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Modification Panel Secretary  
Joint Office of Gas Transporters  
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Dear John,

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

Thank you for providing Scotia Gas Networks with the opportunity to respond to Modification Proposal 0218. Scotia Gas Networks fully supports the intent behind the proposal which the proposer believes would increase the accuracy of Supply Point Annual Quantities (AQs) and would improve the demand allocation process allowing Shippers to more accurately calculate their gas allocation requirements. However, SGN have a number of concerns that we believe require further analysis and discussion before full support can be provided, specifically around the impact on peak day planning. Scotia Gas Networks therefore does **not** support Modification Proposal 0218.

Modification Proposal 0218 seeks to introduce the utilisation of forecast weather data into the calculation of the Seasonal Normal Composite Weather Variable (SNCWV) used in the demand allocation process, correction of Supply Point AQs and by the Transporters in the formulation the Seasonal Normal Demand used for planning purposes.

Whilst SGN accept that the provision of accurate demand allocation profiles for Shippers is important to reduce the amount of energy channelled through reconciliation, we do not believe sufficient analysis has been carried out to take account of other factors that can affect demand apart from a change in temperature and therefore the potential impact on the peak day. We accept that the use of data from the Met Office and the Hadley centre, which the proposer states are world experts in their field, is not at question and that recent weather trends have provided an indication that global temperatures are increasing which has resulted in a reduction in Annual Demand. However, it has not been demonstrated within the research, that changes in the demand is solely attributed to a change in temperature and not associated to changes in other factors such as Gas Price or the level of conservation measures undertaken. The impact of these factors will influence End Users behaviour and the rate of annual gas consumption into the future but neither the research nor the proposed modification explains or assess the impact they will have on the peak day demand.

The proposer recognises that Transporters would not be mandated to use forecast data in their calculation of seasonal normal demand for planning purposes. SGN accepts that the proposer has introduced this optionality element into the Modification Proposal to allow Transporters, if they so wished, to continue to use historical data for calculation of a seasonal normal demand. However, SGN considers that introducing a dual process to calculate the SNCWV for AQ correction and demand allocation would introduce confusion and uncertainty into the industry and increase pressure on Transporters to plan pipe-line networks based on this data, in turn potentially leading to an under statement of peak demand figures. SGN considers that any potential reduction in the certainty around the calculation of peak day figures would undermine the entire pipe-line planning process.

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

The proposer states the utilisation of forecast weather data in the creation of the SNCWV will improve the accuracy of AQ values and hence could provide the Transporters with an increased ability to operate the pipeline system in a more efficient and economic manner. Transporters, when planning their gas pipeline networks must adhere to licence conditions which stipulate the pipe-line system being capable of providing the required pressure at 1 in 20 year demand conditions and hence must ensure that economic investment in the pipe-line system takes this into account. Calculation of peak 1 in 20 year demand figures should not solely be derived from the AQ as the relationship between AQs and peak 1 in 20 demand figures is not linear, in that where an AQ decreases the peak 1 in 20 year demand figure does not necessarily decrease by the same rate if at all. Therefore it would neither be efficient or economic to operate the pipe-line system relying on AQ values for the purpose, whether it is perceived the AQ values in themselves were more accurate as a result of using forecast weather data.

**The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation.**

The proposer states that improving the seasonal normal and hence the seasonal normal demand value would provide a more reflective base for planning and system security. As SGN do not believe the utilisation of forecast weather data would necessarily result in a more accurate seasonal normal demand value, we in turn do not believe a more accurate peak day demand value would result. The calculation of a peak day demand value which is less representative of peak day conditions, would result in the pipe-line system's development not adhering to licence conditions and potentially, at worst, resulting in the inability of the system to cope in a peak day scenario. Therefore we do not accept this Modification Proposal in its current format would improve security of supply but could have the potential to deplete the integrity of the pipe-line system to meet peak day conditions.

We further note that the Met Office and Hadley Centre information is being offered at zero cost to the Transporters and as such the proposer believes there are no operating costs associated with implementation of this modification. At this stage this maybe the case but subsequent provision of data by these organisations or other organisations not involved in the initial research, may in the future attract substantial cost.

In summary, SGN supports the intent behind the proposal and the suggested benefits. However, there has been insufficient analysis undertaken to confidently predict the effect a change in how the SNCWV is calculated and the subsequent impact on the peak



demand. Without this clarity and understanding, SGN therefore does not support modification proposal 0218.

We hope these comments are helpful and please do not hesitate to contact myself if there are further questions or if additional clarity is required.

Yours faithfully

Joel Martin.