

## Demand Estimation Sub-Committee 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	Non-Voting
Chris Warner	(CW)	Cadent	Voting Member
Dean Pearson*	(DP)	Northern Gas Networks	Voting Member (Alternate)
Fiona Cottam	(FC)	Xoserve	Non-Voting
Jason Blackmore	(JB)	British Gas	Voting Member
Joseph Lloyd	(JL)	Xoserve	Non-Voting
Josh Mallett	(JM)	nPower	Voting Member (Alternate)
Lorraine Edgcumbe	(LE)	E.ON	Non-Voting
Louise Hellyer	(LH)	Total Gas & Power	Non-Voting
Luke Reeves*	(LR)	EDF Energy	Non-Voting
Mark Jones	(MJ)	SSE	Voting Member
Mark Palmer*	(MPa)	Orsted	Non-Voting
Mark Perry*	(MPe)	Xoserve	Non-Voting
Martin Attwood	(MA)	Xoserve	Non-Voting
Philip Costin	(PC)	Xoserve	Non-Voting
Richard Pomroy*	(RP)	Wales & West Utilities	Non-Voting
Sallyann Blackett	(SBI)	E.ON	Voting Member
Simon Geddes	(SG)	National Grid NTS	Voting Member
Smitha Coughlan*	(SC)	Wales & West Utilities	Voting Member
Usman Bagudu	(UB)	National Grid NTS	Non-Voting

### Apologies

Fiona Speake	(FS)	npower	Voting Member
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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 (13 February 2018)

The minutes from the previous meeting were approved.

### 1.4. Review of Outstanding Actions

**Action DESC1104:** ALL DNs to investigate their current contract arrangements to assess if it is possible to procure day ahead (D+1) 8am weather forecasts.

**Update:** FC advised that to date, one DN has responded supporting procurement of 'day ahead (D+1) 8am weather forecasts' - it was agreed the action could be closed. **Closed**

**Action DESC1105:** Xoserve (FC) to investigate whether 8am weather can be used in the day ahead calculations.

**Update:** FC explained that an internal Xoserve feasibility study revealed that whilst it would be possible to minimise volatility between runs, it would necessitate the raising of a formal DSC Change Management Committee Change Proposal – LH kindly volunteered to raise the Change Proposal. **Closed**

**Action DESC1106:** NTS to clarify the EU requirement for publication of 11am nomination run data at day ahead (D+1).

**Update:** Please refer to action DESC1105 above for details. **Closed**

**Action DESC0201:** Xoserve (MA) to provide reconciliation analysis for the SSPs and LSP's (any additional months) for the next meeting.

**Update:** MA explained that information has already been presented at a previous meeting and that whilst so far some SSP related data has been exported (with more to follow), the aim is to provide more information at the November / December DESC meeting(s).

MA pointed out that a supporting analysis presentation (entitled Action: DESC0201 – Reconciliation Analysis) has been published under today's meeting papers for parties to consider at their leisure, so please feel free to provide feedback to Xoserve after the meeting. **Carried Forward**

**Action DESC0202:** Xoserve (MP) to work with TWG to investigate the 'cut off' process deployed and assess if any process changes are required.

**Update:** MA explained that an email had been issued relating to this matter on 26 February 2018. **Closed**

**Action DESC0203:** E.ON (SB) to contact Ofgem for them to request data from the Shippers for modelling purposes (proposed new EUC bands and existing EUC bands).

**Update:** SB explained that E.ON has contacted Ofgem and have also raised UNC Modification 0654 'Mandating the provision of NDM sample data' in the interim in order to mandate shippers to provide the information. **Closed**

**Action DESC0204:** British Gas (JB) to investigate relationships between additional weather data items and gas demand and how these could be incorporated into the CWV formula.

**Update:** JB highlighted the fact that the matter would be discussed in more detail at a forthcoming UNC Modification 0659S 'Improvements to the Composite Weather Variable' Workgroup meeting scheduled to take place on 31 July 2018. **Carried Forward**

**Action DESC0205:** Xoserve (MP) to document the changes to Spring Modelling Approach and for it to be sent to the DESC Members, for them to approve it via email by the end of February 2018.

**Update:** SB suggested that this action had already been completed. **Closed**

**Action DESC0206:** Xoserve (MP) to produce a Strawman of the existing Work Plan items listing the impacts, next steps and prioritisation and to include two new items - Review appropriateness of EUC definitions for Bands 5 to 8, and Explore if other weather data items have a relationship to gas demand and if so how could they be incorporated to the CWV calculation.

**Update:** MA pointed out that materials relating to this matter had been published under the February 2018 meeting papers. **Closed**

## 2. Review and approval of 2018/19 NDM Algorithms as per recommendation by TWG

In providing a quick overview and recap of the DESC TWG discussions, FC explained that the 2018/19 NDM Algorithms have been compiled following the agreed 'Spring Approach' including validation of both Shipper and Transporter data.

When asked, DESC members in attendance voted by majority (7 out of 8) to approve the 2018/19 NDM Algorithms, as proposed.

Following approval, FC explained that Xoserve would now look to draft a supporting communication for issue by the Joint Office, seeking industry responses by close of play on Tuesday 17 July 2018.

When asked, DESC members in attendance agreed to consider the 2018/19 NDM Algorithms industry responses at short notice at the 24 July 2018 DESC meeting.

## 3. Demand Estimation Methodology

In providing a brief overview of the rationale behind E.ON's proposed changes to the NDM Demand Estimation Methodology document, SB explained that the main aim is to address post Project Nexus UIG related issues and concerns.

In referring to UNC Modification 0644 'Improvements to nomination and reconciliation through the introduction of new EUC bands and improvements for the ALP and DAF', SB explained that the proposed solution is split into both immediate and future aspects.

Returning to reviewing the proposed methodology document changes, SB explained that whilst the proposed amendments look to add scaling mechanisms on the ALPs and DAFs, E.ON recognises that this is not a perfect solution, although it does believe that UNC 0659S 'Improvements to the Composite Weather Variable' should also assist addressing industry concerns.

SB explained that in short, the proposed amendments take the form of a 'one off' change that seeks to reduce UIG levels for the forthcoming year. Furthermore, E.ON believes that these scaling measures would apply successfully across the Band 1 ALPs and across the board for the DAFs – E.ON see this as a pragmatic solution for this Gas Year that could be unpicked if deemed appropriate, for the following year, subject to successful progression of other related UIG modifications.

When asked, SB confirmed that whilst the UIG levels could potentially reduce to circa 3%, the proposals would not completely remove UIG, although it is expected to potentially reduce the volatility levels.

In explaining the approach behind the proposed amendments, SB advised that E.ON have utilised the 3 simulated years of data in order to look to minimise the allocation / reconciliation variance. Parties were asked to note that whilst E.ON has utilised simulated data, the output from the exercise appear to be consistent with E.ON's modelling expectations. When JB suggested that this is really an AQ related issue, SB responded by indicating that she remains of the view that this is a weather sensitivity (volume) related issue (i.e. change weather variables to ensure that any ALPs and DAFs better 'match' how we perceive they should work) – in recognising that this is an imperfect solution, it is hoped that it would reduce reconciliation and associated volatility aspects.

When JB voiced his concerns that the focus of the analysis appears to centre on Band 1 aspects, FC reminded everyone that Band 1 represents 50 – 60% of the whole AQ whilst SB pointed out that since Project Nexus implementation, Band 1 is the only band in which we have been adding volume. When JB enquired whether or not, we could look to apply the ALPs across all market segments, LH indicated that she does not believe that this represents a viable option on the grounds that reconciliation indicators do not support such a suggestion.

When SB indicated that she could possibly look to edit the proposals to indicate we are scaling across all EUCs, JB questioned the approach as he feels we are in danger of targeting certain market segments, a la the pre Nexus world.

When asked about potential timescales, SB indicated that either she would like the proposed changes to go to the next UNCC meeting, or simply leave things 'as-are' in which case, we would expect to witness UIG levels in the 5 – 6% area. When asked whether or not, the E.ON information has been validated by anyone, SB explained that E.ON has not only utilised industry information, they would be more than happy to share this with other parties. Furthermore, it should be noted that the Transporters are of the opinion that any proposed changes can be undertaken outside the auspices of UNC Modification 0644 developments (i.e. there are no UNC related legal text requirements).

In indicating that British Gas is broadly sympathetic to E.ON's proposals, it remains concerned about the (DESC) governance and transparency aspects, especially when its contacts have also voiced similar concerns. Responding, SB pointed out that the matter has been debated within the 0644 Workgroup that is regularly attended by a British Gas representative. HC provided a brief overview of UNCC governance processes.

When it was suggested that perhaps Xoserve could look to validate E.ONs data, FC advised that whilst they could theoretically accommodate the changes, Xoserve would struggle to resource requirements at this time.

When SB reiterated that it is not E.ONs data, but rather industry data provided to them by Xoserve, RP suggested that (in his capacity as a UNCC member) it might be helpful to have a summary of the DESC discussions available at the UNCC meeting to aid parties understanding and ability to make an informed decision.

When asked if it is necessary to have these factors 'hardcoded' into the document, FC responded by pointing out that it is getting extremely close to the point when Xoserve would need to load the factors into the system, and any alternative solution would potentially require a new methodology approving at the UNCC, supported by DESC then approving any suitable validation test criteria – in short, we are out of time.

In focusing attention on E.ONs proposed changes to the document and specifically the 'Winter' and 'Summer' values in paragraph 3.4.4, JB proposed an alternative solution whereby these levels are reduced by 50%, in order to look to reduce the level of uncertainty around the un-validated E.ON data. When challenged for a justification as to why 50%, JB suggested that this would go some way to addressing BG's concerns around a lack of visibility and validation, which in their eyes provides a more pragmatic solution.

The committee considered the option of retaining the current methodology against the merits of amending the methodology which would reduce reconciliation and associated volatility. It was agreed to take a vote on the two options proposed by E.ON and British Gas to ascertain a preference.

When asked to vote on the E.ON proposed amendments to the 'NDM Demand Estimation Methodology' document, DESC members voted by a majority of 4 to 3 with 1 abstention in favour of recommending the E.ON proposals (**For:** MJ, SB, CW and SG, **Against:** JM, JB and DP, **Abstention:** SC).

When then asked to vote on the British Gas proposed (50% reduced ALP/DAF scaling values) amendments to the E.ON proposed changes to the 'NDM Demand Estimation Methodology' document, DESC members voted by a majority of 7 to 1 in favour of rejecting the British Gas (amended) proposals (**For:** JB, **Against:** JM, MJ, SB, CW, DP, SG and SC).

Following the formal vote in favour of E.ON's proposed amendments, SB advised that she would now present the proposed changes to the 'NDM Demand Estimation Methodology' document at the 18 July 2018 UNCC meeting.

#### 4. Communication of Key Messages

The following key messages were agreed:

- The Non-Daily Metered (NDM) Demand Estimation proposals for the forthcoming gas supply year have been now been approved by the Demand Estimation Sub Committee. These obligations were carried out on behalf of DESC by Xoserve in conjunction with the Technical Workgroup of DESC. The proposals are now available to all Users electronically via the Xoserve secure internet site, accessed by clicking on UK Link Secured Documentation link on webpage <http://www.xoserve.com/index.php/our-systems/extranet-secured-sites/>. The proposals are in Folder 18, under 2018-19 Gas Year, 3. Demand Estimation Parameters. Users may submit representations on the proposals no later than **Tuesday 17th July 2018**.
- DESC members recommended acceptance of the proposed E.ON amendments to the 'NDM Demand Estimation Methodology' document for approval at the July UNCC.

#### 5. Any Other Business

None.

#### 6. Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:00 Tuesday 24 July 2018	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard agenda items. <ul style="list-style-type: none"> <li>• Consideration of the 2018/19 NDM Algorithms industry responses</li> </ul>

**Action Table (as at 09 July 2018)**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
DESC 1104	21/11/17	3.2	ALL DNs to investigate their current contract arrangements to assess if it is possible to procure day ahead (D+1) 8am weather forecasts.	ALL DN's	Update provided. <b>Closed</b>
DESC 1105	21/11/17	3.2	Xoserve (FC) to investigate whether 8am weather can be used in the day ahead calculations.	Xoserve (FC)	Update provided. <b>Closed</b>
DESC 1106	21/11/17	3.2	NTS to clarify the EU requirement for publication of 11am nomination run data at day ahead (D+1).	NTS	Update provided. <b>Closed</b>
DESC 0201	13/02/18	2.0	Xoserve (MA) to provide reconciliation analysis for the SSPs and LSP's (any additional months) for the next meeting.	Xoserve (MA)	<b>Carried Forward</b>
DESC 0202	13/02/18	3.0	Xoserve (MP) to work with TWG to investigate the 'cut off' process deployed and assess if any process changes are required.	Xoserve (MP)	Update provided. <b>Closed</b>
DESC 0203	13/02/18	3.0	E.ON (SB) to contact Ofgem for them to request data from the Shippers for modelling purposes (proposed new EUC bands and existing EUC bands).	E.ON (SB)	Update provided. <b>Closed</b>
DESC 0204	13/02/18	3.0	British Gas (JB) to investigate relationships between additional weather data items and gas demand and how these could be incorporated into the CWV formula.	British Gas (JB)	<b>Carried Forward</b>
DESC 0205	13/02/18	3.0	Xoserve (MP) to document the changes to Spring Modelling Approach and for it to be sent to the DESC Members, for them to approve it via email by the end of February 2018.	Xoserve (MP)	Update provided. <b>Closed</b>
DESC 0206	13/02/18	4.0	Xoserve (MP) to produce a Strawman of the existing Work Plan items listing the impacts, next steps and prioritisation <u>and</u> to include two new items - Review appropriateness of EUC definitions for Bands 5 to 8, and Explore if other weather data items have a relationship to gas demand and if so how could they be incorporated to the CWV calculation.	Xoserve (MP)	Update provided. <b>Closed</b>