



Julian Majdanski  
Joint Office of Gas Transporters  
First Floor South  
31 Homer Road  
Solihull  
West Midlands  
B91 3LT

14 April 2008

**E.ON UK plc**  
Newstead Court  
Sherwood Park  
Little Oak Drive  
Annesley  
Nottinghamshire  
NG15 0DR

[www.eon-uk.com](http://www.eon-uk.com)

Please respond to:  
Brian Durber  
Tel: 01538 386923  
Mob: 07768 031942

[Brian.durber@eonenergy.com](mailto:Brian.durber@eonenergy.com)

## **Response to UNC Modification Proposal 0204 : Amendment to the calculation of WCF**

Dear Julian

As proposer E.ON UK is in support of Modification Proposal 0204.

Historically Networks have used their forecast of total gas throughput as a basis for expected levels of demand against which actual demand could be measured for allocation purposes. The underlying principle being that Network forecasts were accurate and any change in demand on the day, once geographical location, time of year and type of consumer were factored in, was due to temperature. This has formed the basis of the WCF factor calculation since the Network Code was created.

Over the past few years we have seen changes in demand consumption that are clearly unrelated to temperature effects. This has led to concern that the Network forecasts may be over stating demand and consequently causing fluctuations in allocation to the detriment of Shippers. This was particularly evident during the 2006/7 gas year where actual demand was significantly lower than forecast demand leading to a scaling factor that was significantly different to 1.

Although Demand Estimation has a Shipper review process the Network forecasts are designed for other purposes and are not part of the consultation process. This modification is looking to remove Network forecasts from the allocation process. Following an industry review group it was felt that using an AQ derived measure maintained the spirit of the WCF while relying on a measure of 'expected demand' that is industry driven through a transparent process. In our view the modification provides an allocation process that removes any reliance on forecasts derived for Network purposes. It provides a foundation that

can be reviewed by the industry through current processes. In addition analysis provided to review group 176 showed that for historical years the scaling factor moved closer to 1 and was less variable leading to less bias in initial allocation and lower reconciliation levels. Both the allocation and reconciliation effects would have delivered cost benefits to us. While there are undoubtedly issues with AQ it is the building block of many UNC processes and replacing the WCF with that suggested brings allocation into line with other processes throughout code.

The quarterly assessment of total AQ levels has been suggested for a 1<sup>st</sup> of the quarter implementation date to provide certainty over the timing of any changes to the demand level used in the WCF calculation. We would envisage that an AQ snapshot would be taken a few weeks prior to the date required to enable xoserve to complete their analysis.

We are aware that the suggested legal text does not include any reference to DAF changes. For the avoidance of doubt E.ON would like to see DAF changed in line with WCF. However, due to the timescales involved in the current NDM profile process we accept that this will depend on timing of the Ofgem decision. If Ofgem announce their decision before the end of June we believe there would be time to implement DAF based on scaling to Gemini load before final NDM proposals require publishing in August. A later decision would require DAF calculations to be revised for the 2009/10 proposals although the WCF changes could be implemented for the 2008/9 gas year. We believe this is consistent with the wording and intent of the modification proposal and can be clarified when Transporter legal text is produced.

Finally there is the benefit that the change can be implemented without system code changes using current functionality.

We believe this Modification Proposal will facilitate the relevant objectives:

The promotion of efficiency in the implementation of and administration of the UNC

The efficient operation of the pipe-line system

Yours sincerely

Brian Durber (by email)  
Retail Regulation