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**UNC Demand Estimation Sub-committee**  
**Technical Workgroup Minutes**  
**Tuesday 19 March 2013**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Helen Cuin (Chair)	(HC)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Christian Ivaha	(CI)	British Gas <b>(Member)</b>
Colin Thomson*	(CT)	Scotia Gas Networks <b>(Member)</b>
Fiona Cottam	(FC)	Xoserve <b>(Member)</b>
Louise Gates	(LG)	EDF Energy <b>(Member)</b>
Mandeep Pangli	(MPa)	Xoserve
Mark Perry	(MP)	Xoserve <b>(Member)</b>
Mo Rezvani	(MR)	SSE <b>(Member)</b>
Roy Malin	(RM)	National Grid Distribution <b>(Member)</b>
Sallyann Blackett	(SB)	E.ON UK <b>(Member)</b>
Zoe Ireland	(ZI)	British Gas <b>(Member)</b>

\*via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/desc/190313](http://www.gasgovernance.co.uk/desc/190313)

**1. Introduction**

HC welcomed all to the meeting.

**2. Confirmation of Membership and apologies for absence**

The meeting was declared quorate.

**2.1 Alternates appointed**

F Cottam (Xoserve) for P Tuxworth (National Grid NTS).

**2.2 Apologies received**

P Tuxworth (National Grid NTS); R Pomroy (Wales & West Utilities).

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

**3.1 Minutes**

The minutes of the previous meeting (04 March 2013) were accepted.

**3.2 Actions**

**DTW1201:** Xoserve (FC) to produce a draft recommendation to the DESC that could be circulated for comment/approval by email.

**Update:** See item 4.1 below. **Complete**

**DTW1202:** *Project Nexus New Allocation Algorithm* - 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.

**Update:** See item 4.1 below. **Complete**

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## 4. Project Nexus – New Allocation Algorithm

### 4.1 Comparison of results for Options A, C and E

Xoserve gave a presentation on the Project Nexus Allocation Options (Comparison of Results). FC confirmed that references to Project Nexus would discontinue as the information gathering exercise draws to a close, and will be 'rebranded' as 'UK Link Replacement Programme'.

FC did explain that the allocation options work was the last area where requirements needed finalising. FC also explained that the attention on the allocation process had lost some emphasis due to the requirements agreed by the industry to introduce meter point reconciliation for all and rolling AQ.

The principles and success criteria were reiterated, together with a summary of the three Options, A C and E under consideration.

CI asked if there was a view of the change in DAF from the current application to the new application. MP explained that Option E results had been calculated based on the proposed DAF formula which uses just the sample SND and weather sensitivities (as opposed to the current approach which also uses the outputs from an aggregate NDM demand model). FC explained that it has become a weather sensitivity element, expressed as a loss or gain in gas demand.

ZI enquired if Option E was based on a single year. MP confirmed the parameters used in the Option E formula were those derived from the NDM proposals which are based on models smoothed over three years. Two versions of Option C had been provided, one based on a single year's relationships, and another based on two years' of demand/weather data.

MPa gave an overview of the comparison of the results for 2010/11 and 2011/12 across 4 LDZs and for each of the Options (using days of the week and seasonal factors), and in summary Option E appeared to perform the best.

FC explained the focus had been placed on the East Midlands and West Midlands LDZs, where results were available for all 3 Options. MR believed that a fair comparison between Option C and E was not really possible and that Option C might have fared better in its results if a longer range of historical data had been available. Five years would have been a more reasonable period to consider and wider variations might then have been identified.

SB explained that E.ON did have a few problems with the data, and commented that it worked better when not scaling down so much.

The Workgroup discussed whether this would undermine the model. Generally use of a longer history would be preferred and this may give better results. Shape and level may vary due to behavioural changes. Responding to questions from MR, FC explained the parameters of Option E again, pointing out that by redefining the Weather Correction Factor with weather variables it had the impact of moving non-weather related issues such as economic effects into the LDZ-wide scaling factor. The other big change in the 'new world' was meter point reconciliation.

MR expressed an interest in comparing gas unaccounted for (unidentified gas) based on the old and the new system to assess if there were changes. FC explained that by its very nature unidentified gas could only be estimated at present because there is no definitive statement of usage. The size of this was not necessarily known at present but this may become clearer in the 'new world'; although many factors may remain unknown the estimate of the magnitude may become more accurate due to the meter reading changes, but there will still be estimation challenges to address. Meter point reconciliation will reduce the effect of other current concerns (eg profiling, demand, etc). Rolling AQ will also help as long as reads are submitted and validated. These

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will be applied universally. The small supply points will benefit from more frequent meter reading. Seasonal Normal CWV will still be calculated.

The Workgroup considered the options.

It was pointed out that the Options should also be compared to the baselines of the current allocation process. FC confirmed that Option E most closely reflected the current allocation position, and responded to various questions clarifying certain analytical points relating to Option E; attention was directed to Appendix 7 of the NDM booklet for more detailed information.

SB noted that all Options appear to struggle over the summer to achieve any level of accuracy and was concerned about the month-by-month percentages; she would not like to implement something that would make the parameters worse than those used now. She believed more work was required to improve the summer accuracy. SB recognised Option E appeared to be the better option, given the present indications, but still had reservations, believing it to be prudent to look at ways of improving the model. If relying on a change in CWV and relationships, and it was known that summer accuracy was not being achieved or was 'adequate' the struggle would be even greater. It was suggested that it was necessary to look at what underpinned the weather relationship and sensitivities.

CI explained that the CWV analysis he had undertaken suggested there was a requirement for two cut-off points. CI asked what the CWV parameters were fitted against and MP responded that for CWV all the parameters were fitted against an aggregate view of NDM demand. MR commented that all models looking at summer demand struggle, including those on the electricity side. Gas demand is more sensitive to weather but some improvements could probably be made.

Looking at the success criteria, FC observed that to compare any of the Options with the current state would be rather like comparing 'apples and pears'. The closest to the current state was Option E. MP explained the difficulties of coming up with an 'as is' approach that would be a fair comparison to these proposed Options. SB made some suggestions that might be applied to achieve a better comparison, eg running allocation with and without the Scaling Factor (SF). ZI observed that just removing the SF may not help. FC explained the differences between the current 'top down' approach and the approach TWG are working on which is to choose the best option for producing a robust 'bottom up' NDM estimate. FC reiterated that the scope of the workgroup was to establish a better way to estimate demand, and reaffirmed that retaining and maintaining the current position, as a potential option, was not viable going forward.

FC explained that the current situation needs to be addressed and there is pressure to find an option that is a better fit for the immediate Project Nexus requirements. FC confirmed that the lawyers are preparing the draft legal text for the industry to consider, and they need to know what principles should be included. It was noted that the Project Nexus related modifications would be reporting back to the June UNC Modification Panel.

It was recognised that the Options were not readily assessable against the 'success criteria' devised at the outset of the debate. SB was concerned that the options could not be assessed against the success criteria at this stage. Nevertheless some assessment was attempted. There was consensus in the group to discount Option A.

It was agreed that it would be difficult to discount Option E, and it was acknowledged that there was greater opportunity for it to work better as a concept when compared to the current arrangements. However it was recognised that more work was required to improve Option E, and the opportunities for making CWV flexible was discussed.

Option A did not seem to work for Nominations and would need a different approach, whereas the approach under C and E could work. Options C and E appeared to better

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support other industry processes. SB observed that she was happy with the Option E formula, but that other underlying factors required more work.

The merits of Options C and E were discussed. ZI, CT, SB, and MR expressed a preference for Option E with the caveat that certain parts of it required improvement (winter behaviour to be more consistent; improvement to weather relationships required; summer adjustments).

It was recognised that Option C needed a longer history to further develop as a viable option, but it was acknowledged that given time constraints this was not possible at this point.

It was agreed that under the current circumstances Option E appeared the better Option to minimise reconciliation.

Concerns were raised regarding hardcoding of the UNC text. Flexibility rather than restriction should be incorporated. It was believed that prescription (ie specifically tying to Option E) should be avoided in order to more easily facilitate/not preclude any future changes (such as the eventual use of Option C). Any associated formula should be provided in a supporting document rather than in the UNC.

It was concluded that Option E (with caveats) would form the recommendation to DESC.

#### 4.2 Next Steps

On behalf of the DESC Technical Workgroup (TWG), FC agreed to produce a draft report (with supporting analysis and an explanation of why the success criteria were unable to be fully assessed) and provide a recommendation to the Demand Estimation Sub-committee (DESC). The intention will be for DESC to consider and approve the TWG's recommendation at its next meeting (via teleconference) on Monday 08 April 2013.

**Action DTW0301: *Project Nexus New Allocation Algorithm* - Xoserve to provide a report to the DESC summarising the recommendation of the DESC Technical Workgroup (TWG), including supporting evidence and an assessment of the potential impact on UNC.**

#### 5. Any Other Business

None raised.

#### 6. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

The next Technical Workgroup meeting will take place at 09:30 on Wednesday 24 April 2013 via teleconference.

**Please note:** All future Solihull based meetings will be held at: Consort House, Princes Gate Buildings, 6 Homer Road, Solihull B91 3QQ.

#### DESC and DESC Technical Workgroup Meetings 2013

Date	Time	Venue	Meeting	Programme
Monday 08 April 2013	09:30	Teleconference	DESC	Project Nexus Allocation Algorithm - Review DESC TWG recommendation and approve report  Climate Change Methodology Technical 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.  Ratify Weather Station Substitution Methodology - provisional
Wednesday 22 May 2013	10:30	Consort House, 6 Homer Road, Solihull B91 3QQ	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	Consort House, 6 Homer Road, Solihull B91 3QQ	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 Table: Demand Estimation Sub-committee – Technical Work Group

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
<b>DTW1201</b>	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)	<b>Complete</b>
<b>DTW1202</b>	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)	<b>Complete</b>

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
<b>DTW0301</b>	19/03/13	4.2	<i>Project Nexus New Allocation Algorithm</i> - Xoserve to provide a report to the DESC summarising the recommendation of the DESC Technical Workgroup (TWG), including supporting evidence and an assessment of the potential impact on UNC.	Xoserve (FC/MP)	<b>Pending</b>

**Action Table: Demand Estimation Sub-committee**

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
<b>DE0202</b>	11/02/13	5.0	<i>Modification 0330</i> -Members to provide suggestions for potential service providers.	DESC Members	<b>Carried Forward</b>
<b>DE0301</b>	11/03/13	4.1	Xoserve to revise draft Climate Change Methodology Technical Requirements document for further consideration.	Xoserve (FC)	<b>Pending</b>