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Afternoon, please find below E.ON's response to information presented at DESC on 31<sup>st</sup> March, reiterating the points we made during the meeting.

It is surprising that the results from cross-utility industry work with the support of world leaders in climate analysis have not automatically been used. While it is encouraging that the seasonal normal level produced conforms to the EP2 average level, it is a matter of some concern that the shapes over the year differ: EP2 suggests a change in shape which historical data alone will not provide. Although it is recognised break point analysis has indicated a change in weather patterns, there remains some concern given the noisiness of the data that there appears to be no explanatory underlying cause for this change.

The shape of the normal produced is vital – it is central to shipper allocation and hence to charges. Allocation has been known to be poor outside of the winter for the last few years; suggesting current shapes which are delivered from smoothed historic data are not matching behaviour. Continuing to use the same derivation of seasonal normal would seem to be likely to propagate this failure to model behaviour.

The demonstrated continual close fit between CWV and demand, provides support for ensuring the best view of normal is used. Further, given the nature of Seasonal normal weather, what must be chosen is not a series of values, but an appropriate methodology. EP2 is certainly a viable option - it is felt that the use of historical data which is integral to the EP2 methodology is sufficient to meet the UNC criterion which requires some historical data to be used.

Given that the EP2 work matches the views of climate experts and is, since the EP2 group owns the methodology, replicable in future, it would seem an obvious choice. Particularly as it facilitates the ability to retain an actual view of weather variability; for instance the retention of the observed February cold snaps as referred to in the presentation by EDF.

Historical averages, particularly taken on a short time scale require a significant amount of scaling to ensure they are fit for purpose. In addition to the cost in time of smoothing historical data, there is concern regarding the enviable loss of accuracy substantial smoothing will introduce. It is felt EP2 data would not require a significant amount of smoothing, if any.

In summary, while the CWV basis is still strong enough to be left as is, with parameter updates, it is felt that the EP2 methodology is strongly supported and the results produced should be used to provide the industry seasonal normal. This would of course have some impact on CWV, but only in the shape of the pseudo-SNET, not in structure or parameters.

Regards,

Sarah

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