

UNC Demand Estimation Sub-committee Minutes
Wednesday 06 July 2016
Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Helen Cuin (Chair)	(HC)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andy Smith	(AS)	British Gas
Chris Warner	(CW)	National Grid Distribution
Fiona Cottam	(FC)	Xoserve (Alternate)
Fiona Speak	(FS)	RWE npower (Member)
Gemma Truran	(GT)	RWE npower
Jason Blackmore	(JB)	British Gas (Member)
Joseph Lloyd	(JL)	Xoserve
Louise Hellyer	(LH)	Total Gas & Power
Mandeep Pangli	(MPa)	Xoserve
Mark Jones*	(MJ)	SSE (Alternate)
Mark Perry	(MP)	Xoserve
Sallyann Blackett	(SB)	E.ON UK (Member)

Apologies received

Hilary Chapman	(HCh)	Scotia Gas Networks (Member)
Tony Davey	(TD)	SSE (Member)

* via teleconference

Copies of papers are available at: <http://www.gasgovernance.co.uk/DESC/060716>

1. Introduction**1.1. Apologies for absence**

Hilary Chapman and Tony Davey.

1.2 Note of Alternates

Fiona Cottam (Xoserve) for Transporters Northern Gas Networks, Scotia Gas Networks, and Wales & West Utilities.

Mark Jones (SSE) for Tony Davey (SSE).

2. Review of Minutes (17 May 2016)

The minutes of the previous meeting were approved.

3. Review and Approval of 2016/2017 NDM Algorithms as recommended by the Technical Workgroup

Xoserve gave a presentation of the 2016 models.

MP recapped on the obligations that existed under UNC TPD Section H, the purpose of NDM modelling, the agreed 2016 modelling workplan, timetable and progress to date. He summarised the basis of the modelling, its key inputs, and this year's use of third party

data, which had provided a major boost to sample numbers. A brief summary of validated data (sample counts and agreed sample data aggregations, across small and large supply points) was provided, the sample sizes, aggregations and WAR Band limits having been agreed by DESC TWG in April.

Moving on to consider EUC modelling, JL explained the tools used and provided illustrations (table, example graph) of the Small NDM modelling results. The May DESC TWG meeting had agreed the single year models to be used including the aggregations to take forward for all NDM Consumption Band and WAR Band models. The model smoothing and derivation of parameters was briefly described.

Noting that the Folder structure on the Xoserve secure website had recently undergone a review and subsequent restructuring, JL then explained where demand estimation data could now be found. The NDM Algorithms booklet had been published on 01 July 2016.

The draft NDM proposals were published in early June; two responses were received and all queries had been dealt with to the respondents' satisfaction. The DESC TWG then indicated its support for the draft NDM proposals and recommended they be presented to the DESC to seek its approval for submission to the wider industry for review/comment.

DESC Approval

The DESC Members present then voted and unanimously agreed that the draft NDM proposals be submitted to the wider industry for review/comment.

Next Steps

Xoserve will publish DESC's proposals by 08 July 2016 for wider industry review.

Any representations received will then be reviewed and discussed at the next DESC meeting on 26 July 2016.

Post Meeting Note: *An invitation was issued (via the Joint Office) on 07 July 2016 to all UNC parties to review and comment on the proposed NDM Algorithms, with a request for any responses by Friday 15 July 2016.*

Change to Project Nexus Implementation Date

JB asked what effect the deferral of the Project Nexus Implementation Date would have. FC confirmed that ALPs would not change; new DAFs would be used from the new Nexus go live date; Load Factors (LFs) carry on through; SOQs continue to be calculated in the same way. It was confirmed that DESC had previously confirmed (in October 2013) it was viable to make changes in the middle of a Gas Year.

4. Modification 0565 (Central Data Services Provider: General framework and obligations) - TPD Section H changes

CW thanked parties for their feedback after the last DESC meeting. This had been shared with Dentons (lawyers), and an updated change marked version of UNC TPD Section H had been provided for this meeting.

CW observed that most of the UNC drafting was now available in respect of revisions needed in respect of the FGO arrangements, and that a meeting had been arranged with Dentons to review the changes to the UNC. He stressed the importance of this meeting planned for 25 July at Dentons (London) for reviewing with Shippers' lawyers the scale of changes; it would be a line-by-line review with explanation of how everything fits together. The revisions made to the UNC concerned the new concept of the CDSP and the consequential realignment of obligations, and he strongly encouraged Shipper parties to attend this meeting and take up this opportunity to review the changes.

CW reminded that the text provided was predicated on the post Nexus drafting, and explained the changes made. Referring back to queries regarding apparent inconsistencies raised at the previous meeting, CW confirmed that the Transporters were comfortable that references to CDSP and to Transporter may at times require to be different if there was a good reason for an obligation to be overtly placed on one or other party.

H1.6.1 - SB queried where did the Xoserve managed data sample sit (it says Transporter managed equipment)? FC indicated this had been discussed and the Transporter sub - contracted it to Xoserve.

H1.6.2(c) - FC explained what data would be provided and the Transporter would then select sample sites with regard to feasibility. CW indicated he would revise this paragraph to provide more clarity regarding 'random' sampling and how it would be designated and get 'candidate' sites from Xoserve. FC asked if it should reflect that the CDSP and the Transporters each do some of the sampling? SB asked what would happen if the service provider was changed. A discussion on remote readings, selection of sites and CDSP obligations followed. It was acknowledged that if it goes with the role then the text should probably state that/make it clear. SB added that she would like to see something that clarifies that the list comes from the CDSP. CW will consider further changes to this paragraph.

H1.8.2 - The change was discussed. FC explained that the CDSP should not have any discretion; it was preferable to have the format chosen by the DESC. SB agreed this sounded sensible.

H1.15.1(c) - SB suggested adding in a reference to UIG at TPD H1.15.1(c). CW agreed to this.

Action DESC/0565 0701: UNC TPD H1.15.1(c) - CW to capture UIG in Section TPD H1.15.1

H1.14 - MP queried whether it should exclude Trader Users and that it may need to refer to "Parties and Users". CW noted this for consideration.

Action DESC/0565 0702: UNC TPD H1.14 - CW to consider whether it ought to refer to "Parties and Users".

H5.1.1 - SB raised concerns regarding the potential use of different weather stations by different parties, i.e. the CDSP may use one and the Transporter another, and what effects this might have on CWV. SB was uncomfortable that it will allow such a difference and thereby increase Shippers' risk. FC explained the discussions that had taken place and how the data was predicted to be used, and what impacts might be seen. SB reiterated that Shippers would prefer not to see a divergence between weather stations/data used by the CDSP and the Transporters. It could end up with significantly different values in different places. Influences on purchasing and enhanced risks for Shippers were of concern. There was no problem about using a different weather provider, but it was a concern if using a different location. SB added that she would prefer it to state that CDSPs and Transporters should use the same weather stations.

After further discussion, it was believed that this change was not within scope of the FGO project, and may be something for DESC to consider in the future. CW indicated that he would be happy to discuss the subject with the Transporters, but that it was not within the scope of this UNC Modification 0565. CW suggested that SB set out the issue and the reasons for concern so that he can pursue with the Transporters.

Action DESC 0703: UNC TPD H5.1.1 - SB to articulate Shippers' concerns regarding the use of different weather stations by the CDSP and the Transporter and provide to CW for further consideration with the Transporters.

Next Steps

CW thanked the DESC for their continued contributions and affirmed that he will consider further revisions to the text taking into account today's discussions. He requested that any additional feedback on the text of UNC TPD H be provided to him as soon as possible so that it can be considered prior to the Dentons meeting to review the legal text on 25 July 2016.

5. Communication of Key Messages

The DESC considered and agreed the key decisions from today's meeting, which needed to be communicated to all UNC parties, namely that the proposed NDM Algorithms were ready for wide industry review. It was agreed the communication would be provided by Xoserve and circulated by the Joint Office.

6. Review of Actions Outstanding

DESC/0565 0501: National Grid to consider TPD H1.6.2 and the management/treatment/selection of sample sites and sample data.

Update: See 4, above. **Carried forward**

DESC/0565 0502: National Grid to consider the reference to 'Transporters and Users' in TPD H1.8.6 and whether it should refer to 'the Parties' or not.

Update: CW confirmed that this had been amended to 'Parties'. **Closed**

DESC/0565 0503: National Grid to consider TPD H1.15.1 having an accurate summary and incorporating all the services undertaken.

Update: CW confirmed a new section had been updated to capture the services undertaken by the CDSP. See 4, above. **Closed**

DESC/0565 0504: National Grid to reconsider TPD H5 and the provision of weather forecasting obligations to ensure it does not contradict section H1.4.9.

Update: See 4, above. **Closed**

7. Any Other Business

7.1. Allocation to "bucket" EUC codes in the absence of winter consumption values (RWE npower)

GT gave a presentation on an issue recently identified by RWE npower, regarding the inadvertent (positive and negative) consequences of consigning a site to an automatic default EUC Code in the absence of an up-to-date winter consumption derived from valid meter reads.

In order for a WAR (winter:annual ratio) to be calculated, the supply point must have 2 valid reads (start and end) generated in two different periods in order to calculate its Winter Consumption. If the required meter reads are not provided, the supply point is instead allocated to a default or "bucket" EUC code.

This appears to present a risk around Supply Points that should be WAR Band W01 or W04 based on their consumption pattern, but that end up in a default EUC code through lack of valid reads, meaning that they will end up with an SOQ that is very different to what it should be. This can result in dramatic year-on-year swings in a Supply Point's SOQ, simply as a result of whether valid reads exist for the previous winter.

GT provided some examples of the experience at different sites, by way of illustrating both the negative and positive effects. In the first example, GT observed that the swing appeared to be purely an artificial outcome of the lack of meter reads during the winter period, rather than a change in consumption pattern. In the second example, GT noted that despite having read history for the previous three years, there were no valid winter consumption reads during Winter 2014/15 and this immediate lack meant that the supply point then slipped into the default EUC code for gas year 2015/16 thereby almost doubling the SOQ. In the third example, GT noted that despite having read history for the previous two years, there were no valid winter consumption reads during Winter 2014/15 and this immediate lack meant that the supply point then slipped into the default EUC code for gas year 2015/16 thereby generating a windfall decrease in SOQ of over 25% in 2015/16 (despite a marginal increase in AQ).

GT observed that unnecessary swings and instability in SOQ are not favourable for either Supplier or end user. The current regime results in year-on-year fluctuations in Gas Transportation charges that are purely a consequence of data availability/lack of, and are not indicative or reflective of a change in the Supply Point behaviour.

She suggested that a better way of handling such cases could be to make use of WAR values from the previous year in the absence of current year reads, and whilst acknowledging that historic data is not ideal, it is arguably superior to the position of not considering any of the available data.

On this basis a more appropriate default position would be to retain within a Band based on the last known winter consumption value, and carry this forward. This would provide protection against unnecessary SOQ instability. This would not completely resolve the issue (and recognising that 'bucket' Bands would still be required, e.g. in the case of new connections), GT believed that 'bucket' Bands to be more appropriate as a last resort option rather than as a standard default.

SB suggested the current arrangements might be seen as an incentive to ensure that obligations are met otherwise there is a risk/penalty. It was observed that these outcomes were the Shipper's risk for not having met its obligations of acquiring and submitting reads within the appropriate windows.

FC wondered what difficulties was the Shipper encountering that was preventing it from obtaining/submitting a read. JB suggested it would be helpful to know the frequency of such occurrences, and to firstly get a better understanding of the scope of/primary reasons for any potential issue before deciding what needed to be fixed, rather than trying to amend default mechanisms or unnecessarily complicating methodologies to account for exceptions.

FC noted most of these sites (i.e. those with an AQ above 732,000 kWh) had an obligation to have remote meter reading equipment in place and described the obligations in more detail, and that there was a facility of the Amendment and Appeals windows to correct the winter consumption, and the possibility of potentially using customer information if systems have failed to submit meter reads.

If reads have not been delivered, then a Shipper has not delivered against its obligations under the UNC. It was noted that the Performance Assurance Committee would be reporting on read performance more publicly in the near future and this will highlight any shortcomings (parties might not be anonymised).

Should it be deemed that any change to current arrangements was required, FC explained that this could not be changed for this year, or even realistically for the 12 months after Project Nexus has gone live. Further investigation would have to be undertaken to establish how many sites move WAR bands each year (churn) and to identify if this was a process issue and then if this needed improvement.

Referring to site transfers, GT observed it might also be a problem for a Shipper who inherits a site with a lack of read history - this was not within the incoming Shipper's control. FC reiterated there was the ability to challenge an AQ, and observed there will be better access to data (12 months) for a site after Nexus goes live.

Concluding discussions, it was suggested that GT might first need to undertake a thorough internal investigation to establish why the reads were not available/ submitted, and whether or not the reasons for this were within the Shipper's control. If the outcome of that internal research then warranted it, GT might then want to give consideration to raising this at the AQ Forum.

7.2. NDM Algorithms Booklet

MPa gave a short presentation, introducing the new booklet and the improvements made to all elements of the former publications. Changes to Supporting Files were also highlighted and explained. Readers' feedback would be welcomed on the restructured publications.

7.3. Modification 0589 - Inclusion of CSEP Supply Meter Points within NDM Sampling Arrangements

FC had discussed this new modification proposal with the Transporters and sought clarification from SB regarding its intent. SB summarised the background to the modification, which was intended as an enabling modification. She confirmed it did not require the iGTs to have an extra obligation to put in dataloggers, and it was not trying to put an obligation on the Transporters to sample data. It was attempting to prevent the future distortion of sampling that would be caused by continued exclusion of CSEPs.

It was noted that the July UNC Modification Panel would consider the modification, which it may then refer to the Distribution Workgroup for assessment and development as appropriate. If needed, the Panel may ask for further clarity from the Proposer.

8. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

It was noted that the next meeting is planned for Tuesday 26 July 2016 at Consort House, Solihull. However, if very few (or no) responses to the industry consultation are received then it may be decided to change this to a teleconference. A view will be taken following the closing date (15 July 2016) and parties will be notified of any change to meeting arrangements.

DESC and DESC Technical Workgroup Meetings 2016

Time/Date	Venue	Meeting	Programme
10:00, Tuesday 26 July 2016	Consort House, 6 Homer Road, Solihull B91 3QQ <i>(this may change to a teleconference)</i>	DESC	Response to industry representations on 2016/17 NDM Algorithms Review of Autumn/Winter ad hoc Work Plan 2016/17 Modification 0565 - UNC TPD Section H changes Communication of Key Messages
10:00, Tuesday 15 November 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	DESC	Evaluation of Algorithm Performance NDM Sample Update Commence Spring Approach Communication of Key Messages

DESC Action Table (06 July 2016)					
Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
DESC/0565 0501	17/05/16	3.0	National Grid to consider TPD H1.6.2 and the management/ treatment/selection of sample sites and sample data.	National Grid (CW)	Carried forward
DESC/0565 0502	17/05/16	3.0	National Grid to consider the reference to 'Transporters and Users' in TPD H1.8.6 and whether it should refer to 'the Parties' or not	National Grid (CW)	Closed
DESC/0565 0503	17/05/16	3.0	National Grid to consider TPD H1.15.1 having an accurate summary and incorporating all the services undertaken.	National Grid (CW)	Closed
DESC/0565 0504	17/05/16	3.0	National Grid to reconsider TPD H5 and the provision of weather forecasting obligations to ensure it does not contradict section H1.4.9.	National Grid (CW)	Closed
DESC/0565 0701	06/07/16	4.	<i>UNC TPD H1.15.1(c)</i> - CW to capture UIG in Section TPD H1.15.1	National Grid (CW)	Pending
DESC/0565 0702	06/07/16	4.	<i>UNC TPD H1.14</i> - CW to consider whether it ought to refer to "Parties and Users".	National Grid (CW)	Pending
DESC 0703	06/07/16	4.	<i>UNC TPD H5.1.1</i> - SB to articulate Shippers' concerns regarding the use of different weather stations by the CDSP and the Transporter and provide to CW for further consideration with the Transporters.	E.ON (SB)	Pending

DESC TWG Action Table (22 June 2016)					
Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
-			<i>None outstanding</i>		