

TERMS OF REFERENCE

"Review of NDM demand forecasting methodology"

Version: 2.0

Group Composition

Transco

Paul S Rogers

Rohan L DeSilva

External Parties

David Jessop (Scottish And Southern Energy plc)

Martin Phelps (PowerGen UK plc)

Christina Butler (British Gas Trading)

John Costa (London Electricity plc)

Charles Ruffell (Innogy)

Mark Vaughan (OFGEM)

Network Code References

Section(s):

Paragraph(s):

Nature of Review Proposal

Shippers have expressed concern that the implementation of Modification Proposal 0511

“Removal of NDM Forecast Deviation from Imbalance Calculations” may impose inappropriate risks on Users that they cannot efficiently manage.

This Review Group was proposed to consider the effectiveness of the current treatment of NDM load in respect of forecasting, the “after the day” allocation process that underpins the current daily balancing regime and the extent to which Network Code can best facilitate achievement of the relevant objectives in this area. The Review Group would envisage making recommendations should the potential for improvements be identified as part of the process.

Scope

The Review Group will examine the treatment of NDM balancing in respect of the demand forecasting process, D+5 allocations, cashout and reconciliation with the intent of identifying potential improvements in the regime which better facilitate the economic and efficient operation of the system.

Terms of Reference

1. Identify what treatment of NDM load is required to:
 - Deliver economic and efficient operation of the system

- Provide appropriate incentives to both forecast and achieve efficient daily balancing paying particular regard to the treatment of NDM portfolios
2. Identify possibilities, if any, for improvement in the demand attribution process in forecast and allocation mode. To consider and understand the 'end to end' process, including reconciliation and RbD by:
- Investigating strengths and weaknesses of the current regime
 - Consider alternative approaches and their potential impacts
 - Assessing the outcome of changes introduced by Modification Proposal 0496.
3. Identify appropriate incentives to nominate and balance against NDM Load
- How might NDM load projections best be derived
 - Incentives to provide information to support accurate NDM nominations
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 - Consider the imbalance and subsequent reconciliation cashout regime
4. Consider information exchange and communication
- Provision of information to Users to support NDM forecasts
 - Provision of information from Users to Transco to support forecasting and how, and to what effect, Transco might use such data
 - Systems and process changes to facilitate the above
5. Identify risk mitigation approaches for Transco and Users to manage NDM uncertainty.
- Consideration of risk mitigation measures with regard to forecast deviation such as Modification Proposal 0553.

Timetable

Sep 2002	Review Group formulate workplan and commence research/debate
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Sep - Oct 2002	Exploration of issues Development of understanding Assessment of strengths and weaknesses of current approach
Oct 2002	Formal report to Panel covering <ul style="list-style-type: none">• Strengths/weaknesses assessment• Plans for further work