

Evolution of the ATM5 offer

Proposals from Elengy and Fosmax LNG

Contents

1	Background.....	2
2	Regasification services.....	2
2.1	Core service	2
2.2	Uniform option	3
2.3	Spot service.....	4
2.4	Management of intra-monthly rescheduling	4
3	Dedicated storage.....	4
4	Subscription account	5
4.1	Subscription Account 1 (CS1).....	6
4.2	Subscription Account 2 (CS2).....	6
5	Reloading subscription on an annual basis	7
6	Pooling of intra-monthly capacities among terminals	8
7	Tariff structure.....	8
7.1	Number of Berthing Rate.....	8
7.2	Quantity Unloaded Rate	9
7.3	Storage Optimisation Rate	9
7.4	Regularity Rate	9
7.5	Gas Taken Off	9
7.6	Spot service tariff.....	9
7.7	Available options	10
7.8	Reloading Rate.....	10

This document is a courtesy translation of reference document, which is the French version.

1 Background

Since the introduction of the ATM4 tariff in 2012, the LNG and natural gas markets have changed very significantly, not only in France but in Europe as a whole and across the world at large. As a result, regulated LNG terminals will need to tailor their business offer to the expectations of existing clients and to make it more attractive for new clients.

On the basis of collaborative reflection and feedback from our clients since the summer of 2015, particularly through the LNG consultation process, and also based on various meetings with clients and prospects, Elengy and Fosmax LNG are proposing adjustments to their offer following the principles described below.

These changes will result in definite benefits for both subscribers and the market. These include the following:

- a homogenous core service, which will reduce bias between users;
- a flexible offer that will enable even occasional users to employ their subscribed reception capacities with great flexibility both in time and space;
- an offer that explicitly clarifies the modalities – applicable to all users – for managing downstream flexibility;
- an offer that enables existing and future subscribers to make the most of opportunities in the secondary market.

Where a parameter linked to a specific proposal has not been set in stone, the interval considered reasonable by operators and the various options proposed are indicated in italics between square brackets.

2 Regasification services

2.1 Core service

All subscriptions, with the exception of those to the Spot Service, are based on the core service, which is similar to the S-SMART service under ATM4. The core service is available to every shipper, right from the first cargo subscribed.

This service is characterised by the sharing of the physical send-out from the terminal among shippers, depending on:

- the quantities of LNG unloaded and reloaded in the course of the month;
- the inventory at the beginning of the month and the inventory at the end of the reference month.

Elengy and Fosmax LNG are proposing retention of the formula applied by Elengy under ATM4 for calculating the reference inventory at the end of the month for each shipper. The calculation is made on the assumption of a uniform send-out of the last cargo unloaded during month M up to the date of unloading of the first cargo of month M+1, or until the last day of month M+1 where no unloading is scheduled during month M+1.

The management modalities for the send-out of an isolated cargo were presented in the course of the LNG consultation process. The operators are proposing that the rules in force for the send-out of an isolated cargo be retained on the understanding that these rules may be discussed in greater depth in future as part of the LNG consultation process. In a bid to reduce the impact on other shippers' send-out, the operator may, at its own initiative, start the send-out of an isolated cargo one or two days before the date of unloading. Where the send-out of a shipper's isolated cargo is brought forward at the operator's initiative, the shipper will have no obligation to provide a guarantee for the quantity sent out before the date of unloading, and will not be billed for the early send-out as would be the case for an additional service.

During the LNG consultation process, some shippers suggested it would be advisable to monetise the inevitable background emissions from evaporations at the Montoir terminal (approximately 2 GWh/day) when the vaporisers are not used. At this stage, the operators are not putting forward any proposals to this effect within the framework of the present ATM5 request, given that this issue requires further analysis and has not been considered a priority. However, we are prepared to consider the issue in 2017. In the meantime, Elengy will continue to allocate this flow at Montoir towards GRTgaz proportionally to clients' inventories.

Core-service clients will have access, right from the first unloading booked, to the following flexibilities at the terminals: dedicated storage, send-out flexibility, a subscription account and pooling of intra-monthly capacities between terminals.

In 2015, Fosmax LNG launched, on an experimental basis, a weekly and daily send-out flexibility system, which will be integrated into the ATM5 core service.

2.2 Uniform option

The operators propose replacing the S-30 service, currently available under ATM4, with a **Uniform option** which can complement the subscription to the core service. Subscription to this optional service involves the uniform send-out of a cargo over a 30-day period starting from the scheduled unloading date.

This option will be available at all terminals to all shippers who are subscribed to the core service, as from the date of publication of the Annual Programme by the operator up to submission of the Monthly Schedule request for the unloading month concerned (before the 20th day of M-1), on a "first committed, first served" basis.

For each terminal a shipper will be allowed to subscribe a maximum of:

- one cargo per month under the Uniform option; and
- an annual quantity of 12 TWh under the Uniform option.

Elengy is proposing that for a given month the sum total of Unloaded Quantities under the Uniform option may not exceed 10% of the total monthly capacity of the Montoir Terminal.

Fosmax LNG proposes retaining the following limitation: the annual capacities for the Uniform Option and/or the Spot Service may not exceed 10% of the marketed capacities.

The tariff proposed by operators for the Uniform Option (see point 7.7.1 below) will be added to the price of the subscription to the core service.

This option is temporary, given that it is being proposed at the French Energy Regulatory Commission (CRE) to draw up a balance sheet on the occasion of the mid-term review, once the single title transfer point (PEG) for France is in place, and to decide whether it is advisable to retain the option at the end of the tariff period or, alternatively, allow the actors to manage this 'smoothing' by means of underground storage facilities or the PEG at market prices.

2.3 Spot service

The specific Spot tariff for unloading operations requested after the 20th day of month M-1 and scheduled in the course of month M will be retained.

For month M, the send-out profile of a cargo unloaded through the Spot Service will be determined by the operator in its response to the shipper's feasibility request, taking into account the impact on the other shippers' notified send-outs.

The impacts on the send-outs communicated to the other shippers may not exceed a certain limit before unloading. Operators consider that this limit should not be linked to the send-out communicated to shippers and should be a fixed quantity, in the region of *[35 GWh]*. On the operator's own initiative, the send-out of the Spot cargo may be brought forward by *[several days]* before the date of unloading so as to limit the impact on the send-outs of the other shippers before the Spot unloading.

The send-out of the Spot cargo will be determined in such a way as to have *[no impact]* on the send-out communicated for month M to the other shippers after unloading.

For month M+1, the remaining LNG inventory of a Spot shipper will be sent out on the basis of the send-out sharing rules defined for the core service. The shipper may also subscribe to the Uniform Option for the remaining quantity of LNG to be sent out on the first day of month M+1.

Cargoes booked through the Spot Service have no access to the dedicated storage space or to the weekly and daily flexibility schemes, the subscription account or the pooling of intra-monthly capacities.

2.4 Management of intra-monthly rescheduling

The principle whereby shippers are responsible for their intra-monthly rescheduling will be retained, as will the possibilities in regard to reverse flow at the transmission-LNG terminal interface point (PITTM) and/or compensation at the single title transfer point (PEG).

3 Dedicated storage

Elengy has put in place an experimental dedicated storage service for up to 500 GWh at the Montoir terminal, following approval by the CRE on November 13, 2013. Fosmax LNG has put in place a similar experimental service for up to 100 GWh at Fos Cavaou, following approval by the CRE on May 19, 2016.

Elengy and Fosmax LNG are proposing building on these experiences by isolating part of the storage space of the Montoir and Fos Cavaou terminals and dedicating it to core-service clients.

The volume of dedicated storage capacity will be determined by the operators for each calendar year when the annual programme is drawn up. Elengy and Fosmax LNG propose earmarking the following volumes:

- 625 GWh for the Montoir terminal;
- 100 GWh for the Fos Cavaou terminal.

These volumes may be adjusted on the basis of feedback from the dedicated storage capacity introduced experimentally at Fos Cavaou in 2016.

- No dedicated storage facility will be available at the Fos Tonkin terminal.

Rights of access to the dedicated storage capacity will be allocated to shippers proportionally to their respective unloading subscriptions in relation to the total annual reception capacity of the terminal. Shippers may transfer or exchange their dedicated storage rights, regardless of their unloading subscriptions.

Shippers may use the dedicated storage capacity to adjust their notified send-outs and store their LNG beyond the strictly operational storage time. The modalities for the use of the dedicated storage capacity will be discussed as part of the LNG consultation process on the basis of feedback from the experimental dedicated storage services available at Montoir since 2013 and at Fos Cavaou since July 2016.

From the 20th day of month M-1, any regasification and dedicated storage capacities not allocated for the month M concerned will be available separately:

- The remaining storage space will be offered to all shippers at a Storage Quantity Tariff (TQS) to be determined. Dedicated storage capacities not reserved at the time of notification of the monthly programme by the operator (i.e. before the 25th of M-1 at the latest) are incorporated into the shared storage capacity to increase flexibility for all shippers.
- Regasification capacities are offered at the Spot tariff and do not entitle a client to the allocation of dedicated storage space. However, Spot Service clients may book dedicated storage capacity on a monthly basis (for month M before the 25th of M-1, and for month M+1, for their remaining inventory, at the end of month M), provided that capacity is available, and/or obtain some of the storage space allocated to a core-service shipper.

4 Subscription account

Operators propose creating a Subscription Account (CS) to increase the flexibility offered to all core-service clients for managing their subscription. This increased flexibility will benefit long-term shippers as well as those dealing with an isolated cargo.

A Subscription Account enables shippers to manage their subscription, based on regasification capacities (Number of Contractual Unloadings (NDC) and Contractual Quantity Unloaded (QDC)). The tariff terms included in the Subscription Account can be managed and used by shippers independently of each other.

The NDC and QDC terms present in a shipper's Subscription Account may be transferred at any point in time on the secondary market and can be used by the transferee under the same terms and conditions applicable to the transferor. In particular, the expiry of a transferred subscription remains linked to the end of the transferor's Billing Period.

Optional tariff terms other than the QDC and NDC (Uniform Option, reloading, etc.) are not eligible for the Subscription Account.

Where a shipper's Billing Period is spread over two Annual Programmes, the shipper may not debit its Subscription Account when drawing up the next Annual Programme.

Requests for the use of the Subscription Account by a shipper are processed on a "first committed, first served" basis, as in the case of any other reservation request for operations offered by the operator.

The Subscription Account is divided into two separate and independent parts: Subscription Account 1 (CS1) and Subscription Account 2 (CS2). Each part may never be "in the negative" (management of unused surplus subscription only) and is reset to zero at the end of each Billing Period of the shipper.

4.1 Subscription Account 1 (CS1)

- **The CS1 is credited when drawing up the Annual Programme.**

The CS1 is credited with the difference between the Number of Contractual Unloadings (NDC) and the number of scheduled unloading operations, as well as the difference between the Contractual Quantity Unloaded (QDC) and the scheduled quantity unloaded.

This is in effect a given amount of subscribed capacity voluntarily unscheduled by a shipper. The capacity freed in this way can be assimilated to the primary capacity available at the terminal. It is declared throughout the year and marketed as such by the operator.

- **The CS1 is debited on an intra-annual basis, at the time of the Monthly Programme request and on an intra-monthly basis.**

Shippers may use the NDCs and/or QDCs present in their CS1 at any point in time on an intra-annual basis to request an operation to be scheduled, including at the time of submitting their Monthly Programme request and on an intra-monthly basis. All of these requests are subject to feasibility.

4.2 Subscription Account 2 (CS2)

- **The CS2 is credited on an intra-annual basis.**

Shippers may voluntarily withdraw NDCs and/or QDCs from the Annual Programme to feed their CS2.

Following discussions as part of the LNG consultation process on the basis of proposals put forward by operators, several options are being considered regarding the time limit for crediting the CS2:

- *[Option 1 - the CS2 may be credited up to the 20th day of month M-2 included, for unloading operations scheduled during month M*
- *Option 2 - the CS2 may be credited up to the 20th day of month M-1 included, for unloading operations scheduled during month M;*

- *Option 3 - the CS2 may be credited up to a deadline to be set between the 20th day of M-2 and the 20th day of M-1 for unloading operations scheduled during month M.]*

The operators are asking the economic actors to express their opinions on this point within the framework of the ATM5 public consultation.

The capacity freed in this way can be assimilated to the primary capacity available at the terminal. It is declared and marketed as such by the operator.

➤ **The CS2 is debited at the time of the Monthly Programme request and on an intra-monthly basis.**

Shippers may use the NDCs and/or QDCs present in their CS2 to request an operation to be scheduled, at the time of submitting their Monthly Programme request and on an intra-monthly basis. All of these requests are subject to feasibility.

In the event of rights being transferred between shippers to a CS2, the rights transferred after the 20th day of M-1 may not be used by the transferee to schedule an operation in the course of M.

Depending on the proposals that will be adopted for crediting and debiting the CS2, the operators will specify the modalities for its functioning in consultation with the other services offered.

5 Reloading subscription on an annual basis

Under the ATM4 tariff system, shippers can book short-term reloading operations only from the 20th day of month M-1 for an operation scheduled during month M.

Given that this constraint can hinder business, operators are proposing that shippers be able to book reloading operations earlier, while at the same time retaining a priority principle for unloading operations.

The operators' proposal is based on the following principles:

- Only shippers committed to a subscription (NDC and QDC) will be entitled to book a reloading operation on an annual basis.
- When drawing up the Annual Programme, in the event of a conflict between two operations, priority will be given to unloading operations.
- When drawing up the Annual Programme, operators will ensure that they are capable of performing all the scheduled unloading operations and the nominal unloading capacity of the terminal, including in the event of cancellation of booked reloading operations.
- On an intra-annual and intra-monthly basis, reservation requests for reloading will be processed on a "first committed, first served" basis.
- When making the Monthly Programme request, in the event of a conflict between an unloading operation and a reservation request for reloading, priority will first be given to operations scheduled on an annual basis and then to the unloading operations.

Operators will calculate a maximum reloading volume, taking into account all the operational and contractual constraints associated with this kind of operation, and will communicate said maximum volume to the shipper. As and when appropriate, operators may review this volume upwards when drawing up the Monthly

Programme. In all cases, shippers wishing to reload a cargo will remain responsible for ensuring that the volume of LNG required for the operation is available.

Reloading operations booked on an annual, intra-annual or monthly basis will be subject to the obligation to pay for the subscribed capacities (Ship or Pay) – applicable to 100% of the guaranteed reloading quantities and of the number of subscribed reloading operations.

Reloading operations booked on an annual basis may be rescheduled, subject to feasibility, only in the course of the month for which they were originally scheduled.

In the event of cancellation of a reloading operation, the Number of Berthing Rate may be credited to the subscription account, in accordance with the modalities for the functioning of the account.

6 Pooling of intra-monthly capacities among terminals

In 2015, Elengy and Fosmax LNG proposed creating an experimental pooling service, which was approved by the CRE on December 17, 2015 and which enables shippers to access, at a reduced rate, any unloading capacity still available at one of the other regulated terminals.

Elengy and Fosmax LNG are proposing (subject to feedback from the LNG consultation process in the second half of 2016) including the pooling service in the basic offer of regulated terminals.

The operational modalities and price of the service may be adjusted on the basis of feedback from the experimental service.

7 Tariff structure

Elengy and Fosmax LNG would like to propose a simpler and more readable tariff structure for the ATM5 tariff to enhance the terminals' attractiveness while retaining the trust of long-term subscribers.

Discussions will be held with the CRE as well as through the LNG consultation process in the weeks ahead. In this context, the operators would like to propose the following principles.

7.1 Number of Berthing Rate

In a bid to further promote the optimisation of capacities and continue to move closer to the standards put in place at European level, Elengy is proposing increasing the berthing rate at Montoir-de-Bretagne so as to encourage the arrival of large-capacity tankers and bring this tariff term into line with the one applicable at Fos Cavaou (€100,000).

This increase does not in principle apply to the Fos-Tonkin terminal, which is in a specific position in relation to European standards, particularly in view of the fact that access to the terminal is limited to smaller LNG tankers.

Fosmax LNG proposes keeping this tariff term at the level established by the previous tariff review (i.e. €100,000).

7.2 Quantity Unloaded Rate

The operators are proposing retention of the principle that was adopted to determine the ATM4 tariff. This means that the Quantity Unloaded Rate (TQD) is calculated after determining the other tariff terms, depending on the subscriptions accepted and the authorised revenues for each terminal.

7.3 Storage Optimisation Rate

Elengy and Fosmax LNG are proposing retention of a tariff structure which takes account of the fact that a one-off client uses a relatively larger amount of shared storage capacity than a more significant user. The ATM4 level used for the Regasification Capacity Use Rate (TUCR) is theoretically insufficient in relation to the additional storage capacity actually used by occasional users, but the operators are not asking for a review of the reduction decided on by the regulator at the time when the latest tariff was established.

7.4 Regularity Rate

Elengy and Fosmax LNG are looking at ways of eliminating the tariff terms which no longer seem to reflect actual requirements. According to feedback from clients, the Regularity Rate (TR) should now be discarded. This tariff term aimed to promote the regularity of unloading operations throughout the year as well as to optimise the use of the available capacities and minimise the risk of congestion. However, it causes financial uncertainties for clients.

At present, Elengy and Fosmax LNG believe that the aim of optimising capacities can be achieved by other contractual means. We can therefore envisage discarding this tariff term, in view of the changes to the conditions that determine capacity use.

7.5 Gas Taken Off

As regards the Fos terminals, the Gas Taken Off was reduced to 0.2% of unloaded quantities pursuant to the decision of December 13, 2012. It was not however modified for the Montoir-de-Bretagne terminal (0.5%) due to an accumulated gas shortfall in the context of decreased LNG imports.

The implementation of the provisions of the decision of December 13, 2012 on the allocation of the quantities flared in the event of shortages, the implementation of the boil-off compression project for direct injection into the transmission grid and its continuance under the NOEMI project, as well as the purchase of gas in 2015, made it possible to stem and eliminate the accumulated shortfall.

Elengy proposes reducing the Gas Taken Off from the current 0.5% of the unloaded cargoes to **0.3%**.

Elengy and Fosmax LNG propose retaining the gas-taken-off level established under ATM4 for the Fos terminals (namely 0.2%).

7.6 Spot service tariff

As previously indicated, the operators are proposing keeping a Spot access with a specific tariff for short-term subscriptions.

It seems both necessary and legitimate to maintain a competitive tariff to attract these late cargoes which will not have at their disposal all the functionalities and options of the core service. Elengy and Fosmax LNG are thinking about what adequacy level should be established – also taking into account existing shippers' legitimate desire to make a reasonable profit from their capacities in the secondary market – and are proposing:

- retaining by default a 25% discount on the TQD in relation to the core service for the start of the ATM5 period;
- providing manoeuvrability throughout the ATM5 period for increasing or decreasing the tariff of this service; the changes are to be discussed in consultations and approved by the regulator.

7.7 Available options

The ATM5 tariff will give clients the opportunity to tailor their subscriptions more closely to their needs by adding the following optional extras.

7.7.1 Uniform option rate

This new tariff term must be properly assessed and its level set by the CRE. In an effort to reflect the value of the option associated with this smoothing factor, the operators sought to estimate the cost, for the shipper, of a similar 'smoothing' of the shipper's send-out into the market, and they obtained a range between [€0.01; €0.40]/MWh. The operators propose retaining a **tariff of €0.10/MWh**, which will be discussed further on the basis of feedback received during the mid-term review.

7.7.2 Storage Quantity Rate

Apart from the basic dedicated storage capacity offered to each capacity subscription (bundled offer), Elengy and Fosmax LNG are proposing offering – when establishing the monthly programmes – non-allocated dedicated storage capacities for the following month. A tariff in line with practices at other European terminals and adequate in terms of covering the storage costs of the terminals would appear to be in the region of **€1 per MWh and per month**.

7.8 Reloading Rate

The above reflections on pricing have laid the foundations for a new approach to the use of the LNG terminals as LNG hubs. Elengy and Fosmax LNG would like to propose a tariff structure for reloading which more closely matches the various uses envisaged by clients.

Bring about a convergence of the concepts of "micro-tanker" and "micro-cargo".

Reloading operations place differing demands on the offered capacities depending on the size of the tanker or the cargo concerned. Pricing must take into account these differences without giving rise to unwanted side effects which might result in sub-optimal use of the piers.

On the basis of the available feedback, the operators are proposing developing the tariff structure for reloading operations by reducing the fixed part and increasing the variable part so as to make the cost of a 1-TWh operation (approximately 150,000 m³ of LNG) during the ATM5 period equivalent to its cost under

ATM4 and ensure that the unit cost is not prohibitive for operations in the region of 100 GWh (15,000 m³ of LNG). The tariff structure and levels would be the same for all terminals and would be in the region of:

- **TFR: standard Reloading Fixed Term: €100,000;**
- **TR: standard Reloading Variable Term: €0.35/MWh.**

The operators are not requesting changes under ATM5 in the loading tariff for micro-tankers. It is still too early to seriously define new, stable conditions. The operators propose retaining the current tariff for Spot operations and will again approach the CRE and the customers with a view to defining the necessary modalities as soon as specific projects materialise in practice, possibly requiring medium- and long-term mutual commitments.