



Transporters' Response To Representations

NDM Profiling 2008/09

DESC – Friday 25th July 2008

Consultation Process: Current Timetable

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- Publication of NDM Proposals by 30th June
 - Users to Submit Representations by 15th July
 - Review of Representations / Consultation as appropriate
(DESC Meeting 25th July to consider representations) 16th July to 15th August
 - Final Proposals Submitted (date x) by 15th August
 - Transporter or User Application for Disapproval to Ofgem (date y) by 5 business days of date x
 - Ofgem Determination (if required) by 5 business days of date y
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- System users were invited to submit representations on the NDM proposals
 - 1 Representation received – Shipper E.ON
 - Points / issues raised considered in turn
 - *'Transporters' Response to E.ON Representation on 2008/09 NDM Proposals'*

Transporters' Response: Daily Adjustment Factors – CWV Cut Offs ⁽¹⁾

- **REPRESENTATION:** *Concern about year on year changes to DAF profiles in some of the B category bands due to application and/or non-application of cut-offs. We would like to see this area reviewed over the next twelve months with a view to amending the implementation within model smoothing for coming years. Example given NW:E0805B.*
- **Background**
 - Summer cut-offs applied where demand “levels off” at some point during the “warmest days” or demands associated to the maximum CWV in the model become too close to zero or negative – prevents negative allocations
 - Required to ensure there are no instances of EUCs with negative ALPs
 - EUCs for Bands 1 and 2 not allowed to have cut-offs (80% of NDM load)

Transporters' Response: Daily Adjustment Factors – CWV Cut Offs ⁽²⁾

- **Criteria**

- There are two sets of criteria adopted for applying cut-offs
 - If CWV axis intercept of the regression line is very close to the maximum CWV for the LDZ in question. Termed as “imposed cut-off”
 - If the best fit on the data points in the CWV range up to 4 below the maximum CWV leads to more than a 20% improvement in the mean square residual error. Termed as “best-fit cut-off”

- **Data summary for Model 03B in NW LDZ**

- Case quoted is NW EUC 03B (not 05B)

Individual Year Data Set (sample size in brackets)	Cut-off	Smoothed Model		
		2006/07	2007/08	2008/09
2003/04 (117)	None (Max CWV 16.8)	Smoothed model has no cut off	Smoothed model has a cut off of 16.5	Smoothed model has a cut off of 16.0
2004/05 (136)	None (Max CWV 16.8)			
2005/06 (141)	None (Max CWV 16.8)			
2006/07 (147)	best-fit cut-off (16.0)			
2007/08 (131)	best-fit cut-off (15.3)			

Transporters' Response: Daily Adjustment Factors – CWV Cut Offs ⁽³⁾

■ Transporters' View:

- Transporters do not believe this is a major effect and suggest maintaining existing approach
 - 80% of NDM Load is not allowed to have cut-offs
 - For NW EUC 03B: Allocation in June 2007 (model has no cut off) was 3.95% of 9 months of gas year to end of June. Allocation in June 2008 (model with cut-off) was 3.82% of 9 months of gas year to end of June – 0.13% difference
 - In 2008/09 proposals – 4.2% of small NDM load and 5.1% of large NDM load have EUC models with cut-offs
- If DESC consider potential year on year model variability (in the summer) undesirable then options:
 - Alternative Option 1) Extend no cut-off rule to all small NDM EUCs for 2009/10
 - Only 1% of NDM load would then be subject to cut-offs (all Large NDM EUCs)
 - Very likely to be problems with negative ALPs, especially in EUCs for WAR band 4
 - Need to agree practical rule to deal with potential negative ALPs
 - Alternative Option 2) Make the criteria for applying “best fit” cut off much stricter to minimise those instances and leave “imposed” cut offs in place.

Transporters' Response: Daily Adjustment Factors – Christmas 'shape' for SC,SE and SO ⁽¹⁾

- **REPRESENTATION:** *There are LDZs, namely SC, SO and SE, where the DAF shows Christmas variability not present in previous years. We would like assurance that this is applicable and an explanation why this is not evident in other LDZs to the same extent*
- **Transporters' View:**
 - DAF formula incorporates WSENS and SND from EUC modelling (numerator) and WSENS and SND from aggregate NDM forecasts (denominator)
 - The characteristics of the aggregate NDM demand models are specific to each Transporter and each year
 - Christmas impacts vary year on year, depending on affected days
 - Transporter is satisfied that the WSENS and SND values for aggregate NDM are appropriate over Christmas period

Transporters' Response: WSENS and SND Levels ⁽¹⁾

- **REPRESENTATION:** *There are a number of special day and holiday impacts that we would like clarification about prior to approving the NDM proposals.*
Scenario 1: EA LDZ – SND and WSENS patterns over Christmas
- **Transporter's View:**
 - Observed values (of WSENS and/or SND) with respect to EA LDZ over days in the Christmas period (21st December and 25th/26th December) are due to the choice and deployment of holiday codes over that period in that LDZ.
 - Holiday codes are reviewed each year, based on historic observations and calendar movements, and may change (this year they did).
 - The SND and WSENS patterns for specific days in the Christmas/New Year period are the result of the interaction of holiday codes with the day of the week pattern (i.e. weekend days). So, no two years are the same in this respect.
 - The outcome for the Christmas/New Year holiday period for 2008 is therefore different to the outcome for the equivalent period in 2007.

Transporters' Response: WSENS and SND Levels ⁽²⁾

- **REPRESENTATION:** *There are a number of special day and holiday impacts that we would like clarification about prior to approving the NDM proposals. Scenario 2: NO LDZ – SND and WSENS – Little or no Christmas reduction.*
- **Transporter's View:**
 - Northern Gas Networks confirm minor inconsistencies in application of holiday factors around Christmas 2008
 - All EUCs equally affected in those LDZs
 - Network SND forecasts have now been finalised and cannot be amended
 - Improvement in WCF due to Mod 204 should reduce impact of DAFs

Transporters' Response: WSENS and SND Levels ⁽³⁾

- **REPRESENTATION:** *There are a number of special day and holiday impacts that we would like clarification about prior to approving the NDM proposals.
Scenario 3: SC LDZ – SND and WSENS – No evidence of an Easter impact*
- **Transporter's View:**
 - Easter has been correctly modelled in line with the 2008/09 calendar
 - Holiday reductions have been applied to the two Bank Holidays
 - Easter impacts are particularly difficult to predict, due to differing school holiday patterns and heavy influence of unseasonal weather

Transporters' Response: WSENS and SND Levels ⁽⁴⁾

- **REPRESENTATION:** *There are a number of special day and holiday impacts that we would like clarification about prior to approving the NDM proposals.
Scenario 4: Various LDZs where May WSENS values seem unusual*
- **Transporters' View:**
 - The suggested “unusual WSENS” values are due to the choice and deployment of holiday codes during the month of May
 - Holiday codes apply to many days in May not only the two Bank holidays
 - Each Transporter has their own view on when the holiday period should start and finish
 - Transporters satisfied with proposed WSENS values for May

Transporters' Response: WSENS and SND Levels ⁽⁵⁾

- **REPRESENTATION:** *There are a number of special day and holiday impacts that we would like clarification about prior to approving the NDM proposals.*
- **Transporters' View – Summary:**
 - The formal NDM proposals for 2008/09 constitute only the EUC definitions proposed, and the derived factors for those EUCs (ALPs, DAFs and Load Factors)
 - The specific nature of the WSENS and SND values for aggregate NDM demand are a result of the different Transporters' NDM demand models for their respective LDZs
 - Transporters have determined models of aggregate NDM demand for each of their respective LDZs in a manner best suited to their longer term demand modelling and demand forecasting purposes
 - DAFs and certain Load Factors are a by-product of the Transporters' forecasting processes – DESC has limited influence on those processes

Transporters' View of Representations – Conclusions

- **Transporters' View:**

- Transporters happy to consider options in determining and applying CWV cut-offs for small NDM EUCs for future years
- Transporters have attempted to identify and clarify those representations they do not believe to be an issue
- Transporters believe NDM proposals for 2008/09 published 27th June 08 are fit for purpose and should be adopted
- Effects of disallowal would result in using 'fallback' parameters
 - Based on out-of-date modelling, including WAR Bands based on winter 2006/07
 - Include known SND errors from 07/08 process (day of the week / Easter) in DAFs
 - Impacts to new basis WCF (will be using out of date parameters to derive pseudo "SND") – potentially reduce benefits of MOD 204