

Terms of Reference

UNC Modification Reference Number 0176

Review of NDM Profile Allocation Parameters

Purpose

This review proposal seeks to establish the benefits and opportunities associated in respect of the NDM Profile Allocation Parameters.

Background

The current methodology for allocation of gas throughput post close out, and for estimation of NDM nomination values prior to and on the gas day, has been in place since work with Touche Ross during development of the network code regime. The formula used to allocate energy between shippers is defined in section H2.2 using the familiar parameters of AQ, ALP, DAF and WCF. Demand is derived in advance of the gas day using forecast total gas demand and shared to each shipper pro-rata using the formula. Post D+5 the allocation is scaled to ensure all gas transported on the day is allocated. The scaling factor necessary to balance the calculation should be close to 1.

The NDM parameters are calculated by xoserve on behalf of the gas transporters using sample information. To enable the parameters to apply to the population the DAF and WCF are scaled to a forecast Seasonal Normal Demand (SND). Historically the SND values were calculated by National Grid providing one view of the future. Since Network sale each Network has produced its own view of SND and National Grid Transmission has produced a second, sometimes different, view. The level set by the forecast SND impacts the DAF and WCF values, bias in which can feed through to the scaling factor and final allocation. This has potential to increase misallocation between market sectors directly influencing the level of reconciliation required.

Over the past two years there have been representations through DESC (Demand Estimation Sub Committee) on the annual "NDM Profile and Capacity Estimation Parameter" proposals as per H1.8. In each of the last two years there have been questions about the appropriateness of the SND levels for the future. UNC provides no route for Shippers to question the transporters SND forecasts. While forecasts for transportation purposes are clearly a transporters issue the impact on allocation ensures that Shippers have a vested interest.

The E.ON representation in July suggested that investigation take place to replace the use of SND to produce DAF and WCF variables with an alternative. This review proposal suggests that the decision on how an appropriate alternative would be derived should be determined through industry discussion involving experts from xoserve and shippers. This should allow a replacement WCF and DAF to be derived independent of SND. As the values are loaded into UKLink and Gemini systems there should be no system impact, unless a more radical change to the algorithm is proposed.

Due to timescales any implementation for October 2008 will require agreement by January. Having discussed this issue at the September distribution work stream it is felt that a review group is appropriate, although this can be run on the same day as DESC where DESC has meetings to minimise extra meetings for those involved.

Scope and Deliverables

The Group is asked to consider:

1. What change could be made to the WCF and DAF terms to remove or amend Transporter SND?
2. What historical evidence could be provided to show impacts on scaling factors?
3. What is the likely impact on allocation and reconciliation levels?
4. What the timescales and risks/benefits are related to each potential option, including financial implications and impacts on other Shipper/Transporter processes?
5. If alternative changes to the algorithm may provide benefit which need further development for longer term implementation?

A Review Group Report will be produced containing the findings of the Review Group in respect of the work identified above.

Limits

The Review Group will consider changes required to the following:

- Uniform Network Code

The Review Group in its initial phase will not concern itself with:

- Detailed changes required to processes and procedures
- Detailed changes required to existing systems
- Development of detailed business rules

Composition

The Review Group will comprise the following representation

Name	Organisation
Julian Majdanski (Chair)	Joint Office
Lorna Dupont (Secretary)	Joint Office
Sallyann Blackett (Proposer)	E.ON UK
Ed Rains	Total Gas & Power
Fiona Cottam	xoserve
Anna Taylor	Northern Gas Networks
Joel Martin	Scotia Gas Networks

Mo Rezvani	Scottish & Southern Energy
Mark Linke	Centrica
Steve Taylor	Centrica
Jonathan Aitken	RWE Npower
Hannah McKinney	EdF Energy
Euan Chisholm	Scottishpower
Stuart Cameron	Scottishpower
Mark Perry	xoserve
Alison Chamberlain	National Grid Distribution
Steve Coles	E.ON

A Review Group meeting will be quorate provided at least 1 Transporter and 2 User representatives are present.

Information Sources

- Uniform Network Code – TPD Section H
- Gas Transporter, Shipper and Supplier Licences
- Gas Act
- Various Industry legislation as appropriate – may include reference to:
 - Gas Safety (Installation & Use) Regulations
 - Gas Safety (Management) Regulations
 - Industry Codes of Practice as relevant.

Timetable

It is proposed that a total period of 6 months be allowed to conclude this review.

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Review Group.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman’s Guidelines.