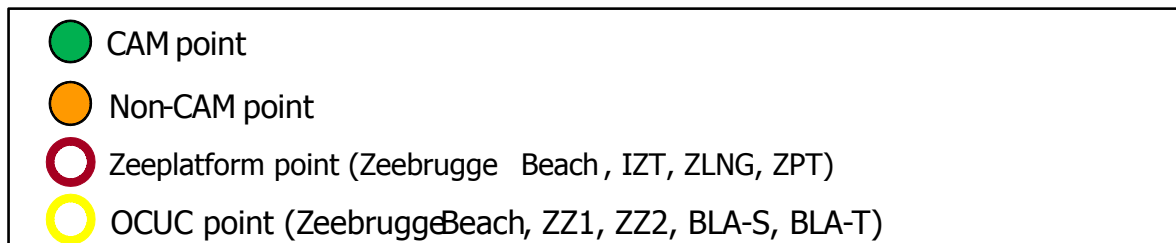
# New Model Diagram



**NGG**

**IUK**

**FLXB**

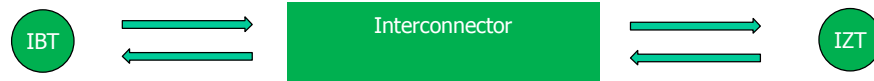


# **PART 2: Interconnector New Model**



# Interconnector Model

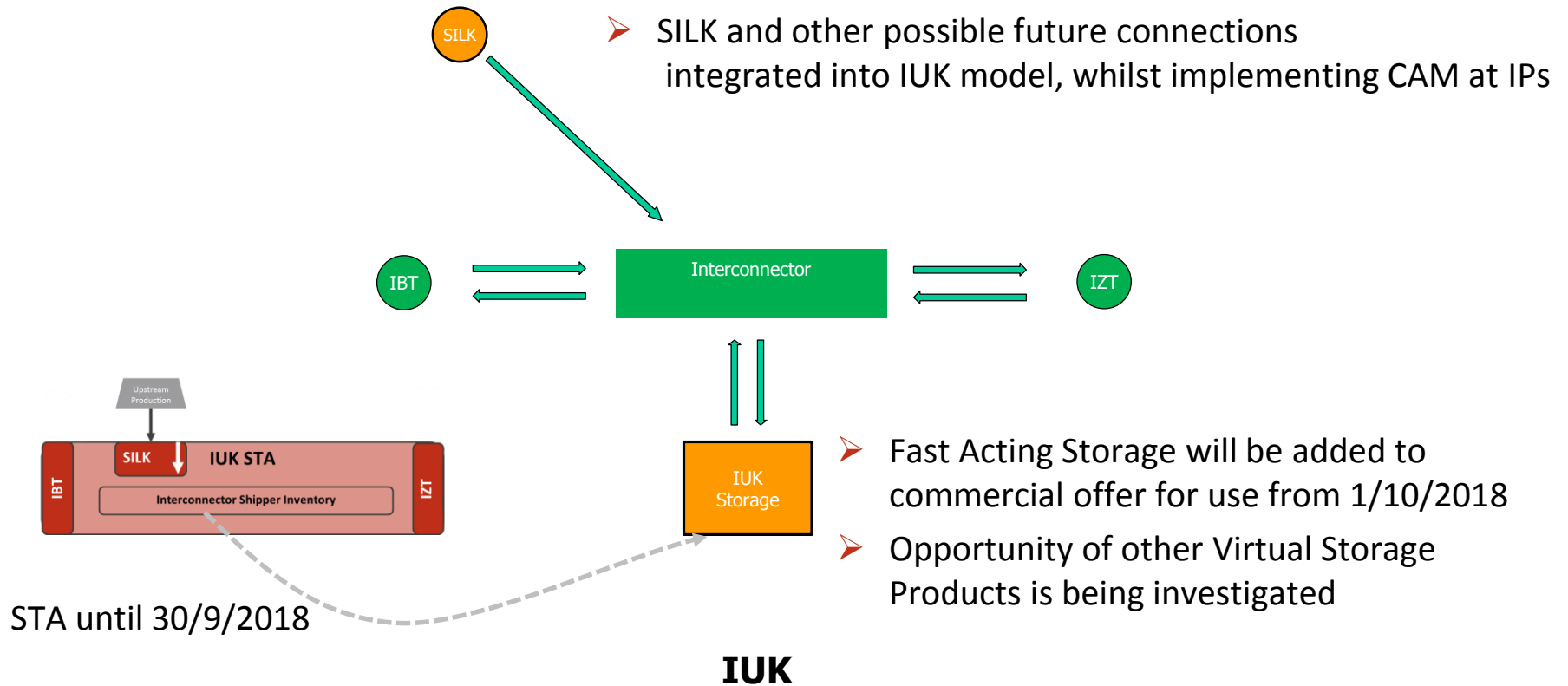
- 2 CAM compliant Interconnection Points (2IP)
- Nov 2015 - Sept 2018 IAA contract for capacity made available from CMP, STA in parallel
- Oct 2018 IAA contract for all capacity
- 2 IP allow for commodity transfer inside the Interconnector pipeline



- Balancing principle → IN = OUT

- Offers the desired features
- No extra contractual complexity
- Straight forward, simple to manage from a Shipper point of view

# Interconnector Model: Extra features

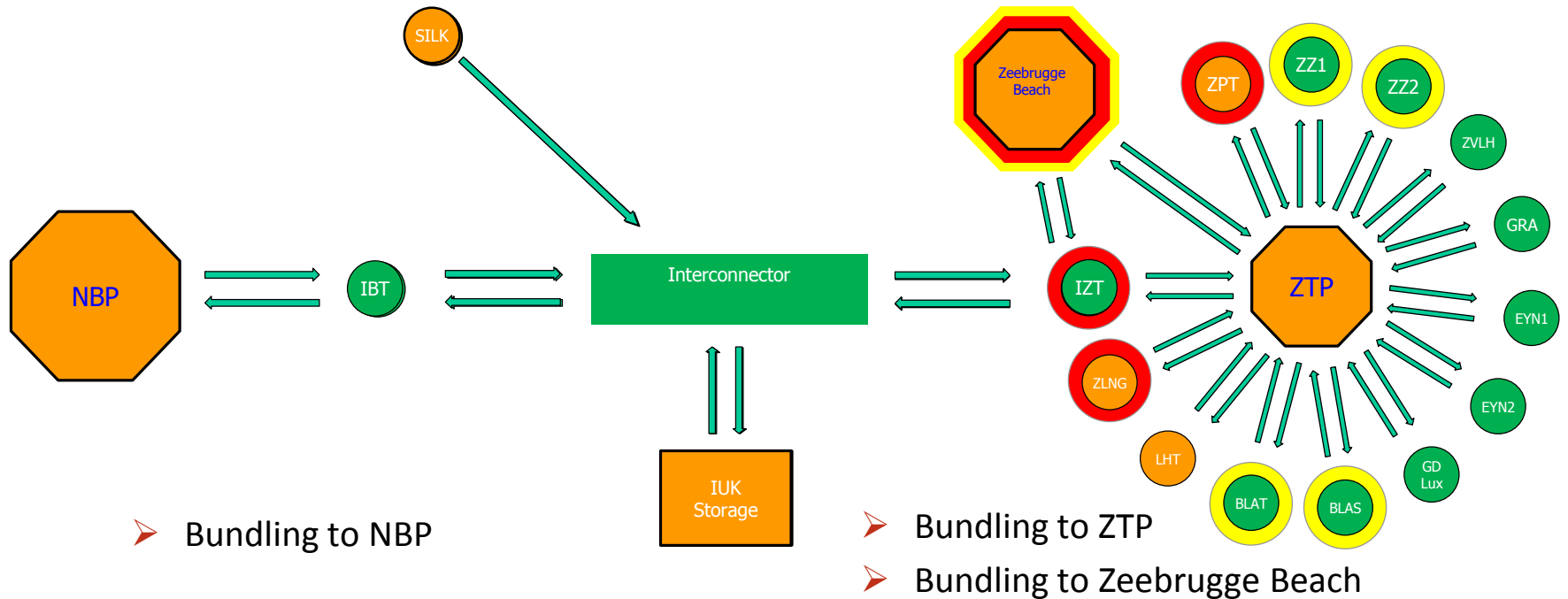


➤ SILK and other possible future connections integrated into IUK model, whilst implementing CAM at IPs

- Fast Acting Storage will be added to commercial offer for use from 1/10/2018
- Opportunity of other Virtual Storage Products is being investigated

<ul style="list-style-type: none"> <li>● CAM point</li> <li>● Non-CAM point</li> </ul>
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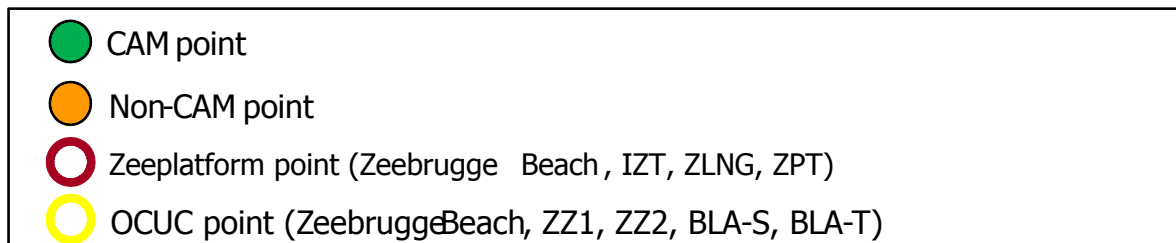
# New Model: Bundling



**NGG**

**IUK**

**FLXB**



# Contracts Features

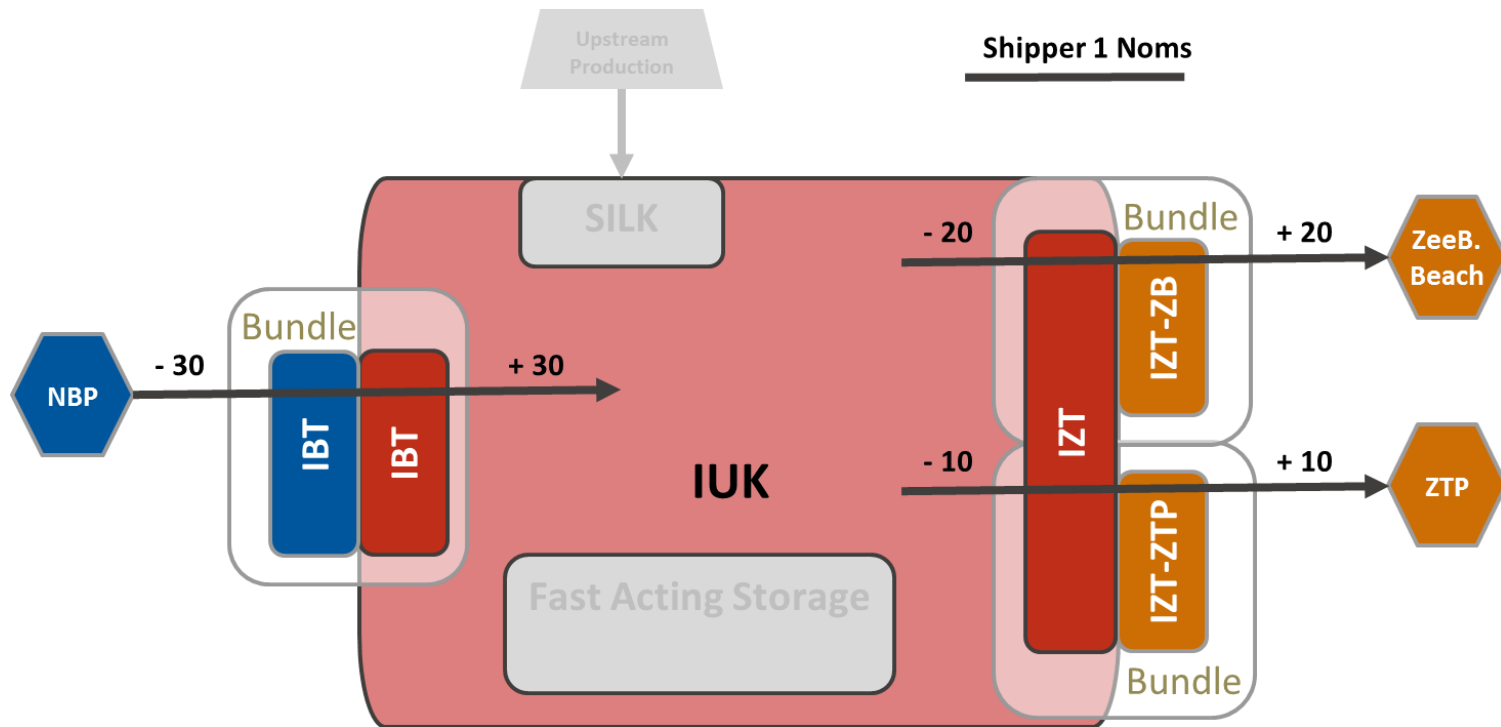
IAA FEATURES	FROM APPROVAL UNTIL 1 NOV 2015	1 NOV 2015 – 30 SEPT 2018	1 OCT 2018 ONWARDS
<b>Amount of Capacity Available</b>	From CMP: Oversubscription, Surrender & LT UIOLI	From CMP: Oversubscription, Surrender & LT UIOLI	All technical capacity*
<b>Duration of Capacity Products</b>	Day-Ahead	Annual, Quarterly, Monthly, Day-Ahead (if available from CMP)	Annual, Quarterly, Monthly, Day-Ahead Within-Day
<b>Method of Sale</b>	Auctions held on ISIS	PRISMA CAM auctions, bundled if possible	PRISMA CAM auctions, bundled if possible
<b>Storage Products Available</b>	N/A  Inventory owned by ISTA Shippers	N/A  Inventory owned by ISTA Shippers	Services to be developed covering a range of time periods
<b>Balancing Regime</b>	In = Out  Balancing services from ISTA Shippers to cover steering differences	In = Out  OBA in place with Fluxys Belgium and envisaged with NGG to cover steering differences	In = Out  Option to purchase storage from IUK or trade storage on secondary market
<b>ISTA</b>	<b>CURRENTLY AND UNTIL 30 SEPT 2018</b>		

\* Subject to availability of the facilities, contractual terms and conditions and the prevailing regulatory conditions

# Balancing

- Input = Offtakes on hourly basis
  - Includes flows to/from storage (available from Oct 2018)
  - Allows for fuel gas and shrinkage provided as gas in kind
    - Fixed percentage deducted from entry/exit flows
- Shipper always balanced -> no balancing services required
  - no domestic consumption so no risk of imbalance
  - steering differences covered by OBAs
    - existing OBA with Fluxys at IZT
    - OBA envisaged with NGG at IBT
- no need for the shipper to supervise a Balancing Position

# Balancing Example 1

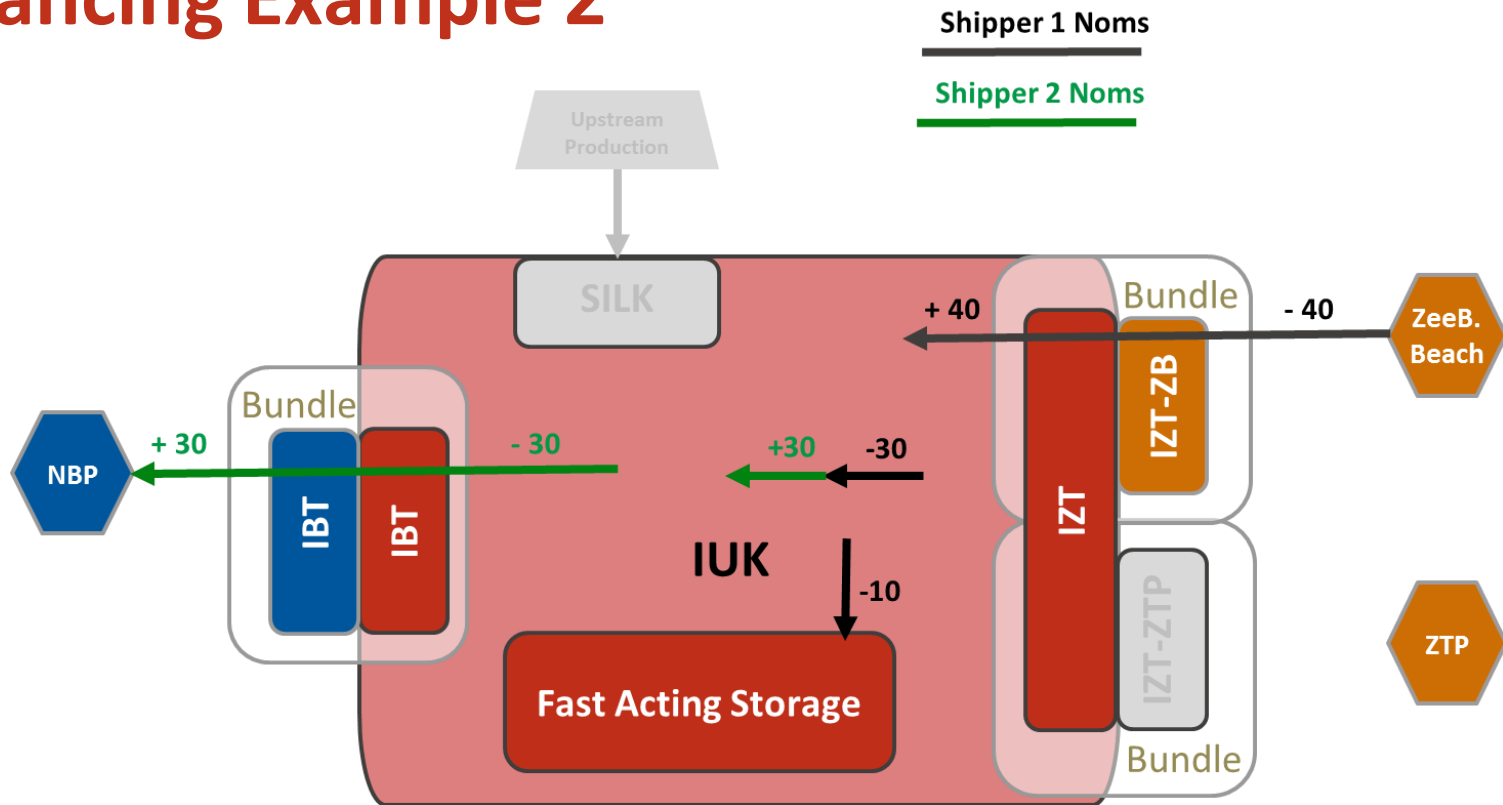


## Shipper 1

IN IBT	= +30
OUT IZT-ZB	= - 20
OUT IZT-ZTP	= - 10
Imbalance	= 0

(Example ignores fuel gas and shrinkage)

# Balancing Example 2



Shipper 1 Noms

Shipper 2 Noms

Shipper 1

IN IZT-ZB = +40

OUT Storage = -10

OUT Shipper 2 = -30

Imbalance = 0

Shipper 2

IN Shipper 1 = +30

OUT IBT = -30

Imbalance = 0

(Example ignores fuel gas and shrinkage)

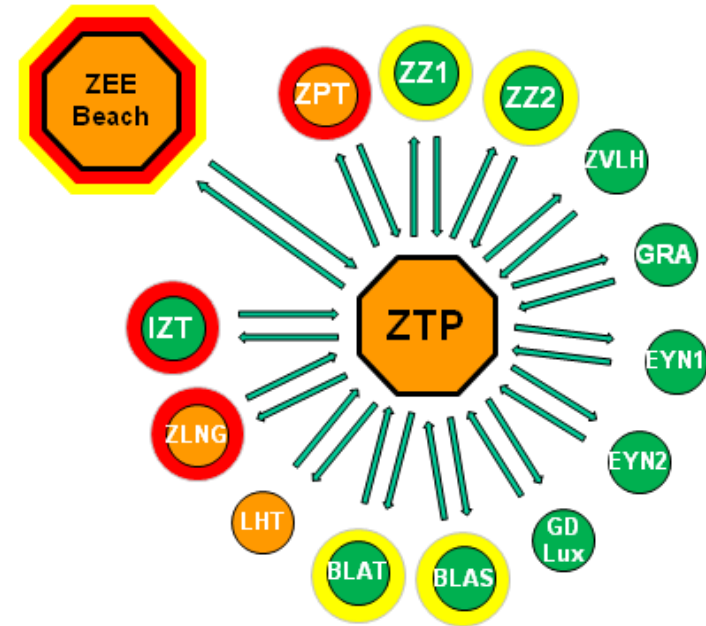
# **PART 3: Fluxys BE EE model**



# Fluxys Belgium EE model (1/2)

## Key features of the Fluxys Belgium EE model:

- Physical trading in Zeebrugge Beach, Virtual trading in ZTP
- Market based balancing for ZTP and ZTPL
- Storage @ Loenhout 680 million m<sup>3</sup>(n)



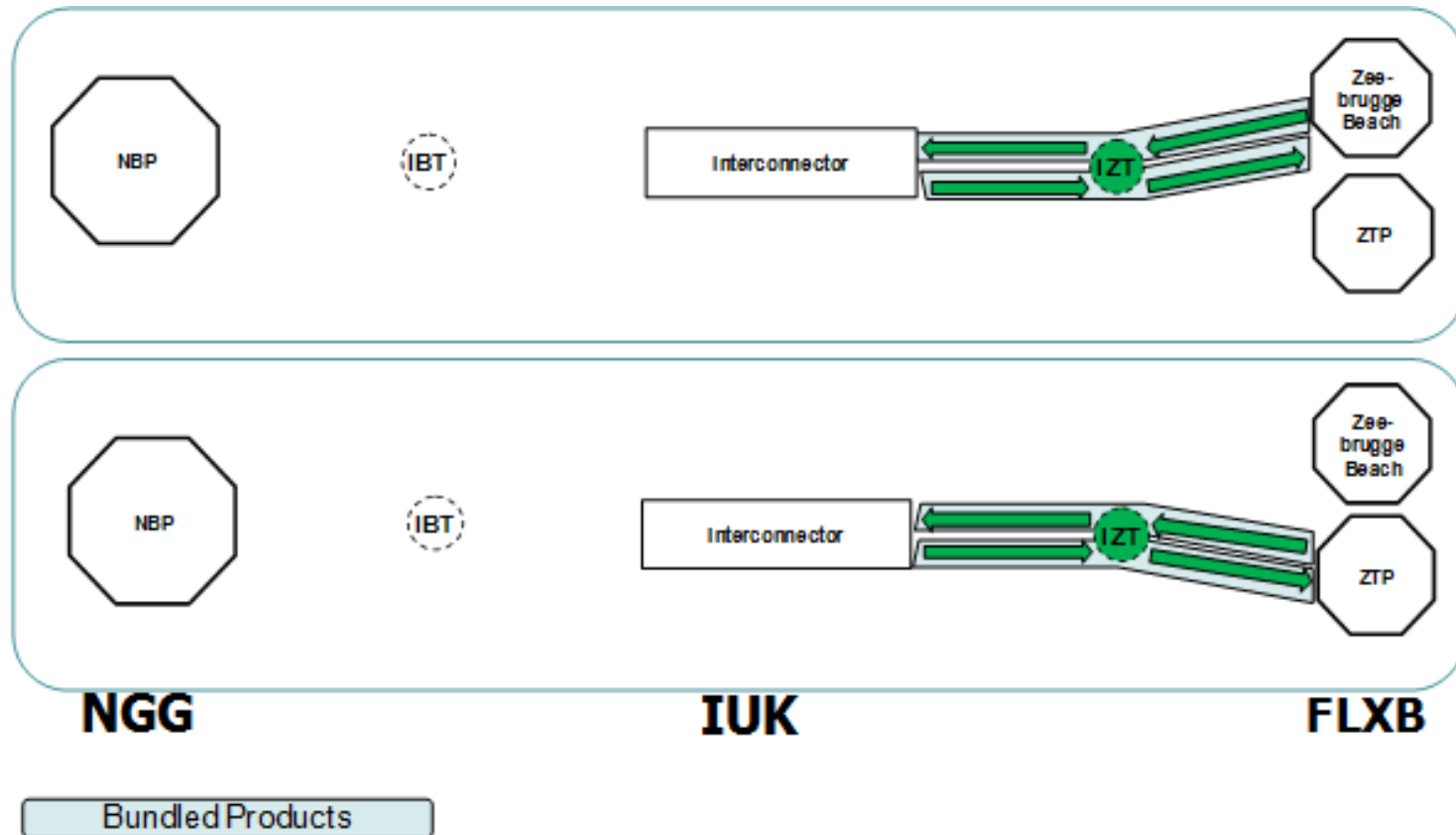
## Interconnecting NW European market areas:

- Link with trading places NBP, TTF, Gaspool, NCG, Peg Nord
- Gas sourcing : Norway, Netherlands, LNG, UK, Russia (through Germany)
- Connect to downstream markets: Belgium, UK, France, Netherlands, Germany, Luxembourg

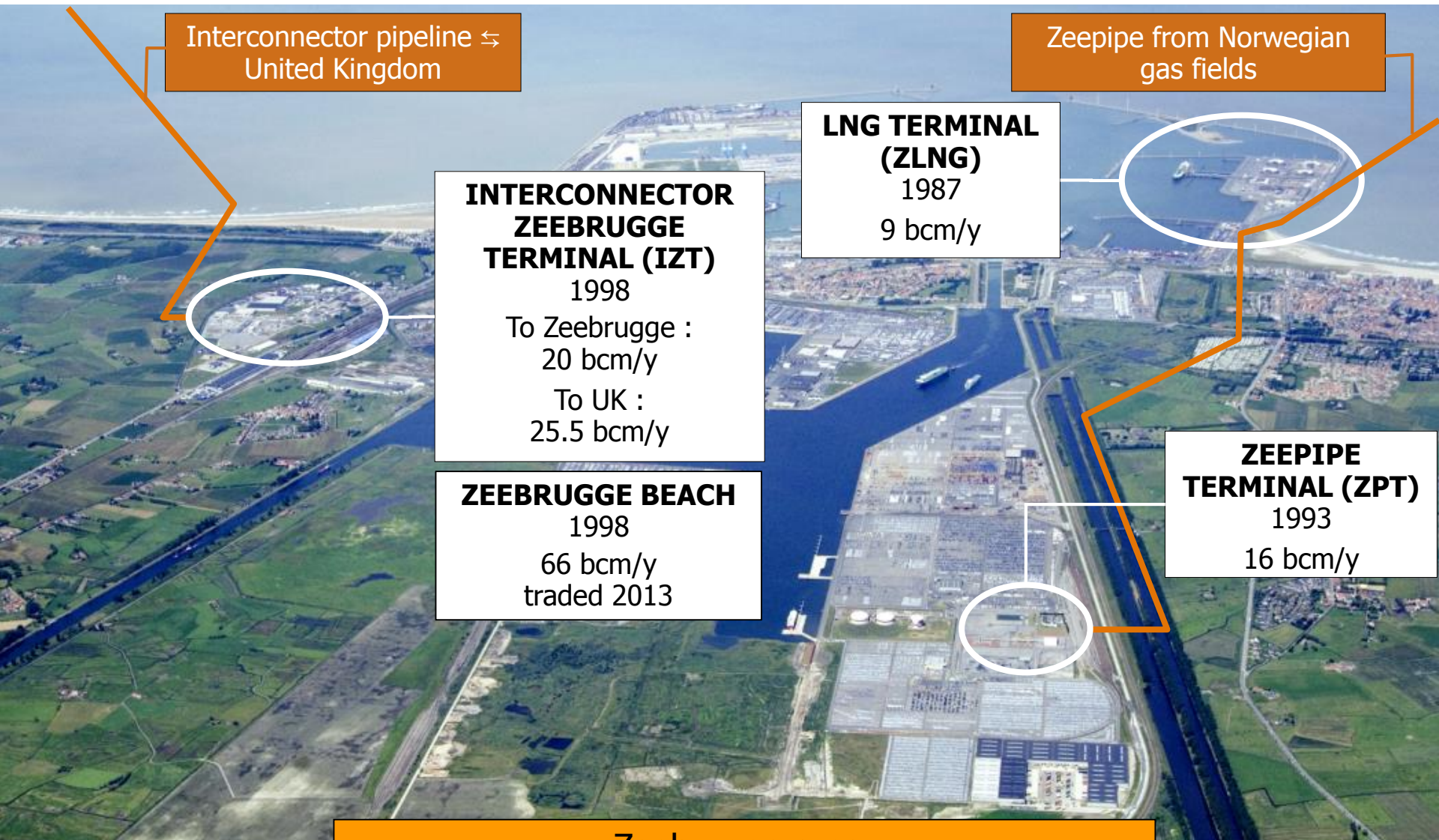
# Fluxys Belgium EE model (2/2)

## Two Bundled products with Interconnector at IZT:

- Interconnector – ZTP (and vice versa)
- Interconnector – Zeebrugge Beach (and vice versa), via Zeeplatform



# Fluxys Belgium – key role of Zeebrugge (1/2)



Interconnector pipeline ↔  
United Kingdom

Zeepipe from Norwegian  
gas fields

**INTERCONNECTOR  
ZEEBRUGGE  
TERMINAL (IZT)**  
1998  
To Zeebrugge :  
20 bcm/y  
To UK :  
25.5 bcm/y

**LNG TERMINAL  
(ZLNG)**  
1987  
9 bcm/y

**ZEEBRUGGE BEACH**  
1998  
66 bcm/y  
traded 2013

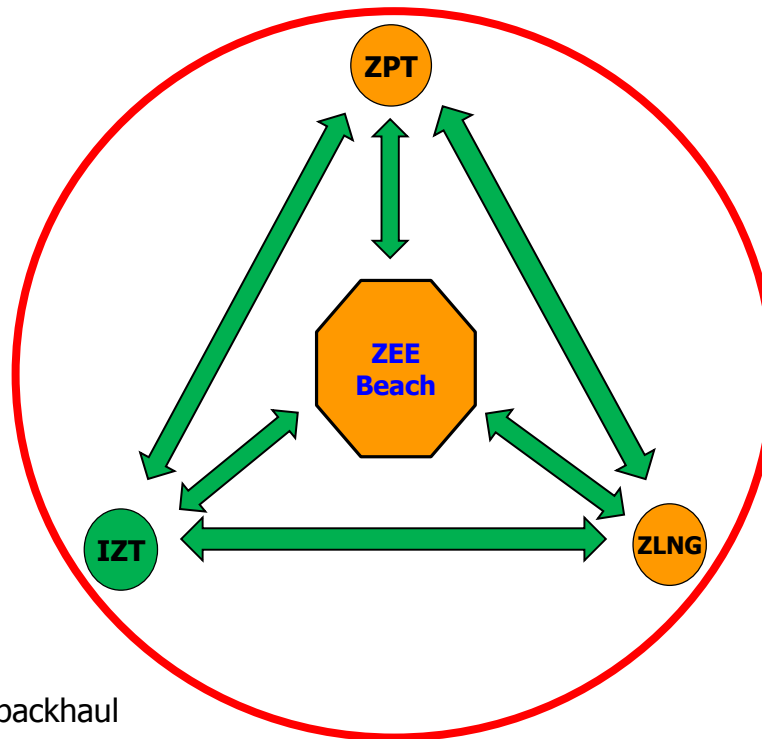
**ZEEPIPE  
TERMINAL (ZPT)**  
1993  
16 bcm/y

Zeebrugge area:  
throughput capacity of ~ 50 bcm/y

# Fluxys Belgium – key role of Zeebrugge (2/2)

**Zeeplatform: facilitate transfer of natural gas within Zeebrugge area**

- Offered for Zeebrugge Beach, IZT, ZLNG and ZPT
- Between registered points: unlimited transfer rights (\*) (2, 3 or 4 points)



(\*) All firm, except towards ZPT and ZLNG: backhaul

# **PART 4: Conclusions & Next Steps**

# Benefits of the New Model (1/2)

- Reduced complexity:
  - No new Entry-Exit zone with balancing model
  - No new Balancing Agent
- Zeebrugge Beach maintained as a physical trading point
- Zeeplatform service unchanged
- New bundled product from IUK to Zeeplatform, and options to bundle capacity:
  - IUK to ZTP
  - IUK to Zeebrugge Beach
- Simpler IUK balancing model, where  $In = Out$  plus:
  - Optional storage services from 1 Oct 2018
  - Optional trade notifications service

## Benefits of the New Model (2/2)

- SILK and other possible future connections integrated into IUK model, whilst implementing CAM at IPs
- Two IUK IPs (IBT and IZT) allows Shippers to be active in GB or Belgium and choose which capacity products they need.
- Ownership of gas can change legal entity within the Interconnector
- Streamlined contractual framework
- Preserved Zeebrugge Beach and the current Zeebrugge area arrangements

# Joint TSO Timeline



Date	Action
September 2014	Written feedback on new model welcomed
Late 2014	NGG UNC mod 500 in development, consultation expected mid- Nov to mid-Dec, issue to Ofgem late Dec for approval <i>NRA 'minded to' opinion on IUK CAM/BAL implementation (Nov 2014)</i>
Q1 2015	IAA Industry Consultation Fluxys Belgium STA, ACT, TP consultation
October/November 2015	CAM/BAL Implementation (subject to the required agreements and approvals and subject to process and system changes)
1 October 2018	IAA sole contract to govern transport in Interconnector



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