Public consultation by the French Energy Regulatory Authority (CRE) of 30 October 2014 on the updating as at 1 April 2015 of the tariffs for use of the Montoir-de-Bretagne, Fos Tonkin and Fos Cavaou LNG terminals

CRE's deliberation of 13 December 2012 sets the tariffs for use of the regulated LNG terminals, i.e. Montoir-de-Bretagne (Montoir) and Fos Tonkin run by Elengy, and Fos Cavaou run by Fosmax LNG, known as ATTM4, which came into force on 1 April 2013[1]. The tariffs for use of the Montoir and Fos Cavaou terminals were designed to be applicable for a period of approximately four years. The tariff for use of the Fos Tonkin terminal was set for approximately two years, in order to take account of the decision whether or not to postpone the end-date for operation of this facility from the end of 2020 to the end of 2035. The deliberation also stipulates a revision of the schedule of tariffs for the Montoir-de-Bretagne and Fos Tonkin terminals on 1 April 2015.

The objectives of the changes planned for the second period of application of the ATTM4 tariffs for use of LNG terminals are:

- to set the level of tariffs for use of LNG terminals for the years 2015 and 2016 on the basis of revised revenue trajectories based on assumptions provided by operators and CRE's own analysis;
- to potentially amend the tariff structure and range of commercial services currently offered by operators by incorporating the work carried out under the LNG Concertation.

CRE intends to consult all market stakeholders to prepare its deliberation setting the next regulated tariffs for use of LNG terminals, scheduled for December 2014. Interested parties are asked to respond to the questions listed at the end of this document by 21 November 2014 at the latest.

[1] In its deliberation of 28 June 2012, CRE decided to change the regulated tariffs for the use of LNG terminals on 1 April 2013, making their period of application the same as that for the tariffs for use of transmission systems.

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DE RÉGULATION
DE L'ÉNERGIE

CONTENTS

1. **CURRENT TARIFF FRAMEWORK** ... 4
1.1. CHARGING STRUCTURE PRINCIPLES ... 4
1.2. ENTRY INTO FORCE AND VALIDITY PERIOD OF REVISED TARIFFS ... 4
1.3. MID-PERIOD TARIFF REVISION ARRANGEMENTS ... 4
2. **FORECAST TRAJECTORIES FOR CONTRACTED CAPACITIES AND EXPENSES TO BE COVERED PROPOSED BY OPERATORS MID-PERIOD** ... 4
2.1. CONTRACTED CAPACITIES ... 4
2.2. CAPITAL EXPENDITURE ... 5
2.2.1. REMINDER OF THE RULES STIPULATED BY THE ATTM4 TARIFF ... 5
2.2.1.1. CAPITAL EXPENDITURE ... 5
2.2.1.2. THE REGULATORY ASSET BASE (RAB) ... 5
2.2.1.3. COST OF CAPITAL ... 7
2.2.2. MONTOIR TERMINAL CAPITAL EXPENDITURE ... 8
2.2.3. FOS TONKIN TERMINAL CAPITAL EXPENDITURE ... 8
2.2.4. FOS CAVAOU TERMINAL CAPITAL EXPENDITURE ... 9
2.3. OPERATING EXPENSES ... 9
2.3.1. REMINDER OF THE RULES STIPULATED BY THE ATTM4 TARIFF ... 9
2.3.2. MONTOIR TERMINAL OPERATING EXPENSES ... 9
2.3.3. FOS TONKIN TERMINAL OPERATING EXPENSES ... 10
2.3.4. FOS CAVAOU TERMINAL OPERATING EXPENSES ... 10
2.4. CLEARING THE INCOME AND EXPENDITURE EQUALISATION ACCOUNT ... 10
2.4.1. REMINDER OF THE RULES STIPULATED BY THE ATTM4 TARIFF ... 10
2.4.2. MONTOIR TERMINAL EQUALISATION ACCOUNT CLEARING ... 11
2.4.3. FOS TONKIN TERMINAL EQUALISATION ACCOUNT CLEARING ... 11
2.4.4. FOS CAVAOU TERMINAL EQUALISATION ACCOUNT CLEARING ... 11
2.5. AUTHORISED INCOME AND TARIFF LEVEL ... 12
2.5.1. MONTOIR TERMINAL AUTHORISED INCOME AND TARIFF LEVEL ... 12
2.5.2. FOS TONKIN TERMINAL AUTHORISED INCOME AND TARIFF LEVEL ... 12
2.5.3. FOS CAVAOU TERMINAL AUTHORISED INCOME AND TARIFF LEVEL ... 13
3. **CHANGES TO THE TARIFF STRUCTURE** ... 13
3.1. RE-BALANCING BETWEEN QUANTITY AND BERTHING COMPONENTS ... 13
3.1.1. THE OPERATORS' PROPOSALS ... 13
3.1.2. CRE’S PRELIMINARY ANALYSIS ... 14
3.2. DEDICATED TARIFF TREATMENT FOR UNLOADING AND RELOADING SMALL LNG TANKERS ... 14
3.2.1. THE OPERATORS' PROPOSALS ... 14
3.2.2. CRE’S PRELIMINARY ANALYSIS ... 15
3.3. POSSIBLE UPDATING OF NON-REVENUE GAS OFFTAKE LEVELS ... 15
3.3.1. THE OPERATORS' PROPOSALS ... 15
3.3.2. CRE’S PRELIMINARY ANALYSIS ... 16

3.4. IMPROVEMENT OF THE FLEXIBILITY OF COMMERCIAL SERVICES OFFERED BY THE MONTOIR, FOS CAVAOU AND FOS TONKIN TERMINALS - CRE ANALYSIS AND PROPOSALS....16

4. **RESPONSE TO THE PUBLIC CONSULTATION** 19

1. Current tariff framework

1.1. Charging structure principles

In updating the schedule of tariffs for use of LNG terminals, it is planned to maintain the charging structure principles set out in the deliberation of 13 December 2012, namely:

- a tariff set individually for each regulated terminal, so as to take into account any special factors and each of these facilities' specific costs trajectories ;
- an identical tariff terms structure for the three terminals, in particular for basic re-gasification services.

Certain ancillary services or operational arrangements can however be used in a specific way at each terminal.

1.2. Entry into force and validity period of revised tariffs

The revised tariffs will come into force for a period of approximately two years from 1 April 2015, consistent with the transmission system tariff.

1.3. Mid-period tariff revision arrangements

CRE's deliberation of 13 December 2012 stipulates a revision of the schedule of tariffs applicable to the two operators Elengy and Fosmax LNG on 1 April 2015.

For the Montoir and Fos Cavaou LNG terminals, the tariff revision will take the following factors into account:

- updating of contracted capacity assumptions and of energy costs (electricity and CO_2 quotas) in accordance with market conditions;
- updating of non-revenue gas offtake levels in view of the figures recorded;
- clearing of the income and expenditure equalisation account balance relating to the period 2013-2014 in four equal instalments;
- revising the operating expenses trajectory if needed, under the review clause stipulated in the deliberation of 13 December 2012.

For the Fos Tonkin LNG terminal, the tariff revision will involve all the costs that are to be covered and forecast contracted volumes, taking due account of Elengy's decision not to extend commercial operations of this facility beyond 2020.

2. Forecast trajectories for contracted capacities and expenses to be covered proposed by operators mid-period

2.1. Contracted capacities

The forecast contracted re-gasification capacities proposed by terminal operators for the second half of the ATTM4 tariff period are equal to the contracted figures already in the portfolio and identical to the forecasts used in the deliberation of 13 December 2012, no further capacity having been contracted since. In accordance with the tariff in force, these capacities are entirely contracted as “ship or pay”.

Contracted capacities (TWh) ***Capacity available (%)***	***2013***	***2014***	**2015**	**2016**
Montoir de Bretagne *Technical maximum capacity: 123 TWh*	*123.0* *0%*	*123.0* *0%*	106.9 *13.1%*	106.9 *13.1%*
Fos Tonkin *Technical maximum capacity: 39.5 TWh*[2]	*48.0* *15.8%*	*44.8* *13.0%*	35 *2.5%*	35 *0.0%*
Fos Cavaou *Technical maximum capacity: 97 TWh*	*87.2* *10.0%*	*83.9* *13.5%*	87.2 *10.0%*	87.2 *10.0%*

CRE at this stage shares the operators’ position and is of the view that it is reasonable to re-use the forecast contracted capacity trajectory used for the tariff currently in force.

2.2. Capital expenditure

2.2.1. Reminder of the rules stipulated by the ATTM4 tariff

2.2.1.1. Capital expenditure

Under the tariff currently in force, capital expenditure includes an asset depreciation component and a return on capitalised assets component, and is determined on the basis of the value of regulatory asset base (RAB) and the weighted average cost of capital (WACC).

The subsequent variances noted between the forecast figures and actual capital expenditure are 100% covered by the income and expenditure equalisation account.

2.2.1.2. The regulatory asset base (RAB)

For the Fos Tonkin and Montoir terminals, CRE undertook a revaluation on 31 December 2002 of the historical value of the operator’s assets, on the basis of a “current economic costs” method similar to that used for transmission assets by the Special Commission instituted by Article 81 of the amended finance bill of 28 December 2001, tasked with setting the price of disposal, by the French state, of its natural gas transmission systems.

For the Fos Cavaou terminal, the RAB is established by taking into account investments plus operating expenses and financial costs prior to the terminal’s entry into service. The date selected as the terminal’s entry into service for the tariff is the actual date it entered into service, 1 April 2010.

For ATTM4, CRE retained the principles for calculating capital expenditure adopted when setting previous tariffs, while amending its assessment of the weighted average cost of capital for LNG terminal activities.

[2] Fos Tonkin’s technical capacity is falling, declining from 51.5 TWh in 2014 to 39.5 TWh in 2015, then 35 TWh from 2016.

The lifespans used for the main categories of industrial assets are set out in the following table for the Montoir and Fos Cavaou terminals:

Industrial asset category	Economic lifespan (years)
Re-gasification facilities	40
Civil engineering and buildings	40
Storage facilities	40
Other facilities (flares, tools, etc.)	40
Ancillary and unloading facilities	20
Equipment (remote operations, gas quality analysers, etc.)	10
Property	30
Miscellaneous equipment (vehicles, etc.)	10
Minor equipment (micro-computers, etc.)	5

For the Fos Tonkin terminal, in accordance with CRE's deliberations of 7 July 2011 and of 13 December 2012, the asset depreciation period already included the assumption of a terminal shutdown in 2020. Following the decision to drop the Horizon 2035 project, asset lifespans have not therefore been reviewed.

Assets employed before 31 December 2002 are valued by means of adjusting the historical cost for inflation, using the following method:

- historical gross asset values are adjusted for the revaluation variances permitted in 1976, subsidies received in respect of carrying out these investments, and contributions received from the beneficiaries of these investments;

- these restated gross values are re-valued as at 31 December 2002 by applying the "market-sector GDP" price index;

- these adjusted gross values are then depreciated using the straight-line method on the basis of the economic lifespan of the various asset categories. Assets are deemed to have entered service on 1 July of the relevant year.

Some asset categories receive special treatment:

- vehicles, fittings, micro-computing hardware, minor equipment, etc. are included on the basis of their net book value;

Assets that entered service between 1 January 2003 and 31 December 2012 are included in the RAB at their gross value3. Planned investment from 1 January 2013 is included at its gross forecast value as submitted by Elengy and Fosmax LNG.

The nominal date on which assets enter the inventory is set to 1 July each year, and they are removed on 30 June. Only assets actually in service are included within the RAB.

Once assets are included within the RAB, their value is updated using the following method:

[3] Assets that entered service between 1 January 2012 and 31 December 2012 are included in the RAB at their forecast gross value.

COMMISSION DE RÉGULATION DE L'ÉNERGIE

- assets are re-valued on 1 January each year using the rate of inflation for the period July to July. The index used to update values is the INSEE (French national statistics office) index 641194 for consumer prices excluding tobacco for the whole of France;

- assets are depreciated using the straight-line method on the basis of their economic lifespan. The lifespans used for asset depreciation after 31 December 2002 are identical to those used to adjust the value of assets brought into service prior to that date.

Some asset categories receive special treatment:

- vehicles, fittings, micro-computing hardware, minor equipment, etc. are not re-valued

2.2.1.3.Cost of capital

CRE uses the cost of capital for gas transmission activities to estimate the cost of capital for LNG terminals given the absence of a relevant comparable sample to determine the main factors involved for LNG terminal operation activities.

The parameters comprising this weighted average cost of capital are reiterated in the table below:

Real risk-free rate*	2.0%
Debt spread	0.6%
Market premium	5.0%
Asset beta	0.58
Equity beta	0.96
Gearing (debt / debt + equity)	50
Corporation tax rate	34.43%
Cost of debt**	2.6%
Cost of equity**	10.4%
Real WACC before corporation tax	**6.50%**

**i.e. assumed nominal risk-free rate of 4.0%*
***real before corporation tax*

A special increase of 200 base points is applied to this basic rate to take into account the specific risks of LNG terminal operation activities compared with gas transmission activities. In fact, LNG terminals are facilities that are concentrated on a single site, away from urban areas and dependent on a limited number of customers. In the event of a technical failure or accident causing all or part of the facility to be unavailable, or of the failure of a capacity buyer, the risk is strong that loss of revenue could be substantial and not able to be offset by other facilities or other customers. Moreover, the very long-term continuation of operations on any site, when current capacity contracts in the portfolio come to an end, is not guaranteed.

Assets scrapped before the end of their economic lifespan are removed from the RAB and no depreciation or financial return is included for them.

Lastly, the investment incentives in force during previous tariffs continue to apply in the ATTM4 tariff (over the two half-periods), namely the premium of 125 basis points on all investments entering service between 2004 and 2008 and on all investments decided upon between 1 January 2004 and before 31 December 2008.

2.2.2. *Montoir terminal capital expenditure*

The tariff currently in force does not stipulate any revision of the forecast capital expenditure trajectory for the Montoir terminal, which consequently remains identical to that used in the deliberation of 13 December 2012 for the years 2015 and 2016:

Current €m	***2013 (ATTM4 period 1)***[4]	***2014 (ATTM4 period 1)***	**2015**	**2016**
RAB at 1/1/yyyy	*314.73*	*326.64*	335.31	319.67
Investment for the year	*30.27*	*27.77*	4.27	4.27
Depreciation	*-24.05*	*-24.95*	-25.49	-26.06
RAB at 31/12/yyyy	*320.95*	*329.46*	314.09	297.88
Re-evaluation	*5.68*	*5.85*	5.58	5.29

Current €m	***Average 2013-14 (ATTM4 period 1)***	**2015**	**2016**
Return on the RAB	*29.91*	30.07	28.71
Return on non-current assets	*1.35*	0.88	0.88
Depreciation	*24.50*	25.49	26.06
Standard capital expenditure	***55.76***	**56.44**	**55.65**

2.2.3. *Fos Tonkin terminal capital expenditure*

CRE’s deliberation of 13 December 2012 stipulates that a tariff applicable to 2015 and 2016 is set. To this end, CRE determined a forecast capital expenditure trajectory, based on an up-to-date asset inventory and the investment plan sent by Elengy.

Depreciation of Fos Tonkin’s assets is accelerated so as to reach a RAB of nil by the end of 2020.

Current €m	**2015**	**2016**
RAB at 1/1/yyyy	103.23	92.37
Investment for the year	8.66	3.16
Depreciation	-21.12	-22.50
RAB at 31/12/yyyy	90.77	73.04
Re-evaluation	1.60	1.28

Current €m	***Average 2013-14 (ATTM4 period 1)***	**2015**	**2016**
Return on the RAB	*11.03*	9.36	8.16
Return on non-current assets	*0.91*	0.16	0.05
Depreciation	*20.49*	21.12	22.50
Standard capital expenditure	***32.43***	**30.65**	**30.70**

[4]All the figures headed “ATTM4 period 1” for the years 2013 and 2014 equate to the trajectories used to determine the ATTM4 tariff applicable from 1 April 2013 to 30 March 2015, in accordance with the deliberation of 13 December 2012.

2.2.4. *Fos Cavaou terminal capital expenditure*

The tariff currently in force does not stipulate any revision of the forecast capital expenditure trajectory for the Fos Cavaou terminal, which consequently remains identical to that used in the deliberation of 13 December 2012 for the years 2015 and 2016:

Current €m	*2013 (ATTM4 period 1)*	*2014 (ATTM4 period 1)*	2015	2016
RAB at 1/1/yyyy	*810.39*	*800.18*	789.51	776.3
Investment for the year	*3.30*	*3.70*	2.00	2.00
Depreciation	*-27.65*	*-28.33*	-28.93	-29.51
RAB at 31/12/yyyy	*786.04*	*775.55*	762.58	748.8
Re-evaluation	*14.14*	*13.96*	13.72	13.48

Current €m	*Average 2013-14 (ATTM4 period 1)*	2015	2016
Return on the RAB	*78.63*	76.97	75.66
Return on non-current assets	*0.05*	0.01	0.01
Depreciation	*27.99*	28.93	29.51
Standard capital expenditure	***106.67***	**105.91**	**105.18**

2.3. Operating expenses

2.3.1. *Reminder of the rules stipulated by the ATTM4 tariff*

Operating expenses are determined based on all the costs incurred by an efficient operator. They equate to the operating costs necessary to run LNG facilities, including in particular all energy purchases, staff and payroll costs, Elengy's and Fosmax LNG's overheads, the margin for services billed by Elengy to Fosmax, a provision for decommissioning the facilities, and tax liabilities.

From this total expenses figure is deducted any ancillary income received separately from the tariffs for use (mainly odorisation, metering and flexibility services).

Subsequent variances recorded between the forecast figures and actual operating expenses are not covered by the income and expenditure equalisation account, and are therefore borne entirely by operators.

2.3.2. *Montoir terminal operating expenses*

The tariff currently in force does not stipulate any revision of the operating expenses trajectory for the Montoir terminal, with the exception of energy costs (electricity and CO2 quotas), which are slightly lower to take the reduced use now made of the terminal into account:

Current €m	*Average 2013-14 (ATTM4 period 1)*	2015	2016
Gross operating expenses	*58.95*	58.48	59.41
Ancillary income	*-3.83*	-3.24	-3.08
Net operating expenses	***55.12***	**55.24**	**56.33**

2.3.3. Fos Tonkin terminal operating expenses

CRE's deliberation of 13 December 2012 stipulates that a tariff applicable to 2015 and 2016 is set. Elengy consequently sent its forecast operating expenses figures to CRE, which are slightly below the trajectory for the 2013-14 period, so as to include the effects of reduced activity at the terminal:

Current €m	*Average 2013-14 (ATTM4 period 1)*	**2015**	**2016**
Gross operating expenses	*33.97*	31.58	31.97
Ancillary income	*-4.30*	-2.45	-2.43
Net operating expenses	***29.67***	**29.13**	**29.54**

2.3.4. Fos Cavaou terminal operating expenses

The tariff currently in force does not stipulate any revision of the operating expenses trajectory for the Cavaou terminal, with the exception of energy costs (electricity and CO_2 quotas), which are slightly lower to take the reduced use now made of the terminal into account:

Current €m	*Average 2013-14 (ATTM4 period 1)*	**2015**	**2016**
Gross operating expenses	*50.83*	50.19	51.36
Ancillary income	*-3.72*	-3.88	-2.81
Net operating expenses	***47.11***	**46.31**	**48.55**

2.4. Clearing the income and expenditure equalisation account

2.4.1. Reminder of the rules stipulated by the ATTM4 tariff

The level of tariffs is determined based on assumptions about expenses and contracted capacities established for the tariffs' period of application. At the time tariffs were set, some uncertainty surrounded these assumptions.

The income and expenditure equalisation account is an off-balance sheet fiduciary account funded at regular intervals by all or some of the variances in expenditure or income recorded for various accounts stipulated by this tariff. In accordance with CRE's deliberation of 13 December 2012, variances entering the income and expenditure equalisation account in respect of 2013 and 2014 are cleared during the mid-period tariff revision, by a reduction or an increase in the revenue to be collected. Residual variances relating to 2012 were also included during this revision; in fact the variances covered when establishing the ATTM4 tariff resulted from a comparison between the forecast trajectory and a mid-year estimate of the actual income and expenditure, which are now known. Clearing is achieved over four equal instalments from 2015 to 2018; in the first two years of this period, the last two instalments from clearing the income and expenditure equalisation account for the period 2010-12 are also added.

To ensure the mechanism's financial neutrality, amounts included in the equalisation account are discounted at an interest rate equivalent to the risk-free rate adopted under the gas transmission systems tariff framework, a nominal 4% before tax.

The deliberation of 13 December 2012 establishes the following eligibility criteria to allow variances between forecast and actual figures to be entered into the equalisation account:

- income related to additional contracted re-gasification capacity - 75% allowed;

COMMISSION DE RÉGULATION DE L'ÉNERGIE

- capital expenditure variances - 100% allowed;
- energy spending and income (electricity and CO_2 quotas) variances - 90% allowed;
- additional income related to additional contracted capacity for the vessel reloading service - 50% allowed;
- additional income related to additional contracted capacity for the LNG exchange point service - 50% allowed;
- income related to penalties paid by shippers in the event of late cargo cancellation - 100% allowed.

2.4.2. Montoir terminal equalisation account clearing

The equalisation account balance for the period 2013-14 sent by the operator Elengy and based on actual 2013 figures and 2014 estimates is being analysed. At this stage, the Montoir terminal authorised income would be cut by €15.4m, making an annual instalment of **-€4.1m**, mainly because of re-gasification income being higher than forecast, lower energy costs due to reduced use is of the terminal, and delays in certain investment plans.

This last annual instalment would be added to the annual instalment for clearing the equalisation account for the period 2010-12 which totalled -€4.3m, as established in the tariff currently in force. The authorised income for 2015 and 2016 would thus be reduced by **€8.4m** per year.

2.4.3. Fos Tonkin terminal equalisation account clearing

The equalisation account balance for the period 2013-14 sent by the operator Elengy based on 2013 actual figures and 2014 estimates is being analysed. At this stage, the Fos Tonkin authorised income would drop by €6.1m, equating to an annual instalment of **-€1.6m**, mainly resulting from the dropping of plans to extend the terminal's life to 2035 and from higher re-gasification income than forecast.

This annual instalment added to the annual clearing of the equalisation account for the period 2010 to 2012, which was -€5.2m, brings the reduction in annual authorised income to **€6.8m** in 2015 and 2016.

2.4.4. Fos Cavaou terminal equalisation account clearing

The equalisation account balance for the period 2013-14 sent by the operator Fosmax LNG based on 2013 actual figures and 2014 estimates is being analysed. At this stage, the impact of equalisation account clearing would be a cut in authorised income of €17.2m, or an annual instalment of **-€4.6m**. This change is mainly attributable to higher income than forecast from re-gasification and vessel reloading services, lower energy costs as reduced use is now made of the terminal, and postponed investment plans.

This annual instalment added to that of +€4.0m to clear the equalisation account for the period 2010 to 2012 would have a full-year impact of **-€0.55m** on authorised income in 2015 and 2016.

2.5. Authorised income and tariff level

The figures shown below equate to the figures adopted at this stage following operators' demand levels and forecasts. They are being analysed.

2.5.1. Montoir terminal authorised income and tariff level

€m	ATTM4 level period 1 (average 2013-2016)	Variation in period 2	
		2015	2016
Operating expenses	52.32	-	-
Standard capital expenditure	55.90	-0.68	-0.42
Energy costs	3.41	-	-
Clearing of the equalisation account	-4.30	-4.09	-4.09
Authorised income	**107.33**	**-4.77**	**-4.51**

Elengy's trajectory proposal results in a tariff reduction for the Montoir terminal compared with the tariff currently in force of approximately **4.9%** for the last two years with effect from 1 April 2015. This reduction is mainly attributable to:

- lower energy purchases owing to the lower forecast use to be made of the terminal;
- the annual instalment to clear the income and expenditure equalisation account in relation to 2013 and 2104.

At this stage, the Montoir terminal's average tariff would consequently fall from €0.936/MWh to **€0.890/MWh** for the period from 1 April 2015 to 31 March 2017.

2.5.2. Fos Tonkin terminal authorised income and tariff level

€m	ATTM4 level period 1 (average 2013-2014)	Period 2	
		2015	2016
Operating expenses	27.49	27.14	27.48
Standard capital expenditure	32.43	30.65	30.70
Energy costs	2.18	1.99	2.06
Clearing of the equalisation account	-5.17	-6.78	-6.78
Authorised income	**56.93**	**53.00**	**53.46**

Elengy's trajectory proposal results in a tariff increase for the Fos Tonkin terminal compared with the tariff currently in force of approximately **25.9%** for the last two years with effect from 1 April 2015. The reduction in the expenses to be covered by the tariff, which is connected to lower energy costs and the dropping of the Horizon 2035 project, only partly offsets the lower subscribed capacities.

At this stage, the Fos Tonkin [corrected] terminal's average tariff would consequently rise from €1.240/MWh to **€1.561/MWh** for the period from 1 April 2015 to 31 March 2017.

2.5.3. *Fos Cavaou terminal authorised income and tariff level*

€m	ATTM4 level period 1 (average 2013-2016)	Variation in period 2	
		2015	**2016**
Operating expenses	42.88	-	-
Standard capital expenditure	106.11	-1.17	-0.41
Energy costs	4.78	-	-
Clearing of the equalisation account	4.01	-4.56	-4.56
Authorised income	**157.78**	**-5.73**	**-4.97**

Fosmax LGN's trajectory proposal results a tariff reduction for the Fos Cavaou terminal compared with the tariff currently in force of approximately **3.9%** for the last two years with effect from 1 April 2015. This reduction is attributable to:

- lower energy purchases owing to the lower forecast use to be made of the terminal;
- the annual instalment to clear the income and expenditure equalisation account in relation to 2013 and 2104.

At this stage, the Fos Cavaou terminal's average tariff would consequently fall from €1.837/MWh to **€1.765/MWh** for the period from 1 April 2015 to 31 March 2017.

3. Changes to the tariff structure

3.1. Re-balancing between quantity and berthing components

3.1.1. *The operators' proposals*

Keeping overall revenue constant, operators Elengy and Fosmax LNG are suggesting a new balance is divided between (i) the quantity component as applied to the quantities of LNG unloaded and (ii) the berthing component as applied to each individual cargo loaded or unloaded, by increasing the berthing component and correspondingly reducing the quantity component.

Operators in fact believe that the current tariff structure does not reflect the costs of using the jetties and special infrastructure for unloading or reloading vessels that are borne by the terminals, under circumstances where demand for the terminal's re-gasification services is low but is higher for operations such as reloading, which make jetties unavailable without however making use of the re-gasification infrastructure.

They are consequently proposing to increase the berthing component currently set at €50,000 for the Montoir terminal, €45,000 for the Fos Tonkin terminal, and €60,000 for the Fos Cavaou terminal, to a figure between €80,000 and €100,000 for the Montoir terminal, €75,000 for the Fos Tonkin terminal, and €100,000 for the Fos Cavaou facility. The impact of this would be to reduce the quantity component by approximately €0.03 to €0.05 per MWh. The operators furthermore explain that this re-balancing between the quantity and berthing components will make it possible to optimise use of the jetties by creating a marginal incentive for users to schedule larger cargos by volume.

3.1.2. CRE's preliminary analysis

At this stage, CRE is in favour of a re-balancing between the quantity and berthing components. Indeed, a price increase linked to the number of berthings sends a positive economic signal in favour of unloading larger volumes, thereby freeing up more unloading time slots, consequently making access to the terminal more flexible. CRE considers moreover necessary that users that make jetties unavailable without using the terminal's re-gasification services pay for the costs of using special infrastructure for the berthing and reloading of vessels.

As this re-balancing of components leaves the authorised income unchanged, there will be no impact on the average tariff level. However, users usually scheduling smaller vessels could be disadvantaged by the change. CRE nonetheless believes that the levels of €75,000 to €100,000 proposed by operators for the berthing component are a reasonable adjustment for terminal users.

Question 1: Are you in favour of the new balance between the quantity and berthing components as per the arrangements proposed by the operators?

3.2. Dedicated tariff treatment for unloading and reloading small LNG tankers

3.2.1. The operators' proposals

Elengy and Fosmax LNG consider that the terms and tariff conditions of service currently offered for unloading and reloading vessels are not appropriate for small LNG tankers (volumes under 20,000 m^3.

As a consequence, for unloading small LNG tankers, the operators suggest a reduction in the berthing component, which would be set at €50k for all three terminals in order to reflect the cost of the jetty's unavailability.

For reloading small LNG tankers, Elengy and Fosmax LNG propose the introduction of a dedicated service at the Fos Tonkin and Fos Cavaou. Some small LNG tankers can already be loaded at these terminals, with no investment required. Depending on feedback from the trial, operators are planning to invest in the longer term so as to be able to provide this service for all types of small LNG tankers, including at the Montoir terminal. Operators point out that providing this new service will in particular meet the growing demand for LNG for use as a fuel. The costs associated with this service include the marginal operating costs arising, in particular, from the additional electricity consumption to run the low-pressure pumps and evaporation gas compressors. Elengy and Fosmax LNG suggest in consequence a dedicated tariff for reloading small LNG tankers, comprising a fixed €50k component per operation and a variable component of €0.50 per MWh of LNG loaded, whereas the reloading tariffs currently applied at Fos Tonkin and Fos Cavaou for larger capacity vessels are as follows:

	Fos Tonkin	Fos Cavaou
Fixed reloading component	€180,000 per reload	€180,000 per reload
Berthing component	€45,000	€60,000
Quantity component	€0.16 per MWh reloaded	€0.16 per MWh reloaded

The operators point out that, unlike an unloading or loading operation with a conventional LNG tanker, which renders the jetty unavailable for several days, for unloading or loading small LNG tanker, the jetty unavailability period is shorter than one day. Such operations can therefore be slotted into a terminal's schedule of operations at short notice. Elengy and Fosmax LNG are consequently planning to give small LNG tanker unloading and loading operations lower priority than their "large vessels" business. These operations would be scheduled after setting the terminal's monthly schedule, depending on the time slots remaining unfilled.

3.2.2. CRE’s preliminary analysis

CRE considers that the introduction of a special tariff for the loading and reloading of small LNG tankers is of a kind to improve the attractiveness of terminals’ services. The tariff currently in force does not reflect the costs specific to small LNG tankers unloading or reloading and could discourage the unloading and reloading of small volumes of LNG. Furthermore, such operations take under a day for a small LNG tanker, while they last several days for conventional LNG tankers.

As regards the lower priority that would be given to unloading and reloading small LNG tankers in comparison to that accorded to “large vessels”, CRE notes that it will allow use of the terminal to be maximised during timeslots not otherwise used by shippers.

At this stage, CRE is therefore in favour of the operators’ proposals.

The income generated from unloading or reloading small tankers would be covered by the income and expenditure equalisation account, with the same conditions than standard vessels.

Question 2.1 : Are you in favour of the introduction of special tariff treatment for unloading and reloading small LNG tankers, as per the arrangements proposed by the operators?

Question 2.2: In particular, are you in favour of the operators’ proposal that small tanker loading and unloading would be timetabled depending on the time slots remaining unfilled after preparing the terminal’s monthly schedule?

3.3. Possible updating of non-revenue gas offtake levels

3.3.1. The operators' proposals

To meet terminals’ operational needs, the tariff currently in force stipulates an offtake by the operators of 0.5% of unloaded gas for Montoir-de-Bretagne and 0.2% of unloaded gas for Fos Tonkin and Fos Cavaou. Any surplus gas is redistributed in kind to shippers at year-end, pro-rata to the quantities unloaded over the elapsed year, while any gas deficit is carried over into the following year.

Over the first period of application of ATTM4, the 0.2% offtake level at Fos Cavaou and Fos Tonkin was changed to match the terminals’ actual requirements.

In contrast, at the Montoir terminal, the low number of unloading operations resulted in Elengy having to flare significant volumes of gas to avoid excess pressure in the storage tanks. Elengy consequently reported that since the end of 2011, deficits in operating gas at the Montoir terminal have increased sharply, and have exceeded non-revenue gas offtake. The rules set out by CRE in its ATTM4 deliberation, stipulating the reallocation of additional quantities of non-revenue gas to all users concerned in proportion to the difference, for each such user, between a threshold of 50% of the contracted quantity unloaded and the quantity actually unloaded over the period in question, have made it possible to re-balance the operator’s current operating gas figures, but are not enough to clear the past accumulated deficit close to 80 GWh. Elengy has booked provision in its accounts for this deficit.

The operator believes that an increase in the non-revenue gas offtake level for the Montoir terminal would not be an appropriate way to make good the shortfall. Firstly, it would make the re-gasification service more expensive. Secondly, given the low number of shipments currently arriving, there is no guarantee it would reabsorb the deficit from the past.

The deliberation of 13 December 2012 stipulates that in the event of a long-term lack of LNG unloading operations which is liable to undermine the terminal's chilling capabilities [being powered by the non-revenue offtake], the operator is to inform CRE without undue delay and suggest planned measures after consulting with users. Elengy proposes to buy gas via an RFP so as to make good the 80 GWh shortfall in operating gas. The operator presented two solutions in the LNG Consultation:

- buying gas at the Gas Trading Point and transmission for delivery at Montoir PITTM interchange point. This requires a reversal to be carried out at the PITTM, which is only technically feasible if injection from the terminal is sufficient;

- a part-cargo purchase, the volume needed being low.

Elengy wishes the gas purchase to be included in the terminal's energy costs previsions. The variance between this provision and the actual cost borne by the operator would then be covered by the income and expenditure equalisation account.

3.3.2. CRE's preliminary analysis

At this stage, CRE favours maintaining the current non-revenue gas offtake levels for the three terminals. Indeed, an increase in the offtake level for Montoir would not help to make good the terminal's operating gas shortfall under current market conditions. An increase would moreover amount to imposing, to a large extent, a cost resulting from the low number of unloading operations on the holders of re-gasification capacity that do actually use it.

As a consequence, CRE favours Elengy initiating an RFP for buying gas at the Gas Trading Point and transmission for delivery at Montoir PITTM, which would be less expensive than an LNG purchase. The related cost around €2m based on current gas prices, will be added to the terminal's energy costs for the years 2015 and 2016.

Question 3.1: Are you in favour of Elengy's proposal to make good the operating gas shortfall by initiating an RFP to buy and transmit gas?

Question 3.2: Are you in favour of buying gas at the Gas Trading Point then a reversal to the PITTM? Are you in favour of buying a part cargo?

3.4. Improvement of the flexibility of commercial services offered by the Montoir, Fos Cavaou and Fos Tonkin terminals - CRE analysis and proposals

As part of the revision of transmission tariffs (ATRT5) on 1 April 2015, CRE submitted to public consultation the introduction of more flexible PITTM contracting arrangements, connected to the Dunkerque LNG terminal's commercial services which are completely deregulated as regards third party access. Any shipper could thus book a constant injection capacity of 10 days at the PITTM, at a tariff equal to 10/365ths of the price of a binding annual contract. All capacity excess would be charged, as it is now, at 1/240th of the price of the binding annual contract.

It is reiterated that now, any shipper contracting a streamed or spot service with a regulated LNG terminal operator is allocated a binding monthly injection capacity by GRTgaz at the PITTM interface point equal to 1/30th of the re-gasification capacity contracted with the LNG terminal operators. The price applicable to such capacity is equal to 1/12th of the price of the binding annual contract. With the change proposed by CRE, shippers contracting a streamed or spot service with the Fos and Montoir LNG terminal operators will therefore be contracting with GRTgaz for injection capacity, in the form of three blocks of 10 consecutive days, at the PITTM equal to 1/30th of the annual re-gasification capacity contracted with the LNG terminal operators.

CRE believes that the flexibility introduced into the GRTgaz services on offer should be available to regulated LNG terminal users. CRE consequently wishes to collect market stakeholders' opinions about a change to the commercial services on offer at the Montoir and Fos terminals which would enable shippers with contracted re-gasification capacity to choose an injection service corresponding to constant injection of less than 30 days, with a minimum of 10 days.

Question 4: Are you in favour of a change to regulated terminals' services, to enable users so wishing to inject gas into the transmission system under a streamed service over a period between 10 and 30 days?

3.5. Temporary measures until a single market area is created for the Fos Tonkin and Fos Cavaou terminals - CRE analysis and proposals

In the deliberation of 30 October 2014 rulings on changes to the ATRT5 (transmission) tariff concerning temporary measures before the establishment of a single Gas Trading Point (PEG) by 2018, CRE believed that "*the tension existing on the Southern PEG could justify alterations to the balance between long-term and short-term contracts, so as to maximise the short-term attractiveness of the Fos terminals*".

CRE notes that, since a couple of years, no new shipper has made use of the Fos Tonkin and Fos Cavaou terminals, despite the fact that prices at the Southern GTP are higher than prices at the Northern GTP. CRE considers introducing temporary measures, until the establishment of a single Gas Trading Point by 2018, in order to reinforce the attractiveness of the Fos terminals. These measures would consist in:

- the obligation to offer unused capacity at Fos on the UIOLI mechanism on the 1st of the month M-1 rather than on the 25th of the month M-1,
- the decrease of the regasification tariffs for the streamed and spot services at the Fos Tonkin and Fos Cavaou terminals,
  the introduction of a streamed injection service running for up to 60 days for the Fos terminals.

As allowed by the current tariff framework, unused capacity at Fos for month M is generally offered on the UIOLI mechanism on the 25th of month M-1, as the capacity owners want to keep their trading options open until the last moment. However, this practice could make the UIOLI mechanism pointless and be in breach of the rules reiterated by CRE in its deliberation of 20 June 2013 on the information published about the use of LNG terminals[5]. CRE is consequently considering the temporary implementation of measures improving the visibility on available unloading slots in the operator's schedules, until the implementation of a single Trading region (2018).

The owners of re-gasification capacity should accordingly tell operators, by the first day of month M-1 at the latest, their monthly unloading schedule demand for month M, together with some indication of their unloading schedule for months M+1 and M+2. On the 5th day of month M-1, operators should publish their unloading and reloading schedules for months M, M+1 and M+2. At the same time, they would publish an indicative send out schedule for months M, M+1 and M+2.

In addition, CRE contemplates making compulsory, as at the 1st day of month M-1, the unloading schedule for month M. Consequently, free unloading slots would be made usable for other shippers thanks to the UIOLI mechanism. The capacity holder would be penalized if, at the end of the month M, he had not used one (or more) of the unloading slots he had booked. In the opposite, the capacity

[5] In the 20 June 2013 deliberation, the CRE reiterated that "*LNG terminal users are obliged to inform operators immediately of their best forecasts for LNG terminal usage, once they have decided or been told the figures*".

holder would not be penalized if he had rendered at least one unused unloading slot on the 1st day of month M-1, which has not been taken by any other shipper.

In order to increase the appeal of the Fos terminals, CRE is also planning to temporarily halve, until a single GTP is created, the quantity component for newly contracted streamed services at Fos Cavaou and Fos Tonkin. The quantity component for newly contracted spot services at Fos Cavaou and Fos Tonkin would be set at the same level as for the streamed service.

Without including any potential new balance being struck between the berthing and quantity components (see section 3.1 of this consultation), the quantity component for volumes unloaded at the Fos Tonkin and Fos Cavaou terminals would be revised as follows:

In €/MWh	**Fos Tonkin**		**Fos Cavaou**	
	Current level	***CRE proposal***	***Current level***	***CRE proposal***
Streamed service quantity component	1.127	0.564	1.768	0.884
Spot service quantity component	0.845	0.564	1.326	0.884

Lastly, and still temporarily until a single Gas Trading Point is established, CRE is considering the introduction of a streamed injection service running for up to 60 days for the Fos terminals. Under current market conditions, users could benefit from greater spreading of their gas injections into the transmission system, because the liquidity of the Southern GTP is still limited.

Question 5.1: Are you in favour of CRE's proposal to make nominations binding at the Fos terminals from the first day of month M-1?

Question 5.2: Are you in favour of the €50,000 penalty proposed by CRE in the event of late changes to the unloading schedule?

Question 6: Are you in favour of the halving of the unloaded quantity component for newly contracted streamed services at Fos Cavaou and Fos Tonkin, with the quantity component for the spot service being set at the same level?

Question 7: Are you in favour of the creation of a streamed injection service running for up to 60 days for the Fos terminals?

4. Response to the public consultation

Question 1: Are you in favour of the new balance between the quantity and berthing components as per the arrangements proposed by the operators?

Question 2.1: Are you in favour of the introduction of special tariff treatment for unloading and reloading small LNG tankers, as per the arrangements proposed by the operators?

Question 2.2: In particular, are you in favour of the operators' proposal that small tanker loading and unloading would be timetabled depending on the time slots remaining unfilled after preparing the terminal's monthly schedule?

Question 3.1: Are you in favour of Elengy's proposal to make good the operating gas shortfall by initiating an RFP to buy and transmit gas?

Question 3.2: Are you in favour of buying gas at the Gas Trading Point then a reversal to the PITTM? Are you in favour of buying a part cargo?

Question 4: Are you in favour of a change to regulated terminals' services, to enable users so wishing to inject gas into the transmission system under a streamed service over a period between 10 and 30 days?

Question 5.1: Are you in favour of CRE's proposal to make nominations binding at the Fos terminals from the first day of month M-1?

Question 5.2: Are you in favour of the €50,000 penalty proposed by CRE in the event of late changes to the unloading schedule?

Question 6: Are you in favour of the halving of the unloaded quantity component for newly contracted streamed services at Fos Cavaou and Fos Tonkin, with the quantity component for the spot service being set at the same level?

Question 7: Are you in favour of the creation of a streamed injection service running for up to 60 days for the Fos terminals?

The CRE requests that all interested parties send their input by 21 November 2014 at the latest:

- by electronic mail to the following address: dirgaz.cp3@cre.fr;
- by posting directly via the "Documents/Public Consultations" section on the CRE website (www.cre.fr);
- by responding to the Department for Gas Infrastructure and Systems: +33 (0)1 44 50 41 43

Individual non-confidential responses will be published on the CRE website.

Please indicate in your response whether you would like your input to be viewed as **confidential** or **anonymous**. By default, all contributions are deemed to be neither. Interested parties are asked to send their observations accompanied by arguments for their positions.

Link to the CRE deliberation of 13 December 2012 ruling on the tariff for use of regulated LNG terminals: http://www.cre.fr/documents/deliberations/decision/terminaux-methaniers