

Modification Proposal 0262
Revision to the Demand Forecasting Process

27 January 2000

Present Situation

The demand forecasting process estimates the offtakes for Non Daily Metered (NDM) sites. These NDMs are divided into categories relating to the demand and peakiness of the site. A number of NDMs in each category have data recorders to monitor the daily offtakes for the different sites. The data is then used to forecast the demand for the following year.

British Gas Trading, the proposer of this modification, maintain that the industry currently operates with limited valid information and without clear consideration of the appropriateness of certain factors including Nationally Diversified Load Factors (NDLFs) and scaling factors.

Proposal

This proposal addresses many issues within the Demand Forecasting process. The aim of the modification is to amend Demand Estimation rules to allow changes that would better reflect true demand patterns. This modification proposes that:

- Section H1.6 of the Network Code should be rewritten to allow an increased number of data points to be captured in each demand band.
- The rules affecting NDMs with an Annual Quantity above 75,000 therms per annum should be reconsidered.
- The data capture should be subject to an annual review.
- The timetable for developing the annual updated Demand Model should be reduced to allow necessary changes to feed into that year's pricing changes.

Transco's Recommendation

Transco recommends part implementation of this modification. Transco believes that the following changes should be made to the Network Code:

- There should be a bottom stop number of approximately 1600 supply points for NDM sample sites above 75,000 therms per annum.
- In the event of the Director's Condition 7(4) disapproval then the previous year's demand models are approved, however, that the profiles are re-computed for the day of the week pattern applicable to the next year.

Ofgem's Decision

Ofgem have accepted Transco's recommendation for modification 0262, part implementation of the original proposal. However, many other issues that have been raised in this modification:

- Ofgem agrees with Transco that the value of increased sample sizes on model accuracy is unproven.
- Ofgem does not welcome any extension of NDLFs to NDM sites above 75,000 therms per annum. Rather, the existing use of NDLFs below 75,000 therms pa should be phased out.
- Ofgem agreed that moving away from NDLFs for gas year 2000/2001 was not practical without causing significant price shocks to individual NDM customer groups. Therefore, Ofgem is content for Transco to continue to use the phased adjustment of NDLFs for that year.
- Ofgem is happy for the continued use of model smoothing so long as its use is kept constantly under review.
- Although Ofgem can see some merit in expanding the timetable existing timetable for the annual NDM process, there seems little merit in moving the timetable forward too much as the data will be even more out of date.

Possible Impact on Customers

The modification seeks to increase the accuracy of NDM demand forecasting. If the accuracy of this service increases, shippers costs will decrease and this may ultimately lead to a reduction in the cost to customers.

Further Information

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