

# Deliberation

Deliberation of the French Energy Regulation Commission (CRE) of 28 February 2012 on the tariff applicable to the intraday flexibility service provided by the Fos Cavaou LNG terminal to GRTgaz

Present: Philippe de Ladouce, Chairman, Olivier Challan Belval, Frédéric Gonand, Michel Thiolière, commissioners.

The tariff for the use of GRTgaz transmission network has provided for an intraday flexibility service for sites with strong flexibility needs since 1 April 2011. To meet the intraday flexibility needs requested on its network, GRTgaz may use its linepack.

GRTgaz may also use external flexibility sources (storage, LNG terminals, transmission system operators whose network is geographically contiguous to that of GRTgaz). To date, GRTgaz has signed contracts for the provision of intraday flexibility with Storengy and Elengy for the Fos Tonkin LNG terminal.

Currently, GRTgaz has connection contracts with four combined-cycle gas turbine (CCGT) power plant units in the Fos zone. However, the Fos Tonkin terminal only provides intraday flexibility equivalent to the need of two CCGTs.

In this context, the present CRE deliberation defines the tariff conditions applicable to the intraday flexibility service provided to GRTgaz by STMFC, which uses the Fos Cavaou terminal.

## METHODOLOGY

### Main characteristics of the intraday flexibility service proposed to GRTgaz by STMFC

STMFC proposes an interruptible service to meet the need equivalent to that of four CCGTs with an output of 440 MWe. When the conditions of use of the terminal allow it, STMFC can meet the need equal to that of a maximum of eight CCGTs.

This service does not involve any changes to the regasification service proposed by STMFC to its shippers. The terminal's daily emission will not be modified, regardless of the use of the intraday flexibility service by GRTgaz.

The provision of intraday flexibility by STMFC is based on GRTgaz's request on D-1 for day D. A day ahead, STMFC will confirm to GRTgaz the availability and the level of the intraday flexibility service at Fos Cavaou, as well as any possibility for GRTgaz to modify its flexibility need during the day.

STMFC's offer is deemed to be available except in certain situations of extreme flow rates. Moreover, STMFC has stated that downward flexibility could be reduced while a ship is loading or unloading.

### Costs related to the intraday flexibility service proposed to GRTgaz by STMFC

STMFC has provided CRE with the detailed elements regarding the costs generated by the intraday flexibility service proposed to GRTgaz.

CRE's analysis of these elements shows that the provision of intraday flexibility does not require any specific investment at the Fos Cavaou terminal. However, the implementation of this service would place higher demands on the existing installations used to market the terminal's basic liquefied natural gas (LNG) regasification service, and would generate an increase in operating costs for the operator.

#### *Operating expenses*

The operating expenses are estimated by STMFC based on intraday flexibility demand hypotheses corresponding to the average need of four CCGTs with an output of 440 MWe with a normative operation defined by GRTgaz of 16 hours per day for 163 days per year<sup>1</sup>.

The provision of flexibility requires the operation of additional high-pressure and sea water pumps, which must be activated in order to increase the terminal's emission flow and throttled in order to reduce it. These variations in the natural gas emissions of the Fos Cavaou LNG terminal on to the GRTgaz network generate the following costs:

- additional maintenance of high-pressure and sea water pumps due to faster wear and tear of the machines;
- additional energy costs due to the higher consumption of electricity for starting additional pumps.

In addition, the management of the intraday flexibility on the terminal generates additional staff expenses for STMFC.

The intraday flexibility service proposed to GRTgaz by STMFC uses the terminal's existing installations. CRE does not take into account the costs related to these installations to define the tariff for the intraday flexibility service, since these costs are already covered by the tariffs for the Fos Cavaou terminal's regasification service.

Under these conditions and following the analysis of the elements provided by STMFC, CRE accepts that operating costs amount to €872 k per year.

#### *Risk premium*

The increased demands on the terminal installations to provide GRTgaz with the intraday flexibility service, creates a new risk for the LNG regasification activity. The implementation of the intraday flexibility service is likely, in certain instances, to keep carriers berthed at the terminal.

<sup>1</sup> Forecast for 2012-2015 of average demand for external intraday flexibility published in the outlook study of intraday flexibility coverage of needs by gas infrastructure conducted by GRTgaz in 2011, available on the following website: [http://www.grtgaz.com/fileadmin/user\\_upload/flexibilite/Outlook\\_study\\_2012-2020\\_intraday\\_flexibility\\_26012012.pdf](http://www.grtgaz.com/fileadmin/user_upload/flexibilite/Outlook_study_2012-2020_intraday_flexibility_26012012.pdf)

In the event that a ship is immobilised for longer than scheduled, the contract for access to the Fos Cavaou terminal provides penalties for STMFC of €80 k per day of delay.

Therefore, STMFC requests that this risk be covered through a specific premium to cover three days of delay, i.e. €240 k/year.

In consistency with the tariff defined for the Fos Tonkin terminal, CRE accepts the risk premium proposed by STMFC, distributed according to similar conditions to those decided for the Fos Tonkin terminal:

- 25% of this premium, i.e. €60 k, is covered by the fixed charge of the tariff;
- 75% of this premium, i.e. €180 k is covered in the usage-based charge related to the increase in emission demand.

### ***Service remuneration***

The intraday flexibility service provided to GRTgaz by STMFC uses the terminal's existing installations. STMFC requests a remuneration equal to €1.5 M per year be covered by the intraday flexibility tariff. STMFC considers that the flexibility service can only be provided thanks to its clients that regularly unload LNG. It proposes that this remuneration be deducted from the expenses to be covered by the regasification service, thus allowing the tariff for the regasification service to be lowered by approximately 1%.

CRE notes that the remuneration requested by STMFC does not correspond to a cost generated by the flexibility service. It aims to transfer part of the costs of the terminal's existing installations to the intraday flexibility service. However, the flexibility tariff must cover only the additional costs borne by STMFC for the provision of the intraday flexibility service.

Therefore, CRE does not accept STMFC's request regarding the additional remuneration, as it had already decided for the Fos Tonkin terminal in its deliberation of 25 November 2010.

### ***Overall expenses for the intraday flexibility service***

On the basis of demand hypotheses for intraday flexibility corresponding to the need of four CCGTs with an output of 440 MWe operating on average 16 hours per day during 163 days per year, the forecast expenses accepted by CRE for the intraday flexibility service provided by STMFC to GRTgaz are as follows:

	<b>€M/year</b>	<b>Forecast 2012-2015</b>
Capital expenses		0
Net operating expenses		0.872
<i>of which, electricity expenses</i> <sup>2</sup>		0.458
<i>of which, maintenance expenses</i>		0.380
<i>of which, staff expenses</i>		0.033
Risk premium		0.240
<b>Total</b>		<b>1.112</b>

### **Tariff for the intraday flexibility service proposed to GRTgaz by STMFC**

The tariff for the intraday flexibility service subscribed by GRTgaz with STMFC comprises three charges:

- a fixed charge, covering staff expenses related to the management of flexibility on the terminal and 25% of the risk premium;

<sup>2</sup> This amount corresponds to an estimate based on the hypotheses taken into account in this deliberation. The real electricity expenses borne by STMFC to provide the flexibility service will be deducted, when the expenses and revenues clawback account (CRCP) applicable to STMFC's regasification service is reviewed, from the terminal's total electricity expenses in order to neutralise the effects of this service on the CRCP. These expenses will be estimated based on the real number of demand days and an estimate of the daily cost for additional electricity consumption.

- a usage-based charge, related to increased demand for terminal emission, which covers the extra costs generated by the additional electricity consumption as well as 75% of the risk premium and part of the additional maintenance costs;
- a usage-based charge related to decreased demand for terminal emission, which covers part of the additional maintenance costs.

**TARIFF FOR STMFC's INTRADAY FLEXIBILITY SERVICE  
FOR THE FOS CAVAOU TERMINAL**

As from 1 April 2012, the Annex to the ministerial order of 20 October 2009 approving the tariffs for the use of LNG terminals is complemented by Part V.10 below:

**V - Additional services and obligations related to the use of regulated terminals**

**10. Intraday flexibility service at the Fos Cavaou terminal**

An interruptible intraday flexibility service is proposed by STMFC to GRTgaz as from 1 April 2012.

STMFC must confirm to GRTgaz the feasibility of hourly profiles of intraday flexibility demand a day ahead and, should GRTgaz request it, the possibility of a new profile during the day.

STMFC's offer is deemed to be available except in situations of extreme flow rates (close to the emission minimum or maximum).

In these situations, the intraday flexibility service proposed by STMFC may be reduced or made unavailable by STMFC.

In any case, STMFC will confirm to GRTgaz a day ahead the availability and the level of the intraday flexibility service at Fos Cavaou, as well as any possibility for GRTgaz to modify its flexibility need during the day.

The tariff for the flexibility service comprises a fixed charge and two usage-based charges. The usage-based charges are billed based on the profile agreed on each day by STMFC and GRTgaz, depending on the amplitude of the upward hourly flow and the amplitude of the downward hourly flow requested.

The tariff charges are as follows:

Fixed annual charge	€/year	93,000
Charge related to the upward demand (amplitude)	€/MWh/h	4.11
Charge related to the downward demand (amplitude)	€/MWh/h	0.67

This deliberation will be published in the *Journal officiel de la République française*.

Paris, 28 February 2012

For the French Energy Regulation Commission,

The Chairman

Philippe de Ladoucette