

Seasonal Normal Demand (SND) 2007/08 Problem – Update January 2008**Background**

At the January 2008 Demand Estimation Sub-Committee (DESC) meeting Centrica raised concerns about unusual fluctuations in the values of the Weather Correction Factor (WCF) and Scaling Factor (SF) since 1 October 2007 in certain LDZs.

Initial suggestions were that these fluctuations were due to inappropriate values of Seasonal Normal Demand (SND).

Latest Update**Cause and Impacts**

Our investigations have confirmed that this is indeed the case, and for certain LDZs an incorrect day of the week pattern has been used to determine SND. Saturdays have been modelled with Friday demand patterns, Sundays as Fridays, Mondays as Sundays and so on. The affected LDZs are NE, NO, SC, SE and SO. SND is expressed in MWh and is supplied to the Demand Estimation process by the relevant Distribution Network before the start of the Gas Year for the coming Gas Year.

The effect of these errors will depend on the extent to which a correctly modelled SND differs from the SND figure used. Tuesdays to Thursday show little fluctuation in WCF and SF, with the greatest impacts on Saturdays and Mondays. On those days all NDM energy is still accounted for and fully allocated, but there may be disparities between weather sensitive EUCs and weather insensitive EUCs. Typically if SND is too high, weather-sensitive sites will be over-allocated and there will be a corresponding negative SF. The opposite will be true if SND is too low. In general the net position should be close to zero, because the errors relate to an incorrect phasing of demand across days, rather than an error in total.

Once NDM Allocation closes out after 5 days it cannot be amended. Any over- or under-allocations will be corrected by meter point reconciliation or by RbD. The same value of SND is used in the NDM Nomination process, so there should not be any further impact on Energy Balancing, because Nominations and Allocations have been calculated in a consistent manner.

Duration of the error

For January 2008 onwards the days of the week have been correctly modelled and the SND figures are generally correct, including the correct days for bank holidays. The extent of the error in the LDZs mentioned in therefore October 2007 to December 2007.

The exception to this is Easter 2008. The SND figures have Easter in the same place in April as last year, whereas it actually falls on 21 to 24 March this year. Holiday reduction factors are applied to the days either side of the holiday weekend, so this means that SND is inappropriate for around 8 days in March (which should have holiday factors but don't) and 8 days in April (which have holiday factors but shouldn't). This may result in unusual WCF and SF values on those days.

Resolution of the error

As stated above, NDM Allocation has now closed out for the period October to December 2007 and any errors will be corrected by reconciliation.

With respect to the calculation of SND for Easter 2008, we are currently consulting with the two affected Networks (Scotia Gas Networks and Northern Gas Networks) to understand whether UNC permits these values to be amended mid-year in such circumstances. If the two Networks do instruct us to amend these values we will issue a further communication to highlight which days have been amended and where the revised values can be viewed.