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Dear Tim

Response to UNC Modification Proposal 0254 Facilitating the use of forecast data in the UNC

As proposer of Mod 218 that initially allowed Transporters to consider use of forecast climate in seasonal normal weather derivation E.ON is supportive of this current Modification. Initial models suggested by the Transporters produced a level that conforms to the climate derived by the Hadley Centre as part of a cross industry piece of work. Given the analysis was available it was surprising that the results from cross-utility industry work with the support of world leaders in climate analysis have not automatically been used. While it is encouraging that the seasonal normal level produced conforms to the EP2 average level, it is a matter of some concern that the shapes over the year differ: EP2 suggests a change in shape which historical data alone will not provide.

The shape of the normal produced is vital – it is central to shipper allocation and hence to charges. Allocation has been known to be poor outside of the winter for the last few years; suggesting current shapes which are delivered from smoothed historic data are not matching behaviour. Continuing to use the same derivation of seasonal normal would seem to be likely to propagate this failure to model behaviour.

The demonstrated continual close fit between CWV and demand, provides support for ensuring the best view of normal is used. Further, given the nature of Seasonal normal weather, what must be chosen is not a series of values, but an appropriate methodology. EP2 is certainly a viable option - it is felt that the use of historical data which is integral to the EP2 methodology is sufficient to meet the UNC criterion which requires some historical data to be used. We understand

there are some Transporter concerns over ownership of the data and length of actual history being used that should be resolved with this modification.

Given that the EP2 work matches the views of climate experts and is, since the EP2 group owns the methodology, replicable in future, it would seem an obvious choice as a basis. Particularly as it facilitates the ability to retain an actual view of weather variability; for instance the retention of the observed February cold snaps as referred to in the presentation by EDF to DESC. We are therefore supporting this modification to enable Transporters to fully use EP2 data as the basis for seasonal normal CWV derivation from 1st October 2010 onwards.

Historical averages, particularly taken on a short time scale require a significant amount of scaling to ensure they are fit for purpose. In addition to the cost in time of smoothing historical data, there is concern regarding the enviable loss of accuracy substantial smoothing will introduce. It is felt EP2 data would not require a significant amount of smoothing, if any. However, we recognise the concern that future updates of the methodology may require smoothing and are happy that the proposed modification continues to allow smoothing where required.

Any basis for seasonal normal will only be reflective of known climate change. We entirely support the principle of retaining a minimum 5 year review; with allowance for more frequent review should climate deem this appropriate – such as cooling due to major volcanic eruption.

In conclusion we are keen that there should not be any impediment to use of appropriate data to provide a level of seasonal normal representative of actual climate for the next 5 years and fully support this modification.

Yours sincerely

Brian Durber (by email)
Retail Regulation