

DEMAND ESTIMATION SUB COMMITTEE

Minutes

Friday 25 July 2008

31 Homer Road, Solihull B91 3LT

Attendees

Julian Majdanski (Chair)	(JB) Joint Office
Lorna Dupont (Secretary)	(LD) Joint Office
Alison Chamberlain	(AC) National Grid Distribution
Craig Shaw	(CS) Centrica
Fiona Cottam (Transporter Agent)	(FC) xoserve
Joe Ciardiello	(JC) xoserve
Jonathan Aitken (member)	(JA) RWE npower
Louise Fraser	(LF) EDF Energy
Mark Linke	(ML) Centrica
Mark Perry	(MP) xoserve
Matthew Pollard (member)	(MP1) EDF Energy
Sally Lewis	(SL) RWE npower
Sallyann Blackett	(SAB) E.ON
Steve Coles (member)	(SC) E.ON
Steve Taylor (member)	(ST) Centrica
Steve Thompson	(ST1) National Grid NTS

1. Introduction

JM welcomed all attendees and explained the purpose of the meeting, which was to discuss the User representation received in response to the consultation on the NDM draft proposals. The final proposals will be published on the xoserve website by 15 August 2008.

2. Confirmation of membership and apologies for absence

The membership was confirmed; four members were present. No apologies were received.

3. Review of minutes and actions from previous meetings

3.1 Minutes of Demand Estimation Technical Forum (02 June 2008)

The following comments were received and amendments agreed:

Page 2, under Section 2.3 Small NDM Analysis (<2,196 kWh)

“Small NDM Data Recorders

MP advised that the population number of active validated data recorders within the sample had increased by 250 over the collection period compared to last year. Installation programmes were ongoing Sample numbers were very healthy and there were no issues in respect of the modelling.”

Page 5, Under Section 2.4 Large NDM Analysis (>2,196,000 kWh)

At paragraph 2:

“The sample data aggregations were similar to that of the previous year, with the bandings remaining constant. No analysis is required to define the appropriateness of the bandings, as they are defined in UNC.”

Page 6, paragraph 2 - a post meeting note has been provided as follows:

“SAB asked if the value of SND for 2008/09 could be produced early and FC noted this. Post meeting note: Requested SND values to be provided as part of supporting files on 30th June.”

The minutes were then accepted and approved.

Actions generated through the Demand Estimation Technical Forum are progressed through subsequent Demand Estimation Sub Committee meetings, and documented on the Action Logs and Minutes of those meetings.

3.2 Minutes of Demand Estimation Sub Committee (02 June 2008)

The minutes were accepted and approved.

Outstanding actions were reviewed (see Action Log below).

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

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

Action DE1049: xoserve to include the updated RV Analysis within the draft proposals to be published in June, and an analysis of the monthly levels of unreconciled energy is to be presented at a future meeting.

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

Action DE1050(TF): xoserve to provide a revised slide (28) correcting the errors noted in the column headings. (**Post meeting Note:** Errors rectified and replacement presentation published on 04 June 2008 on www.gasgovernance.com). **Action closed.**

4. Modification 0204: Amendment to the calculation of WCF

The meeting accepted the inclusion of this late notified agenda item, and xoserve then gave a short presentation reaffirming the current position following the recent implementation of this Modification.

5. 2008/09 NDM Proposals

5.1 Final Consultation and response to E.ON representation

xoserve presented the Transporters' response to the representation made by E.ON. MP reiterated the timetable associated with the current process, and then went on to address each of the points raised by E.ON in its response.

Point 1: *“Concern about year on year changes to DAF profiles in some of the B category bands due to application and/or non-application of cut –offs. We would like to see this area reviewed over the next twelve months with a view to amending the implementation within model smoothing for coming years.”*

MP described and explained the criteria used for applying cut-offs. The Transporters did not believe this is a major effect and suggested maintaining the existing approach. The Transporter did however offer two alternative options for dealing with cut-offs. MP advised that the example given in the E.ON representation related to Band 03B and not 05B. SAB believed the issue was present across a number of the 'B' (Bucket) bands. SAB suggested restricting any future changes to the cut-off methodology to just the 'B' bands. FC commented that if tougher criteria were used more items would be excluded. SC was interested to see the materiality demonstrated. SAB said that May and September were problem times for allocation and switching in and out does not help the situation. MP stated that a 'backstop' may be needed to cope with the negative ALPs should removal of cut-offs be applied to all small NDM bands. FC pointed out that the Work Plan was already full and that in January DESC may need to make a policy decision on what approach to take, and prioritise what needs to be looked at over the coming year.

Point 2: *“There are LDZs, namely SC, SO and SE, where the DAF shows Christmas variability not present in previous years. We would like an assurance that this is applicable and an explanation why this is not evident in other LDZs to the same extent.”*

MP explained the Transporters' view on this point, and there was a discussion centred on the significance of Christmas fluctuations. FC thought that it might be possible to do something more neutral for the DAFs. ST questioned if there was an error. FC responded that it was a forecast – it had been checked with the Transporters and that they were happy that their processes were operating correctly. SAB observed that the Transporters were not forecasting this for this purpose really, although they were using it for this purpose. It was a by-product that was being utilised. FC thought that it might be possible to change the DAF formula to use a more neutral value than DN's forecast of SND.

Point 3: *“There are a number of special day and holiday impacts that we would like clarification about prior to approving the NDM proposals.”*

Scenario 1: The Transporters' view was put forward. SAB said that E.ON's problem was in understanding why there was such a big drop on 21st December – it looked unusual. FC had raised this with the Transporter, who had checked it and was satisfied with the position. CS asked whether it was usual to see such variance between regions. FC responded that as the Transporters establish their processes and generate their own histories they will reach their own conclusions about behaviour – some do behave quite differently, with geography and other factors influencing and affecting assumptions to some degree. All forecasting is in line, with the same method for the same purposes, but different conclusions may still be drawn. CS questioned whether Eastern could be challenged on its data. FC reiterated that there were regional differences in areas, school holidays and factory closures varied for example. xoserve can only ask them to double check, or

consider whether it is delayed slightly to make adjustments, or think about a more neutral way so that there is not the dependence on a by-product of another process.

Scenario 2: The Transporter's' view was put forward. It was acknowledged that there may be a slight inaccuracy and the Transporter would try to improve this for next year.

Scenario 3: The Transporter had checked the values; Easter impacts were difficult to predict as was the variable weather at this time. The Transporter was happy with the values used.

Scenario 4: The Transporter's' view was given. The values had been rechecked and the Transporter was satisfied with them. CS questioned whether the Transporters were asked to explain anything that appeared unusual. FC said not as a rule; xoserve does not tend to challenge as it has no rights of veto, etc. CS observed that some confidence may be lost in the figures therefore. FC responded that xoserve has engaged with the Transporters on occasion and that specific explanations have sometimes been asked for but this was not usual, and as DESC was aware there is no official 'consultation process' on the Networks' aggregate NDM forecasts.

When to take forward changes to DAFs was discussed, and it was pointed out that any changes would need to be made in time for the modelling; it was considered prudent to keep any changes off the critical path (September would be very busy).

Action DE1051: Potential changes to DAFS - All to consider and send suggestions by email to xoserve (Fiona.Cottam@xoserve.com).

MP then summarised the Transporters' views in response to the scenarios raised under this point in the representation, and concluded by saying that the Transporters were happy to consider options in determining and applying CWV cut-offs for small NDM EUCs for future years. It was the Transporters' belief that the NDM proposals for 2008/09 were fit for purpose and should be adopted. The effects of disapproval of these proposals were restated.

5.2 DESC's view of the Proposals

JM asked if members were prepared to accept the Proposals or whether any attendee had further questions.

SAB commented that she was not surprised by the feedback from the Transporters, but agreed with FC that discussions here at DESC could form part of a stronger Business Case for change.

The final proposals will be published by 15 August 2008.

6. Review of Work Plan

MP gave a brief resume of what was to be covered in the remaining programme for 2008/09. The next meeting on 11 November will cover the re-evaluation of NDM Sampling Sizes, and the re-evaluation of EUC definitions and Demand Model Performance (SF and WCF).

It was confirmed that the Work Plan for 2009/10 will be considered at the November meeting.

Dates for 2008/09 meetings are set out below, together with the topics expected to be covered.

Date	Work Items	Venue
11 November 2008	1) Re-evaluation of NDM Sampling Sizes 2) Re-evaluation of EUC definitions and Demand Model Performance (Strand 1 – Scaling Factor and WCF analysis)	10:00am Elexon, 350 Euston Road, London NW1 3AW (Pink Room)
January 2009 (date to be confirmed)	1) CWV Review 2) Demand model performance Strand 2 – RV and NDM sample strands 3) Approach for Spring analysis	10:00am Solihull (venue to be confirmed)

7. Relevant UNC Modifications (potential DESC implications)¹

Modification Proposal 0218: Amendment to the base period used to define Seasonal Normal weather

SAB gave a presentation explaining the background, and briefly describing the output of the Met Office study that was instrumental in the decision to raise the modification proposal. SAB stressed that the proposal was not looking to change the frequency of the review period.

JA asked if Code did not allow the use of forecast data at present. FC said that this had to be historic data. SAB confirmed that E.ON took part in the Met Office study and had seen the data, as had some Transporters; however, not all Transporters took part in the study and therefore would not have access to the data. In SAB's view this should be seen as an enabling modification to effectively widen the source of the data. JA thought that the methodology needed to be visible. JM advised that discussions had taken place at the Distribution Workstream the previous day, and there had been questions about the ability of using the forecast data from any reputable provider, rather than being tied to the Met Office. JA said that he was aware of a Norwegian model but that this had not fared very well under further examination.

SAB said that the proposal was about providing a potential to use but not a compulsion to use; and it may be that the Transporters may find it too hard or too expensive to obtain the data.

There was a short discussion on reviewing Seasonal Normal on a trend basis.

¹ www.gasgovernance.com/NetworkCode/UNCMModificationProposals/LiveModificationProposals

Seasonal Normal is a value for each year, changing each year, with built in progressions and would need to restate AQs each year. Currently Code refers to an average value. ST thought that there was already a progression that was applied to an AQ. FC confirmed that xoserve did not go back and restate AQs each year because the seasonal normal basis applies for 5 years. SAB said that ALPs change the shape of the curve. ALPs had to add up to 365, thereby applying seasonal normal consistently. It was thought that the ALPs no longer added up. ST said that the change of Seasonal Normal is already there, and has a progression that is not already applied to AQs.

FC pointed out that there was a review of Seasonal Normal every 5 years. This was accepted industry practice and provided an element of stability for the industry. The workload is already significant; to move to a restatement every year would still mean that figures will be a year out of date.

In response to a question from JA, SAB explained why the 17 year period had been agreed.

FC referred to a point raised at the Distribution Workstream relating to Peak Day – if a ‘forecast’ view of seasonal normal was used the assumption is that warmer temperatures will be used and therefore result in lower AQs; however it would not affect the 1-in-20 peak (Based on an historical view over an 80 year period) and consequently not reduce transportation costs; AQ and load factor would compensate each other. SAB commented that the frequency of extremes was unknown.

In terms of process the Modification Proposal will return to the August Distribution Workstream. A Workstream Report will be completed and the Proposal will return to the UNC Modification Panel in September, where a decision will be made on whether the Proposal is ready for consultation. The consultation period is likely to be the standard 15 Business Days (during which time representations are requested) after which time it will return to the UNC Modification Panel for a determination on recommendation. Assuming it was to be approved by Ofgem within a short period of time it was thought that it could be included in the 2010 analysis and, in anticipation of this, FC confirmed that work was already starting with the Transporters.

JA and SAB thought that DESC ought to start discussing the potential release of Hadley Centre data to establish possible costs, etc. SAB confirmed that some Shippers were on the Board and are very supportive of this. FC thought that the Proposal should have a cost/benefit analysis. SAB pointed out that the Transporters who were part of the project would already have some data, but there may be an issue because not all Transporters had been involved.

CWVs are able to be shared as a user could not return these to raw data (precluded by MO contract). Self calculation is a different issue; no data should be capable of being checked.

AC believed that the Proposal, as an enabling Modification, would lead to a requirement that further definitions be established.

SAB concluded that the Proposal was seeking to allow a flexible period to be considered rather than restricting the industry to use of particular data, and was trying to avoid too much prescription; she would welcome any further comments.

8. AOB**8.1 Nominations for membership of UNC Committees and Sub – Committees**

The letter and nomination form had been recently circulated by the Joint Office of Gas Transporters on behalf of The Gas Forum and attendees were encouraged to submit their nominations for the DESC and other committees to The Gas Forum by 17:00 on Friday 22 August 2008.

9. Date of next meeting

The next meeting will be held at 10:00hrs on Tuesday 11 November 2008, at Elexon, 350 Euston Road, London NW1 3AW.

Action Log: UNC Demand Estimation Sub Committee 25 July 2008

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)	Action carried forward.
DE1049	15/01/08	4.1	xoserve to include the updated RV Analysis within the draft Proposals to be published in June, and an analysis of the monthly levels of unreconciled energy at a future meeting.	xoserve (FC/MP)	Action carried forward.
DE1051	25/07/08	5.1	Potential changes to DAFS - All to consider and send suggestions by email to xoserve (Fiona.cottam@xoserve.com).	ALL	Pending

* 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