
UNC Demand Estimation Sub-committee Minutes

Monday 11 February 2013

ENA, 52 Horseferry Road, London SW1P 2AF

Attendees

| | | |
|--|-------|---------------------|
| Bob Fletcher (Chair) | (BF) | Joint Office |
| Tim Davis (Secretary) | (TD) | Joint Office |
| Ceirán Sheehan | (CS) | Total |
| Christian Ivaha | (CI) | British Gas |
| Dave Parker | (DP) | EDF Energy |
| Fiona Cottam (Alternate Transporter Member) | (FC) | Xoserve |
| John Faragher | (JF) | Met Office |
| Joseph Lloyd | (JL) | Xoserve |
| Leyon Joseph* (Alternate Transporter Member) | (LJ) | Scotia Gas Networks |
| Louise Gates (User Member) | (LG) | EDF Energy |
| Mandeep Pangli* | (MP1) | Xoserve |
| Mark Perry* | (MP) | Xoserve |
| Martin Attwood | (MA) | Xoserve |
| Matthew Jackson (User Member) | (MJa) | Centrica |
| Michelle Spillar | (MS) | Met Office |
| Mo Rezvani* (User Member) | (MR) | SSE |
| Sallyann Blackett*(User Member) | (SB) | E.ON UK |

*via teleconference

Meeting papers are available at www.gasgovernance.co.uk/desc/110213

1. Introduction

BF welcomed attendees to the meeting.

2. Confirmation of membership and apologies for absence

The meeting was declared quorate.

2.1 Alternates

Fiona Cottam (Xoserve) for Paul Tuxworth (National Grid NTS), Chris Warner (National Grid Distribution) Richard Pomroy (Wales & West Utilities). Leyon Joseph (Scotia Gas Networks) for Colin Thomson.

2.2 Apologies Received

Colin Thomson (Scotia Gas Networks); Paul Tuxworth (National Grid NTS); Matt Jenks (RWE npower); Chris Warner (National Grid Distribution); Roy Malin (National Grid Distribution); and Richard Pomroy (Wales & West Utilities).

3. Review of Minutes and Actions from the previous meeting(s)

3.1. Minutes

The minutes from the previous DESC meeting (07 November 2012) were approved.

3.2. Actions

DE1101: Members to consider the Phase 2 requirements and provide their views to Xoserve.

Update: Considered under Agenda Item 5. An additional meeting to consider further was arranged for 11 March 2013. **Closed**

DE1102: CW to provide a deadline date for including the new algorithm within legal text for Modification 0432.

Update: FC reported that the deadline is the end of March 2013.. **Closed**

DE1103: CW to seek legal advice as to whether it is possible to publish the new algorithm in a document referenced by UNC.

Update: It was agreed that this should be possible, although Ofgem may want some oversight of the algorithm prior to making a decision on the modification. **Closed**

DE1104: On behalf of DESC, request that the DESC TWG provides a recommendation for the new algorithm as soon as possible.

Update: BF confirmed this request had been made. **Closed**

4. “The Met Office’s observation network management” – Presentation

JF and MS gave a presentation on behalf of the Met Office. MS emphasised that they were seeking industry input regarding requirements from the observation network, and a longer-term view of how the industry would like this to be developed in future.

MR said that there used to be a log of weather stations that were potentially going to be closed in the next few years, and JF said that a quarterly log is now produced showing the status of each weather station’s future. MS added that the impact of potential closures was the area in which there is interest – what should be looked at as a consequence of planned closures? However, changes in the network can happen for a number of reasons, not all of which are readily foreseeable and that these may be outside the control of the Met Office - hence there can be short notice closures. MR was concerned that early information is not always available, but MS emphasised that the Commercial team is focussed on gaining as much information as possible as early as possible. JF said that a reason for attending the meeting was a step towards strengthening the information available to the industry and agreeing the steps that should be taken as a result of closures – industry engagement and input was being sought.

In response to CI, MS outlined the options for replacing a site, ie rely on another existing site, or the commercial wing of the Met Office to fund a new site, or the industry to fund a new site. DP asked that if a weather station is funded by the Met Office commercial side, would the data have to be shared with others in the same way as weather stations funded by the Public Weather Service (PWS). MS said that,

as a dominant provider of observations in the UK, it would be difficult to withhold data from competitors given Competition Law.

MR asked how decisions are taken, and MS said involving a group like the DESC was seen as an advantage and a desirable way of taking things forward in future. This would create a more formal, collaborative and clear, decision structure than at present and DESC views on how to do this would be welcome.

MR remained concerned that weather stations are closed, especially at short notice. JF emphasised that closure decisions are a matter for the PWS and not negotiable.

SB said the only way to secure sites was for the industry to establish a network that is owned by the industry. However, this was not an easy option to put in place. DP confirmed that virtual weather stations are not an attractive option, with at least some parties preferring a physical weather station with real data to be examined. DP accepted that if a set of weather stations is agreed and established, this might be best funded by the electricity and gas industry jointly – albeit that agreement will be difficult and not quick.

MR noted that moving away from the PWS sites could be expensive and so undesirable. Continuing to use the PWS where appropriate seemed sensible.

MS asked for any initial views on the choices in the case of Hulme Library. DP said the choice might depend on who pays for the choice. In principle, if the replacement Hulme Library weather station became funded by the Met Office's commercial arm, the charge to the industry could only be expected to increase. The capital costs would need to be recompensed and a timeframe for doing this established, with confidence of ongoing funding, DP said; if the increase in cost were significant, that would be different to if the cost were widely spread and so only a small charge to the industry. If funded by the energy industry, the use of the data could be restricted to the energy industry, but it could be made available to others if the industry so chose – with appropriate charges passed to other users. DP also said the choice would depend on other options and the suitability of relying on alternative, existing stations.

FC said that, historically, the options had been relatively simple in that another local site was selected before the closure, with a statistical assessment being possible of the best alternative. However, no data was available on what would be delivered by a potential new site. MS suggested that the Met Office could provide a best estimate of the likely impact from a meteorological viewpoint, the likely difference in mean temperatures – paper calculations can be done, although practice can differ from theory.

As a future process, MS suggested a short paper could be presented to the DESC, looking at the options and implications in meteorological terms of those options, in respect of each weather station that is expected to close. FC said that the possibility of the gas and electricity industries choosing a different option should be recognised. JF said this was understood, but for him the key was to have an established process and consequently a means for taking decisions with all the available facts provided and all parties being able to input to the decision.

DP asked if the quarterly update could be published, and JF felt this was possible; he would need to confirm with other contributors at the Met Office, though they would be willing to email the update to individuals. MS agreed that she would start pulling together a paper on the options for the replacement to the Hulme Library weather station for consideration at a future DESC meeting.

It was agreed that the DESC would be the most appropriate forum for the gas industry to which such a paper should be presented.

MS asked if there were any views on the longer term – looking, say, 10 years out. SB felt that there was every expectation that profiling and weather data would continue to

be needed in this time frame. FC supported this and outlined a number of areas where she anticipated that actual and forecast weather data would be needed under all the processes envisaged for the foreseeable future.

New Action DE0201: DESC members to consider if they wish to submit comments to the Met Office on the management of Weather Station closures.

5. Modification 0330 update

FC presented an update on progress towards establishing the Weather Station Substitution (WSS) and Climate Change (CC) Methodologies.

Assuming DESC acceptance of the WSS methodology by 15 March 2013, a final dataset would be delivered by 26 April 2013. The dataset will provide a historic dataset showing 60 years of data for six items over 26 weather stations. This is expected to be published as part of the UK Link documents, with notice being sent to parties to say it is available.

FC sought views on how to take forward the CC methodology, establishing clear requirements to put in any tender documentation. DP said that the EP2 analysis was supported by an industry committee, and felt that the DESC should determine its own terms and tell the tenders what it requires and the way it wants the project to be progressed. He did not see the tendering approach as a problem, with tenderers setting out their preferred method such that progress to Stage 3 should not need to await the outcome of Stage 2 – the tender should be based on the approach the tenderer recommends.

In response to issues raised by FC, it was clarified that:

- hourly data would be a requirement, irrespective of how it is delivered;
- identified deficiencies regarding correlations in the EP2 analysis should be addressed in the new requirements (describing which would require the Shippers to assist Xoserve);
- 50 rather than 80 years of data should be specified as the DESC's requirement; and
- Temperature and Wind Speed are the key data items required, in order to derive CWV as currently defined, with others data items being required to be available at incremental cost if subsequently called for.

FC asked for views on who should be invited to tender. MR named some potential tenderers, and the DESC Members were asked to let Xoserve have details of other recommended tenderers who could be approached.

It was agreed that a separate meeting should be arranged to confirm the full Technical Requirements for the tender documentation (booked for 11 March 2013 in Solihull). Participants were requested to consider their requirements in advance of the meeting for discussion on the day.

New Action DE0202: DESC members to provide suggestions for potential service providers.

New Action DE0203: DESC members to consider their requirements for Phase 2 in advance of the requirements gathering meeting to be held on 11 March 2013.

6. Project Nexus – New Allocation Algorithm

FC provided a status update from the Technical Workgroup and asked whether any of the three current options could be discarded at this stage. MJa felt it was inappropriate to stop at this stage and so lose the opportunity of selecting the best option. It was agreed that work should continue and all three options should be assessed at the next TWG meeting on 04 March 2013, based on the previously agreed success criteria. It was noted that the existing process should deliver an outcome ahead of the end March deadline set for Modification 0432.

7. Workplan Updates

7.1 Evaluation of Algorithm Performance: Strands 2 and 3–Reconciliation Variance (RV) and NDM Sample Data

MA presented the analyses relating to Strand 2 (Reconciliation Variance data for each EUC) and Strand 3 (daily consumption data collected from the NDM sample).

SB asked if the 95% reconciled energy after a year was as expected, with a plateau after a few months. MA and FC suggested this is typical, with some reconciliations taking a long time to flow through – it is all down to read performance.

The Sample Data presentation revealed results that were much as expected, with no immediate cause for concern.

8. Weather Station analysis for WM

JL indicated that the intention was to bring the DESC up to date with issues progressed in the Technical Workgroup in relation to the closure of Edgbaston Weather Station. DP asked if the temperature level is the same at Edgbaston and Winterbourne - they could be correlated if, for example, one was always double the other. JL said there were a couple of exceptions that had been challenged, but they were generally very similar, with Winterbourne slightly colder.

The DESC then accepted the conclusions reached by the Technical Workgroup and agreed that no adjustments are needed, with Winterbourne and Edgbaston data producing very similar outcomes.

9. Spring Approach for 2013 modelling

JL explained that the consultation on the spring approach yielded no comments about the proposed approach. The DESC unanimously endorsed the proposed approach.

10. Any Other Business

None raised.

11. Diary Planning

DESC and DESC Technical Workgroup Meetings 2013

| Date | Time | Venue | Meeting | Programme |
|----------------------------------|-------|--|-------------|--|
| Monday 04 March 2013 | 10:30 | Solihull | DESC TWG | To undertake further consideration of the three Options A, C and E with a view to being able to make a recommendation to DESC thereafter. |
| Monday 11 March 2013 | 10:30 | Solihull | DESC | To consider Climate Change Methodology requirements. |
| Wednesday 24 April 2013 | 09:30 | Teleconference | DESC TWG | Confirm NDM modelling runs to take forward based on data aggregations and WAR band definitions. |
| Wednesday 22 May 2013 | 10:30 | Solihull | DESC TWG | Review single year modelling results and provide approval to commence model smoothing stage. |
| Wednesday 26 June 2013 | 09:30 | Teleconference | DESC TWG | Review all responses to draft NDM proposals and agree key messages for DESC. |
| Wednesday 10 July 2013 | 10:30 | Solihull | DESC | Review and Approval of 2013/14 NDM Algorithms as recommended by TWG. To discuss NDM proposals review and NDM report seeking approval to prepare publication for wider industry. |
| Wednesday 31 July 2013 | 09:30 | Teleconference | DESC | (If required) Review industry representations to 2013/14 NDM algorithms and consider response. |
| Wednesday 13 November 2013 | 10:30 | Energy Networks Association (ENA), Dean Bradley House, 52 Horseferry Road, London SW1P 2AF | DESC | - Evaluation of Algorithm Performance: Strand 1 - SF & WCF - Re-Evaluation of Model Smoothing methodology. |

Action Log: Demand Estimation Sub-committee

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------------|------------------------|-------------------|--|---------------------------------|----------------------|
| DE1101 | 07/11/12 | 7.2 | Members to consider the Phase 2 requirements and provide their views to Xoserve. | All | Closed |
| DE1102 | 07/11/12 | 8.0 | Provide a deadline date for including the new algorithm within legal text for Modification 0432. | National Grid Distribution (CW) | Closed |
| DE1103 | 07/11/12 | 8.0 | Seek legal advice as to whether it is possible to publish the new algorithm in a document referenced by UNC. | National Grid Distribution (CW) | Closed |
| DE1104 | 07/11/12 | 8.0 | DESC to request that the DESC TWG provide a recommendation for the new algorithm as soon as possible. | DESC (BF) | Closed |
| DE0201 | 11/02/13 | 4.0 | Members to consider if they wish to submit comments to the Met Office on the management of Weather Station closures. | DESC Members | Pending |
| DE0202 | 11/02/13 | 5.0 | Members to provide suggestions for potential service providers. | DESC Members | Pending |
| DE0203 | 11/02/13 | 5.0 | Members to consider their requirements for Phase 2 in advance of the requirements gathering meeting to be held on 11 March 2013. | DESC Members | Pending |

Action Log: Demand Estimation Sub-committee – Technical Work Group

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|-------------------|------------------------|-------------------|--|--------------|----------------------|
| DTW1201 | 05/12/12 | 3.2 | <i>Project Nexus New Allocation Algorithm</i> - Produce a draft recommendation to the DESC that could be circulated for comment/approval by email. | Xoserve (FC) | As soon as possible. |

| Action Ref | Meeting Date(s) | Minute Ref | Action | Owner | Status Update |
|----------------|-----------------|------------|---|---|------------------------------|
| DTW1202 | 05/12/12 | 3.2 | <i>Project Nexus New Allocation Algorithm</i> - Results of Option A, C and E to be presented in agreed format for remaining gas years for WM LDZ in order to compare results on 28 January 2013. | E.ON (SB), British Gas (CI), Xoserve (FC) | To be presented on 04/03/13. |
| DTW0101 | 28/01/13 | 2.2 | To add a new discussion item on to the forthcoming 11 February 2013 DESC meeting agenda. | Joint Office (BF) | As soon as possible. |