

Consultation 45 report



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1 Introduction

From the 20th of October 2020 until the 9th of November 2020 included, Fluxys LNG consulted the market on a proposal with regards to:

- i. The introduction of a new service – Virtual Liquefaction;
- ii. The implementation of a fixed contribution of 1,3% Gas in Kind (GIK) used for regasification.

This Virtual Liquefaction service will allow shippers to inject LNG into the terminal by counter nominating the regasified flows of other terminal users that are exiting the terminal (*subject to the total Net Nominations exceeding the minimum send out*).

The fixed contribution of 1,3% GIK will be implemented to simplify the fuel gas reconciliation process.

2 Consultation process

Fluxys LNG launched this market consultation by publishing the proposed documents on its website - at the usual location for such consultations, supported by an announcement on the homepage - and via direct e-mailing to all registered market participants and associations.

During the period from October 20th until November 9th 2020 included, stakeholders were invited to submit their written feedback and, if needed, seek additional information through bilateral contacts with Fluxys LNG.

Taking into account the different comments received, Fluxys LNG submits for approval to the CREG the new terminal service and the amendment of GIK reconciliation process.

3 Outcome of consultation process

All comments received are listed in the consultation report submitted to CREG – see appendices.

Feedback was received from 1 Terminal User and 1 representative organization.

Introduction of Virtual Liquefaction service

Respondents generally speaking welcomed the proposal to launch the Virtual Liquefaction service. Yet, one market participant asked for a clearer explanation of the functioning of the service and a clarification on the foreseen lifetime of the LNG. With regards to the functioning of the system, Fluxys LNG would like to emphasize that shippers don't need to book anything upfront in order to make use of the service. They only need to be in possession of a terminal contract (LTA) and nominate backhaul to the Zeebrugge IP. Shippers can book upfront (firm or interruptible) storage capacity or go in storage exceeding (which will be invoiced at the end of the month). Relating to the lifetime of the LNG, Fluxys LNG would like to clarify that once a shipper has used the Virtual Liquefaction service and as a result possesses LNG at the terminal, the shipper becomes a terminal user that has to participate to the minimum send out obligations (in accordance with the rules described in the LNG Access Code).

In addition, a respondent stressed that the setting of the tariff level should be properly supported by a specific assessment and should reflect the actual costs and risks linked to

such service in order to grant a level playing field to users. Fluxys LNG would like to emphasize that the tariff design of the conditional Virtual Liquefaction service is based on the berthing tariff for terminal users that bring LNG to the Zeebrugge terminal via ship. The tariff to bring a quantity of 938 000 MWh of natural gas (or 140 000 m³ of LNG) through Virtual Liquefaction is equal to the tariff to berth and unload a LNG ship under a slot, thus creating a level playing field between LNG terminal users using slots and shippers using Virtual Liquefaction.

At last, a market participant suggested that the LNG terminal user who is sending out regasified LNG should have, at all times and prior to pro rata allocation of counter-nominated capacity, full priority to the Virtual Liquefaction service above the other terminal users who are not sending out. Fluxys LNG would like to stress that the 'send out shippers' will keep all their current flexibility on the send out of their own regasified LNG with the ability to nominate and renominate (from zero up to the maximum of their capacity) the quantity of regasified LNG they send out in accordance with the rules described in the LNG Access Code. As from the moment the 'send out shippers' have reached a send out nomination equal to zero and for the period during which it will be at that level or below it (i.e. when a 'send out shipper' performs Reverse Nominations), the Reverse Nominations of said shipper will be treated according to the same priority rule as the Virtual Liquefaction nominations of other shippers.

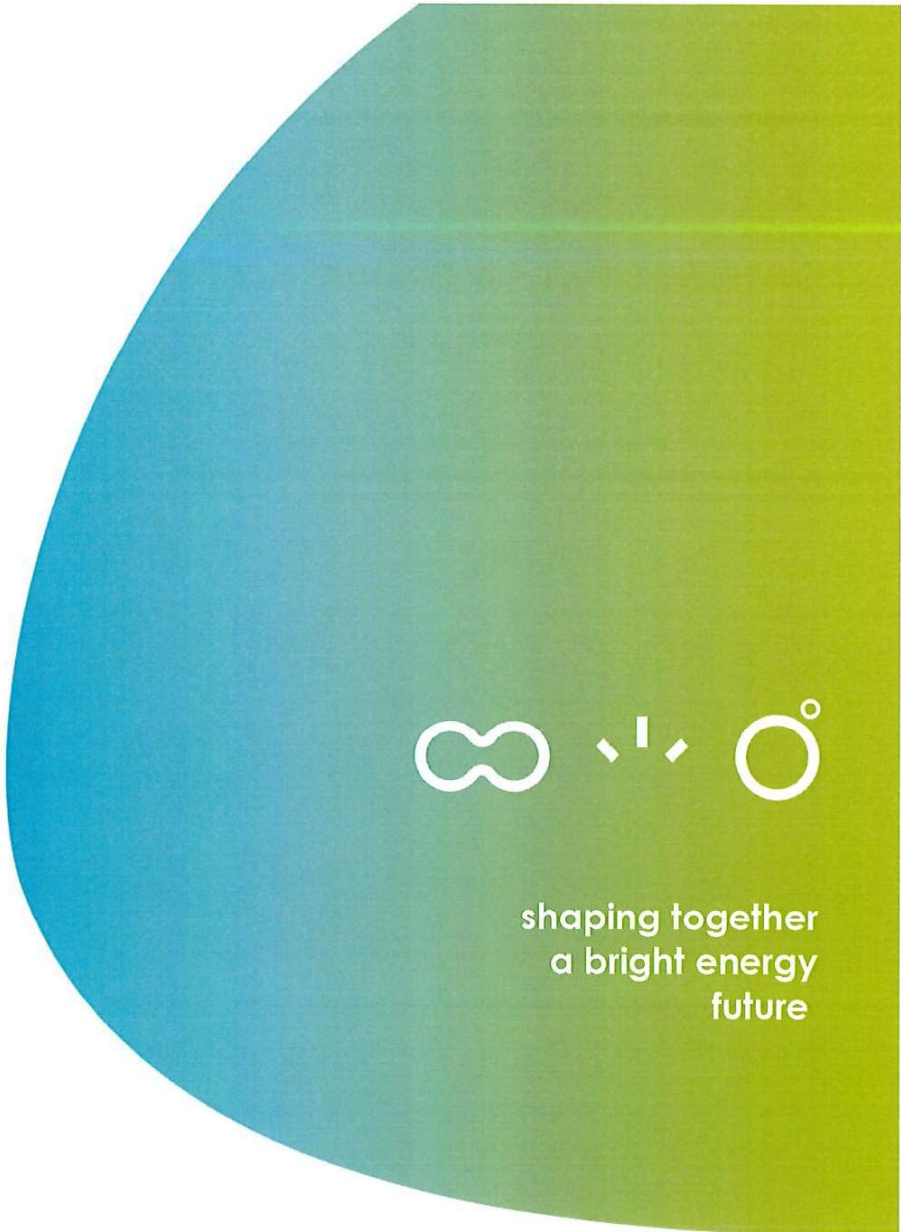
Fixed fuel contribution of 1,3% GIK

One market participant would like to know why Fluxys proposes to fix the percentage at the maximum level of today. Fluxys LNG would like to stress that a detailed analysis has been conducted on the fuel gas consumption over the last years. The conclusion was that the average fuel gas consumption over the last 5 years was equal to 1,30% of the allocated send out quantity. In comparison, the fuel gas consumption over the last 2 years was equal to 1,33% of the allocated send out.

4 Appendices

4.1 Appendix I: Market consultation – public material

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