

Mr Bob Fletcher
Secretary, Modification Panel
Joint Office of Gas Transporters
51 Homer Road
Solihull
B91 3LT

8th July 2011

Dear Bob

RE: UNC Modification Proposal 0330– “*Delivery of additional analysis and derivation of Seasonal normal weather*”.

1. British Gas recognises the need to ensure demand estimation algorithms are robust and therefore supports the implementation of Modification Proposal 0330.
2. We consider the reliance of the current methodology on historic data to predict the impact of future weather patterns on gas consumption to be questionable given the impacts of climate change, and have concerns that the interim solution imposed by the Network Owners does not resolve the issue. Indeed, we note that the Meteorological Office (Met Office) themselves described this interim solution as a “*stop-gap solution at best*”. Given the seasonal normal analysis is an integral part of the demand estimation algorithms which allocate £billions of cost in the market today, we believe that a more robust model is required if the integrity of the process is to be maintained.
3. We agree with the Proposer that this entails a number of changes. In particular we agree it is important that the methodology used for re-analysing weather station data following a relocation in site is both transparent and carried out by an independent and competent third party such as the Meteorological Office (Met Office). This is not only likely to lead to improvements in that methodology but will also increase the degree to which Users are able to replicate the process, thus increasing their confidence in the results.
4. We also strongly support the proposal to fund a third party to develop a methodology which adjusts the data from these weather stations so that it more accurately takes account of the effects of climate change. Climate

change is one of the largest drivers of consumption change and the industry as a whole needs confidence that the industry's demand estimation algorithms accurately allow for it.

5. In particular we believe that climate change has the potential to impact different types of end users, and therefore different Shippers, in different ways due the varying impacts on both typical summer and winter conditions. The accuracy of models in predicting the impact of climate change on Shippers with, for example, a higher than normal proportion of energy intensive end users in the winter, is crucial to the accuracy with which energy costs are allocated in the market. We therefore consider that this has an important bearing on the effectiveness of competition in the gas Shipper market.
6. We have set out our view on how these Modification Proposals meets the relevant objectives below.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs

(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;

7. As we mentioned above, we consider that this Modification Proposal will enable a more accurate picture of how gas demand is impacted by the weather, and in particular climate change. This will in turn improve the accuracy with which costs are allocated in the market and thus facilitate more effective competition between Shippers by ensuring that they only pay their fair share. To this extent we believe that this Modification Proposal facilitates relevant objective (d).
8. If you have any queries relating to this representation, please do not hesitate to telephone me on (07789) 570501.

Yours sincerely

David Watson
Regulatory Manager, British Gas