



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

24 April 2018

1 EXECUTIVE SUMMARY

In accordance with the procedure for the introduction and approval of tariff proposals agreed between Commission for Electricity and Gas Regulation (hereinafter referred to as “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. This consultation is made in connection with the consultation on the amendments to the regulated documents for LNG terminalling that was run from 9 March 2018 until 6 April 2018.

The key proposed amendment to the LNG tariffs in the envisaged update of the tariff proposal concerns the introduction of a new tariff for the new small scale berthing right and related loading services and the introduction of the LNG residual storage service that will be offered once approved by CREG. In addition, continuously looking to improve its services to facilitate the development of the small scale LNG market, Fluxys LNG proposes a reduction of the tariff for truck approval service.

Finally, this update to the tariff proposal is made in accordance with CREG decision (B)141002-CDC-657G/10 regarding the update of some financial elements or parameters without change to the level of the actual regulated tariffs as currently applicable and approved by CREG except for the ones listed here above.

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 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 (i.e. the introduction of the small scale berthing right and the LNG residual storage services), a consultation² on the related amendments to the regulated documents was organized by Fluxys LNG from 9 March 2018 until 6 April 2018. The tariff modifications regarding these services go hand in hand with the amendments to the regulated documents. Please refer to that consultation for more details.

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>

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 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.

4 PROPOSED UPDATES TO THE APPROVED TARIFF PROPOSAL

New services and tariffs

Fluxys LNG considers introducing tariffs for the newly developed Small Scale Berthing Right service and Ship Loading Service in the framework of a Small Scale Berthing Right. Indeed Fluxys LNG aims at further supporting the development of the small scale LNG market in North-West Europe and therefore wishes to offer suitable services and tariffs for loading small LNG cargoes at its Zeebrugge LNG Terminal. The proposed tariff for Small Scale Berthing Right is of 25.597,21 EUR and is due on a take-or-pay basis. The related Ship Loading Service is of 1,00 EUR/MWh loaded during the operation for which the Small Scale Berthing Right was subscribed. The 1,00 EUR/MWh charge only applies as from 25.561MWh loaded which means the first 25.561MWh loaded in the framework of the subscribed Small Scale Berthing Right are free of extra charge. These tariffs are expressed in “2003 basis” and are subject to monthly indexation as all Fluxys LNG tariffs.

To further improve its services offering at the LNG terminal Fluxys LNG considers introducing a new tariff for the newly developed Residual Storage Service. The proposed tariff for the Residual Storage Service is of 45.71 EUR/m³LNG/year and is due on a pro rata temporis basis. This tariff is in “2003 basis” and is subject to monthly indexation.

The tariffs "basis 2003" are expressed in basis July 2003 and are indexed monthly as from August 2003 according to following formula: $0.65 + 0.35 * I_{m-1} / I_{m0}$

where:

- I_{m0} is the Consumer Price Index (CPI) of the 1st of July 2003 (112,59, in basis 1996)
- $I_{m-1} = I_{m-2} * (\text{CPI of Month } M-1 / \text{CPI of Month } M-2)$
With
 - I_{m-1} not higher than 1,03 times the index I_{m-1} used for calculating the tariffs of the most recent month of August
 - I_{m-1} for August 2003 is 112,59 (basis 1996)
- I_{m-2} is the value of I_{m-1} used the previous month to calculate the tariffs.

For example, for April 2018, using the described indexation, the proposed tariffs would have been as followed:

- Small Scale Berthing Right: 28.117,63 EUR

- Ship Loading Service related to a Small Scale Berthing Right: 1,10 EUR/MWh loaded in case more than 25.561 MWh are loaded
- Residual Storage Service: 50,21 EUR/m³LNG/year.

The terms and conditions for subscribing and using the Small Scale Berthing Rights and the Residual Storage Service were consulted in the consultation³ on the related amendments to the regulated documents for LNG Terminalling.

Besides the above mentioned changes to the services and continuously looking at facilitating the development of the small scale LNG market, Fluxys LNG is considering reducing the tariff for the Truck Approval Service from 3264,00 EUR/approval to 914,50 EUR/approval in basis 2003, hence subject to indexation as explained here above. Furthermore, Fluxys LNG considers offering a 10% discount to the tariff for Truck Loading Services for those which are subscribed during a future subscription window.

Updates to the tariff model

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 construction of the 5th tank and the additional compressors at 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. 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 of such parameters and the introduction of the new tariffs for the Small Scale Berthing Right, the related Ship Loading Services, the Residual Storage Service and the Truck Approval Service as explained in the previous paragraphs the tariff principles and methodology remain unchanged compared with the ones which were approved by CREG on 2 October 2014.

³ <http://www.fluxys.com/belgium/en/Services/LNGTerminalling/MarketConsultation/HistoryConsultation>

5 TARIFF SHEET

No change is expected to the tariff sheet except the introduction of the new tariffs as explained in the previous section and which would be effective as of approval by CREG.

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 9 May 2018. 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.