



Consultation on the key elements of the considered
introduction of an update to the FLUXYS LNG regulated
tariffs for the use of the Zeebrugge LNG Terminal

30th April – 24th May 2019

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1 EXECUTIVE SUMMARY

In accordance with the procedure, published on Commission for Electricity and Gas Regulation (hereinafter referred to as “CREG”) website¹, for the introduction and approval of tariff proposals agreed between CREG and Fluxys LNG, Fluxys LNG is organising a consultation on the key considered potential evolutions of the regulated tariffs for the use of the Zeebrugge LNG Terminal as approved by CREG. This consultation is made in connection with the LNG Services Agreement that is also presented for consultation.

The key considered potential amendment to the LNG regulated tariffs concerns the reduction of the tariffs of slot and related additional flexibility services (storage and send-out services) that would occur if all of the 110 Fluxys LNG slots were to be booked for the coming 20 years. This scenario would result in a slot tariff reduction of ~29% compared to the current level. Such reduction would be applied – subject to CREG approval² – if these bookings materialize in the subscription window that Fluxys LNG is organizing in parallel to this consultation in order to gain a better view on the future use of the Zeebrugge LNG Terminal.

In case the bookings materialize, an update to the tariff proposal would be made in accordance with CREG decision (Z)1110/11³ establishing a new tariff methodology for the regulatory period 2020-2023 in order to propose the considered reduction to the tariffs of slot and related additional flexibility services (storage and send-out services) without changes to other regulated tariffs.

2 AIMS OF THE CONSULTATION, PROCEDURE AND SCOPE

According to Article 13 of the procedure for the introduction and approval of tariff proposals and tariff modifications, as concluded between CREG and Fluxys LNG on 24 January 2018 and as published on CREG’s website⁴, Fluxys LNG must organize a market consultation before it submits its tariff proposal. This consultation covers the key elements of the considered evolutions of the tariffs for the use of the Zeebrugge LNG Terminal (LNG tariffs) approved on 28 June 2018 (decision (B)657G/15).

Following the consultation, in case the considered bookings materialize, Fluxys LNG would draw up a consultation report explaining how and why the various comments have or have not been taken into account. The comments from the stakeholders who were consulted and the consultation report would be submitted as annexes to the tariff proposal.

In parallel to this consultation, Fluxys LNG

- is organizing a subscription window to offer slot and additional storage services in order to get a better view on the future use of the Zeebrugge LNG Terminal;
- is conducting a consultation over its LNG Services Agreement⁵.

¹ <https://www.creg.be/sites/default/files/assets/Tarifs/Fluxys/Methodo20-23/20180124-Overeenkomst-Fluxys.pdf>

² Reduced tariffs would be applicable as from the beginning of the month following CREG’s decision

³ <https://www.creg.be/fr/publications/decision-z111011>

⁴ <https://www.creg.be/sites/default/files/assets/Tarifs/Fluxys/Methodo20-23/20180124-Accord-Fluxys.pdf>

⁵ <https://www.fluxys.com/en/products-services/empowering-you/customer-interactions>

Fluxys LNG consults on the tariffs that would be applicable to the slot and related additional flexibility services in case 110 slots⁶ and all additional storage capacity are booked for the coming 20 years, i.e. until end 2039. In any case (e.g if not all slots and additional services offered are allocated during the subscription window), Fluxys LNG reserves the right to revise the envisaged evolution of the slots and additional flexibility services tariffs or stop the revision process. In case of a revision, a new consultation would be organised if this revision would lead to an increase of the tariffs higher than 10% compared to the tariffs presented in this consultation.

3 GENERAL CONTEXT

The current consultation is organized in the regulatory framework of the applicable tariff methodology for submitting an amendment to the approved tariff proposal to CREG.

With regard to the regulatory framework, CREG set and published a tariff methodology establishing the framework for the calculation of tariffs on 28 June 2018 (decree – (Z)1110/11) in accordance with Art.15/5bis of the Belgian Gas Law. The consultation is made in the framework of this tariff methodology.

4 PROPOSED UPDATES TO THE APPROVED TARIFF PROPOSAL

With the future of the Zeebrugge LNG Terminal in mind, Fluxys LNG considers introducing updated tariffs for its slot and additional flexibility services. In order to offer competitive services, Fluxys LNG takes the hypotheses that

- 110 slots per year will be booked until end 2039;
- additional storage services will be fully booked (36 000 m³LNG per year) until end 2039.

Fluxys LNG also takes into account the needed investments required to keep operating the Zeebrugge LNG Terminal as a reasonable and prudent operator and implements the principles as established in the tariff methodology approved by CREG on 28 June 2018.

The resulting proposed tariff for Slot would be 527.803,20 € (base 2003) per cargo corresponding to 91.638,66 € (base 2003) per cargo for the Berthing Right, 220.619,50 € (base 2003) per cargo for Basic Storage and 215.545,04 € (base 2003) per cargo for Basic Send-Out. For additional flexibility services, the main proposed tariffs would be 67,79 €/m³LNG/year (base 2003) for Additional Storage Capacity and 1,37 €/(kWh/h)/year (base 2003) for Additional Send-Out Capacity. This means a reduction of more than 29% compared to current tariffs. Subject to approval of reduced tariffs by CREG, the reduced tariffs would be applicable as from the beginning of the month following CREG's approval decision.

For the sake of completeness, the envisaged adapted regulated tariffs would be as follows

⁶ in accordance with the LNG Terminalling Programme, 110 slots are available per year

Service	Current Tariff (base 2003)	Updated Tariff (base 2003)
Slot	750.443 €/cargo	527.803,20 €/cargo
Incl. Berthing Right	130.294 €/cargo	91.638,66 €/cargo
Incl. Basic Storage	313.682 €/cargo	220.619,50 €/cargo
Incl. Basic Send-Out Capacity	306.467 €/cargo	215.545,04 €/cargo
Additional Storage Capacity	96,39 €/m ³ LNG/year	67,79 €/m ³ LNG/year
Additional Send-Out Capacity (firm)	1,95 €/(kWh/h)/year	1,37 €/(kWh/h)/year
Daily Storage Capacity	(96,39*0,7)/365 €/m ³ LNG/day	(67,79*0,7)/365 €/m ³ LNG/day
Daily Send-Out Capacity (firm)	1,95/365 €/(kWh/h)/day	1,37/365 €/(kWh/h)/day
Additional Send-Out Capacity (conditional)	1,17 €/(kWh/h)/year	0,82 €/(kWh/h)/year
Residual Storage Capacity	45,71 €/m ³ LNG/year	32,15 €/m ³ LNG/year
Non-Nominated Interruptible Send-Out Capacity	1,95/365 €/(kWh/h)/day	1,37/365 €/(kWh/h)/day
Operational interruptible Send-Out Capacity	0,78 €/(kWh/h)/year	0,55 €/(kWh/h)/year
Interruption right	0,78 €/(kWh/h)/year	0,55 €/(kWh/h)/year

As it is already the case, the tariffs "basis 2003" are expressed in basis July 2003 and are indexed monthly as from August 2003 according to following formula: $0.65 + 0.35 * Im-1 / Imo$

where:

- Imo is the Consumer Price Index (CPI) of the 1st of July 2003 (112,59, in basis 1996)
- $Im-1 = Im-2 * (CPI\ of\ Month\ M-1 / CPI\ of\ Month\ M-2)$
With
 - Im-1 not higher than 1,03 times the index Im-1 used for calculating the tariffs of the most recent month of August
 - Im-1 for August 2003 is 112,59 (basis 1996)
- Im-2 is the value of Im-1 used the previous month to calculate the tariffs.

For example, for April 2019, using the described indexation, the tariffs would have been as follows⁷:

Service	Current Tariff April 2019	Updated Tariff April 2019
Slot	832.184,88 €/cargo	585.294,07 €/cargo
Incl. Berthing Right	144.486,25 €/cargo	101.620,38 €/cargo
Incl. Basic Storage	347.849,76 €/cargo	244.650,45 €/cargo
Incl. Basic Send-Out Capacity	339.848,87 €/cargo	239.023,24 €/cargo
Additional Storage Capacity	106,89 €/m ³ LNG/year	75,18 €/m ³ LNG/year
Additional Send-Out Capacity (firm)	2,16 €/(kWh/h)/year	1,52 €/(kWh/h)/year
Daily Storage Capacity	(106,89*0,7)/365 €/m ³ LNG/day	(75,18*0,7)/365 €/m ³ LNG/day
Daily Send-Out Capacity (firm)	2,16/365 €/(kWh/h)/day	1,52/365 €/(kWh/h)/day
Additional Send-Out Capacity (conditional)	1,30 €/(kWh/h)/year	0,91 €/(kWh/h)/year
Residual Storage Capacity	50,69 €/m ³ LNG/year	35,65 €/m ³ LNG/year
Non-Nominated Interruptible Send-Out Capacity	2,16/365 €/(kWh/h)/day	1,52/365 €/(kWh/h)/day
Operational interruptible Send-Out Capacity	0,86 €/(kWh/h)/year	0,61 €/(kWh/h)/year
Interruption right	0,86 €/(kWh/h)/year	0,61 €/(kWh/h)/year

⁷ Indicative tariffs

5 TARIFF SHEET

Only the changes explained in the previous section are expected to the tariff sheet which would be effective as of approval by CREG. An indicative tariff sheet can be found in [annex A](#).

6 INVITATION TO REACT

Fluxys LNG would like to invite all interested parties to submit any comments they may have on this document by email at following address: marketing@fluxys.com and this before 6.00 p.m. on 24 May 2019. We also ask you to specify in your response, whether the content is to be treated as confidential or not. Unless otherwise mentioned, all comments will be treated as non-confidential. In case of a confidential response, please provide a non-confidential version.