

CODE REVIEW PROPOSAL No 0176
Review of NDM Profile Allocation Parameters
Version 1.0

Date: 01/10/2007

Nature and Purpose of Proposal

The current methodology for allocation of gas throughput post close out, and for estimation of NDM nomination values prior to and on the gas day, has been in place since work with Touche Ross during development of the network code regime.

The formula used to allocate energy between shippers is defined in section H2.2 using the familiar parameters of AQ, ALP, DAF and WCF. Demand is derived in advance of the gas day using forecast total gas demand and shared to each shipper pro-rata using the formula. Post D+5 the allocation is scaled to ensure all gas transported on the day is allocated. The scaling factor necessary to balance the calculation should be close to 1.

The NDM parameters are calculated by xoserve on behalf of the gas transporters using sample information. To enable the parameters to apply to the population the DAF and WCF are scaled to a forecast Seasonal Normal Demand (SND).

Historically the SND values were calculated by National Grid providing one view of the future. Since Network sale each Network has produced its own view of SND and National Grid Transmission has produced a second, sometimes different, view. The level set by the forecast SND impacts the DAF and WCF values, bias in which can feed through to the scaling factor and final allocation. This has potential to increase misallocation between market sectors directly influencing the level of reconciliation required.

Over the past two years there have been representations through DESC (Demand Estimation Sub Committee) on the annual "NDM Profile and Capacity Estimation Parameter" proposals as per H1.8. In each of the last two years there have been questions about the appropriateness of the SND levels for the future. UNC provides no route for Shippers to question the transporters SND forecasts. While forecasts for transportation purposes are clearly a transporters issue the impact on allocation ensures that Shippers have a vested interest.

The E.ON representation in July suggested that investigation take place to replace the use of SND to produce DAF and WCF variables with an alternative. This review proposal suggests that the decision on how an appropriate alternative would be derived should be determined through industry discussion involving experts from xoserve and shippers. This should allow a replacement WCF and DAF to be derived independent of SND. As the values are loaded into UKLink and Gemini systems there should be no system impact, unless a more radical change to the algorithm is proposed.

Due to timescales any implementation for October 2008 will require agreement by January. Having discussed this issue at the September distribution work stream it is felt that a review group is appropriate, although this can be run on the same day as DESC where DESC has meetings to minimise extra meetings for those involved.

Any further information (Optional)

Analysis over the current gas year has shown that overstated SND levels have consistently

produced a WCF that is highly biased. This has led to the scaling factor having to compensate. Over the past year the scaling factor is consistently away from the expected value of 1.

Revising the WCF to produce a variable independent of SND forecasts should allow allocation to become less variable. Lower WCF bias will feed through to scaling factors closer to 1 and will therefore reduce the volume of reconciliation. Lower aggregate reconciliation values should lead to less reconciliation failing the invoice financial value filter. This will reduce USRV numbers to shippers producing a lower commercial risk from delayed reconciliation or USRV incentive charges.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) H

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