














| UNC Modification | At what stage is this document in the process? |
|---|---|
| <h1>UNC [0658]:</h1> <h2>Improvements to the Composite Weather Variable</h2> | <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> |
| <p>Purpose of Modification:</p> <p>This Modification seeks to amend the Composite Weather Variable (CWV) to include additional parameters to complement wind speeds and temperature, leading to improvements in the Weather Correction Factor (WCF).</p> | |
|  | <p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> subject to self-governance assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 21 June 2018. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p> |
|  | <p>High Impact: NA</p> |
|  | <p>Medium Impact: Transporters, Shippers, CDSP</p> |
|  | <p>Low Impact: NA</p> |

| Contents | | ? | Any questions? |
|---|--------------------------------|---|--|
| 1 | Summary | 3 | Contact: |
| 2 | Governance | 3 | Joint Office of Gas Transporters |
| 3 | Why Change? | 3 | |
| 4 | Code Specific Matters | 4 |  enquiries@gasgovernance.co.uk |
| 5 | Solution | 4 | |
| 6 | Impacts & Other Considerations | 4 |  0121 288 2107 |
| 7 | Relevant Objectives | 5 | Proposer: |
| 8 | Implementation | 6 | Kirsty Dudley |
| 9 | Legal Text | 6 |  Kirsty.Dudley@eonenergy.com |
| 10 | Recommendations | 6 |  07816 172 645 |
| Timetable | | | |
| The Proposer recommends the following timetable: | | | Transporter: |
| Initial consideration by Workgroup | 22 May 2018 | | Insert name |
| Workgroup Report presented to Panel | 15 November 2018 |  | email address |
| Draft Modification Report issued for consultation | 15 November 2018 |  | telephone |
| Consultation Close-out for representations | 6 December 2018 | | Systems Provider: |
| Final Modification Report available for Panel | 10 December 2018 | | Xoserve |
| Modification Panel decision | 20 December 2018 |  | UKLink@xoserve.com |
| | | | Other: |
| | | | Sallyann Blackett |
| | |  | Sallyann.Blackett@eonenergy.com |
| | |  | 07912 806 290 |
| | | | |

1 Summary

What

During the development of '0644 - Improvements to nomination and reconciliation through the introduction of new EUC bands and improvements for the ALP and DAF' it was determined that enhancing the Composite Weather Variable (CWV) (as part of the Weather Correction Factor (WCF)) could require lengthy independent development compared to other aspects of the Modification; the End User Categories (EUC), Daily Adjustment Factors (DAF) and Annual Load Profiles (ALP).

This modification proposes to develop the CWV to incorporate more than just wind speeds and temperature to provide further stability and build on the EUCs developed as part of 0644¹.

Why

The benefit of making this change would be improvements to nominations and subsequently reconciliation because the profiled volume would be closer to the actual consumer consumption. It is also anticipated that Unidentified Gas (UIG) would be less volatile as a result, making energy purchasing less volatile for all Shippers. It is expected that the benefits of Improving nominations ahead of and on the day, and reconciliation after close out would outweigh any costs from this revised approach.

The proposed amendments would also improve the shaping of the EUC band profiles. There could be different shapes per profile, each being more reflective of the actual usage of the site.

How

To expand the data items included in the CWV to improve the WCF applied to all EUCs (including those proposed by Modification 0644) which is likely to require amendments to Section H 5.1.1.

2 Governance

Justification for Self-Governance Direction

This change is looking to amend elements of demand forecasting which will further improve UIG, although the topic is currently of material impact to some parties this change is just looking to amend the weather elements used within the calculation, we therefore recommend this change proceeds as self-governance rather than authority consent.

Requested Next Steps

This modification should:

- be considered a non-material change and subject to self-governance
- be assessed by a Workgroup

¹ Implementation is being progressed through CDSP change document 'XRN 4665 – Creation of new EUCs'

3 Why Change?

Why Change the Composite Weather Variable / Weather Correction Factors?

The CWV/WCF only takes into consideration two elements currently (wind speeds and temperature), however, consumer behaviour in all EUC bands, that are not process load based, are sensitive to more than just these elements. For example, on two consecutive days you may have the same temperature but one day is overcast with rain and the other day is dry and bright. It is acknowledged that behaviours change because on the greyer day you would see increased energy consumption because it is perceived to be colder. Fluctuations like these are not agnostic to the time of year and can occur at any time other than the peak of summer. Scenarios such as these are not catered for currently and it is our belief that expanding the CWV to incorporate further variable elements will improve accuracy.

The current approach to WCF calculation doesn't allow sufficient movement if the weather is a long way from seasonal normal. Given the opportunity to amend CWV and given the reshaping possible within the CWV, it will automatically influence the SNCWV but the simple WCF formula should also be reviewed.

Although Modification 0644 is delivering a pragmatic improvement this modification is seen as allowing a more analytical solution that should future proof the demand estimation process.

4 Code Specific Matters

Reference Documents

NDM Demand Estimation Methodology

TPD Section H

Knowledge/Skills

These would include UIG, statistical analysis and demand modelling, nomination process and the reconciliation process.

5 Solution

Expand the data items included in the CWV to improve the WCF applied to all EUCs (including those proposed by Modification 0644) which would require amendments to Section H 5.1.1.

The Workgroup will define the additional weather variables through the development of this Modification. New weather data items would be added to the model the NDM Demand Estimation Methodology document (3.2.1) and Section H (5.1.1). Sections 3.2.1 a) and b) of the NDM Demand Estimation Methodology document explicitly lists temperature and wind speed and the solution would be to extend this data set to include other variables (e.g. rain) to introduce improved accuracy in profiling.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None

Consumer Impacts

No direct impacts identified – although improved allocation will ensure a closer match between Transporters invoiced charges and customer actual demand, minimising reconciliation flows and improving volatility in energy purchasing.

Cross Code Impacts

None identified – it is not believed any SPAA impacts exist, however, there may be IGT UNC changes required to complement this modification, these assumptions will be ratified by the Workgroup and an IGT modification will be sponsored if required.

EU Code Impacts

None

Central Systems Impacts

Changes would be required to central systems to introduce the new weather variables and Gemini would need amending for CWV and WCF changes so a ROM would be required. In addition, the CDSP will need to procure the additional weather items, as such we expect the initial analysis may need to be done by Shipper organisations who have the data available.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

| Relevant Objective | Identified impact |
|---|-------------------|
| a) Efficient and economic operation of the pipe-line system. | None |
| b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters. | None |
| c) Efficient discharge of the licensee's obligations. | None |
| d) Securing of effective competition: <ul style="list-style-type: none"> (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. | Positive |

| | |
|--|------|
| e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers. | None |
| f) Promotion of efficiency in the implementation and administration of the Code. | None |
| g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators. | None |

This modification delivers positive impacts to Objective (d) as it improves accuracy in nominations and reduces reconciliation and UIG. It would therefore promote accurate cost targeting and improve effective competition furthering relevant objective d).

8 Implementation

No implementation timescales are proposed. However, implementation would be most beneficial at the start of the gas year so it is proposed as 01 October 2019.

9 Legal Text

Text Commentary

To be provided by the Transporters

Text

To be provided by the Transporters

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that self-governance procedures should apply
- Refer this proposal to a Workgroup for assessment.