

Representation

Draft Modification Report

0330 - Delivery of additional analysis and derivation of Seasonal normal weather

Consultation close out date: 08 July 2011

Respond to: enquiries@gasgovernance.co.uk

Organisation: EDF Energy

Representative: Stefan Leedham

Date of Representation: 08 July 2011

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

The composite weather variable (CWV) is fundamental to gas industry processes driving the AQ calculations and so impacting on the allocation of billions of pounds worth of energy and the recovery of distribution and transmission revenues. It is therefore imperative that the CWV is as accurate as possible. This modification seeks to introduce a process that would allow an accurate calculation of the CWV and address the issues identified by the Met Office with the current methodology. However, recognising that it is not appropriate to implement a solution until the outcome is known this proposal introduces a framework for the funding and delivery of this analysis. An additional benefit of this proposal is that it will facilitate engagement with the Gas Transporters and their representatives, who unfortunately have not been involved with some of the recent developments in meteorological forecasting.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

The modification report covers all of the key issues.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

0330

Representation

16 June 2011

Version 1.0

Page 1 of 3

© 2011 all rights reserved

As identified within this proposal this modification would facilitate the delivery of a more accurate CWV and so result in a more accurate allocation of energy. As the modification has demonstrated even a minor change to energy allocation of 0.2% could change the allocation of energy by up to £8m (based on a gas cost of 23p/therm). The accuracy of energy allocation is of paramount importance and any accuracy improvements should have a positive impact on competition and so facilitate relevant objective A11.1 (d).

However, the key to this proposal is how it facilitates relevant objective A11.1 (f) – the efficient administration of the UNC. Historically when Shippers attempted to implement a change to the CWV through the UNC this required 3 modification proposals, and a workaround solution that was viewed as a stop-gap measure by recognised experts. This could not be seen as efficient, and the perception from Shippers was that this was being driven by concern from Transporters who had not been involved when developing the proposed methodology. The basis of this proposal is to require active engagement by the Transporters when developing and updating methodology, and so address User’s concerns of being presented with a methodology that they have not been involved with. This in turn would avoid the need for numerous modifications and industry effort, thus facilitating the efficient administration and implementation of the UNC.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

We are unlikely to face any additional internal costs from implementation of this proposal.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

This modification facilitates the process for contracting for and funding the development of an updated methodology. We therefore believe that this proposal could be implemented immediately following a direction from Ofgem as there will be no Shipper impacts.

Any subsequent updates to the methodology and CWV should follow the existing timelines within the UNC to enable sufficient time for Shippers to incorporate these into their demand forecasts.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

Yes

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

We have no further comments.