National Grid House
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National Gas Emergency Service - 0800 111 999* (24hrs)
*calls will be recorded and may be monitored

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12th January 2010.
Your Reference: Modification Proposal 0268.

Re: Modification Proposal 0268 'Change to the Provisions Determining the Earliest Reading Date Applicable within the AQ Review'

Dear John,

Thank you for your invitation seeking representations with respect to the above Modification Proposal. As the proposer, National Grid Gas plc (Distribution) ('NGD') is fully supportive of its implementation.

Introduction of this Proposal would change the earliest reading date for use within the Annual Quantity (AQ) Review from a 'static' date under to the prevailing provisions to a date that rolls forward upon the occurrence of a Seasonal Normal (SN) review. We believe this precludes the need to calculate Weather Adjusted Annual Load Profiles (WAALPs) in respect of periods unlikely to be utilised within subsequent AQ Reviews due to the current 'cyclic' Meter Reading provisions within the UNC.

At the November 2009 meeting of the UNC Distribution Workstream NGD agreed to "provide additional detail on how AQs would be more accurate". Additionally at the December 2009 meeting of the UNC Modification Panel, NGD "expressed the intention, within its representation, of clarifying the benefits of this Proposal in terms of the Relevant Objectives".

NGD would like to comment as follows:

- All AQ values have to be converted to the applicable seasonal normal basis, as per TPD Section H3.4. New WAALP values, which are utilised in the AQ calculation and allow AQs to be calculated to SN conditions, can only be calculated using the demand models derived from the Demand Estimation process, as per TPD H3.4.3. As the demand models are derived from data pertaining to a specific period (i.e. 3 years back to 01/10/2006), historical WAALP values, which will be used in the calculation of AQs, can only be derived back to 4 years prior to the start of the gas year in which a new seasonal normal basis becomes effective. Changing the backstop date to 4 years prior to the date from which a new seasonal normal basis becomes effective (1st October) allows AQs to be adjusted to seasonal normal conditions based on the demand models and the new seasonal normal basis. If the backstop date were not changed then WAALP values prior to this (in this case, pre-01/10/2006) would not be derived directly from the demand models. This would require that a factor would need to be applied to adjust pre-01/10/2006 consumption for the AQ calculation to adjust to the new seasonal normal basis therefore using inconsistent methods to derive the WAALP data.

- Changing the AQ backstop date would allow calculated AQs to be based on recent consumption data (recent being data post 01/10/2006 in this example) and therefore AQs should be more representative of anticipated consumption for the next gas year. Allowing AQs to be calculated using data back to 01/10/2002 could be deemed as not being representative of recent consumption.

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- TPD Section H3.2.4 currently defines a specific date (01/10/2002) as the earliest date applicable for an AQ calculation. Due to the parameters applied to the Relevant Metered Period (TPD Section H3.2), this date becomes increasingly irrelevant as the methodology can never use data as early as this therefore creating ambiguity between the Relevant Metered Period and the AQ backstop date. Cyclic readings and 'must read' provisions effectively move the earliest potential starting Meter Reading date forwards. By allowing the backstop date to be changed each time a seasonal normal review occurs allows a more enduring regime to be adopted for the AQ backstop date, including removing this ambiguity and removing the need to review this data each time a seasonal normal review takes place.

- In the Proposal we outlined the potential impact of the proposed provisions in respect of the number of Supply Meter Point AQs that would not be calculated due to the 'starting' Meter Reading falling prior to the earliest date able to be utilised. In the event of implementation, based on the 2005 experience (when the current fixed backstop was introduced) it is estimated that the inability to use such Meter Readings would be responsible for less than 0.01% of the overall number of uncalculated AQs. It should be noted that the volume uncalculated due to the reason described above would diminish over subsequent years within the SN value cycle as the earliest Meter Reading date remains fixed until the SN values are subsequently revised.

Our view is that the above information clearly demonstrates that increased performance in AQ accuracy is likely to be forthcoming. The resultant timely and correct allocation of energy reduces any risk of misallocation of charges occurring between Users and improves cost reflectivity. Therefore we believe Standard Special Condition A11.1 (d) the securing of effective competition between relevant Shippers and between relevant Suppliers is better facilitated.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653541 (chris.warner@uk.ngrid.com) should you require any further information.

Yours sincerely,

Chris Warner
Network Code Manager, Distribution.