

REVIEW GROUP TERMS OF REFERENCE
CODE REVIEW PROPOSAL No 0280
Review of Demand Estimation UNC Section H Processes and Responsibilities
Version 0.1

Date: 19/01/2010

Nature and Purpose of Proposal

Demand Estimation processes as outlined in Section H of UNC have been essentially unchanged since code inception. The profiling and capacity estimation parameters and seasonal normal CWV derivations and use were set out at a time when all expertise for gas allocation resided within National Grid (Transco as was).

Over the past decade there have been a number of changes within the industry. Shipper organisations bear the impacts from the allocation mechanism and have a vested interest in ensuring the process and parameters operate smoothly and are as accurate as possible.

Climate change has meant that Shippers are spending increased time and resources assessing impacts. Many organisations now have meteorologists and expert forecasters embedded within their organisation.

Over the past few years there have been comments in the annual Shipper representations on how ineffective the current consultation process is. Last year we commented that:

Demand Estimation Review

We noted concern in last year's representation that the level of understanding across Transporter organisations in this area was less than ideal and is impacting the speed with which decisions can be made in this area. We understand that the impact is greatest for Shipper organisations, as we directly feel the impact of allocation and reconciliation. Given the issues and discussions raised as part of the seasonal normal weather review it suggests to us that responsibility is weighted inappropriately toward Transporters who have less impact from this area. We have also raised a number of inaccuracies with profiles in the past three years representations, each time the response has conceded the flaws but maintained the view that there was not time to make corrections. This suggests that the consultation process is not a true consultation, nor is it aimed at improving the profiles.

We would appreciate a Transporter response on the idea of a fuller review in this area over shared responsibility across the industry. Concerns over responsibility for definition of an appropriate seasonal normal weather and over timing allowed for representations could be assessed with a view to defining a more appropriate schedule and level of responsibility.

The seasonal normal discussions over the past 18 months have been far from ideal. The situation where a unanimous Shipper community view can be overruled and what Shippers view as an unsuitable methodology employed because UNC gives sole agreement to Transporters cannot now be suitable.

We would like to see this section of UNC reviewed and appropriate processes and responsibilities derived to match current industry requirements. This proposal is raised as a review group to ensure whatever is designed meets both Shipper and Transporter requirements providing a solid foundation for moving forward.

Review Group Terms of Reference

The following items are included within scope of the group and should be considered within the Terms of Reference:

1. Consider Demand Estimation processes and responsibilities.
2. Consider consultation governance
3. Consider how best to implement the outcome of this review and whether a modification proposal should/could be raised prior to the review group concluding

Suggested Aims and Outputs

It is envisaged that this Review Group will produce a report recommending any necessary changes to the UNC. It is recommended that the Review Group complete its work within a six-month period. If necessary this could be extended by seeking agreement of the Modification Panel.

The Review Group should also look to include any draft Modification Proposals as part of the final report (this does not prevent related Modification Proposals being raised during the period of the Review Group).

Scope and Deliverables

The Review Group shall focus on changes to the UNC, but also identify where improvements could also be made to areas of governance outside of the UNC.

Limits

The Review Group will focus on developing recommendations and UNC Modification Proposals that efficiently address any issues identified in a proportionate and cost effective manner. The Review Group will consider changes required to procedures and processes within UNC, however it will not develop changes for non-code processes but will request reports from review group members who can influence changes with the appropriate industry body.

The Review Group is to be mindful of related industry obligations, processes and previous reports:

1. UNC;
2. Flow of information between UNC parties;
3. Licence and Legal obligations.

Composition of Review Group

This review group is open to all Transporters and their agents, Code Users and consumer representatives.

A Review Group meeting will be quorate provided at least 2 Transporter and 2 User

representatives are present.

Timetable

It is proposed that a period of six months be allowed to conclude this review, however given the complexity of the issues this may need to be extended depending on how this review develops.

Although the frequency of meetings will be subject to review and potential change by the Review Group it is suggested that the initial frequency of the meetings be monthly.

Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.