

NDM Profiling and Capacity Estimation Parameters 2010/11
E.ON Representation

In line with UNC TPD Section H this document covers E.ON representation on the proposed parameters for the forthcoming gas year.

Our comments cover two main areas. Again we are disappointed at the lack of progress during the previous gas year as many of our concerns remain from representations in both of the two previous gas years. We are hopeful that the outcome from Review Group 280 and the subsequent modification that will be raised will enable the industry to show some progress in improving the Demand Estimation process.

We have looked at the seasonal normal values that have been issued and believe these understate the impact of summer warming. We are pleased that the EP2 shape has, in the main, been used for deriving the seasonal normal CWV values and are hopeful that this will improve allocation during the early part of the year. However, the summer period still causes concern with both the seasonal normal and the CWV in general.

In addition the obscure method used to smooth the weather stream is also concerning as this makes replication of any kind impossible and loses an opportunity to enable clarity of definition across the industry. These points were made by a number of Shipper organisations during the past year and we are disappointed that the comments were not taken on board.

During the discussions on seasonal normal basis we gave agreement for an interim set of values – those now due to go live in October – on the clear understanding that a review would take place for full implementation of the EP2 weather stream. Conversations over the past few months have made this clear that this is now unlikely and on this basis we are still reserving judgement on whether to request disallowal of the proposals. We are extremely uncomfortable that Transporters may be preparing to use the seasonal normal basis for the full five year timeframe. Given the significant concerns we have over the questionable methodology used in the derivation we would not be happy to see this length of time before a full review and would urge the Transporters to ensure that work takes place to update the values within a two year maximum period.

Having reviewed the files issued by xoserve we have a number of queries about ALP/DAF behaviour that are centred around holiday periods. We would like to emphasise that very similar issues were raised last year, and again during discussion of the methodology for this year. E.ON had concerns that the methodology missed the issues raised in previous years and had refused to sign off the application of a similar methodology during DESC discussions. Despite this we note that the

methodology has been followed with no amendment and that issues are again present in the ALP/DAF profiles.

Although we have identified a number of issues those described here are representative.

December 20th has a much higher ALP and therefore higher anticipated load than subsequent days in this week. Given that all these days are in the run up to Christmas it is not expected that there will be such a step change as produced here. While this may relate to the holiday factors chosen we would expect to see a more sensible application that removed such obvious step changes by flexing application of factors to appropriate periods rather than fixing dates and would suggest that factors used on the 21st be applied to the 20th for December 2010.

A similar impact is seen in reverse on January 4th where ALP and DAF levels are low despite this day not being a bank holiday next year. Again we would suggest that application of holiday factors without ensuring an appropriate impact may be the cause and suggest that the 4th is moved up to the level of the 5th.

WN seems to be missing Christmas shape at all, and a number of LDZ are not showing an anticipated bank holiday effect for 3rd Jan which should be evident.

Again there are issues with not showing a bank holiday impact for December 27th and 28th, a comment we made for the 28th last year and expected to be improved for this year. We suggest applying a scaling to these days to drop their level compared to the three working days following in ALP and DAF.

Late May bank holiday is not present in a greater number of LDZ than we queried last year. Given the poor behaviour of profiles during May we would expect greater sensitivity of the analysis in this area to try and make improvements. Last year the feedback stated the impact was not present in the national data. Our concern is that the behaviour is evident in the ALP and should therefore be present consistently. If behaviour is evident in the sample but not the population this throws doubt on the applicability of the sample which would be a significant cause for concern.

Summer behaviour across the WSENS looks odd. There is very little change across the year for a number of LDZ which seems strange. Using NW as an example there was a 2% difference between October to June in the 2009 profiles and 0% this year – is there an underlying modelling change that would produce this?

The NDM report, Appendix 13 stated on page 2, bullet 2 that a number of LDZs had worse SF behaviour over the winter. As this is peak demand we are concerned at this behaviour and would like to know what the Transporters see as the potential cause of this behaviour to ensure corrections flow into future profiles.

We are not sure that bullet 3 on the same page is an accurate representation of potential summer behaviour given April and May have seen weather greatly removed from seasonal normal. In particular we would question the comparison to a full summer in the previous year.

We appreciate the increased scale on the SF/WCF-EWCF chart as this more clearly identifies the significant issues with profiles over the summer. We would like to hear the Transporter views on what is causing this volatility and how we may adjust the profiles to minimise this effect.

Finally, the WAR bands have shifted considerably this year as a direct result of the cold weather experienced over the winter. Given the smoothing in other areas to minimise impacts from single extreme years we would like to raise the question as to whether this approach should be considered for WAR band breakpoints too.

In summary we have concerns about the seasonal normal methodology and would seek assurance from Transporters that update of the seasonal normal will actively be progressed over the next twelve months.

We urge Transporters to apply scaling to the holiday periods to ensure profiles are more representative of demand behaviour expected before final profiles are presented and to urgently review the holiday factors and their application prior to next years analysis.

We look forward to receiving responses on the issues we have raised through xoserve at the earliest opportunity and to seeing some amendments to the profiles.

Regards,

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