Joint Office of Gas Transporters

UNC Demand Estimation Sub-Committee (DESC) Minutes
Wednesday 05 July 2023
Radcliffe House, Blenheim Court, Warwick Road Solihull B91 2AA and via Microsoft Teams

Attendees

Yvonne Reid-Healy (Chair)	(YRH)	Joint Office
Vera Li (Secretary)	(VL)	Joint Office

Shipper Members (Voting)

Sarah Palmer	(SP)	E.On Alternate
Cosmin Popovici	(CP)	TotalEnergies Gas & Power Ltd
Katherine Uzzell	(KU)	SSE
Mark Linke	(ML)	Centrica

Transporter Members (Voting)

David Mitchell	(DM)	Scotia Gas Networks
Paul O'Toole	(POT)	Northern Gas Networks Alternate
Murugan Babumohanan	(MB)	National Gas Transmission
Neil Stovold	(NS)	Wales & West Utilities
Rosie Cox	(RC)	Cadent Gas Alternate

Observers (Non-Voting)

Catarina Casteleiro	(CC)	Shell Energy
Chris Wilson	(CW)	EDF Energy
Jonathan Freeman	(JFr)	Representative of Xoserve
Joseph Lloyd	(JL)	Representative of Xoserve
Mark Perry	(MP)	Representative of Xoserve
Michael Maguire	(MM)	Representative of Xoserve
Penny Griffiths	(PG)	Representative of Xoserve
Simon Bissett	(SBi)	Representative of Xoserve

DESC meetings will be quorate where there are at least four Voting Members or their alternates, of which at least two shall be Users and two Transporters are in attendance.

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: https://www.gasgovernance.co.uk/desc/050723

1. Introduction and Status Review

Yvonne Reid-Healy (YRH) welcomed everyone to the meeting.

1.1. Apologies for Absence

Sanjeev Loi – Transporter Member
Emma Buckton – Transporter Member
Anupa Purewal – Shipper Member

1.2. Note of Alternates

Rosie Cox for Sanjeev Loi
Paul O'Toole for Emma Buckton
Sarah Palmer for Anupa Purewal

1.3. Quoracy Status

The meeting was deemed to be quorate.

1.4. Approval of Minutes (24 May 2023)

The Minutes of 24 May 2023 were approved.

1.5. Approval of Late Papers

No late paper to consider.

1.6. Review of Outstanding Actions

Action 0102: Xoserve (MP) to confirm *"Seasonal Normal Review 2025 - Climate Change Methodology"* (added for clarity) Governance route, timelines, and dependencies for the procurement of a Service Provider.
Update: Mark Perry (MP) advised an update will be provided under Agenda Item 3.0.
Please refer to the discussion undertaken as part of the consideration of Agenda Item 3.0 below
DESC members in attendance agreed the action could be closed. **Closed**

2. **Review DESC Representations on 2023/24 NDM Algorithms**

Penny Griffiths (PG) provided an overview of the DESC Representations of 2023/24 NDM Algorithms. For detail, please see the Presentation slides published here https://www.gasgovernance.co.uk/desc/050723.

PG provided a recap of the Modelling Approach and a summary of the Modelling Progress to date.

The 3-year Model Smoothing process has been completed and published for review on 12 June and the Smoothed Model Outcome could be found on Slides 12 – 14 of the presentation pack. There have not been huge changes for both Small or Large NDM between 2022 and 2023.

PG advised email was sent on 13 June asking DESC members for feedback and confirmed no feedback has been received.

Domestic Weekend Factors (Slides 17 – 23)

PG provided an overview of the background of the Domestic Weekend Factors. It has been noted there has been a continuous decrease in demand in the majority of Domestic LDZ over weekends.

PG provided analyses of the findings:

* Non-prepayment EUC has seen a clear trend towards negative weekend factors which could be a result of more people working at home during weekdays so rather than the weekend consumption going down, it could be the increase over weekdays (Monday to Thursday).
* Prepayment Meters also showed some decrease but to a lesser degree.
* The trend is also apparent across all LDZs over time reflecting this as a national trend and in the smoothing for Gas Year 23/24, the 2019/20 data has been replaced by the 2022/23 data.
* UIG trends also showed weekend values have increased relative to the weekdays over recent years and suggested the over-allocation of NDM consumption and this supports the view this is more likely to be a behaviour change and not a calculation error.

To summarise, DESC members were asked to approve the calculated profiles with the negative Domestic Weekend factors.

David Mitchell (DM) queried if the negative weekend trend over the last 5 years was a comparison of demand over the weekends. PG clarified the weekends' trending negative was a comparison to the weekdays as it would have trended positive compared to the weekdays 5 years ago.

DM further queried if the weekday trend compared to 5 years ago is now trending positive. PG explained the calculation process and noted they could look at comparing the data if required.

Mark Linke (ML) suggested the response is non-linear and the reaction to temperature changes is different for increases in temperature compared to decreases, and also different for the same temperature changes at different times of the year.

MP noted it would be discussed in the next agenda item when discussing the review of the CWV formula, which is due next year.

Murugan Babumohanan (MB) asked if the change in external factors (e.g. a fall in gas price in the coming year) would affect customers' behaviour and might lead to the change of model again.

PG explained the assumption was based on more people working from home during weekdays and out more during weekend pattern, and that the reduction in wholesale gas prices was not likely to influence these reactions. MP also noted that there could be an issue with NDM Algorithms if AQs continue to not be as reflective of the current situation, and the points MB raised have more impact on AQ instead of the Domestic Weekend Factors.

YRH asked DESC members to approve the smoothed EUC Demand Models and Gas Demand Profiles for wider industry review.
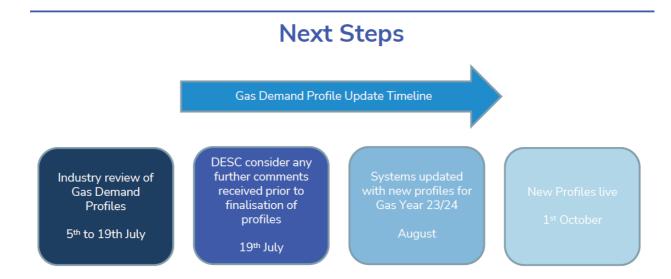
Voting was by Exception. No Voting member was against the recommendation and therefore the recommendation was considered approved with unanimous support.

Shipper Representatives	Option 1
Sarah Palmer	For
Cosmin Popovici	For
Katherine Uzzell	For
Mark Linke	For
Total	**4**
Transporter Representatives	
David Mitchell	For
Paul O'Toole	For
Murugan Babumohanan	For
Neil Stovold	For
Rosie Cox	For
Total	**5**

MP asked DESC members if they have any further comments/thoughts on the DESC consultation process as no feedback has been received. MP pointed out that DESC scrutiny and independent review is an important feature of the annual modelling cycle and to have feedback is a value-added process.

SP stressed that on her side the time available to review was limited mainly due to resources and that have not enough time to investigate it further. Other DESC members advised the same.

PG concluded the next steps are:

Next Steps

Gas Demand Profile Update Timeline

Industry review of Gas Demand Profiles

5th to 19th July

DESC consider any further comments received prior to finalisation of profiles

19th July

Systems updated with new profiles for Gas Year 23/24

August

New Profiles live

1st October

PG advised the Committee Members that they could find the Data following This link.

3. **Seasonal Normal Review 2025**

Michael Maguire (MM) provided an overview, background and objectives of the Seasonal Normal Review 2025 with the Presentation pack published.

Action 0102

MM provided the latest update on Outstanding Action 0102 and the key points were noted as follows:

- CDSP has engaged with the Met Office to seek its views on DESC's Technical Requirements agreed upon earlier to support the CDSP's decision on how best to proceed.
- Met Office was asked to provide views on:

    Option 1: Update existing methodology and data or

    Option 2: Creation of new methodology and data

- Met Office has assured that the current methodology is still relevant and favours the "Update" approach.
- The work could be completed in a number of stages over circa 6 months'.
- Proposal would focus on the current weather stations, with further options to produce additional datasets for new stations in the event of a weather station closure.

MM then provided a summary of the procurement approach, and the pros and cons of the two options and DESC members are asked to consider them.

SP asked if CDSP have investigated with other suppliers or just the Met Office. MM confirmed that only the Met Office has been contacted.

MP noted that the Model was implemented 10 years ago and perhaps ideally a more elegant answer may be to have a new methodology. However, the Met Office concluded it is hard to justify the additional cost for the benefits of refreshing the existing model.

SP commented that she realised the minimising of costing, but it is important to get this right thus would be good to have conversations with other service providers about what the approach would be and suggestions of other models. It is a matter of due diligence.

The Chair agreed with the comments and also commented that there is a cost and time element for the research and that there is no certainty for any new approach could ensure the improvement.

YRH asked DESC members to vote on the Options recommended:

Option 1: Update existing methodology and data

Option 2: Creation of new methodology and data

Shipper Representatives	Option 1	Option 2
Sarah Palmer	For	-
Cosmin Popovici	For	-
Katherine Uzzell	For	-
Mark Linke	For	-
Total	**4**	
Transporter Representatives		
David Mitchell	For	-
Paul O'Toole	For	-
Murugan Babumohanan	For	-
Neil Stovold	For	-
Rosie Cox	For	-
Total	**5**	

All 9 Voting Members voted for Option 1 and therefore the Recommendation was considered Approved with unanimous support.

MP advised the Xoserve CDSP will engage the Met Office, there will be no need to raise any change request for funding and could use the current data CDSP has to cover the cost.

MP asked DESC Members for their involvement and for any meteorologist to provide technical assistance to review the new work that starts in January 2024.

MM briefed the timeline of the Climate Change Methodology (CCM) due to implement in October 2025.

In addition to the CCM work, MM explained the other consideration of Seasonal Normal Review 2025 which is the review of the CWV formula.

CWV Formula Review (Slides 14-19)

It was noted that the last CWV Formula was last refreshed in 2019 and implemented on 01 October 2020 and MM provided options for the scope of the CWV formula reviews including:

Option 1: Parameter Optimisation

- Potential different methodology using SAS would deliver more optimal results.
- Re-Optimisation of current parameters would require the development of a new methodology that expects at least 6 months to complete.

Option 2: New Weather Variables

- Need to be "in addition to" a parameter review rather than "instead of" that would require considerably more time and resources
- As precipitation is already in the formula, so would be the obvious way to explore however no analysis has been performed on historical precipitation data.

Option 3: Weather Data Weightings
- Weightings are applied to Temperature, Windspeed and Solar Radiation weather data to produce a daily average view of each variable,
- Temperature is read every 2 hours and weighted more during the day than at night,

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- Windspeed have 6 reads throughout the day and is weighted evenly,
- Radiation is read every alternate hour as temperature and is weighted evenly,
- Might require hourly data to review the weightings, which is not available to the CDSP currently.

MM concluded the options when reviewing the CWV formula and asked all DESC Members for their views and comments and to confirm the scope of the CWV formula in the next meeting on 19 July 2023.

MM concluded the next steps are:

4. NDM Algorithms Update – Gas Year 2022/23

Mark Perry (MP) provided an overview of the "NDM Algorithms Update Gas Year 2022-23" and commented there are not many changes since the report in the May meeting.

MP highlighted that over the last 12 months, the average AQ has declined by c.18%, however, the real figure is likely to be more, given the average AQ figure includes c. 2.4m Supply Meter Points that have not had an AQ calculated for over 6 months.

MP advised the Committee Members that they could review the Data which can be accessed via: UK Link Docs

MP concluded for the NDM Algorithms

- Average UIG (%) for the current Gas Year has reduced from its initial high in October and November although continues to run at negative values overall
- AQs reducing in NDM market will be contributing towards this, i.e. becoming more reflective of current demand levels
- However, the NDM Algorithm is still including a significant amount of AQ which is based on 'out of date behaviour' and so overallocation and negative UIG should still be expected going forwards
- DESC will continue to discuss this topic for the remaining meetings of this Gas Year

DESC members agreed to have this item removed from the next Agenda and report as AOB should any significant finding be noted.

5. Any Other Business

None raised.

6. Communication of Key Messages

It was agreed Xoserve will circulate a Key Message Communications from today's Meeting

7. Diary Planning

Further details of planned meetings are available at: https://www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Wednesday 19 July 2023	5 pm Tuesday 11 July 2023	Radcliffe House, Warwick Road Solihull, B91 2AA & Microsoft Teams	See Agenda
10:00 Wednesday 04 October 2023	5 pm Tuesday 26 September 2023	Radcliffe House, Warwick Road Solihull, B91 2AA & Microsoft Teams	See Agenda
10:00 Wednesday 19 December 2023 (to be confirmed with Committee)	5 pm Tuesday 11 December 2023	Radcliffe House, Warwick Road Solihull, B91 2AA & Microsoft Teams	See Agenda

DESC Action Table (as of 05 July 2023)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Target Date	Status Update
0102	17/01/23	2.0	Xoserve (MP) to confirm *"Seasonal Normal Review 2025 - Climate Change Methodology"* (added for clarity) Governance route, timelines, and dependencies for the procurement of a Service Provider.	Representative of Xoserve (MP)	July 2023	**Closed**