



Coordinated sales of monthly capacity at PITTMM Fos associated with optional allocation of South-to-North link capacity : “FOS + PEG NORD” product		
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1 Purpose of the document

This document proposes a mechanism for the allocation of monthly capacity at PITTMM Fos, offering those LNG shippers who have subscribed for a “band” or “spot” service with LNG terminal operators at Fos-sur-Mer the option of being allocated similar capacity on the South-to-North link.

2 Background

GRTgaz has capacity available on the South-to-North link: of a total marketable capacity of 580 GWh/d (230 firm + 350 interruptible), around 50 GWh/d are subscribed (including capacity dedicated to the North/South coupling offer), i.e. less than 10%.

Short-term regasification capacity is also available at the Fos-sur-Mer LNG terminals.

The attractiveness of the terminals in terms of the unloading of spot or “band” cargoes is largely determined by the possibility for the LNG shippers concerned of being able to operate on the PEG North market zone that is not directly linked to these terminals.

In this context, GRTgaz, FosMax LNG and Elengy are proposing to facilitate access to the North zone for LNG shippers who wish to unload “band” and/or spot cargoes at Fos-sur-Mer.

3 Analysis

Any LNG shipper subscribing a “band” or “spot” service with LNG terminal operators is allocated a monthly capacity at the PITTMM by GRTgaz equal to 1/30th of the regasification capacity subscribed with the terminal operators. This capacity is allocated for 30 days and can take effect on any calendar day of the month.

A shipper loading LNG tankers and operations at European level will be especially interested in the PEG North on the French wholesale market, which is much larger than the PEG South: 376 TWh exchanged in 2011 on the PEG North against 73 TWh on the PEG South, with more depth on the

North zone as the quantities transmitted are 4 times greater (491 TWh in 2011 for the north against 122 TWh for the south).

The infrastructures at the Fos Cavaou LNG terminal permit in particular the unloading of cargoes from very large tankers (up to 1.7 TWh) with slots being available.

There is thus strong demand being expressed by shippers who wish to exploit LNG cargoes on the PEG North while at the same time taking advantage of the unloading offers at Fos. More specifically, some traders operating globally on the European and world wholesale markets have expressed a potential interest in the possibility of delivering cargoes discharged at Fos directly to the north, which would also offer them a real choice in terms of LNG terminals. The reduction in the South-to-North link tariff add also to its attractiveness.

4 Proposal

Taking into account the following points that arise from the analysis made, with the underlying general principle of the simultaneous allocation of transport and regasification capacity:

- ➔ Availability of “band”/spot slots at Fos-sur-Mer
- ➔ Availability of South-to-North link capacity
- ➔ Strong desire on the part of customers to exploit “band”/spot cargoes unloaded at Fos-sur-Mer on the North zone,

it is proposed to offer the possibility of the coordinated sale of monthly South-to-North link capacity, in addition to the monthly capacity at PITTMM Fos that is automatically allocated in relation to the “band”/spot volumes subscribed with the LNG terminal operator, to any LNG shipper wishing to exercise this option.

The proposed mechanism for such coordinated sales is as follows:

1. Any LNG shipper wishing to book short-term regasification capacity at Fos-sur-Mer has the possibility of combining its request to the terminal operator and GRTgaz with the option of the coordinated booking of monthly capacity on the South-to-North link.
2. GRTgaz will book* capacity on the South-to-North link if this is available for the period requested. If only interruptible capacity is being proposed, the shipper may renounce this. The LNG shipper undertakes to pay for the booked capacity in accordance with the ship-or-pay principle applicable to the terminals. This provision indicates the indivisible nature of the product in relation to the supply from the LNG terminals.
3. The terminal operator will notify GRTgaz of the confirmation of the start date of the emissions corresponding to the unloading of the tanker. The South-to-North link capacity allocated is based on the same “band” as the monthly capacity at PITTMM Fos. The “band” for the link capacity has the same duration as the capacity at the PITTMM, i.e. 30 days.
4. The shipper must nominate its daily quantities on the link, leaving it free to operate in the South zone if opportunities arise.
5. The South-to-North link capacity is allocated according to the same operational principles as for a classic allocation. Nominations are in particular controlled in relation to operational capacity** with the possibility of requesting additional capacity on a Use-It-Or-Lose-It basis.
6. GRTgaz can allocate to the shipper the monthly South-to-North link capacity at the latest 3 working days before the first day of confirmed emission: the day of allocation is of necessity a working day.
7. The link capacity allocated is invoiced by GRTgaz at the existing regulated tariff for monthly capacity, i.e. 1/8 of the annual tariff.

5 Conclusion

The coordinated sale of South-to-North link capacity as proposed here will not interfere with the process of allocating annual capacity on the PITTMs for shippers subscribing for the continuous services offered by the LNG terminal operators.

The coordinated sale process is in line with the sale process of LNG terminal access capacity.

For the Fos Cavaou LNG terminal, these sales relate to the capacity set aside for subscriptions made on the basis of short-term contracts: such capacity is defined in the CRE ruling of December 15, 2003. The capacity is initially sold in the form of specific sale sessions, organised every 2 or 3 years at a rate defined in agreement with the CRE, with unsold quantities being offered on the market on conclusion of the sale according to the “first come, first served” principle. Finally, even if all the capacity thus marketed has been sold for a given month, capacity made available on application of the UIOLI principle may be sold from the 20th of the previous month.

For the Fos Tonkin LNG terminal, sales under “band” or “spot” services are offered on a “first come, first served” basis and by application of the UIOLI principle from the 20th of the previous month.

Under the proposed mechanism, joint subscription to South-to-North link capacity is possible at each of the above stages as of subscription to LNG terminal access capacity.

The two essential changes – that the monthly band may start on any day of the month and that minimum notice must be given on D-3 – are necessary in order to be able to synchronise sales with those of monthly capacity at the PITTM.

This offer is proposed to LNG shippers subject to the availability of South-to-North link capacity (there are no GRTgaz capacity specifically dedicated to any particular category of network users) according to the “Book-It-or-Lose-It without LNG” principle (commitment to pay with loss of link capacity, making such capacity available for sale if the slot is unused).

The optimising of the general system offered to shippers, enabling them to unload “band”/spot cargoes at Fos-sur-Mer with the simultaneous possibility of operating in the North zone with just one booking, combined with a substantial reduction in the South-to-North link tariff as from April 1, 2012, should make this joint offer very attractive.

* the shipper must be the holder of a transmission contract with the relevant guarantees

**operational capacity incorporates subscribed capacity with any restrictions on that day