



# Early Seasonal Normal Review – Implications

Monday 4th June 2007

# Seasonal Normal

- **UNC states (H1.4.2):**

1.4.2 Every 5 years, commencing 2000, the Transporters will, after consultation with the Uniform Network Code Committee or any relevant Sub-committee, review and where appropriate revise (with effect from the start of a Gas Year) the formula by which the Composite Weather Variable for an LDZ is determined on the basis of new weather experience; provided that the Transporters may (after such consultation) revise such formula at more frequent intervals where the Transporters determine it to be appropriate on the basis of unusual new weather experience in any shorter period.

- **Last Seasonal Normal review: 1st October 2005**
- **Seasonal Normal review due to take place for 1st October 2010 (analysis starts 2008)**

# Seasonal Normal DESC Discussions

- January DESC – ACTION: Formally convey Shipper request for early SNT review to Transporters, indicating the work / timescale implications and summary of supporting justification from Shippers
  - Response: no impetus from Transporters due to workload, cost and volatility of SN demand, income etc.
- January DESC – ACTION: Shippers to provide information to xoserve by 31 January 2007 in support of any case to bring forward SNT review and/or other substantial analysis.
  - No responses received

# Overview of current Seasonal Normal

- Only one full gas year has passed since latest SN review implementation
  - Last change was equivalent to <5% on a national basis
- Basis in last review was moved from 71 to 17 years (1987/88 to 2003/04) to reflect more recent weather experience
- Of the 17 years: 6 years were colder than the 17 year base level, 2 same, 9 were warmer
- 2000/01 was a colder year, 2001/02 was the warmest in the 17 year period – climate change brings greater volatility as well as warming
- 2004/05 and 2005/06 fall within the values experienced over the current 17 year basis – not particularly extreme

# Implications of Undertaking a SN Review

- Statistical analysis of >70 years data, to identify best fit
- Recalculation of all CWV values
- Recalculation of all AQs – rollover not an option
- Review of transportation prices to prevent over/under-recovery
- Potential change to SOQs and capacity charges
- Rebasing of all Network annual demand forecasts and weather-corrected historic demands

# Seasonal Normal - Recommendation

- Insufficient data to give evidence of significant change in weather
- Considerable work involved in a review
- Review increases volatility in prices/charges
- No evidence yet of benefits of an early review
  
- Recommendation: plan to review seasonal normal as scheduled: begin 2008 for 2010 implementation