

Demand Estimation Technical Workgroup Minutes

Monday 09 July 2018

at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Helen Cuin (Chair)	(HC)	Joint Office	
Mike Berrisford (Secretary)	(MB)	Joint Office	
Anupa Purewal	(AP)	E.ON	Representative
Chris Warner	(CW)	Cadent	Representative
Dean Pearson*	(DP)	Northern Gas Networks	Alternate
Fiona Cottam	(FC)	Xoserve	
Jason Blackmore	(JB)	British Gas	Representative
Joseph Lloyd	(JL)	Xoserve	
Josh Mallett	(JM)	nPower	Alternate
Lorraine Edgcumbe	(LE)	E.ON	Representative
Louise Hellyer	(LH)	Total Gas & Power	Representative
Luke Reeves*	(LR)	EDF Energy	
Mark Jones	(MJ)	SSE	Alternate
Mark Palmer*	(MPa)	Orsted	
Mark Perry*	(MPe)	Xoserve	
Martin Attwood	(MA)	Xoserve	
Philip Costin	(PC)	Xoserve	
Richard Pomroy*	(RP)	Wales & West Utilities	
Sallyann Blackett	(SBI)	E.ON	
Simon Geddes	(SG)	National Grid NTS	Representative
Smitha Coughlan*	(SC)	Wales & West Utilities	Representative
Usman Bagudu	(UB)	National Grid NTS	

Apologies

Fiona Speake	(FS)	npower	Representative
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**via teleconference*

Copies of papers are available at: <https://www.gasgovernance.co.uk/DESC/090718>

1. Introduction and Status Review

1.1. Apologies for Absence

Please refer to the above table.

1.2. Note of Alternates

Dean Pearson for Joanna Ferguson, Josh Mallett for Fiona Speake and Mark Jones for Neil Crompton.

1.3. Approval of Minutes (15 May 2018)

The minutes from the previous meeting were approved.

2. Review TWG responses to draft 2018/19 NDM Algorithms

2.1. Review of draft 2018/19 NDM Algorithms - Xoserve Presentation

JL provided an overview of the Xoserve presentation during which discussions initially focused attention on the *'Background – EUCs and Demand Model Lifecycle'* slide, whereupon JL explained that the green box denotes the point in the process that has been reached at this time.

The next major discussion point focused around the *'Small NDM: Smoothed Model Outcomes'* slide, during which JL explained that the total number of EUCs for 2018 (195) includes the 39 extra models that have been utilised.

When asked for the rationale behind the changes, JL explained that it reflects the data content and noted that it has been applied in line with previous agreements. Expanding on the point, FC explained that the data has been subjected to various 'statistical tests', again in accordance with the Spring Approach. In short, the testing has been conducted across individual years and smoothed 3 year profiles – it should be noted that the observed results can be subject to year on year fluctuations.

When asked what 'straight' means in terms of the 'Straight Models' heading, FC advised that whilst the data includes weather sensitivity, it involves no principal changes.

Moving on to consider the *'EON – DAF 1: EA:E06W01 – Response'* slide, AP confirmed that E.ON are happy with the Xoserve response as provided.

Before concluding discussions on this item, attention switched to consideration of item 2.2 below, before returning to this presentation to consider the *'Next Steps'* slide.

In briefly considering whether or not the DESC TWG would desire provision of 'fall back' models, JL advised that regardless, Xoserve would be taking the points raised on board and utilise these for next years modelling purposes.

When JB reiterated his concerns around the potential impact of the 'odd days' data on the ALPs (i.e. what is driving the lower ALPs etc.), FC responded by once again referencing the 21.1 to 20.9 (reduction) movement. FC went on to explain that whilst the only option for fully alleviating JB's concerns would be to look to strip out the four days and rerun the 400+ models, it is really too late in the process now, especially as the matter has been discussed previously – consensus being that as the data was felt to be acceptable previously, it should be left alone at this late stage.

In quickly referring back to the *'British Gas – ALP/DAF: EA:E01B – Response 2 of 3'* slide, FC explained how Xoserve does not believe that colder weather necessarily results in peaky ALPs.

In looking to summarise the discussions, FC asked for views on whether it is preferable to utilise the new models, or rollover last years data (as suggested by British Gas).

When JB enquired as to whether or not it would be feasible to adopt a 'pick and mix' based approach (i.e. utilise last years data + some of this years better ALPs/DAFs data), SB warned that this would potentially set a dangerous precedent, that undermines the previously agreed methodology and approach.

In noting JB's outstanding concerns, the consensus was to recommend adoption of this years' full set of NDM Algorithm proposals for Gas Year 2018/19 to DESC.

2.2. Review of draft 2018/19 NDM Algorithms – British Gas Observations and Feedback

During an overview of the presentation by JL, attention initially focused on the *'British Gas Observation – ALP & DAF: NE:E03B'* slide, during which it was noted that the small graph (bottom right hand corner of the page) was originally provided within the Xoserve materials for the 15 March 2018 meeting. When JB enquired DESC on behalf of the industry, would not wish to exclude the two widest samples from the analysis, SB voiced her disagreement, citing the fact that the data is weather corrected already and unless we believe that there is an issue with the weather correction mechanisms, they should stay put.

Moving on next to consider the *'British Gas Observation – ALP & DAF: NE:E03B – Response 3 of 3'* slide, JL confirmed that as far as the 2017/18 Third Party sample number of 106 was concerned, this figure increased significantly from previous years data in response to an Xoserve request to parties for provision of more samples, in order to obtain more representative data. SB suggested that parties should also look at UNC Modification 0654 *'Mandating the provision of NDM sample data'* which outlines a proposed approach moving forwards.

SB suggested that it could rightly be argued that the year that *'dropped off'* the sample, did not have enough sample points, which explains why we are using more than one year for the current sample.

Moving on, JB drew attention to his (British Gas) supplemental paper (entitled *'Potential ALP impact from the inclusion of low data points for the 26, 27, 28 and 1st March'*) and provided a brief explanation behind the information by explaining that it is based on Smart Meter data by volume for EUC Band 1 for a single year.

In examining the four red sample points contained within the top *'Original Data'* graph, SB suggested that these are not too far out of line with the rest of the sample data, and unless the TWG believe that there is a fundamental issue with this data set, we should leave *'as-is'* – a view shared by other parties in attendance.

Focusing on the lower *'Amended Data'* table, SB suggested that care would be needed to avoid potentially double accounting on the grounds that the Smart Meter data is already amended anyway.

When JB enquired as to what the potential effect of removing these four (red) anomalous would be, FC pointed parties to the potential CWV intercepts value shift reduction from 21.1 in 2017/18 to 20.9 with the removal of the two *'snowy days'* data – in short, this demonstrates that the weather correction mechanisms are working correctly.

Whilst indicating that he believes that the weather correction mechanisms are basically sound, JB felt that care is still needed around the treatment of the ALPs. In noting this, SB suggested that whilst there is always the choice to *'scale'* the ALPs, if deemed appropriate, this is really a different consideration.

Returning to the main presentation, attention now focused on the *'British Gas – ALP/DAF: EA:E01B – Response 2 of 3'* slide, during which JB acknowledged that the data is broadly inline with previous years. However, JB remained concerned about the fact that the data points that reside farther away from the datum line, apply more leverage. Responding, JL suggested that the indications that Xoserve have witnessed are not causing any concerns. JB remained of the view that it is important how DESC looks to deal with these *'wider'* data points, especially those that potentially impacts on the APLs.

In looking to reassure JB's outstanding concerns, FC advised that each sample dot represents circa 200 meter points that have all been subject to the appropriate validation processes.

In noting that the modelling ALPs are not 100% perfect, SB pointed out that the scaling mechanisms ensure that the baseline ALPs are appropriate, and as a consequence of this fact, she does not believe that there are any major concerns around the ALPs or DAFs.

In looking to conclude discussions, HC suggested that this might be a matter for consideration in the future, as to whether or not to remove selected sample data points. FC advised that as Xoserve are about to initiate an industry wide consultation, there are potentially two options open to DESC, in so far as, the TWG could either go with the information 'as-is', or revert to using last years data, as suggested by British Gas.

In considering the '*British Gas – Prepayment Profiles Response 2 of 2*' slide, SB focused attention on the red data point and suggested that it is always tricky when introducing new EUCs, as data takes time to build up to a sufficient level for analysis (i.e. not 3 years worth being available for smoothing purposes).

3. Recommendation to DESC

The DESC TWG agreed to recommend adoption of this years' full set of NDM Algorithm proposals for Gas Year 2018/19 to DESC.

4. Next Steps

To submit the proposed set of NDM Algorithm proposals for Gas Year 2018/19 to DESC, for their formal approval.

5. Any Other Business

None.

6. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

There are no further DESC TWG meeting planned for the remainder of 2018, at this time.