



Seasonal Normal Review Update

DESC 2nd December 2009

Seasonal Normal (SN) Review Update

- DESC meeting 2nd October 2009
 - Transporters confirmed their intended approach for deriving SN basis (methodology published 8th October 2009)
- xoserve proceeded to plan and implement SN changes based on this approach
 - October 3rd, planned SN start date, amended to allow further discussion and Shipper response
 - Work to redefine the CWV parameters is now reaching its conclusion
 - December 2nd - Data and methodology for deriving SN values must now be known
- Since 2nd October DESC meeting
 - At the request of Shippers Met Office have produced a formal review of the Transporters approach
 - Transporters have received a letter (on 19/11/09) from six DESC shippers expressing their dissatisfaction at the proposed approach
- Extraordinary DESC meeting scheduled for 2nd December
 - In light of Shippers letter and accompanying Met Office report
 - Confirm Transporters final position regarding 2010 SN review
 - Propose possible amendment to the Transporters methodology

Seasonal Normal Review Update – Shipper Letter

- Shipper letter requested three actions going forward:
 1. “xoserve should stop all work they are currently undertaking to implement the proposed methodology for 2010. The view of Shippers and the Met Office is that this is fundamentally flawed. It would therefore be neither economic nor efficient to undertake work that will have to be duplicated in the future”.
 2. “The current methodology employed to calculate Seasonal Normal Weather and the SNCWV is rolled over for 1 year. This will allow Shippers and Transporters time to develop a mutually acceptable solution”.
 3. “Shippers and Transporters should meet immediately to identify what work and actions that need to be completed to ensure a revised view of Seasonal Normal Weather and SNCWV is implemented for 1 October 2011”
- Transporters response to these are now addressed (the order of request responses has been amended to facilitate discussion)...

Seasonal Normal Review Update – Shipper Letter

3. “Shippers and Transporters should meet immediately to identify what work and actions that need to be completed to ensure a revised view of Seasonal Normal Weather and SNCWV is implemented for 1 October 2011”
 - Transporters view:
 - DESC remains the appropriate forum to discuss SN and other Demand Estimation activities
 - Extraordinary DESC meeting arranged at short notice to facilitate this request
 - Following the outcome of this meeting
 - Transporters will be writing to the 6 Shippers to provide a formal response to the Shipper letter

Seasonal Normal Review Update – Shipper Letter

2. “The current methodology employed to calculate Seasonal Normal Weather and the SNCWV is rolled over for 1 year. This will allow Shippers and Transporters time to develop a mutually acceptable solution”.
- Transporters view:
 - xoserve analysis undertaken and presented to DESC has shown that the current 17 year basis is no longer appropriate to represent SN weather
 - Transporters believe more appropriate views of SN now exist
 - These views incorporate a view of forecast weather
 - Transporters do not believe the current SN basis should be rolled forward for gas year 2010
 - The Transporters approach to be implemented
 - However, xoserve / Transporters have reviewed the Shippers independent Met Office assessment...

Seasonal Normal Review Update – Shipper Letter

1. “xoserve should stop all work they are currently undertaking to implement the proposed methodology for 2010. The view of Shippers and the Met Office is that this is fundamentally flawed. It would therefore be neither economic nor efficient to undertake work that will have to be duplicated in the future”.
- Transporters view:
 - The Met Office report does not state nor suggest that the approach is fundamentally flawed.
 - The report does not say that EP2 averaged history and EP2 increments must be used together
 - The report states that the use of fixed increments is *“questionable but reasonable given current understanding and given the prediction is for the relatively near future”*
 - With respect to the increments the review does offer a technical refinement using a linear trend assumption to produce variable increments.
 - This adjustment could be implemented now for the current SN review
 - Transporters are willing to make this further change
 - Transporters are hopeful that DESC can agree to adopt the adjustment that has been suggested by the Shippers’ independent source

Seasonal Normal Review Update – Transporters Summary

- Proposed options are:
 1. Implement Transporters approach as published 8th October 2009
 2. Amend approach to incorporate Met Office suggestion of variable increments (using figure & formula on pages 9/10 of Met Office report)
- Following this meeting work will commence on producing revised SNCWV
- DESC is invited to choose between Option 1 or 2 today
 - (If no decision Option 1 remains the Transporter basis)
- xoserve will aim to publish these prior to 22nd December DESC meeting
 - Target of publication 5 days prior may not be met
 - 22nd December DESC Meeting will be a presentation of the revised CWV definitions and SNCWV values
- Transporters will also consider carrying out analyses in Autumn 2010 in order to assess the operation of the seasonal normal basis including the materiality of applying the variable increment values.