Nexus Impact on Allocation

Tuesday, 06 December 2011

E.ON thoughts on Allocation options

1. Possible updates to Allocation algorithm

2. Consideration of continuation of current form of CWV for demand relationship

3. Thoughts on other potential implications

The options presented here are not exhaustive and have not been fully analysed for investigation of their viability/accuracy. They are intended to prompt debate.

Wider principles (1)

- However Allocation works in the future, we consider it necessary for there to remain a smearing/scaling factor
  - Even if all products were 1 or 2 then there would still be a need to account for theft, leakage, or meter read/transmission fails
  - Needs to be applied across all users fairly
  - Could have two components; one for all meters in LDZ level and tuned to the sensitivity of the "EUC" of the meters, one at the national level and across all users to make LDZ match national.

Wider principles (2)

- Grouping users by weather response still appears sensible. "EUC" is used in this sense in this presentation but we do not feel that EUCs will necessarily be the same in the new method as at present

- Method needs to be transparent

- Needs to be future proof for use in a "fully" Smart world

Option A – scaled sample

- A sample will poll data daily. This could be a dynamic sample used for allocation on D+2

- With a known AQ for the sample and the AQ by "EUC" in the LDZ, the usage could be scaled up by an appropriate method, and then smeared across the users in the LDZ

Thoughts on Option A

- What are the implications for moving away from profiles?
  - Still need an accurate share of national nomination across shippers
  - Is there anything else that uses Profiles that would be affected?

- For transparency, would be necessary to see sample data along with Allocation → need to ensure meets Data Protection criteria

- Could improve as Smart rollout progresses and be enlarged as products 1 and 2 sample size increase

- Less work for xoserve in Spring period

- Sample data already

- Unknown impacts on reconciliation

Option B – variant of initial xoserve option

- As per xoserve presentation of 8th November

$$S.P.\ Demand = (AQ/365)\ ^*\ ALP\ ^*\ (1 + [WCF\ ^*\ DAF])\ ^*\ SF$$

- Under xoserve option, WCF modified to a Normal-Outturn CWV delta. DAF modified to a per-CWV sensitivity.

Thoughts on Option B

- Has benefit of small conceptual change

- The "DAF" should be day and time of year specific to allow for holidays/weekends

- There need not be a constraint on number of "[WCF * DAF]" terms
  - Could break CWV to component parts
  - May allow fine tuning for additional variables or for time of day (Smart data)

- Can capture some Smart benefit in tuning CWV and greater sample size

- May be definable in conjunction with any review of "EUCs"

Option C – No ALP

- AQ/365* by meter point in sample

- Apply weather and conditions assumption

* or 366

Other thoughts on Nexus

- Is there a limitation set on product 3 such that data could not be submitted daily, i.e. they could become by practice product 2?

- The approach that is decided on for settlement needs to align with that proposed for AQ change
  - Still need to weather correct AQs