

DEMAND ESTIMATION SUB COMMITTEE

Minutes

Friday 23 July 2010

31 Homer Road, Solihull B91 3LT

Attendees

| | |
|-------------------------------------|---------------------------------|
| Bob Fletcher (Chair) | (BF) Joint Office |
| Lorna Dupont (Secretary) | (LD) Joint Office |
| Chris Warner | (CW) National Grid Distribution |
| Claudio Ziviani | (CZ) Corona Energy |
| Colin Thomson | (CT) Scotia Gas Networks |
| Dave Parker* | (DP) EDF Energy |
| Fiona Cottam | (FC) xoserve |
| Gareth Lloyd | (GL) National Grid NTS |
| Gavin Stather (Member) | (GS) ScottishPower |
| Joel Martin | (JM) Scotia Gas Networks |
| Joseph Lloyd | (JL) xoserve |
| Kola Adesanoye | (KA) Corona Energy |
| Linda Whitcroft (Transporter Agent) | (LW) xoserve |
| Louise Hellyer | (LH) Total Gas & Power |
| Matthew Jackson (Member) | (MJ) British Gas |
| Mo Rezvani (Member)* | (MR) SSE |
| Sally Lewis (Member) | (SL) RWE Npower |
| Sallyann Blackett (Member) | (SB) E.ON |
| Simon Geen | (SG) National Grid NTS |

**via teleconference*

All associated meeting papers may be accessed at: www.gasgovernance.co.uk/desc/230710

1. Introduction

BF welcomed all attendees.

2. Confirmation of Membership and Apologies for Absence

2.1 Membership and alternates

The membership was confirmed and the meeting was declared quorate.

2.2 Apologies

Apologies were received from Jonathan Aitken (RWE npower), Richard Pomeroy (Wales & West Utilities), and Joanna Ferguson (Northern Gas Networks).

3. Review of Minutes and Actions from the Previous Meetings

3.1 Minutes

The minutes from the DETF meeting held on 04 June 2010 were accepted.

The minutes from the DESC meeting held on 04 June 2010 were accepted.

3.2 Actions

Outstanding actions were reviewed (see Action Log below).

Action DE1075: All to consider what type of performance analysis should be done and what changes should be made to achieve a fairer comparison and submit suggestions to xoserve.

Update: No further update. **Action carried forward.**

Action DE0201: Consider producing a table presenting the 3 year AQ by LDZ by EUC.

Update: A post meeting update will be provided. **Action carried forward.**

Action DE0202: xoserve to consider what can be done to review/change the holiday factors for the remainder of the year and establish a flexible mechanism for future application. DESC Members may be contacted for further assistance as necessary.

Update: A presentation covering the derivation and the application of holiday factors, and analysis of Scaling Factor (SF) results for the 2009 Christmas holiday period had been provided in advance of the meeting.

The SF analysis indicated that 28 December 2009 was not treated inappropriately, and there was no evidence to suggest that changes to holiday codes need to be considered for 2010/11.

To make changes to the holiday codes and factors in 2010/11 appropriate analysis and calculations would be required to justify/support any changes. Should amendments be required then the best time to review/amend the holiday codes will be in the Autumn, prior to the demand modelling and analysis carried out in the Spring.

If the DESC agrees, analysis of holiday codes could be carried out in Autumn 2010, in which case the following parameters were proposed:

- A limited review of days to which holiday codes apply for Spring 2011 NDM analysis;
- Retain the existing number of holiday codes, but redefine them if appropriate;
- Retain existing summer reduction period;
- Perform analysis based on residuals (demand-fitted) from current EUC models for the most recent four NDM analysis years; and

- Undertake a separate review of whether holidays should continue to be included in regressions for band 1 (0-73.2 MWh pa).

Following a brief discussion DESC agreed that analysis of holiday codes could be carried out in Autumn 2010 within the parameters indicated by xoserve. **Action closed.**

Action TF0601: xoserve to consider whether details of any exclusions from the modelling, together with the reasons for such decisions, are able to be published. **Action closed.**

Action TF0602: xoserve to check if historical analysis was available showing how much of an improvement was made by not applying warm weather cut offs for EUC Bands 1 and 2 and report to DESC. **Action closed.**

Action TF0603: xoserve to advise Shippers of the contact names held/report recipient names to enable follow up of any equipment disconnection issues that may be contributing to loss of data. **Action closed.**

Action TF0604: xoserve to confirm actual dates/days affected by assumed 'snow effect' and report back to DESC. **Action closed.**

Action TF0605: xoserve to consider for next year's DETF whether additional model parameters could be made available – such as coefficients, standard errors and T statistics. **Action closed.**

Update: It was agreed that Shippers would peruse the presentation covering Actions TF0601 – TF0605 that had been published on the JO website, and would contact xoserve with any comments/questions if appropriate.

Action DE0606: xoserve to advise Transporters that DESC shippers are happy to be contacted to discuss difficulties with contacts details for the AMR installation programme and ways to boost the NDM sample.

Update: CW reported that National Grid Distribution was experiencing difficulties in its programme to boost the sample sizes, and that this issue had also been discussed at the Distribution Workstream on the previous day. Shipper assistance was still being sought to address the shortfall in numbers.

Under Modification 0258A the Transporters now had a right to seek data from third parties. This had been suggested as a more appropriate way forward and would involve the creation of contractual relationships. This approach could be followed for the future but there was still an immediate need to address the current situation, so that the integrity of the samples is maintained.

CW said that address information would be appreciated as this was currently not available for circa 1000 sites, and Transporters would like the Shippers'

cooperation/assistance in allaying any fears/suspensions that sites might be inadvertently retaining. SB observed that it was often a problem to know which part of a Shipper's own organisation to contact. DP suggested that if CW and JM could let EDF know if there was a problem relating to lack of information on their part he would try to address this, as no doubt would other DESC members.

LW reported that new contracts had been negotiated with a provider for the Domestic sample and this was now in place. Fitting of the first AMR devices have commenced, and a communication will be sent out shortly. Incentives were Marks & Spencer vouchers (external meter box £10, internal meter box £20). Some terminations were occurring. CW asked if this was a sustainable source of data. SB added that she would expect the profile to be assessed and to be the same. If there were incentives for flexible behaviour it will not match the profile/be included in the sample. There were different contracts in use and behaviour change can be identified. SG asked if the new equipment could be fitted at the same time as a meter replacement, as consumers no doubt would prefer to wait in for work to be done only once rather than twice. CW added that some service providers appeared to be discarding equipment. SB observed that the consumer's consent must be obtained. LW also mentioned that domestic consumers with external meters were the ones who were terminating, because they were unaware of the equipment that was currently in place and perceived it as a form of 'spying'. CW mused did the Code provisions need strengthening; SB responded that there was a Shipper obligation in Code but the main obligations lie with the Transporters. She reiterated that the requests for assistance may not be reaching the appropriate part of a Shipper's organisation. GS believed it would be cogent to look at the reasons why businesses were rejecting involvement in the programme. SB added that this may enable Shippers to better address the consumer, perhaps by putting together a standard script for account managers, etc. **Action closed.**

New Action DE0606A : AMR Installation Programme - Transporters to contact DESC members individually with what is required and an update of their particular company is responding to this issue.

Action DE0607: Check if it is still allowed under UNC to continue to include the monitoring of any sites within the sample once they have changed status to DM Elective.

Update: It was LW's belief that the sites would remain in the sample. JM observed that the fact that the sites have actively changed status to DME might adjust their consumption and therefore mean they are not so representative. LW responded that DESC members had believed they should remain in and be monitored because it was not known what the take up might be. FC observed that technically the Code says they are not because they are no longer NDM; however the sample is already 'pinched' and its integrity at risk. Some may already be falling out due to price related behaviours. JM pointed out that there would be many NDM sites with AMR fitted that could react in the same way. SB suggested being pragmatic and analysing both bands.

FC commented that discussions were continuing relating to what DME was actually about; it was still a struggle with conflicting statements, to understand what behavioural effects there were likely to be. SB added that it was not known if end consumer behaviour could be driven through different tariffs – there was not a simple answer. **Action closed.**

4. 2010/11 NDM Proposals

4.1 Transporter response to representations

LW presented the Transporters' initial response to the representations received from E.ON, SSE and Scottish Power, and advised that a more detailed document would be made available on the JO website.

The consultation process timetable was reiterated, and the parameters of the scope of the consultation.

New Action DE0701: xoserve to ascertain and advise Shippers who at Ofgem Shippers need to write to in respect of the Transporters' proposals.

Each of the points raised in E.ON's representation was addressed in turn, some discussion engendered as LW presented the Transporters' views and Shippers gave their responses as the presentation progressed.

Slides 4 – 11: ALP and DAF behaviour around holiday periods

SB pointed out that these were the issues that had been raised by Shippers over the last couple of years, and commented that demand has declined since 2004, so this was not representative. FC responded that xoserve do have the last demand overall as a shape. SB said that the week up to Christmas is not dependent on the day of the week, and behaviour was not expected to change in this week. This view was based on behaviour seen in the E.ON portfolio over the last two years.

GL responded that relationships were looked at, at the last review including the days before Christmas, and based on the available evidence. SB suggested that this might then be 5 years out of date. LW responded that another review was being proposed in the autumn analysis.

SB commented that the profiles now bear no resemblance to this (2004) and it will be wrong for 2010. A step change would not be seen between the Monday and Tuesday for 2010. FC responded that this was the most recent data xoserve possessed, and that the statistical approach was currently used. In future perhaps the proposed Committee approach could be used to decide on which days that particular codes should apply. SB reiterated that it was not being applied to the set of profiles this year. FC responded that it was not using the behaviour of the 20th, but using the day of the week behaviours. This was the most recent data that could be used. SB was not convinced, and would like to see some evidence there is going to be a drop from Monday to Tuesday; she would like to see the day of the week pattern from last year. She thought it was day of the week specific, and not date specific. There was no reason why behaviour should switch between Monday and Tuesday. SG asked if the whole week should be treated as 'Christmas'.

LW observed that there was a change between Wednesday and Tuesday in 2004. SG commented that holiday codes after Christmas were always difficult with so many variations to try and achieve the best possible value. SB responded that on 28 December 2009 E.ON had had to schedule in a reaction because it was not in the profiles, and this needed to be raised, addressed and avoided for this year, but disappointingly Shippers found themselves still in the same situation, whereby an appropriate code was not being applied. MR agreed with SB and stated that Shippers need to know how to correct for it and how soon. BF understood that aspects would be corrected under a different approach were the potential recommendations from Review Group 0280 to be adopted.

Summarising the Transporters' response, LW said that based on the analysis there was no evidence to suggest that the holiday codes have been applied inappropriately. The sum of ALPs for each EUC needs to add up to 365 and a change to the value of an ALP on one or two days would result in a change to the ALP values on all days. Holiday codes are defined in advance of the Spring analysis in order that holiday factors can be calculated from the demand models. Changes to the holiday codes could result in changes to Monday – Thursday model coefficients from which all weekend and holiday factors are calculated.

As requested in the representation the Transporters will carry out a review of holiday codes in Autumn 2010, and following consultation with the DESC any changes to the rules used to assign holiday codes arising from the review will be implemented in the Spring 2011 analysis.

For these reasons the Transporters did not propose to apply adjustments to the profiles on 20 December 2010, 27 and 28 December 2010 and 04 January 2011.

GL added that a review of holiday codes was not carried out last autumn because of other pressures on the workplan (the Seasonal Normal Review). GS commented that it was not easy to come up with an ideal solution, and that he would hope that the work being carried out at Review Group 0280 will improve the situation, otherwise it was likely that the Transporter/Shipper relationship was likely to deteriorate further in this area. SB added that the consultation process was fundamentally flawed – the Transporters have had more than 18 months to note and seriously address the Shippers' concerns following the identification of the issues.

GL said that profiles were derived from the demand models, and did not want to contravene UNC TPD H1.7. Holiday codes need to be defined before the demand models are done. LW added that the holiday codes could be reviewed this autumn, taking into account any current limitations and applying to the Spring Analysis. SG pointed out that Easter Sunday was static, unlike Christmas, and any review should have these questions and any others to hand.

SB stated that the Transporters' refusal to amend the current version of demand modelling was of concern. It did not give the best set of profiles, and if there is never any time ever to change the models why bother?

SG commented that holidays vary from year to year and there was a need to look at trends and patterns. SB responded that these should be under review

constantly and decided pragmatically – 2004/05 may not be any worse, but it has not been demonstrated to be applicable to 2010. Responding to SG's question as to what evidence she would like to see from the next review, SB required analysis as part of the Spring analysis to show what currently happens and evidence that this has been reassessed rather than having just applied a set of predetermined figures because they are always used, which may not be appropriate. Next year's behaviours cannot be predicted, let alone 5 years in advance.

FC pointed out the need to set ALPs so something had to be predicted. SB suggested reviewing what it looked like last year and applying common sense to the analysis – she had no confidence that that was happening – figures seemed to be predetermined and applied regardless.

SG observed that the process of calculation is an exact science, but choosing what to apply was not. Perhaps more information needed to come before DESC for review and discussion. SB believed that decisions should be made at the point at which the data could be seen, and a predetermined model/outcome/answer should not be applied. An answer should not be predetermined before the data has been considered. MR wondered that if a lot of analysis had been done, should not any inadequacy have been pointed out beforehand?

SB was disappointed that the profile analysis does not appear to use the best available data. It seemed to be done years in advance and assumptions made so that it stays the same. GL responded that the idea of the autumn review was to look at recent data and reassess. SL supported SB's views of a pragmatic approach to the outcome of the models and some sense checking of anomalies highlighted in recent years. She was also disappointed at the Transporters' response – this should have been presented months ago and prior consideration given to address points in anticipation of the submitted representations; 2004 was quite far back. In response to a question from BF, LW agreed that 2004 could be used as an indicator or a starting point, but other years need to be considered because it is a moveable holiday each year and also because of the effects of the recession, etc.

SB pointed out that no prospect of having it looked at makes the process very futile. Data needs to be properly considered and assessed as to what it is actually telling you. An answer cannot be predetermined. SG questioned if all anomalies should be tested; SB would expect it to be analysed when looking at the data.

GL pointed out there were some practical problems during the Spring and there were time constraints that precluded doing something differently; the timetable needed to be addressed. SB wondered if the data was not analysed appropriately. GL said that the recorder data arrived in May and there was insufficient time between that and June. FC added that certain parts were done fresh each year, and some were not. Starting from scratch each year would lengthen the timeframe for the analysis and would mean working with older data. Certain things were set in the past and factors did not carry the same degree of variation. It was acknowledged that different ways of working were required, but that this may carry associated uncertainties.

SB observed that some preparation could be done beforehand, but a review of things can be done when the data is available and reassessed sensibly. It would seem that the data is not being looked at appropriately and an awful lot seemed to be predetermined. GL observed that when the demand models were done obvious anomalies could be picked up. SG wondered if this was a communication issue, in which case the recommendations from Review Group 0280 and any associated modifications should deal with a lot of these issues because of all parties' increased involvement at earlier stages.

SB reiterated that she was disappointed there was no change for next year – there appeared to be no positive progress made over the last 12 months, and this really was not good enough. That the Transporters were not going to change their proposals could have been surmised from last year, and E.ON will definitely be writing to Ofgem as this is the only resort available to Shippers under the current regime.

Although Review Group 0280 is driving forward the new ideas, it still has to move through the modification process and is not a certainty, said BF, and SB added that there are immediate flaws that require action now.

JM asked how soon any changes identified by the autumn analysis could be implemented; LW replied it would be Spring 2011. SB pointed out that there would be the same problem next winter if there were no changes. She reiterated that this issue had been raised last year, and the evidence suggested that it would affect portfolios this year. There was no change and because of this the methodology was not signed off for the Spring analysis as it did not improve the situation; it was likely to see 2 sets of profiles with major issues. SB had not seen a clean set of proposals for around 3 years, and the responses back always fail to lead to any amendments.

MJ asked how wrong is the allocation potentially going to be on the days that are at issue. How big was the risk? SB replied that E.ON have had to put in place a manual process to address what seem to be the impacts, and at a minimum this involved a cost in time and resources without looking at any other financial considerations.

Slides 12 – 21: SND/WSENS Values from aggregate NDM demand model

When viewing slides 15 and 16 SB asked for an appropriate scale to be applied and for the charts to be reissued.

Action DE0702: xoserve to apply appropriate scale to slides 15 and 16 and reissue.

SB commented that DAFs are used to apportion demand across EUCs and when it is applied makes a difference. In her view there were significant issues with the profiles over the summer (and in particular May) – they do not perform well at all.

Summarising the Transporters' response, LW said that the data from the 3 historic years of aggregate NDM demand determine the modelling parameters to be used for the forthcoming gas year. The aggregate NDM demand models have little impact on demand attribution – they are required for the denominator of the DAF formula only. The WSENS and SND values for

2010/11 from these models have no significance apart from their use in computing DAFs; it is the ratio of WSENS/SND that is important in the calculation of the DAFs and not the values of WSENS or SND alone. The values of WSENS and SND used to compute the DAFs for each day are provided as background information only.

For these reasons Transporters do not propose to apply adjustments to the results of the aggregate NDM demand model.

Slides 22 – 26: Scaling Factor commentary

On Slide 23, SB noted an inconsistency with a statement made in Appendix 13 of the NDM Report and suggested that xoserve may like to revisit this an address as appropriate.

In response to the points made on Slides 24/25, SB commented that the fact that it had come out the same was fine - her point in the representation was that it would be better to compare the same two months rather a full summer.

Slides 27 – 29: WAR Bands

SB commented that WAR Bands were potentially up because of the extreme weather and this would be applied to next year's profiles, which may not be appropriate. As the aim was to try and dampen out extreme changes was it appropriate to vastly shift profiles 'un weather corrected' given it will be different next year? She questioned should sites be moved into peakier profiles just for one year when they were more weather sensitive? LW responded that if the WAR band levels were raised and all moved there would be no problem. SB repeated, should sites really be shuffled every year – the ratio across the bands might be altered – i.e. should the sense be considered or should some smoothing take place, etc; or using a weather corrected ratio to mitigate any extremes?

Slides 30 – 34: Out of Scope – Seasonal Normal Methodology

Within the representations Shipper had also taken the opportunity to make a number of comments, which fell outside of the scope of the consultation on the NDM Proposals for 2010/11 relating to Seasonal Normal Methodology and weather data

SB asked if the weighting that enables the derivation of the daily weather values could be confirmed, ie across which dates in which years, and what was previously applied. GS also asked if it was known how data was collected and backfilled.

New Action DE0703: Provide a summary of how daily data was derived, (including weighting that enables the derivation of the daily values could be confirmed, ie across which dates in which years, and what was previously applied; and also information as to how/when data was collected and backfilled).

SL commented at this point that she supported the sentiments of the Shippers who had raised representations.

SB declared that it was the Shippers' intention to raise a further modification proposal.

LW then went on to clarify what would/would not change should the Authority's determination be received that upheld a disallowal of the proposals.

Concluding the presentation, LW confirmed that a more detailed document would be issued next week.

Concluding the discussions, BF noted that the Shippers might now need to decide on any further actions they may wish to take in response to the Transporters' proposals.

5. Any Other Business

5.1 DESC Membership Nominations 2010/2011

GS advised that nominations for 2010/11 DESC membership should be submitted to The Gas Forum by 20 August 2010.

6. Date of Next Meeting/Diary Planning

Dates for remaining 2010 scheduled meetings are set out below, together with the topics expected to be covered.

| Date | Work Items | Venue |
|--------------------------|---|---|
| 14 September 2010 | Holiday Codes | To be confirmed |
| 10 November 2010 | 1) Evaluation of NDM Sample sizes 2) Evaluation of Algorithm Performance: Strand 1 - Scaling Factor and WCF analysis | 10:00am Energy Networks Association, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF |

Action Log: UNC Demand Estimation Sub Committee

| Action Ref* | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|--------------------|------------------------|-------------------|---|-----------------|--|
| DE1075 | 10/11/09 | 5. | All to consider what type of performance analysis should be done and what changes should be made to achieve a fairer comparison and submit suggestions to xoserve. | All | Carried forward |
| DE0201 | 05/02/10 | 3.1 | Consider producing a table presenting the 3 year AQ by LDZ by EUC. | xoserve (LW/MP) | Post meeting update to be provided Carried forward |
| DE0202 | 05/02/10 | 3.2 | xoserve to consider what can be done to review/change the holiday factors for the remainder of the year and establish a flexible mechanism for future application. DESC Members may be contacted for further assistance as necessary. | xoserve (LW/MP) | Closed |
| TF0601 | 04/06/10 | 2.2 | xoserve to consider whether details of any exclusions from the modelling, together with the reasons for such decisions, are able to be published. | xoserve (LW/MP) | Closed |
| TF0602 | 04/06/10 | 2.2 | xoserve to check if historical analysis was available showing how much of an improvement was made by not applying warm weather cut offs for EUC Bands 1 and 2 and report to DESC. | xoserve (LW/MP) | Closed |
| TF0603 | 04/06/10 | 2.3 | xoserve to advise Shippers of the contact names held/report recipient names to enable follow up of any equipment disconnection issues that may be contributing to loss of data. | xoserve (LW/MP) | Closed |
| TF0604 | 04/06/10 | 2.4 | xoserve to confirm actual dates/days affected by assumed 'snow effect' and report back to DESC. | xoserve (LW/MP) | Closed |

| Action Ref* | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------|-----------------|------------|--|------------------------|----------------|
| TF0605 | 04/06/10 | 2.5 | xoserve to consider for next year's DETF whether additional model parameters could be made available – such as coefficients, standard errors and T statistics. | xoserve (LW/MP) | Closed |
| DE0606 | 04/06/10 | 5.0 | xoserve to advise Transporters that DESC shippers are happy to be contacted to discuss difficulties with contacts details for the AMR installation programme and ways to boost the NDM sample. | xoserve | Closed |
| DE0606A | 23/07/10 | 3.0 | AMR Installation Programme - Transporters to contact DESC members individually with what is required and an update of their particular company is responding to this issue. | Transporters | Pending |
| DE0607 | 04/06/10 | 5.0 | Check if it is still allowed under UNC to continue to include the monitoring of any sites within the sample once they have changed status to DM Elective. | xoserve (LW/MP) | Closed |
| DE0701 | 23/07/10 | 4.1 | xoserve to ascertain and advise Shippers who at Ofgem Shippers need to write to in respect of the Transporters' proposals. | xoserve (LW) | Pending |
| DE0702 | 23/07/10 | 4.1 | Transporters' response to representations - xoserve to apply appropriate scale to slides 15 and 16 and reissue. | xoserve (LW) | Closed |
| DE0703 | 23/07/10 | 4.1 | Transporters' response to representations - Provide a summary of how daily data was derived, (including weighting that enables the derivation of the daily values could be confirmed, ie across which dates in which years, and what was previously applied; and also information as to how/when data was collected and backfilled). | National Grid NTS (SG) | Pending |

| Action Ref* | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------|-----------------|------------|--------|-------|---------------|
| | | | | | |

* TF – Technical Forum