

## VTC Changes – Congestion Management

### **New Section “Congestion Management and Load Curtailment Arrangements”**

It would seem logical to insert this either after section 4 (Capacity Reservation) or after section 10 (Interruption of Transmission). The new section would be either 4A or 10A.

The new section can draw on some of the structure already set out for the BPP arrangements in section 8 and will need to include:

- Permission for Vector to enter into a Load Curtailment Agreement (LCA) with a Shipper in respect of one or more of its end users.
- A definition of LCA – i.e. its essential terms.
- A clause stating that an LCA may be used by Vector to increase the amount of uncommitted transmission pipeline capacity available on the pipeline – i.e. for the purposes of sections 4.3, 4.8 and 4.9 – but the extent (if any) to which any LCA increases the uncommitted capacity is at the sole discretion of Vector acting as an RPO. A set of criteria which Vector must satisfy before issuing additional capacity on the back of LCAs will be set out in a Schedule and will include consideration of the number and duration of LCAs to ensure system security can be maintained. The Schedule will also set out a framework for procuring the LCA arrangements so that the anticipated long run cost of such arrangements are no greater than the long run cost of alternative arrangements (such as the construction of pipeline capacity).
- Establishment of the Congestion Management Pool (or Load Curtailment Pool?) and associated arrangements, using existing section 8 provisions as a starting point:
  - Establishing the trust (s 8.24)
  - Payments out of the account (s 8.25)
  - Books and records (s 8.26)
  - Trustee’s liability (s 8.27)
  - Audit (ss 8.28, 8.29)
  - Limitations and liquidated damages (ss 8.30, 8.31, 8.32)
  - Recovery of costs paid to a third party for administration of the trust (e.g. audit) (s 8.20)
- Curtailment rules:
  - When Vector may use LCAs to curtail usage, e.g. when Vector believes it is necessary to avoid critical contingency or impairment to its ability to make gas available for delivery to any Shipper – including for maintenance purposes.
  - Notifying affected end-users – critical notice on OATIS to advise that Load Curtailment has been triggered. Notifications to participants – i.e. instructions to curtail – are dealt with in the LCA.
  - Determining curtailment order and criteria (ensuring that the anticipated short run cost of Load Curtailment is no greater than the value of avoided

critical contingency or lost gas transmission availability) to be applied by the CMO – to be in accordance with SOPs.

- Fees: Availability fee – to be determined by Vector periodically (annually?) and published on OATIS. Curtailment fee – to be set out in each LCA and published on OATIS.
- Formulae for calculation of payments in and payments out of the trust.
- Provision for verifying curtailment (i.e. in the month after)
- Wash-ups after Downstream Reconciliation.
- What happens in critical contingency (CC), including cross-reference to sections 8.33 and 8.34 for calculating contingency imbalances. If CC occurs, participants paid for curtailment up to time CC is declared, notwithstanding that contingency imbalances will apply for the whole day. Regional CCs treated the same?
- Disputed invoices – see section 16. Generally, disputes will fall under the general VTC dispute provisions.
- Failure to comply – liability for Vector’s losses as a result of failure to curtail, and section 23 applies for amounts.
- Interaction with balancing – need clear provision for how cash-outs will be calculated on a day in which a curtailment event occurs. This might be by way of amendment to section 8 rather than a provision in the new section.

### **Section 1 (Definitions and construction)**

New definitions will be needed, but most (if not all) will be cross-referenced to the new section.

### **Section 2 (Transmission services)**

Section 2.2 (transmission rights) – may need to be made subject to congestion management provisions

Section 2.7 (Vector’s rights and obligations) – section 2.7(e) may need to include provision for LCAs e.g. a new s 2.7(e)(xvi) in relation to a Load Curtailment Agreement only, providing for transmission services to be curtailed on terms set out in the relevant Load Curtailment Agreement.

### **Section 3 (OATIS/Information Flows)**

No amendment required to the section, but Schedule 5 should be amended to add a row for a Notice that Load Curtailment Arrangements have been triggered – and it should be classed as necessary information as per OFOs, FM notices.

### **Section 4 (Capacity reservation)**

Section 4.1 – amend the process to allow for LCAs to be sought where provisional reservations exceed available capacity. And with effect from a date after 1 October 2015, extend the timeframe for this process so that in future gas years there is enough time to give effect to the new process.

Section 4.3 – refer to LCAs when determining available transmission capacity.

Sections 4.8 and 4.9 – could also refer to LCAs

### **Section 10 (Interruption of Transmission)**

Needs to provide that this section doesn't apply to Load Curtailment arrangements

Section 10.2 – OFOs should be strengthened so that parties in overrun come off before LCA participants. At the moment a party in overrun on their MHQ may not be in overrun on their MDQ and therefore incur no overrun charges – so there is no incentive to comply with the OFO. This will require further discussion.

### **Section 15 (Fees and Charges)**

Section 15.3 will need to be amended to refer to the Congestion Management Pool as well as the BPP.

### **Section 16 (Invoicing and Payment)**

This section will need to include provision for Congestion Management Pool invoices along the lines of the BPP invoices. Use sections 16.2, 16.3 and 16.5 as a starting point.

Disputed invoices – Disputed CMP amounts are paid into the trust but not paid out until dispute has been resolved. Disputes shouldn't be allowed as to decision to curtail and who to curtail unless outside of RPO obligation or breach of published SOPs?