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11.07.2018

Demand Estimation Methodology Update

UNCC 18/7/18

Background

- Unidentified Gas has been impacting the industry negatively since Nexus implementation.
- Mod 644 was raised by E.ON in December 2017 and included revision of the weather parameters
- During Mod discussions it became clear that we had very few options to get fast resolution of the allocation process for the next gas year
- We have taken the route of two fixes that can be implemented for the gas year 2018/19, currently in the revised 644, and two new modifications 654 and 659 that look to implement more accurate improvements but will take longer
- The fixes for this gas year are new EUC's, which have been derived through the DESC route and are waiting Xoserve system change for implementation, and the DEM (Demand Estimation Methodology) update

DEM Proposal

- Current weather elements of the allocation algorithm do not allow sufficient flex as weather moves away from seasonal normal
- While the statistically accurate method would be to implement changes to the WCF and CWV parameters these are hard coded into systems (Hence Mod 659 but 2020 implementation)
- We have looked to optimise the DAF parameters to minimised the variance of the residuals between allocation and actual demand at an LDZ level. This will reduce volatility of the UIG by allowing allocation to be flexed for ‘more’ weather
- In addition we looked at the total allocation level, this is consistently too small and suggests that we need to have more volume in allocation. Again this is likely a weather element. While the analysis originally assessed ALP scaling across the board the only EUCs that are totally consistent are EUC1, so we have recommended scaling only for these EUC bands
- Although we have not undertaken the analysis to minimise reconciliation, there will be a side benefit of less reconciliation volume

Summary

- DEM is a pragmatic temporary implementation to allow improvements for the next gas year
- All analysis has used industry data from MIPI and the Xoserve website and is published on the Joint Office website
- DESC had a full discussion and voted to approve by a slim majority
- This is anticipated to only apply for a single gas year to give respite while a more permanent solution goes through the modification processes
- It is the only solution that could be identified that is practical, will make a noticeable improvement and can be implemented without system change