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29th June, 2009.

Your Reference: Modification Proposal 0254.

Re: Modification Proposal 0254 'Facilitation the use of forecast data in the UNC'.

Dear John,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

National Grid Gas plc (Distribution) (NGD) would like to offer support for this proposal which would allow the Use of forecast data for the calculation of Seasonal Normal values. Following the implementation of UNC Modification 0218 'Amendment to the base period used to define Seasonal Normal weather', which permits the use of forecast data, certain issues were raised concerning its implementation and these were discussed at the Demand Estimation Sub Committee (DESC). Following these discussions, EDF raised this Proposal which is well supported by DESC attendees.

The changes are restricted to Section H 1 and can be broadly categorised as:

- The addition of a requirement to Review the Seasonal Value every 5 years and removal of the requirement not to use data that is more than 6 years old.
- Removal of the restriction that 'only' records maintained by the Transporters, can be used and insertion of a clause allowing data 'maintained by a reputable service provider' to be used.
- Allowing the use of forecast e.g. EP2 (Hadley Centre and Met Office) data, historical data or a combination of both. Currently there is a requirement to use historic data AND forecast data (where the Transporters determine).
- Removal of a clause that appears to be redundant/ambiguous (H1.5.2 (b) "in the current year and one or more subsequent years".
- Amendment of the requirement to "smooth" the data thus allowing for the data to be smoothed only as required (EP2 data does not need smoothing but future forecast data may need to be).

NGD believes that implementation of this proposal will better facilitate the relevant objectives, specifically in relation to SSC A11.1 (d) ... *the securing of effective competition...* NGD agrees with the proposer that it has the potential to improve the accuracy of the seasonal normal values and consequently may improve the allocation process and hence require less movement between market sectors via reconciliation. This could improve competition, reducing uncertainty for new market entrants.

The additional clarity added to the existing arrangements could be expected to "*promote efficiency in the implementation ... of the network code...*" consistent with SSC A11.1 (f).

NGD would like to make the following observations in relation to comments put forward in the draft modification report in relation to SSC A11.1 (a) *'the efficient and economic operation of the pipe-line system...'* The proposer believes that improving the accuracy of the AQs through appropriate weather correction will improve the opportunity for Transporters to operate the pipe-line system in an efficient and economic manner. NGD would like to re-iterate the comments it put forward in representation to modification proposal 0218 and believes that whilst this may be true to a limited extent, peak flows are more important to Transporters than annual flows and

when analysing the relationship between peak and annual flows and carrying out modelling, NGD takes into account a significant amount of other information (e.g. real pressure measurements), so that network models as far as is possible reflect experienced conditions. NGD notes that in its decision letter for Modification 0218 Ofgem commented ... *'in terms of the day-to-day physical operation of the pipeline system, we believe that more accurate SNCWV values may afford Shippers an opportunity to better understand demand fundamentals, thus creating an opportunity for more informed purchasing decisions. We believe this may be particularly relevant to those smaller Shippers who do not have access to sophisticated forecasting models and so rely on the GTs' own forecasts of demand for their purchasing decisions. This may help to assist National Grid NTS in its role as the residual balancer'*.

NGD notes that there are no immediate costs associated with implementation. However, it should be noted that in future Transporter's would be liable for the costs associated with updating the EP2 data (approx £50,000 + VAT if no updates are commissioned in the meantime) or commissioning another reputable forecast provider.

Please contact Alison Chamberlain on 01926 653994 (alison.chamberlain@uk.ngrid.com) should you require any further information with respect to the above.

Yours sincerely,

Richard Court
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