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Dear Bob

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Response to UNC Modification Proposal 0218: Amendment to the base period used to define Seasonal Normal weather

As proposer E.ON UK is in support of this modification proposal.

The base used to create the seasonal normal composite weather values (SNCWV) underpinning the allocation mechanism has an impact on shipper commodity and reconciliation values. As such it directly influences the shipper costs on a daily basis. In addition use of an inappropriate seasonal normal could lead to misallocation and lengthy impacts across shippers while reconciliation is pending. These impacts can be permanent due to the impact of RbD mechanisms.

As the SNCWV is also used in setting AQ values the use of a seasonal normal reflective of expected average weather conditions is vitally important. Analysis as part of Review Group 0177 showed that a 1% improvement in aggregate AQ would lead to a 0.8% improvement in accuracy of allocation. The last review of SNCWV provided a 4% change in AQ and this next review may well be expected to show similar level of movement. An appropriate level of seasonal normal will therefore lead to significant reductions in energy misallocation between market sectors and movement of reconciliation energy.

At the time code was written the use of long historic periods was common practice. While weather patterns are stable and the year on year variation

showing no underlying pattern this is entirely appropriate. However, over the past decade we have seen a noticeable shift in underlying global climate behaviour. As the revised seasonal normal will be used for the five years from 2010 to 2015 we would expect a set of values that can be shown to be representative of this future period.

E.ON took part in the Met Office EP2 project. Work pack 8 of this project looked at the new techniques that could be used to design a seasonal normal specifically for the utility industry. The input from the experts at the Met Office and Hadley Centre was invaluable in providing data that could now be made available to the industry for use in national systems. To enable this data to be considered by xoserve and the transporters in their assessment of the new SNCWV requires the code change that Mod 0218 has raised.

We support implementation of this modification as a pre-requisite to allow transporters to be able to fully assess how the new SNCWV could be derived to ensure that it is representative of the next five years. Implementation will prevent misallocation of costs across the industry and provide a sound basis for AQ calculations.

The modification proposal better facilitates the relevant objectives as follows:

Standard Special Condition A11.1 (a)

AQ forms the building block of many of the planning and system security activities of transporters. As such improving the accuracy of AQ's through the appropriate weather correction will increase the opportunity for transporters to operate the pipe-line system in an efficient and economic manner.

Standard Special Condition A11.1(c)

Through more accurate allocations of demand, implementation may provide the opportunity to improve cost reflectivity of charging.

Standard Special Condition A11.1 (d)

Potential improvement in the seasonal normal values will feed into the calculation of AQ's and hence to the allocation process. This would ensure that energy was allocated more accurately on the original commodity invoice and minimise movement of energy between market sectors through reconciliation. This could be expected to facilitate competition between relevant shippers, minimise uncertainty for new entrants and increase revenue certainty for DNO's.



Standard Special Condition A11.1 f)

As reviewing the seasonal normal is a code requirement, an enabling modification allowing analysis to consider high impact changes could be considered as enabling the efficiency of code administration.

Yours sincerely

Brian Durber (by email)
Retail Regulation