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Dear John

Representation to Modification Proposal 0218: Amendment to the base period used to define Seasonal Normal Weather

Thank you for the opportunity to respond to this Draft Modification Report (DMR). National Grid Transmission does not support Modification Proposal 0218 and offers the following comments, in line with the section headings in the DMR.

1. Nature and Purpose of this Proposal

National Grid NTS is concerned that should this Modification Proposal be implemented it would create additional costs on National Grid NTS as the sole purchaser for data obtained under H5.1.1. Additionally National Grid NTS does not believe that TPD H5.1.1 is the appropriate place to define the obtaining of this information, as the data obtained under TPD H5.1.1 is for the specific purpose of short term day ahead and within day demand forecasting, whereas the Proposal relates to data to support the calculation of Seasonal Normal Composite Weather Variable (SNCWC) in Section H1.5. The responsibility for the provision of the Seasonal Normal Value for an LDZ rests with the DNO Users under Special Standard Condition A15 of their Licence. As such we consider that any costs related to this Proposal should rest with DNO Users and therefore the Proposal should seek to amend Section H1.5.

Modification Proposal 0218 states that there would be no additional costs introduced by the Proposal as the data referred to in the Proposal is currently available following a Met Office/Hadley centre study into weather impacts for the utility industry, National Grid disagrees. It should also be noted that the Met Office/Hadley centre study will require updating shortly in order to maintain the suggested benefit of utilising this data within the calculation of Seasonal Normal Demand levels. Such updates would be required for each subsequent definition of Seasonal Normal weather as well as possibly for updates linked to any future unavoidable weather station changes. Following a discussion with the Met Office we believe that, currently, each new data request is likely to incur a charge of circa £80,000.

National Grid believes that should this Modification Proposal be implemented then the costs of any future update to the Met Office/Hadley centre study should be met by all parties benefiting from this information and who have the obligation for providing the Seasonal Normal Composite Weather Variable (SNCWV) i.e. Distribution Network Operators .. National Grid therefore believes the Proposal should seek to amend H1.5 and not H5.1.1.

2. Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives

A11.1 (a) the efficient and economic operation of the pipe-line system to which this licence relates

National Grid NTS believes that implementation of this Proposal will not better facilitate this objective. National Grid NTS disagrees that AQs form the building block of system security activities. Long term demand forecasting for system planning is carried out on the basis of assessments of connected load* which are determined by weather correction of actual demand (not based on supply point AQs held on the system). Therefore, improving the accuracy of NDM supply point AQs will have no direct impact on the efficiency of physical pipeline operations.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:

- (i) between relevant shippers;**
- (ii) between relevant suppliers; and/or**
- (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;**

National Grid NTS does not agree that the Proposal will necessarily better facilitate this objective, as the accuracy of AQs of NDM supply points are as much dependent on the accuracy of the two meter reads used to determine the actual consumption over a period (from which the AQ is then computed) and also the duration between the two chosen meter reads, as it is on determination of the Seasonal Normal Composite Weather Variable (SNCWV). Therefore, NDM demand attribution (NDM allocation) may not be as beneficially improved as suggested.

Also the proposed amendment to H5.1.1 would inappropriately target costs to National Grid NTS instead of to those parties that have the licence obligation to produce the SNCWV. As such we believe the Proposal does not facilitate **A11.1c: so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence**

* Further details of National Grid's long term gas demand forecasting methodology including explanations of key terms such as connected load may be found at:

<http://www.nationalgrid.com/uk/Gas/OperationalInfo/operationaldocuments/Gas+Demand+and+Supply+Forecasting+Methodology/>

4. The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

b) The development and capital cost and operating cost implications:

National Grid NTS believes that further costs will be incurred in future if the Network Operator users choose to use forecast data as the Hadley/Met office study will require updating of the data on a regular basis i.e. every 5 years. The estimated cost of which is £80,000 as stated previously. We believe that if this Modification Proposal is approved then any additional costs should be met by all those parties with the licence obligation for the provision of the SNCWV.

7. The implications for Users of implementing the Modification Proposal, including:

b) The development and capital cost and operating cost implications

It should also be noted that there are costs involved when dealing with potential future weather station changes as the DNO Users would need to commission the provider to do a short duration (and therefore potentially costly) study to derive forecast data for any new station.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above

Advantages

The stated advantages are all contingent on a forecast basis being implemented but more significantly assumes that this approach will be beneficial to both AQ accuracy and NDM allocation. National Grid believes that this is not an inevitable outcome. For instance, the accuracy of NDM meter point AQs is as dependent on the accuracy of meter reads used for the computation and the duration between those chosen meter reads.

Disadvantages

National Grid believes there are cost implications of approximately £80,000 per data request. National Grid believes that any costs from this Modification Proposal should be met by those parties with the licence obligation for the provision of the SNCWV and not by National Grid NTS as suggested by the reference in the Proposal to UNC Section H5.1.1, we therefore suggest that if this Proposal is to be implemented the provision of data is not included in H5.1.1. but is instead placed with UNC Section H1.5.

General Comment.

The Proposal states that Demand Estimation Sub Committee (DESC) has discussed this issue, however the Proposal does not reference a specific meeting or provide minutes of such a meeting, and we are unable to find any record of specific agreement at DESC to incorporate the Met Office Study.

In summary whilst we agree that the option of using forecasting as well as historical data may be beneficial we believe that the costs should be met by those parties with the licence obligation for the provision of the SNCWV. Please let me know if you require any further information to enable preparation of the Final Modification Report.

Yours sincerely

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