

DEMAND ESTIMATION SUB COMMITTEE

Minutes

Tuesday 20 January 2009

31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	BF	Joint Office
Lorna Dupont (Secretary)	LD	Joint Office
Fiona Cottam (Transporter Agent)	FC	xoserve
Gavin Stather	GS	Scottish Power
Jonathan Aitken (Member)	JA	RWE npower
Leyon Joseph	LJ	Scotia Gas Networks
Louise Gates	LG	EDF Energy
Mark Perry	MP	xoserve
Phil Blakeman	PB	British Gas
Sallyann Blackett (Member)	SB	E.ON
Steve Taylor (Member)	ST	British Gas
Steve Thompson	ST1	National Grid NTS

1. Introduction

BF welcomed all attendees.

1.1 Confirmation of membership

The membership was confirmed and the meeting was declared quorate.

2. Review of minutes and actions from previous meetings

The minutes of the previous meeting (11 November 2008) were accepted and approved.

Outstanding actions were reviewed (see Action Log below).

Action DE1045: xoserve to consider carrying out analysis on whether the standard domestic profile is applicable across the whole band.

Update: Covered under agenda item 3.2 below. **Action closed.**

Action DE1052: xoserve to confirm with the DNs (by mid December) whether a UNC Modification will be required; **and Action DE1053:** Members to put forward any alternative proposals by 1 December and to come to the January meeting ready to make a final decision.

Update: MP gave a short presentation outlining the background to the formula change, and reported that the Transporters had no objections to using historical data as opposed to a forecast view. Responses received from Shippers had been positive.

The proposal to use the historical NDM model for the denominator was accepted and the new method would be included in the "Approach for Spring 2009". **Actions closed.**

3. Progress of Work Plan

3.1 Re-evaluation of EUC Definitions and Demand Model Performance: RV and NDM Sample Strands

MP gave a presentation and advised that a more detailed supporting document was accessible on the website of the Joint Office of Gas Transporters.

Algorithm Performance 2007/08: Strand 2 Analysis

The two components of the Strand 2 analysis were explained together with the basis of the analysis. The profiles in each of the two sets of analysis were categorised as 'peaky', 'flat' or 'OK' as appropriate.

RV Analysis

An explanation of the criteria used for selecting the reconciliation variances was given. Post validation numbers appeared to be good and were in line with previous years.

The RV analysis methodology was described and further example graphs were reviewed, illustrating 'Peaky', 'Flat' and 'OK' allocation profiles. The overall results were then displayed on a table by consumption band and LDZ.

MP pointed out that the RV analysis was not reflective of the whole population, and that all reconciliation data for the gas year was not yet available. Following a slide showing the upward lift of scaling required in the RV analysis it was explained that this analysis was more useful for drawing conclusions on profiles than the determination of AQ levels. The results of the RV analysis should therefore be considered alongside SF and WCF analysis and NDM Sample data. The analysis will be reviewed in Spring 2009 when more data will be available to give a more complete picture.

The analysis generally highlighted a 'peaky' trend (Winter – over allocation, Summer – under allocation).

NDM Sample Consumption Analysis

MP explained that three different models were used in this second element to the analysis. The results across all LDZs were presented and reviewed graphically; more commentary was available within the supporting document.

Summarising the analysis, MP observed that the outcome was consistent for bands 02, 03, 04, 06, and 08, with differences noted for bands 05 and 07. It was recognised that the RV analysis and the NDM Sample analysis both suffered from small numbers of contributing meter/supply points at the higher consumption bands. However, both suggested only small

inaccuracies and it could be concluded that the modelling approach was therefore sound.

3.2 Profiling Analysis for EUC Bands 01 and 02 – Gas Year 2007/08 Performance Evaluation

A presentation was given by MP in response to Action DE1045: “xoserve to consider carrying out analysis on whether the standard domestic profile is applicable across the whole band”.

MP outlined the background to the profiling analysis and considered the possibilities of applying a band 02B profile to non-domestic supply points in 0 - 73.2 MWh and the 01B profile to the domestic supply points in 73.2 - 293 MWh to those sites within the NDM sample. The approach and scope were described and it was concluded that the approach taken was fair and reasonable.

MP highlighted various points that needed to be borne in mind in relation to the calculation of AQs and the sample numbers available. The numbers of supply points used in the analysis were confirmed.

The band 01 results were displayed and briefly discussed. The key points suggested there were no benefits in applying a 02B allocation profile to non-domestic supply points in EUC Band 1. ST asked if the overall results in aggregate had been weighted by LDZ.

Action DE1055: xoserve to confirm approach taken on the overall results in aggregate for the EUC Bands 1 and 2 analyses.

Post Meeting Note: *xoserve can confirm that the total actuals and total allocations were added up and errors computed from first principles – it was not a weighted average of the individual LDZ errors.*

The same analysis had been carried out for Band 02 and the results were displayed and briefly discussed; key points were noted which were in line with band 01B results.

Summarising the analysis, MP observed that based on the NDM sample data and assessment of the EUC profiles for gas year 2007/08 there was no apparent benefit nationally in applying an EUC 02B profile to NDM supply points in band 01 or in applying an EUC 01B profile to domestic supply points in band 02.

MP explained that the results had to reveal a compelling case for change due to the wide ranging impacts the approach of using market sector flag within the allocation process would have on existing systems, RbD, SPA and Invoicing.

The results make no compelling case for change; however the analysis could be repeated for future gas years if DESC considered it to be worthwhile to do so.

SB thought the results were very much dependent on the sample sizes available. FC pointed out the NDM sample had a greater percentage of

non-domestic sites in band 01B and domestic sites in band 02B than the NDM population itself.

FC also remarked that still approximately 7.6 million supply points were currently not flagged and it is not known how up to date the market sector flag information is.

3.3 Approach for Spring 2009 Analysis

Full details of the approach are provided in the supporting document “Spring 2009 NDM Analysis – Proposed Approach”, available on the website of the Joint Office of Gas Transporters.

The approach was similar to that used for the 2008 modelling; points to note included:

- Criteria for applying summer reductions and cut-offs would remain unchanged, however due to representation in July 2008 this would be discussed on later slides.
- Band 7 and 8 consumption and/or WAR bands would be combined if the sample numbers were too low (FC advised that the position would be made clear at the June meeting at the latest if this became necessary)
- Aggregate NDM demand data used in the calculation of DAFs would be based on the historical demand view as opposed to the forecast view previously used - this should provide more of an independent view. SB stated this would then be in line with the thinking of the WCF calculation.
- Publication of draft proposals including supporting files, would be made on the xoserve extranet (under UK Link documentation).

MP explained the background behind the cut-off principle and described the two sets of criteria used to determine cut-offs. A representation made in the previous year relating to the NDM Proposals for Gas Year 2008/09 had questioned the application/non application of cut-offs. Although the Transporters did not believe there were major impacts, two alternative options had been offered. A discussion took place on possible approaches.

SB thought that it might make a difference to the smoothing and commented that the issue was about changes applied to the application of cut-offs and the effects on smoothing and the smoothed model. There should be no changes to the cut-off status until behaviour changes had been identified over two consecutive years. FC responded that a business rule would need to be constructed that could be consistently applied.

The effects of increasing the 20 per cent improvement threshold rule (for instance to 30%) were discussed. The aim was to try and avoid sudden movements in either direction and to make it more consistent.

The meeting favoured the view that if the current status was ‘no cut-off’ then indications to the contrary over two consecutive years should provide the trigger to change the status, and vice versa.

Action DE1056: The Transporters' recommendation for Approach to Spring 2009 would be reviewed to take account of the discussion.

Post Meeting Note:

Since the meeting xoserve has investigated the proposed change to the summer cut-offs methodology and unfortunately due to the impacts to the modelling systems and the lack of time to develop new business rules, it will not be possible to adopt this approach for Spring 2009.

xoserve intend to issue a document in the near future explaining the various issues this suggested approach has highlighted, however please be reassured that the materiality of this topic is very small. Only 18 EUCs changed their "best-fit" cut-off status for gas year 2008/09, and we estimate that the difference in summer allocation is around 0.04% of AQ, for sites making up only 1.1% of total NDM load.

The Transporters' overall recommendation to accept the proposed "Approach for Spring 2009" was then agreed to by DESC members.

3.4 Review of Workplan 2009

MP summarised the work planned for 2009. It was intended to hold an extra meeting of DESC (late March or early April) dedicated to the Seasonal Normal review. Details would be confirmed nearer the time; members indicated a preference for a Solihull venue.

There were no comments in relation to the workplan.

4. NDM Sample Update

MP reported that there had not been a great deal of change since November's meeting, but an overall deficit still remains in the datalogger population.

Validated numbers from the autumn validation process were seen as a useful 'health check' half way through the year. The large NDM supply points were in line with Spring 2008 numbers, however should validated numbers in Spring 2009 decline at higher bands then this would be addressed in the Spring Approach Methodology.

SB commented that band 08 will almost certainly deteriorate further and the remaining sample was likely to prove insufficient for modelling purposes. FC responded that bands 07 and 08 were already aggregated for certain areas of analysis, and that an update on the position would be given at the Technical Forum in June.

MP added that xoserve continued to work with the Transporters to address the deficits, and reported that National Grid had confirmed that it had received approval to install significant numbers of devices to address target deficits; increases should therefore be noticeable as the year progresses. The other Transporters were also actively addressing the problem and xoserve was providing focused reports to help them address particular shortfalls.

A more detailed update will be provided at the June meeting.

5. Update on review of CWV and Seasonal Normal basis for 2010

Updates were given.

CWV Methodology Review Update

MP reported on the current status. The analysis had been carried out and the provisional CWVs had been calculated, with the initial results suggesting that the current methodology is sound; xoserve would be presenting the detailed results to the Transporters in the next few weeks.

Seasonal Normal Basis Update

MP reported on the current status. The analysis had been carried out and the options had been reviewed. Modification 0218 had been implemented on 12 January 2009 so now the forecast view of the weather for the period was also being considered. Initial results had been presented to the Transporters.

As indicated in the Workplan (See 4.0, above) an extra DESC meeting was to be arranged to present the detailed CWV and Seasonal Normal basis results and the Transporters' decision.

SB questioned what would happen if Shippers raised issues in response to Transporters' view of Seasonal Normal. FC replied that xoserve would communicate any issues raised to the Transporters for their consideration and response or, if more appropriate, invite the Transporters to attend the meeting. xoserve was aware of what the industry was looking for from a Seasonal Normal basis and this was kept in mind. In response to JA's question regarding availability of data prior to the meeting, FC pointed out that some data may be available, though not necessarily the 'raw' data (because of licensing issues), but it was hoped to have everything available the week before.

SB asked whether a consensus agreement was required and FC responded that the UNC did not specify this but indicated that the Transporters would be in consultation with Users. The Transporters were aware of the Shippers interests in the outcome of the process.

BF observed that this would be driven by the Licence requirements. SB pointed out that industry response to Modification 0218 consultation had indicated a view that the modification had not gone far enough as obligations on the Transporters had not been imposed. BF said when DESC meet to run through the results, the options available to shippers in the event they cannot support the conclusions should be included as part of the discussion.

Action DE1057: Transporters to review their UNC and licence obligations to consult with Shippers and notify the process to be followed during the consultation.

6. Any Other Business

6.1 Update on the impacts of Modification Proposal 0224: Facilitating the use of AMR in the Daily Metered Elective Regime

FC reported that this proposed an optional elective DM service which if taken up might have an effect on sites currently used for sampling by causing changes in their consumption patterns.

The issue was centred on whether sites having DM elective status should remain within the NDM sample.

Views from the previous DESC meeting had been communicated by FC to Development Work Group 0224 (DWG0224). The Work Group had assured FC that a site choosing to become DM Elective would not have an impact on the site's consumption behaviour; this was also the Proposer's view (GDF Suez). However JA pointed out that active load management would be the only reason for changing status.

FC said that the Work Group was looking at the benefit of improved reconciliation and a more accurate billing pattern. Some sites were already equipped with AMR and are in a position to amend demand on a daily basis; for these sites a status change would not appear to change consumption behaviour.

The DWG0224 proposal was that the sample population should be monitored and FC pointed out that there were the safeguards - very variable consumption will fail validation, and also model smoothing - to ameliorate the potential influence of a few 'rogue' sites.

It was suggested that the DESC members may wish to discuss this further with their colleagues who attended DWG0224. The next meeting of DWG0224 was scheduled for 29 January 2009 and it may be useful to have internal discussions before this.

FC reiterated that DWG0224 wanted DESC to leave the DM Elective sites in the sample and monitor their performance. SB responded that DESC might be prepared to agree to monitor performance, but not to leave such sites in the sample.

6.2 Update on Modification 0204: Amendment to the calculation of WCF

FC reported that the first quarter review of aggregate AQ figures had taken place and none of the LDZs had changed sufficiently to require a recalculation of pseudo SNDs.

FC confirmed that xoserve had recently updated their systems to make it easier to upload revised pseudo SNDs.

Scaling Factors for Quarter 1 appear to look a lot smoother and have less variation so Modification 0204 is clearly doing what had been hoped for.

SB commented on a problem with NO LDZ which was mentioned in the Quarter 1 review update. SB asked for details of the error and confirmation that it had now been corrected.

MP responded that he believed it was a Unique site within Northern LDZ which had been incorrectly set up as a CSEP. MP explained the error could be seen in the Scaling Factor which had dipped below 1, so the rest of the market would be marginally under allocated while the extra AQ was present.

Action DE1058: xoserve to confirm the length of period the CSEPs error within LDZ NO was present for.

Post Meeting Update: *xoserve can confirm a site was incorrectly set up as an NDM CSEPs in LDZ 'NO', when in fact the site was a Unique site. Validation routines have since been changed to ensure this should not happen again. The period of error was 03 December to 31st December 2008 and an adjustment will be processed in due course, via RbD.*

7. Date of next meeting

Details of the extra meeting (end March/beginning April) referred to at 4.0 above, will be confirmed when known.

The next scheduled meeting will be held at 10:00hrs on Tuesday 05 June 2009, at the Energy Networks Association (ENA), 6th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF

Dates for 2009 meetings are set out below, together with the topics expected to be covered.

Date	Work Items	Venue
March/April 2009 (date to be confirmed)	<ul style="list-style-type: none"> • Results of Investigation of exploratory CWV revisions • Update on basis for Seasonal Normal 	10:00am Solihull - To be confirmed
05 June 2009	<ul style="list-style-type: none"> • Technical Forum – consultation on proposed revision of EUC definitions and demand models 	10:00am Energy Networks Association (ENA), 6 th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
24 July 2009 (if required)	<ul style="list-style-type: none"> • Response to representations 	10:00am 31 Homer Road, Solihull B91 3LT
10 November 2009	<ul style="list-style-type: none"> • Re-evaluation of NDM Sampling Sizes • Re-evaluation of EUC 	10:00am Energy Networks Association (ENA), 6 th

	<p>definitions and Demand Model Performance: SF and WCF</p> <ul style="list-style-type: none"> • Re-evaluation of Model smoothing methodology • Seasonal Normal update 	<p>Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF</p>
<p>22 December 2009 (if required)</p>	<ul style="list-style-type: none"> • CWV Review: Present revised CWVs for all LDZs 	<p>10:00am 31 Homer Road, Solihull, B91 3LT</p>

Action Log: UNC Demand Estimation Sub Committee 20 January 2009

Action Ref*	Meeting Date(s)	Minute Ref	Action	Owner**	Status Update
DE1045	08/11/07	3.1	xoserve to consider carrying out analysis on whether the standard domestic profile is applicable across the whole band.	xoserve (FC/MP)	Closed.
DE1052	11/11/08	3.0	Potential to changes to DAFS: xoserve to confirm with the DNs (by mid December) whether a UNC Modification will be required.	xoserve (FC/MP)	Closed.
DE1053	11/11/08	3.0	Potential to changes to DAFS: Members to put forward any alternative proposals by 1 December and to come to the January meeting ready to make a final decision.	ALL	Closed.
DE1055	20/01/09	3.2	xoserve to confirm approach taken on the overall results in aggregate for the EUC Bands 1 and 2 analysis .	xoserve (FC/MP)	See Post Meeting Note at 3.2 above. Closed
DE1056	20/01/09	3.3	Review recommendation for Approach to Spring 2009 to take account of the discussion. Update: See Post Meeting Note in section 3.3	xoserve (FC/MP)	Pending
DE1057	20/01/09	5.0	Review their UNC and licence obligations to consult with Shippers and notify the process to be followed during the consultation.	Transporters (FC/MP)	Pending
DE1058	20/01/09	6.2	Confirm the length of period the CSEPs error within LDZ NO was present for.	xoserve (FC/MP)	See Post Meeting Note at 6.2 above. Closed

* TF – Technical Forum (denotes action generated at the annual Technical Forum)

** Key to initials of action owner: ALL – all attendees, FC: Fiona Cottam, MP: Mark Perry