



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

3 October 2017

1 EXECUTIVE SUMMARY

In accordance with the procedure for the introduction and approval of tariff proposals agreed between CREG and Fluxys LNG, Fluxys LNG is organising a consultation on the key considered evolutions of the regulated tariffs for the use of the LNG Terminal as approved by CREG.

The envisaged update of the tariff proposal is made in accordance with CREG decision (B)141002-CDC-657G/10 relating to the LNG tariffs and only concerns the update of some financial elements or parameters and does not intend to change the level of the actual regulated tariffs as currently applicable and approved by CREG.

2 AIMS OF THE CONSULTATION, PROCEDURE AND SCOPE

According to Article 8 of the procedure for the introduction and approval of tariff proposals and tariff modifications, as concluded between Commission for Electricity and Gas Regulation (hereinafter referred to as “CREG”) and Fluxys LNG on 25 August 2014 and as published on CREG’s website¹, 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 2 October 2014 (decision (B)141002-CDC-657G/10).

Following the consultation, Fluxys LNG will 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 are submitted as annexes to the tariff proposal.

For what concerns the envisaged modifications to the LNG services, a consultation² on the related amendments to the regulated documents is organized by Fluxys LNG. No tariff modification is proposed regarding the LNG services.

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 even though no change is proposed to the level of the currently applicable regulated LNG tariffs.

With regard to the regulatory framework, CREG set and published a tariff methodology establishing the framework for the calculation of tariffs on 18 December 2014 (decree – (Z)141218-CDC-1110/7) in accordance with Art.15/5bis of the Belgian Gas Law. The current amendment to the approved tariff proposal under consultation is made in the framework of this tariff methodology.

¹ <http://www.creg.be/nl/publicaties/andere-div-18022014-fluxyslmg> or <http://www.creg.be/fr/publications/autres-div-18022014-fluxyslmg>

² <http://www.fluxys.com/belgium/en/Services/LNGTerminalling/MarketConsultation/MarketConsultations01>

4 PROPOSED UPDATES TO THE APPROVED TARIFF PROPOSAL

In its 2 October 2014 approval decision of the LNG tariffs (decision (B)141002-CDC-657G/10), CREG noticed there was still a significant uncertainty on the final investment amount for the extension of the Zeebrugge LNG terminal because, on the one hand, the final investment decision was not taken yet and, on the other hand, the EPC contractor to realize this investment was not designated yet. Moreover CREG noticed that some related costs (e.g. Owner's engineering, Front End Engineering and Design,...) were still estimates. In consequence CREG concluded that the final investment amounts were not yet included in the submitted tariff proposal in 2014 and that the estimated amounts looked realistic.

Such as in previous CREG decisions regarding investments in 2004 and 2012, CREG decided that any cost overrun compared to the approved investment amounts (eventually reduced as the case may be) would be charged to the shareholder meaning the fair margin cap of the approved tariff model will remain unchanged in case the construction costs appear to be higher than the approved investment cost. In case the actual investment cost is lower than the approved investment amount the fair margin will be recalculated downwards based on the actual investment amount. Moreover tariff caps were approved by CREG. In its decision CREG invited Fluxys LNG to submit an updated tariff proposal once the final investment amounts will be known.

Based on this request and given the progress of the related investments, Fluxys LNG intends to submit an updated tariff proposal regarding the investment amounts - even if they are not yet final - to CREG.

As also requested by CREG in its decision, Fluxys LNG intends to include in its updated tariff proposal an update on the financial parameters used for the definition of the allowed revenues and the fair margin (e.g. OLOs and inflation indices as published by the Belgian Federal Planning Bureau). Conform to CREG's tariff methodology establishing the framework for the calculation of tariffs as published by CREG on 18 December 2014 (decree – (Z)141218-CDC-1110/7) these financial parameters are still subject to yearly ex-post settlement.

Apart from the updates as explained in the previous paragraphs the tariff principles and methodology and the tariffs themselves remain unchanged compared with the ones which were approved by CREG on 2 October 2014.

5 TARIFF SHEET

No change is expected to the tariff sheet.

6 INVITATION TO REACT

We 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 5.00 p.m. on 23 October 2017. 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.