

DEMAND ESTIMATION SUB COMMITTEE

Minutes

Tuesday 25 July 2006

Solihull

Attendees

| | | | |
|-------------------|---------------------|-------|----------------------------|
| Dennis Rachwal | (Chair) | (DR) | Joint Office |
| Lorna Dupont | (Secretary) | (LD) | Joint Office |
| Sallyann Blackett | (Transporter Agent) | (SAB) | xoserve |
| Dean Johnson | | (DJ) | xoserve |
| Sandra Spence | (member) | (SS) | Scottish Power |
| Hannah McKinney | (member) | (HM) | EDF Energy |
| Steve Coles | (member) | (SC) | E.On UK |
| Mo Rezvani | (member) | (MR) | Scottish & Southern Energy |
| Simon Hadlington | | (SH) | Centrica |
| Steve Taylor | (member) | (ST) | Centrica |
| Craig Shaw | | (CS) | Centrica |
| Jonathan Aitken | (alternate) | (JA) | RWE Npower |
| Peter Osbaldstone | | (PO) | National Grid Transmission |

1. Introduction

DR gave an introduction.

2. Confirmation of Membership and Apologies for Absence

2.1 Membership and alternates

DR confirmed the membership status of those present and confirmed that the meeting was quorate. DR confirmed that the Gas Forum operated the nomination and election process in respect of shipper DESC members.

2.2 Apologies

Apologies were received from Mark Jones, Julie Round, and Ed Rains.

3. Review of Minutes and Actions from the Previous Meeting

3.1 Minutes

The minutes from 05 June 2006 were accepted. The Joint Office would take steps to ensure attendees were sent e-mail copy.

3.2 Actions

Outstanding actions were reviewed (see Action Log for summary).

- **DE1016: Provide data on the percentage of NDM throughput that has been allocated to EUC bands 7 and 8 to assist User consideration of potentially seeking to lower the DM threshold.**

In response to this action xoserve (DJ) gave a presentation, “*NDM EUC Band 7 & 8 – Impact on DM Threshold*”. Analysis showed that only 3.4% of the total annual throughput is in Bands 7 and 8 and DJ argued that the impact on the NDM total was minimal. Users can nominate sites to change from NDM to DM, but even though EUC Band 9 Supply Points should be DM there are still 19 NDM sites. Moving the DM threshold would require a UNC Modification Proposal to be raised and approved. The Committee agreed that action DE1016 should now be **closed**.

SAB commented that it might be useful to look at this area in conjunction with UNC Modification Proposal 0088, which was currently at the Development Work Group stage. Information was available on Joint Office web sites. It was thought that DESC might be asked at some point in the future to consider the impacts of this particular proposal.

Action DE1019: Joint Office to facilitate liaison between Development Working Group 0088 and DESC as appropriate. (DR).

The Committee were in agreement with SS’s observation that it would be of benefit if Modification Proposals that may have a potential impact in relation to demand modelling and EUCs were brought to DESC’s attention on a regular basis.

Action DE1020: Joint Office to notify current relevant Modification Proposals as a standard item to the DESC Agenda for future meetings and incorporate in Terms of Reference (DR).

- **Action DE1018: xoserve to examine and report on data relating to short term scaling factors observed in May 2006.**

In response to this action xoserve gave a presentation, “*May 2006 Scaling Factors*”, outlining the concerns and offering a range of possible explanations. DESC accepted that it was difficult to predict demand at shoulder periods and at Bank Holidays. DESC agreed that this action should now be **closed**.

MR questioned whether the same effect would be apparent during the summer, especially in view of the recent extreme weather experiences, where demand had decreased to a far lower level than expected. PO stated that modelling did not perform as well under extreme conditions and SAB commented that there was an underlying assumption that a base load must eventually be reached that is no longer temperature sensitive. MR sought to understand whether the effects noted in May 2005 and 2006 were month specific, or whether the data highlighted a general deficiency or shortcoming within the model; did this phenomenon repeat itself in the summer period?

Action DE1021: xoserve to examine and report on data relating to modelling of summer base load (SAB).

4. **Draft Terms of Reference (Action DE1015)**

No comments were received other than the request for briefing on relevant Modification Proposals. The Draft Terms of Reference would be adjusted and submitted to the UNC Committee for their consideration and endorsement. In response to a request DR explained the representation of the UNC Committee was the same as UNC Panel (5 User representatives and 5 Transporters) and the membership list is available on the Joint Office web site¹.

5. **Progress of Work Plan**

5.1 Consultation on NDM Proposals for 2006/7 - response to representation

One representation had been received (from British Gas Trading, "*BGT Representations 2006*") in response to the NDM Proposals for 2006/07. The representation expressed concern that the SND volumes may be significantly understated, and if so a material volume of energy could be misallocated in the market, pushing proportionately more energy into the Small Supply Points than Large Supply Points. SAB tabled the paper "*Response by Gas Transporters to Representation Received on NDM Proposals for 2006/07*" and gave a presentation, "*Response to Representation on 2006/07 NDM Proposals*". A discussion ensued. On forecast SND PO expressed the view that higher prices will contribute to a reduction in domestic demand over the next 12-18 months. PO informed DESC that extensive consultation was ongoing through² "*Transporting Britain's Energy*" (TBE) and "*Winter Outlook Report*" (WOR). Close monitoring continued to take place by Transporters, and performance over the past 9 months indicated that the demand figures were within 1% of the forecast. SAB and PO affirmed that demand had been overstated in earlier forecasts, and that an explanation for the reduction in domestic demand was the consumer's behavioural response to increases in prices (press coverage and actual). PO went on to state that in Spring 2005 there was a fairly flat domestic market, thus the forecast had been overstated and was now reduced to match, and the loss of load is continuing as shown in the short presentation "*Comparison of 2005 & 2006 forecasts of total NDM demand*". SAB explained that each Transporter was feeding into the process and there had been some differing views about the forecast drop in SND and possible future drops.

Whilst accepting the TBE and WOR consultation processes CS questioned whether it was appropriate to use the sharp change in forecast SND for NDM

¹ www.gasgovernance.com

² <http://www.nationalgrid.com/uk/Gas/OperationalInfo/TBE/>

<http://www.nationalgrid.com/uk/Gas/TYS/outlook/>

algorithms this year in view of recent experience of impact on demand allocations. SAB explained that the Transporters response recognised that an effect on allocations could arise, but if it arose it would be much smaller than BGT had estimated. SAB stated that the scaling factor would largely absorb the impact if SND was underestimated. Applying that assumption gave an estimated scaling factor of 0.93 – 0.94. ST queried the slightly lower under allocation from last year, and this was confirmed by SAB. SAB explained that LDZ scaled allocation analysis resulted in very small positive/negative percentages. The magnitude of the bias was small and similar to the magnitude that could arise from other uncertainties thus there would be minimal consequential impact. DESC attendees sought further assurance that the models reflected demand behaviour to actual weather as well as SND (ie using actual temperatures) and to assist transparency subsequent to the meeting xoserve provided a revised version of Attachment 4 “*NDM forecast demand*”.

SAB did not feel that tolerances would vary to a great extent and thought that it was hard to argue a detrimental effect. Figures of 0.1 – 0.2% (around 407 TWh) were not considered to be significant.

CS observed that the bias, if the SND was wrong, had been identified but BGT now needed to reassess its view on the magnitude of impact having seen the information in the Transporter response.

SAB advised that the each Transporter had now finalised its view of SND for their long term forecasts and where these had changed (and all had changed upwards) there was a short window of opportunity to consider revision of the NDM proposals before they have to be finalised. Three options were therefore put to DESC:

- A) Initial proposals stand as currently available and these become the final proposals.
- B) Proposals are amended using the higher SND values used by Scotia and Wales and West in their long term forecasts. Effectively this will require amended SND and WSENS values along with revised large load factors.
- C) Revert to 2005/06 Demand Models

Option C) was discounted since the Committee agreed with concerns about the fallback of reverting to 2005/06 Demand Models because of the complications arising from last year’s switch from Cardiff weather station. It would be the default if a party applied for and Ofgem granted Disapproval of the Transporters final proposals.

Option B) was to adopt the recently available view of SND that Scotia and Wales&West had decided to use for their Networks. Following on from the meeting, xoserve provided “*Additional Analysis – Network Revised SND Values*”.

Action DE1022: Transporters conduct a further 5 day consultation on the different SND forecasts for NDM Proposals “option A) or B” with responses to be sent to xoserve (Sallyann.blackett @xoserve.com and Dean.m.Johnson@xoserve.com) by 17:00 hrs Wednesday 02 August 2006.

In the absence of any responses the Transporters would proceed to finalise and submit proposals to Ofgem. The Transporters' view at the time of the meeting was to use option A).

5.2 Update on potential London Weather Station Change

The Committee was advised that the Met Office is closing its central London Weather Centre this year. xoserve (DJ) gave a presentation, "*Creating a Heathrow Weather History from London Weather Centre Data (LWC)*", which showed correlations to transform Heathrow weather data. The Committee accepted the proposal to use Heathrow transformed data for 2006/07 CWVs for EA, NT and SE LDZs and to also to develop Heathrow CWVs for 2007/08. The backup to Heathrow would be Northolt – Met Office plans for a new centre at Kew were not thought to include wind speed and therefore would be incomplete for demand modelling.

JA explored why there was not more than one split evident in the regression lines shown on the slides. SAB responded that other splits had been discounted for reasons of poor fit and/or in the interests of simplicity.

SH advised the Committee that BGT were in possession of Met Office correlation analysis that could be shared with xoserve.

SAB advised the Committee that in the future each Transporter might need to source its own weather data. MR and others were concerned that this would have an effect on Users if different weather data sources were used and asked to be kept informed and given reasonable notice [6 months] in the event of change.

Action DE1023: xoserve to ask the Transporters to ensure that Users are kept informed and given advance notice of any potential changes in sources of weather data. (SAB)

Action DE1017: Transporters to explore, in outline, the high level implications of the suggestion to use multiple weather stations when assessing CWVs.

In response to this action there was a short discussion during which it was established that this suggestion would not really mitigate impact. The proximity of Heathrow to centres of demand in EA, NT and SE LDZs was considered adequate. It was agreed this action was **closed**.

6. Review of Workplan

Dates were agreed for January and June 2007 meetings as set out below, and SAB indicated that scheduling Work Items might be adjusted between the November and January meetings.

Action DE 1024: xoserve (SAB) to notify the Joint Office which Work Items would be reported and discussed in November and January DESC meetings.

| Date | Work Items | Venue |
|------------------|--|--|
| 06 November 2006 | See action DE 1024: <i>Discussion on sample sizes</i> <i>Annual end of gas year performance evaluation (WCF/SF strand)</i> | Elexon, 350 Euston Road, London |
| 16 January 2007 | See action DE 1024: <i>Annual end of gas year performance evaluation (RV strand and NDM Sample strand)</i> <i>Discussion on approach to Spring 2007 modelling</i> <i>NDM Sample reporting</i> | xoserve offices, 51 Homer Road, Solihull |
| 04 June 2007 | Consultation on EUC definitions and demand models NDM algorithm performance for April 2006 to March 2007 | Elexon, 350 Euston Road, London |

7. AOB

None.

8. Date of next meeting

The next meeting will be held on Monday 06 November 2006 at Elexon's offices, 350 Euston Road, London.

Action Log – UNC Demand Estimation Sub Committee 25 July 2006

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner* | Status Update |
|------------|-----------------|------------|--|-------------------|--|
| DE 1007 | 14/11/05 | 4 | On demand estimation modelling approach – SSE to present concepts for an alternative and potential advantages. | SSE (MR) | Closed MR confirmed that SSE could not pursue this. |
| DE 1013 | 23/01/06 | 4.2 | xoserve to issue a background note to the DESC summarising the concern and impact arising from the removal and disposal of/failure to reattach data recorders. | xoserve (SAB) | Circulated note from xoserve remains valid. Closed |
| DE 1014 | 23/01/06 | 4.2 | DESC attendees to use the note to influence their organisations to remedy the concern relating to the unnecessary disposal of data recorders, when replacing meters. | ALL | Closed On-going watching brief required. |
| DE 1015 | 05/06/06 | 4 | Provide feedback to the Joint Office on draft Terms of Reference for DESC | ALL | Closed Minor adjustments and JO submitting to UNCC |
| DE 1016 | 05/06/06 | 5.2 | Provide data on the percentage of NDM throughput that has been allocated to EUC bands 7 and 8 to assist User consideration of potentially seeking to lower the DM threshold. | xoserve (SAB) | Closed 25 July 06 presentation on EUC bands 7&8 |
| DE 1017 | 05/06/06 | 5.3 | Explore, in outline, the high level implications of the suggestion to use multiple weather stations when assessing CWVs. | Transporters | Closed Agreed that not required. |
| DE 1018 | 05/06/06 | 7.0 | Examine and report on data relating to short term scaling factors observed in May 2006. | xoserve (SAB) | 25 July 2006 presentation Closed |
| DE 1019 | 25/07/06 | 3.0 | Facilitate liaison between Development Working Group 0088 and DESC as appropriate | Joint Office (DR) | |

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner* | Status Update |
|------------|-----------------|------------|---|-------------------|---|
| DE 1020 | 25/07/06 | 3.0 | Notify current relevant UNC Modification Proposals as a standard item to the DESC Agenda for future meetings and incorporate in Terms of Reference. | Joint Office (DR) | 06 November 2006 |
| DE 1021 | 25/07/06 | 3.0 | Examine and report on data relating to modelling of summer base load | xoserve (SAB) | 06 November 2006 |
| DE 1022 | 25/07/06 | 5.1 | Transporters conduct a further 5 day consultation on the different SND forecasts for NDM Proposals "option A) or B". | Users | Respond by Wednesday 02 August 2006 to xoserve (Sallyann.blackett@xoserve.com and Dean.m.Johnson@xoserve.com) |
| DE 1023 | 25/07/06 | 5.2 | Ask the Transporters to ensure that Users are kept informed and given advance notice of any potential changes in sources of weather data. | xoserve (SAB) | 06 November 2006 |
| DE 1024 | 25/07/06 | 6 | Notify the Joint Office which Work Items would be reported and discussed in November and January DESC meetings | xoserve (SAB) | 04 September 2006 |

* Key to initials of action owner

SAB – Sallyann Blackett, MR- Mo Rezvani, DR – Dennis Rachwal, PO – Peter Osbaldstone,