

Demand Estimation Sub-Committee Minutes
Tuesday 08 November 2011
ENA, 52 Horseferry Road, London SW1P 2AF

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Fiona Cottam	(FC)	Xoserve
Gareth Lloyd	(GL)	National Grid NTS
Joseph Lloyd	(JL)	Xoserve
Linda Whitcroft	(LW)	Xoserve
Louise Gates (Member)	(LG)	EDF Energy
Louise Hellyer	(LH)	Total Gas & Power
Mark Perry	(MP)	Xoserve
Martin Attwood	(MA)	Xoserve
Matt Jackson (Member)	(MJ)	Centrica
Matt Jenks (Member)	(MJ1)	RWE npower
Mo Rezvani	(MR)	SSE
Richard Pomroy	(RP)	Wales & West Utilities
Sallyann Blackett (Member)	(SB)	E.ON UK
Steve Baker (Member)	(SB1)	RWE Npower
Tim Davis (Secretary)	(TD)	Joint Office
Tom Young	(TY)	E.ON UK

Meeting papers are available at www.gasgovernance.co.uk/desc/081111

1. Introduction

BF welcomed all to the meeting. The meeting was declared quorate.

LW informed attendees that elements of the analytical work had previously been outsourced, however from 1st January 2012 all of the demand estimation processes will be performed in house, and the team will be led by FC going forward, this was explained on a team structure chart. Hence there were more Xoserve attendees than normal at the meeting.

2. Review of Minutes and Actions from the previous meeting(s)

The minutes and actions from the meeting held on 29 July 2011 were reviewed.

2.1. Minutes

The minutes from the previous meeting were accepted.

2.2. Actions

DE1102: RV Analysis (Slide 6): Provide view of reconciliation data for population at December 2010.

Update:MP reported that the information had been published, and could be discussed during the February DESC meeting. MJ asked if the analysis could be presented showing the unreconciled volume rather than only percentages. MP agreed to do this for the February DESC meeting, as part of the RV analysis. **Closed**

DE1112: All to consider moving the Scottish Bank Holiday into a different Holiday Code rather than continuing to influence the effect of Holiday Code 2; provide comments to Xoserve by 31 August 2011.

Update:See Item 3 below. **Closed**

3. **Holiday Code Rules for Spring 2012 Modelling**

MP presented for Xoserve, setting out proposals for the Spring 2012 modelling and how the previously discussed rules are to be implemented – in the absence of any other feedback.

RP asked if there would be value in going through the seven possibilities previously identified, and how this would work going forward. MP and SB felt that all issues had been driven out in previous discussions and no other anomalies or shocks were anticipated. However, SB asked how many years would be impacted by the changes and if there might be any unintended consequences in a given year. MP acknowledged that writing the rules was difficult because of the impacts on differing circumstances, but believed the approach should cover the eventualities, although it would be possible to revisit future years (post 2012/13) in due course.

It was accepted that the rules captured the way forward identified at the July DESC meeting and should be adopted.

4. **Re-evaluation of Model Smoothing Methodology**

MP presented for Xoserve, and confirmed that a second version of Appendix 6 of the annual NDM report for 2011/12 had been issued, correcting a publication error concerning the CWV intercepts.

In terms of the analysis, MP demonstrated the benefits of smoothing – using three years rather than a single year's data – looking at CWV intercept variations and the RMSE as indicators of volatility. The analysis also included looking at a predicted year to assess performance of the smoothed model, and trends in the analysis to assess movements in the CWV intercept.

SB noted that the analysis was focused on the intercept and that there may be clearer trends and discrepancies in specific areas – for example, a seasonal shift would not be picked up by the analysis.

RP indicated that other approaches may help to test the statistical significance of the results, and MP suggested that the prospective Expert Group might consider this.

MP's proposal was that the present approach should be retained for the Spring 2012 analysis, with a review in Autumn 2013. MR asked why a blanket approach should be adopted rather than using the statistically best result in specific cases i.e don't use smoothing in the models where it was statistically not the best result. MP did not believe this was practical with the requirement being to adopt a single methodology, and noted that smoothing helped with volatility even if not always for predictive performance. FC advised that

smoothing helps to reduce any potential fluctuations in SOQ, therefore was usually considered desirable from a charging perspective.

Attendees then agreed continuation of the present approach.

5. **Evaluation of Demand Model Performance for Gas Year 2010/11: Scaling Factor (SF) and Weather Correction Factor (WCF) Analysis**

MP then presented analysis of NDM algorithm performance, focussing at this stage on the SF and WCF.

TY questioned the impact of the Easter Royal Wedding on demand versus that expected was questioned, with some sharp spikes evident around this time in the WCF. MP indicated that this had not been specifically addressed, but suggested the impacts would be visible in later analysis of sample consumption. SB noted that the variations might be taken away to some extent if there was a weather correction factor that related to weather correction, rather than capturing a range of impacts. She also felt that the issues were around variations in customer behaviour being greater as conditions moved further away from SND.

Looking at SFs, SB asked if it was known what to look for in order to avoid LDZs becoming worse during the year – as had happened in the previous year, with profiles having been biased and SFs needed to be applied throughout the year to offset this. MP hoped the sample analysis would inform this. Looking at the table presented, GL's instinct was that the impact could be related to AQ variations. MR wondered if the variation in weather away from the norm was an issue in the affected LDZs. SB added that customer behaviour appeared to be changing, with demand falling off quicker than previously – but was unclear why some LDZs should be particularly impacted. The possibility of offtake errors was also raised, as was variations in vacant rates. It was agreed that some analysis to try and identify underlying factors would be worthwhile, looking at variations across the year as well as within LDZs.

On the table showing NDM AQ change, it was recognised that some DM interruptible load had become NDM, which could mask that data and distort any trends. Nonetheless, the fact that an increase was shown in one LDZ was unexpected. MR noted that a better statistic would exclude new NDM loads in order to exclude unobserved fixed effects and so identify underlying trends.

6. **Workplan/Meeting Dates for 2012**

Arrangements for 2012 have been made as follows:

Date (2012)	Time	Venue	Programme
Wednesday 01 February	10:30	31 Homer Road, Solihull B91 3LT	To be confirmed
Thursday 31	10:30	ENA, Dean Bradley	To be confirmed

May		House, 52 Horseferry Road, London SW1P 2AF	
Wednesday 25 July	10:30	31 Homer Road, Solihull B91 3LT	To be confirmed
Wednesday 07 November	10:30	ENA, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF	To be confirmed

It was recognised that this would need to be revisited if Modification 0331 is implemented, and also to reflect Project Nexus developments.

7. Any Other Business

7.1. Project Nexus - New allocation algorithm

FC presented slides that had previously been shared with the Project Nexus Workgroup, looking at potential requirements that might be adopted when Xoserve systems are refreshed, and which take account of Smart Meter developments. It was also emphasised that the presentation was of one approach – others could be brought forward and would be welcomed. FC also drew attention to the need to ensure that loads without a Smart Meter are not disadvantaged prior to full roll out. In addition, it should be noted that the underlying presumption was that reconciliation would be undertaken on actual readings.

A number of potential issues were identified in discussion, looking at both allocation and nominations, and it was agreed that these should be looked at in order to identify and develop the detail of an agreed way forward to meet the requirements identified as part of Project Nexus. To fit with the potential timetable for systems replacement, completion of this during 2012 was likely to be necessary. It was suggested that an initial meeting might be helpful to brainstorm possibilities, which would then allow some analysis to be undertaken in light of the ideas raised. It was provisionally agreed that this would take place on 09 December, and a follow-up meeting could coincide with the 1 February DESC meeting.

7.2 Modification 0330 – Delivery of additional analysis and derivation of Seasonal normal weather

This was implemented on 01 November 2011. SB questioned how the implications were going to be taken into account and the proposed tendering process taken forward. LW indicated that a meeting with the Transporters was planned to identify a plan for moving this forward. It was agreed that an update would be provided at the planned 09 December meeting, when all were encouraged to bring forward details of the analysis they would wish to see commissioned. MR believed the modification is clear on the requirement, although more detail could be provided on 09 December of any areas the Transporters believed require clarification.

7.3 Modification 0331 – Demand Estimation Section H Changes to Processes and Responsibilities

Ofgem had raised some issues with the legal text, which is being reviewed. An Ofgem decision will await this. It was agreed that an update would be provided at the 09 December meeting. BF also indicated that draft terms of reference for the proposed committee structure had been prepared with a view to presenting them to the November meeting of the Uniform Network Code Committee.

8. Diary Planning

DESC is due to meet again at 10:30 on Friday 09 December, and then Wednesday 01 February 2012, both at 31 Homer Road, Solihull B91 3LT.

Action Log: Demand Estimation Sub Committee

Action Ref*	Meeting Date(s)	Minute Ref	Action	Owner	Status Update
DE1102	01/02/11	2.2	RV Analysis (Slide 6): Provide view of reconciliation data for population at December 2010.	Xoserve (MP/JL)	Closed
DE1112	29/07/11	3.	All to consider moving the Scottish Bank Holiday into a different Holiday Code rather than continuing to influence the effect of Holiday Code 2; Provide comments to Xoserve by 31 August 2011	All	Closed