

DEMAND ESTIMATION SUB COMMITTEE

Minutes

Friday 24 July 2009

31 Homer Road, Solihull, B91 3LT

Attendees

Bob Fletcher (Chair)	(BF) Joint Office
Lorna Dupont (Secretary)	(LD) Joint Office
Dean Johnson (Transporter Agent)	(DJ) xoserve
Gavin Stather (Alternate)	(GS) ScottishPower
Jonathan Aitken (Member)	(JA) RWE npower
Mark Perry	(MP) xoserve
Matthew Jackson (Alternate)	(MJ) British Gas
Richard Pomroy	(RP) Wales & West Utilities
Sally Lewis (Member)	(SL) RWE Npower
Sallyann Blackett (Member)	(SB) E.ON
Sarah Maddams (Alternate)	(SM) E.ON

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 Louise Hellyer (Total Gas & Power), Steve Thompson (National Grid NTS), Matthew Pollard and Louise Gates (both of EDF Energy).

3. Review of Minutes and Actions from the Previous Meeting

3.1 Minutes of the Demand Estimation Technical Forum

The minutes from the meeting held on 05 June 2009 were accepted.

3.2 Minutes of the Demand Estimation Sub Committee

The minutes from the meeting held on 05 June 2009 were accepted.

3.3 Actions

Outstanding actions were reviewed (see Action Log below).

Action TF1064: xoserve to provide update note to DESC clarifying smoothed model results for Band 01B for domestic only model and model including non-domestic sites as shown on slide 21.

Update: xoserve had explored the suggestion made by E.ON at the previous meeting and confirmed that it would be possible to replicate Demand attribution and compare to allocation from the traditional domestic only model. However, as the 2009 work plan is already full with the Seasonal Normal Review activities, it was suggested that the analysis could be added to the 2010 work plan, subject to discussion and review at DESC in January 2010.

Action closed.

Action DE1066: The Joint Office to schedule a meeting during the first week in September to review the progress of Modification Proposal 0254.

Update: A meeting has been arranged for Tuesday 01 September 2009. BF added that a request for legal text had been received from Ofgem. This had been produced and was awaiting approval by the Proposer before being provided to Ofgem. A decision was expected in August. **Action closed.**

Action DE1067: xoserve to provide Shippers with details of any site(s) in their ownership from which a data recorder had been lost, to enable remedial action to be taken/internal process gaps to be addressed; Shippers to report back on problem to DESC.

Update: xoserve had provided information to the relevant Shippers for consideration and progression, and thanked Shippers for their support and co-operation. A number of Shippers present reported that they were progressing this internally. RP added that it may be a question of briefing respective meter workers, as it was not a task they encountered every day, to highlight the importance of the issue and the consequences of failing to retain the equipment. xoserve will produce a sample report in November and will update DESC on the position. Monitoring of exchanges will continue and any interim losses identified will be notified to the Shipper concerned. **Action closed**

4. 2009/10 NDM Proposals

MP reviewed the Consultation timetable and reported that one representation (from E.ON UK) had been received in response to the consultation.

4.1 Transporter response to E.ON representation

MP gave a presentation addressing the various concerns raised within the representation.

Seasonal Normal Demand

The representation expressed concern regarding significant impact from the mismatch in ALP and DAF derivation and associated Scaling Factor (SF) changes. MP explained that a potential still existed for volatility due to day to day changes in EUC AQs, unexpectedly high/low actual NDM demand levels

and features of EUC demand models; a number of variables exist which can affect the SF. It was difficult to assess any mismatch without replicating demand attribution with an alternative set of models. Given that historical models, and a similar modelling approach, are used for both EUC and aggregate NDM demand modelling there is a more consistent underlying foundation to the DAFs proposed for 2009/10; However it was not possible to give complete reassurance that any 'mismatches' are unlikely to be manifested in 2009/10.

SB commented that it was very noticeable that there were significantly different trends regarding the SF and that this was very marked by LDZ. This had not been seen before. DJ acknowledged SB's perception and said that despite various investigations no specific reasons can be identified; monitoring will continue. If the situation recurs then it may warrant additional scrutiny.

The representation also expressed concern regarding the decrease in SND. MP responded there were now in effect two versions of SND and that the two cannot be usefully compared; perhaps this was more a question of renaming one version, to more easily differentiate which one was being used. SB added that the naming of certain files also did not add to clarity and perhaps these too should be under consideration for renaming.

MP pointed out that the published WSENS and SND values were applicable only to calculate DAFs for the Gas Year 2009/10 and had no further significance. The values were derived from the demand modelling process based on historical aggregated NDM demand data sourced from Gemini. MP pointed out that the most important feature was the change in WSENS/SND ratio which caused the change to DAFs. He added that the 'Pseudo SND' values for Gas Year 2009/10 used in the calculation of WCF would be published in mid September.

Holiday Effects

Responding to the query as to why some LDZs showed no evidence of certain bank holiday reductions, MP pointed out that the SND and WSENS terms provided with the 2009 NDM proposals were not values that were applicable to the individual days of the Gas Year 2009/10. These values were simply the values that resulted from the historical demand modelling and were used to calculate the DAFs on each of the days of 2009/10. MP then explained the approach used for the historical model in order to create the aggregate NDM value for the 'denominator' in the DAF formula. The observations regarding the various holiday demands were correct in the Transporters' view; the results were the outcome from the historical modelling process. No judgemental or forecast element had been applied to override the modelling outputs.

SB understood the method used but was not convinced that it was correct; in her view something was not working for it not to show up in the total and may need amending for the future. DJ agreed with the principles described by SB and added that as this was the first time that the industry has progressed through this process and it was to be expected that previously unidentified issues may surface.

In respect of the perceived 'lack of evidence' of reductions in the profiles, MP explained that the holiday code applied to 28 December was no different to that applicable to a number of other days in the Christmas/New Year holiday period. The modelling process results in a common holiday factor for all such days, and there is no means of differentiating days with specific characteristics, and there is insufficient data (over 3 years) to determine a difference between a 28 December that is a bank holiday and one that is not.

SB agreed that the principles had been applied correctly, but was concerned that it would not be right for next year as Easter will exist, albeit on different dates, and something will happen differently. The differences between Easter and Christmas were pointed out, and DJ pointed out the difficulties that this added to the modelling, bearing in mind the recent drive to take out forecast data and use historical data; it may be a question of reviewing the principles and methodology to get the balance right. It may be possible to use samples used for ALPs derived from other principles/elements and DESC would need to agree this. DJ agreed that all SB's observations in principle were correct, but the methodology was sound and based on the principle of modelling based on the data. DJ suggested the issue / topic would be reviewed in January 2010.

Day of Week Relationship

In respect of concerns regarding the apparent inconsistencies of the relationship between Saturday and Sunday demand changes, MP explained that the pattern of Saturday and Sunday WSENS and SND values from week to week were dependent on Saturday/Sunday Factors (from the historical model) and also the SNCWV profile through the year. The SNCW curve decreases in the period October to January and then increases peaking in summer before falling again. If Saturday and Sunday factors are the same then the 'controlling effect' on weekends is the SNCWV profile. MP went on to explain the observed effect on the May bank holiday.

The Transporters were unable to replicate the numbers relating to the perceived significant reduction in weekday to weekend sensitivity apparent in certain LDZs. SB responded that, unwittingly, E.ON had used a file later discovered to be erroneous.

WSENS shape changes

In addressing E.ON's observations and concerns relating to notable differences in shape to the WSENS values from those seen last year, MP pointed out that the Transporters were unable to replicate the numbers/WSENS shape displayed in E.ON's example and SB responded that, again unwittingly, E.ON had drawn upon incorrect data in its representation. MP confirmed that Modification 0204 had no impact on the derivation of the ALPs, explaining that the dependency related to the smoothed EUC demand models only. SB reiterated that the shape change was very unusual and that in her experience was the first time that it had been seen.

Seasonal Normal Weather review

DJ pointed out that this topic was not directly related to the 2009/10 NDM proposals. DJ added that this was the first time that the industry, in its new form, had gone through this process. It had been encouraging that open debate had resulted in a consensus on the use of a particular dataset, and the Transporters would welcome suggestions on the approach to use for the future determination of Seasonal Normal reviews.

In response to a question from JA, DJ confirmed that timescales were still on track alongside the progress of Modification Proposal 0254, and analysis was being undertaken and moved forward on the assumption that MOD 0254 would be approved.

SB understood the concerns regarding the mismatch in responsibilities (Transporters were responsible for accuracy but not the data source under UNC) and that the Proposal did not reflect the impacts on Shippers (allocation). The Transporters were responsible for the derivation and do not feel a direct impact. It was noted that this may cause further issues and perhaps could be better managed. DJ responded that xoserve was in discussions with the Transporters and was keen to get the current Seasonal Normal review completed and bedded in first and then consider how future reviews could be improved; Shippers' views would be most welcome.

Demand Estimation Consultation review

Responding to the comments made in the representation, DJ observed that the process timescales are quite narrowly defined and very constrained by specific activities (system updates and data collections). xoserve would be investigating opportunities throughout the process to create some measure of flexibility. xoserve would welcome feedback from DESC and the timescales that could be applied.

SB agreed that Shippers found that 15 days was a very tight timescale in which to perform any meaningful analysis as was the 7 days in which xoserve must respond. The imposed time constraints gave rise to a perception that this was not a 'true' consultation and therefore not effective.

DJ acknowledged that there were time-related concerns regarding the modelling which can take several weeks/months to perform and changes to the process may not be ideal or maybe impractical because of other related factors. DJ also noted that consultation on the methodology does begin in January. However xoserve would like to investigate the possibility of changing the timescales where possible. The key lay in being able to identify how much flexibility could be woven in and this was being reviewed.

DJ suggested it would also be helpful to xoserve to gain a deeper understanding as to what degree the industry engagement in this area was positive, as a perspective was difficult to form from the receipt of only one representation per year.

BF suggested that building more time within the process would provide members with an opportunity to consult amongst themselves, and perhaps produce and submit a co-ordinated or joint response. SB and MJ observed

that Shippers' forecasting teams tend to be small and 'time poor', and that it was hard to determine what impacts were likely to be until the data was seen. JA and GS added that raising any identified potential issues in advance of the consultation point would perhaps also be beneficial and provide more time for consideration, analysis and comment from Shippers.

It was suggested that the review might be added to the Work Plan for November to enable further discussion.

Action DE1068: xoserve to consider and discuss with the Transporters possible amendments to the consultation process, and report back at November meeting.

Conclusions – Transporters' View

The NDM Proposals for 2009/10 were fit for purpose and should be adopted; No amendments have been made and therefore the initial proposals will now become the final proposals.

Following finalisation and notification Shippers will have 5 business days to request Ofgem to disallow the proposals. If a request is received, Ofgem will then have 5 business days to determine whether to disallow the proposals.

Should Ofgem disallow the proposals the parameters as defined in last year's process will be brought back into use.

5. Seasonal Normal Review Update

Following the UNC Modification Panel's unanimous decision to recommend implementation in relation to Modification Proposal 0254, the Authority's decision was now awaited (expected mid August).

In the meantime xoserve has made preparations to issue a summary document in August confirming the proposed arrangements for applying EP2 data to the calculation and a meeting to enable further discussion has been organised for 01 September 2009 (Solihull). Assuming Authority approval is given, xoserve will want to start using the data in October and would like feedback before the September meeting.

It was also possible that an October meeting may need to be scheduled if required to allow the EP2 data to be applied.

The revised work plan was displayed.

6. NDM Data Recorder Sample Update

6.1 UNC Modification Proposal 0258: Facilitating the Use of Remote Meter Reading Equipment for the Purposes of Demand Estimation Forecasting Techniques.

DJ recapped on the background to the issues and reported that xoserve was discussing the future of the sample with the Transporters. The best solution to the problem appeared to be the phased replacement with suitable AMR technology, which would give greater reliability; data would be more quickly

received as would any indication of loss/failure. DESC will be kept informed of progress.

JA observed that with AMR technology it had been noted that odd reads could be missing every couple of weeks and asked whether these missing reads could be accommodated in the validation. DJ responded that the process looks at this situation now and pinpoints any issues. There will be some internal process changes; these are in hand and as AMR replacement is phased in it will be moved across.

7. Any Other Business

7.1 Potential Alternative to Modification Proposal 0258: “Facilitating the Use of Remote Meter Reading Equipment for the Purposes of Demand Estimation Forecasting Techniques”

The reasons for the decision to raise UNC Modification Proposal 0258 were explained, together with the intent of the changes put forward within the Proposal and the changes that may be reflected within a potential alternative Proposal. Modification Proposal 0258 had been discussed at the Distribution Workstream and some amendments were likely in light of comments received. Once it had been formally raised at the next UNC Modification Panel meeting then the alternative would be raised.

Views from members were welcomed.

SB commented that she had instructed E.ON’s Regulation team to be supportive of Modification Proposal 0258 and that RP’s variation seemed to make even more sense. MJ and GS agreed with this view.

In response to a question from JA regarding Telecoms coverage and the risk of including sites in the samples that may not be best placed for optimum mobile phone signal reception, DJ said that this potential issue had been identified and BF added that different service providers could be utilised, as could extra equipment/technology to boost signals. DJ stated the intention was to maintain the current sample and replace as appropriate so that the dataflow was not interrupted. It was recognised that there may be some management issues but it was to be hoped that site losses would be minimal and there would be no disruption to services. JA thought it was no bad thing to have some element of churn within a sample.

7.2 DM Allocation Errors Process

Acknowledging that it was not necessarily part of the business of this particular forum, SB asked xoserve if it could clarify the process/contacts to use to raise DM Allocation errors, i.e. who is responsible for putting amendments through to Gemini once a datalogger fault had been identified by a Shipper. There were tight windows for this type of notification and it was proving difficult to meet the closeout window because of an inability to make the appropriate contacts/communications.

Action DE1069: xoserve to clarify the process/contacts to use to raise DM Allocation errors.

7.3 System Operator Incentives for forecasting accuracy (UNC TPD Section H)

SB pointed out that the Transporters had a responsibility to provide forecasts for total gas (Day Ahead and On the Day) to particular deadlines; the degree of accuracy for NDM was consistently very poor (seeing a 12 – 15% error in the Day Ahead forecast, and sometimes as much as 50% out) and was difficult for Shippers to place any reliance upon the forecasts. This adversely impacted E.ON's processes. SB was also concerned that the way the NDM forecast total was derived was not helpful. Should there be incentives to apply to the NDM forecast?

It was understood that SO Incentives were under discussion at the Transmission Workstream and National Grid NTS was keen to hear views from a wide range of industry participants. (Publication of initial proposals was likely to be in October 2009).

(Post Meeting Note: National Grid NTS is obliged to publish a demand forecast to the market and is incentivised on the accuracy of the 13:00 forecast at D-1 (Forecast of Total System demand: NDM demand, Direct connected demand, Interconnectors, and Storage injections). At the last Transmission Workstream meeting comments National Grid NTS invited comments/evidence on whether there is a need for further development of incentives. To discuss further contact John Perkins: john.perkins@uk.ngrid.com .)

7.4 DESC - Nominations for Committee Membership 2009/2010

Notification has been sent out to the industry seeking nominations for next year's industry representation on various Panels and Committees, including DESC. Members were encouraged to participate and respond to the Gas Forum by the appropriate deadline.

8. Date of the next meeting

The focus of the next meeting will be the Seasonal Normal Review, and if appropriate to discuss any issues that may need to be addressed in respect of Modification Proposal 0254. The meeting is scheduled to take place at 10:00 on Tuesday 01 September 2009, at 31 Homer Road, Solihull B91 3LT.

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

<i>Date</i>	<i>Work Items</i>	<i>Venue</i>
01 September 2009	Seasonal Normal Review Review the progress of Modification Proposal 0254, if decision not received.	10:00am 31 Homer Road, Solihull B91 3LT

October 2009 (if required)	(To be confirmed.)	(Solihull; to be arranged if required)
10 November 2009	<p>1) Re-evaluation of NDM Sampling sizes; re-evaluation of Model smoothing methodology</p> <p>2) Re-evaluation of EUC definitions and Demand Model Performance: Scaling Factor and Weather Correction Factor</p> <p>3) Review of demand attribution to EUC models newly with/without cutoffs in 2008/09</p> <p>4) Seasonal Normal Review update</p>	<p>10:00am</p> <p>Energy Networks Association, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF</p>
22 December 2009	CWV Review: Present revised CWVs for all LDZs	<p>10:00am</p> <p>31 Homer Road, Solihull B91 3LT</p>

Action Log: UNC Demand Estimation Sub Committee 24 July 2009

Action Ref*	Meeting Date(s)	Minute Ref	Action	Owner**	Status Update
TF1064	05/06/09	2.0	xoserve to provide update note to DESC clarifying smoothed model results for Band 01B for domestic only model and model including non-domestic sites as shown on slide 21.	xoserve (DJ/MP)	Carried forward/Closed
DE1066	05/06/09	4.0	The Joint Office to schedule a meeting during the first week in September to review the progress of Modification Proposal 0254.	Joint Office (BF/LD)	Closed
DE1067	05/06/09	5.0	<p>Loss of data recorders following a meter exchange - xoserve to provide Shippers with details of any site(s) in their ownership from which a data recorder had been lost, to enable remedial action to be taken/internal process gaps to be addressed.</p> <p>Shippers to address problems and report back to DESC.</p>	xoserve (DJ/MP) and ALL	Carried forward/Closed

Action Ref*	Meeting Date(s)	Minute Ref	Action	Owner**	Status Update
DE1068	24/07/09	4.0	xoserve to consider and discuss with the Transporters possible amendments to the consultation process, and report back at November's meeting.	xoserve (DJ/MP)	
DE1069	24/07/09	7.2	xoserve to clarify to E.On the process/contacts to use to raise DM Allocation errors.	xoserve (DJ/MP)	

* TF – Technical Forum

** Key to initials of action owner:

ALL: all present, MP: Mark Perry, DJ: Dean Johnson; BF = Bob Fletcher; LD =Lorna Dupont