

## Demand Estimation Sub-Committee Minutes

Monday 01 April 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

### Attendees

Bob Fletcher (Chair)	(BF)	Joint Office	
Mike Berrisford (Secretary)	(KJ)	Joint Office	
Chris Warner	(CW)	Cadent	Voting Member
Connor Charles*	(CC)	Gazprom	Voting Member
Dave Mitchell*	(DM)	SGN	Voting Member
Emma Buckton*	(EB)	Northern Gas Networks	Voting Member Alternate
Fiona Cottam	(FC)	Xoserve	
Fiona Speake	(FS)	npower	
Guv Dosanjh	(GD)	Cadent	
Irina Bertrand	(IB)	Brook Green Supply Ltd	
Jason Blackmore	(JB)	British Gas	Voting Member
John Jones*	(JJ)	Scottish Power	
Josh Mallett	(JM)	npower	
Lorraine Edgcumbe*	(LE)	E.ON	Voting Member
Louise Hellyer	(LH)	Total Gas & Power	Voting Member
Luke Reeves*	(LR)	EDF Energy	
Mandeep Pangli	(MP)	Xoserve	
Mark Jones*	(MJ)	SSE	Voting Member
Mark Perry	(MPe)	Xoserve	
Steve Pownall	(SP)	Xoserve	
Toby Thornton	(TT)	National Grid	Voting Member

### Apologies

Smitha Coughlan	(SC)	WWU	Voting Member
Toby Thornton	(TT)	National Grid	Voting Member

*\*via teleconference*

Copies of papers are available at: <http://www.gasgovernance.co.uk/DESC/010419>

## 1. Introduction and Status Review

Bob Fletcher (BF) welcomed everyone to the meeting before outlining the latest Fire Evacuation requirements.

### 1.1. Apologies for Absence

Please refer to the above table.

### 1.2. Note of Alternates

Emma Buckton for Smitha Coughlan

### 1.3. Approval of Minutes (11 February 2019)

The minutes from the previous meeting were approved.

### 1.4. Review of Outstanding Actions

**DESC 0201:** Xoserve (MPe) to repeat the analysis to illustrate the impact of a) removal of sample site data and b) applying a weighting factor using population percentages. The outcome of the analysis to be sent to DESC members for review and to seek agreement on which method to adopt.

**Update:** MPe explained that there had been no responses to the end of February document (which covered the Autumn analysis and replicated both approaches) issued previously, Furthermore, Xoserve are confident they can support a randomised approach. Thereafter, the Committee agreed that this action could now be closed. **Closed**

## 2. Review of Uplift Factors in Gas Year 2018/19

MP provided a brief overview of the first part of the Xoserve presentation, during which discussions focused on the following key points (recorded by exception and on a slide by slide basis):

### Analysis at National level cont.....

MPe explained that the table basically shows Unidentified Gas (UiG) as being a negative value over the winter period.

### Analysis at LDZ level

MPe apologised pointing out a typographical error whereby 'SC and WM' should really read as 'EA and NT'.

### Analysis at LDZ level – EA

MPe suggested that in this example, a no uplift scenario would have been the preferred option.

FC also noted that the EA information contains one very large daily metered site which could be potentially 'skewing' the data slightly.

### UiG comparison by gas year

MPe explained that the graph is aiming to show the potential effect of 'other' industry impacts, in the case where no uplift is applied.

### GB CWV monthly comparison cont.....

In noting that the value contained within the '*Mean GB CWV for February (last 50 years) – ranked coldest to warmest*' table for item '12 2018' was ranked as one of the coldest, the equivalent period for 2019 was ranked as one of the warmest.

### Objective 1: Conclusions

Referring to the last bullet point relating to the levels of reconciliation for Gas Year 2018/19, it was noted that the AQs have also been increasing.

FC explained that it is possibly too early to obtain a clear view around reconciliation aspects, especially identifying which month(s) to apply these to, there is also a need to consider post Nexus impacts.

MPe pointed out that the tabular data relating to the no uplift scenario is displaying an average 2 – 3% increase. Furthermore, the reconciliation invoice for January/February 2019 are showing large credits – it was felt by those present that 'other' factors appear to be having an impact (i.e. DAFs, daily variances etc.).

### New EUCs in Bands 01 & 02

MPE suggested that the two graphs act as a timely reminder as to why it is suitable to utilise reflective demand modelling.

#### Simulation using New EUCs in Bands 01 & 02

MPE pointed out that as far as the Market Sector Code and Meter Mechanism Type source information is concerned, the analysis had not been done at the lowest level of granularity. He then went on to explain how Xoserve had run a 'rough and ready' data simulation exercise that appears to have provided reasonable results.

#### Results of simulation UIG Difference – Oct'17 – Feb'19

MPE explained that this provided a more detailed view of the information contained on the previous slide and shows how more UIG is being included over the two (2) winter periods.

Xoserve believes that the seven day 'spike' reflects UIG going up over the weekends and demand falling over the same period – possibly reflecting an issue with the market sector code being incorrectly applied.

When FC reminded everyone that the pre-payment (metering) elements fell away post Project Nexus implementation, MPE pointed out that the current pre-payment profile is based around information previously supplied by E.ON UK.

MPE went on to point out that the new EUCs benefit allocation and therefore reconciliation for new sites, and as a consequence analysis remains inconclusive in terms of the true UIG related impacts.

#### UIG Task Force Findings 1 of 4

FC explained that the information provided reflects the underlying 'contact and engagement' theme being undertaken, whilst the detailed findings and reconciliation tracker are available on both the Xoserve and Joint Office web sites.

FC went on to point out that it is unlikely that log items 3.2.1, 3.2.2 and 1 would be ready for the February fix.

#### UIG Task Force Findings 2 of 4

As far as log item 12.1 is concerned, E.ON UK have now raised UNC Modification 0681S 'Improvements to the quality of the Conversion Factor values held on the Supply Point Register'.

It was noted that a supporting Thermal Energy Regulatory change would be required for log item 12.2, and therefore should not be seen as an easy or quick fix.

#### UIG Task Force Findings 3 of 4

Moving on to consider log item 3.2.8 and specifically the related Change Proposal XRN4803, FC asked parties to note that the Change Proposal would not be able to fix all the outstanding issues relating to erroneous read rejections.

#### UIG Task Force Findings 4 of 4

FC explained that it is expected that one more set of (generic) AQ analysis (i.e. AQ read submission rates and subsequent calculations) would be presented at the next UIG Workgroup meeting (scheduled for 08 April 2019) for their consideration – in short, this is looking at the poor performance of monthly read submissions.

FC also asked parties to note that there would be cost impacts associated with improvements in the industry read submission performance.

#### Objectives 2: Conclusions

In considering the three potential options available to DESC for Gas Year 2019/20, parties undertook an extensive debate during which it was noted:

- Waiting until July to make a decision would be potentially too late;
- Setting UIG value at zero could be causing issues;

- Applying no scaling for this year is not a preferred option for some DESC members;
- The 'general' feeling is that ALPs are too strong, but DAFs are about right (on the grounds that reconciliation is not even close to 2% at this point in time);
- Some parties felt obtaining a better view on the correct level of UIG is very important in making any decision, especially what the permanent UIG target level is (E.ONs original target level for analysis was circa 3%);
- DESC were asked to note that Xoserve were not involved in ascertaining the current uplift factors;
  - It is highly unlikely that E.ON would be in a position to resource the workload required to regenerate the uplift factors;
- AQs have increased to the tune of a 4% upshift since Project Nexus implementation;
  - It was suggested that provision of some supporting analysis around Band 1 AQ increases in order to look at adopting a proportionally based approach might prove beneficial;
  - Previously voiced concerns relating to reconciliation aspects were noted;
- It was pointed out that the analysis provided last year by E.ON suggests that there might need to be larger correction factors in winter and smaller in summer – this might be contributing to the log item 12.2 issues;
- Accurately 'phasing' energy back to the actual billing months is extremely difficult;
- It was suggested that DESC should apply uplift factors (for ALPs) to all EUC bands;
- It was noted that resourcing and the form of the analysis concerned might present issues and that perhaps a 'flexing' calculation for this year might be more appropriate in order to ensure it is achievable;
- Not all DESC members supported the proposed application of correction factors on the higher load bands, on the grounds that the analysis would suggest that it is not required anyway;
  - Some parties felt that the rationale for why correction factors were needed in the first instance remains unclear – it was noted that they were adopted in order to look to address potential UIG volatility related issues;
- It was noted that AQs trending upwards had also impacted on the UIG percentages;
- DESC members noted that when looking to address UIG specific matters they are potentially straying away from their 'core' remit;
  - Some DESC members felt that governance of the industries perception of DESCs role needs careful management;
  - The consensus of those members present being that it is safe to continue to utilise the (existing) DAFs, whilst changing ALPs would possibly be outside the DESC remit;
  - Some felt that more (ALPs and DAFs) analysis might be beneficial;
- DESC members debated whether to redo the Correction Factors and look to split them into ALP and DAF sub groups;
  - Due to resourcing constraints, a high-level exercise might suffice;
  - A possible fourth (4<sup>th</sup>) option was debated relating to either amending or removing the ALPs altogether;
  - The general consensus amongst DESC members being that the industry cannot continue with the current level of ALPs, and if the 'industry' is unable to resource

recalculation of these, then removing reliance on them altogether is the preferred option for some parties;

- It was noted that provision of the 'original' E.ON analysis took around six weeks of work;
- DESC members noted that the industry perception of the work being undertaken to improve UIG by DESC remains unclear;
- Concerns remain that significant negative UIG might be encountered over the coming summer period, and
- It was noted that the UIG Task Force might not be able to resource further investigations either.

In looking to summarise the discussions so far, MPE outlined what he believed to be the three principal options for DESC members to consider voting on at this meeting, namely:

**Option 1 - Do nothing**

**Option 2 – retain the correction factors minus ALPs**

**Option 3 – retain both sets of correction factors (ALPs and DAFs)**

When asked to vote and indicate whether any DESC Members were supporting adoption of an Option 2 based approach (based on the culmination of the previous discussion), there were no adverse comments received, therefore **Option 2 was unanimously approved.**

In noting the outcome of the vote, MPE reminded members that this was the final decision and as a consequence, a change to the Demand Estimation Methodology document would need to be approved by DESC which could potentially take the form of a simple 'yes/no' email based vote. FC noted that DESC would also need to consider the best route for communicating this matter to the wider industry.

**New Action DESC0401: Reference the Demand Estimation Methodology document - Xoserve (MPE) to prepare both a change marked and clean version of the updated document for DESC approval via an email communication.**

**3. Seasonal Normal Review**

MPE provided a quick walkthrough of the Xoserve 'Seasonal Normal Review 2020: Review of CWV Formula' presentation before handing over to JB who provided an overview of the 'Update from British Gas' pages and the supporting Centrica 'Initial benchmark results of CWV calculation' presentation (including reference to additional 'General Steps for CWV Optimisation', 'Composite Weather Variable: Temperature and Weather Analysis' and 'A review of the temperature weights used in CWV definition' sub presentations).

During the discussions it was noted that the 'SNET: LDZ EA' graph plot reflects a reasonably stable temperature effect.

In examining the '2020 Fixed Wind Speed' diagram, JB pointed out that the 2018 UIG (maximum CWV) aspects are not clear when compiling the average views.

In considering the 'Summary of Results' slide, MPE suggested that perhaps looking to breakdown the results into seasons might improve granularity. Responding, JB indicated that he would look to refine the 'tool' (including inclusion of MAPE aspects and a breakdown of seasons and transitions) further before seeking DESC approval at the 08 July 2019 meeting.

When asked, DESC Members indicated that they would be happy to base the analysis on the proposed eight (8) year period.

Returning attention to the remaining Xoserve slides within the presentation, discussions refocused on the 'CWV Formula Review Conclusions' slide, whereby when asked, **DESC Members unanimously approved the four (4) proposals.**

In examining the ‘*Seasonal Normal Basis – Current Approach (1)*’ slide, MPE pointed out that DESC would need to revisit this matter in due course, especially the potential impact of the non-temperature related variables.

Moving on next to consider the ‘*Seasonal Normal Basis – Current Approach (2)*’ slide, FC highlighted the fact that Xoserve would be looking at the main features in more detail in conjunction with the work also being undertaken by JB.

In summarising the ‘*Next Steps*’ slide, MPE explained that Xoserve would be looking at the Seasonal Normal Values and CWV relationships in more detail and would be looking to provide a supporting presentation in due course, at which point FC provided a brief explanation of the rationale behind previous decisions in this area.

#### **4. Publication of Derived Factors (ALPs, DAFs and PLFs)**

In providing a brief overview to the presentation, MPE explained that the matter was previously discussed under an AOB item on the 11 February 2019 Committee meeting.

Discussions centred on whether or not, it is appropriate to publish the ALPs, DAFs and PLFs in the public arena with DESC Members views being divided.

When asked to vote, **DESC Members voted by majority** (LE was not in support of the information being made available outside of the Xoserve secure portal) to publish the ALPs, DAFs and PLFs related information on unrestricted pages of the Xoserve website.

Following the vote, MPE advised that Xoserve would now look to consider where best to publish the information on their public facing web site pages and support this with a suitable guidance note.

#### **5. DESC Related Modification/Change Updates**

MPE explained that agenda item 6-8 have been added as standing agenda items to ensure that they continue to be discussed.

In relation to change requests he gave an update on four change requests:

XRN4717 – 8am Forecast CWV – implemented;

Quickly reviewing the supporting slide, MPE suggested that the ‘Pre Change’ / ‘Post Change’ differences (blue to red line intersection) displayed within the graph appears to demonstrate that the Change Proposal has been worthwhile.

XRN4665 – Creation of new End User Categories – on track for an 18 September 2019 implementation;

XRN4770 – NDM Sample Data from Shippers – implemented;

XRN4772 – Composite Weather Variable (CWV) Improvements – preferred solution option agreed at DSC Change Management Committee meeting on 13 March 2019 and now awaiting release allocation, and

XRN4854 – Transfer of NDM Sampling Obligations from DNs to CDSP – Xoserve internal requirements gathering exercise is in progress.

#### **6. Adhoc Work Plan Review**

MPE indicated that there was nothing new to consider.

The next review is scheduled for July but suggestions can be captured at any point and hence the reason this is a standing agenda item.

#### **7. Communication of Key Messages**

A summary of the key message agreed during the meeting are published separately and can be accessed here: <http://www.gasgovernance.co.uk/desc/summarykeymessages>

## 8. Any Other Business

### 8.1. DESC TWG Meeting Scheduled for 24 April 2019 Update

MPE advised that he would be looking to share the primary data for the last 12 months before noting that the technical workgroup would need to agree the modelling runs (based around the LDZ benchmarking results provided with JB's presentation).

### 8.2. Model Smoothing Approach Communication

In outlining that this item relates to the new EUCs use based on only two (2) years worth of data, MPE advised that Xoserve would welcome any feedback on this matter.

### 8.3. DESC Members Impending Retirement

DESC Members both thanked Chris Warner for all his years of support and wished him a happy and long retirement.

## 9. Diary Planning

Time / Date	Venue	Workgroup Programme
10:00 Wednesday 24 April 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	DESC TWG agenda, plus <ul style="list-style-type: none"> <li>• Spring Analysis – Data Validation and Model composition</li> <li>• Agreement of modelling runs</li> <li>• Consideration of LDZ benchmarking</li> </ul>
10:00 Wednesday 15 May 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	DESC TWG agenda, plus <ul style="list-style-type: none"> <li>• Review progress on Single Year Modelling Results (2018/19 data)</li> </ul>
10:00 Monday 08 July 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard agenda, plus <ul style="list-style-type: none"> <li>• 2019/20 NDM Algorithms: Review TWG responses</li> <li>• Seasonal Normal Review Update</li> <li>• Communication of Key Messages</li> </ul>
10:00 Monday 22 July 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard agenda, plus <ul style="list-style-type: none"> <li>• 2019/20 NDM Algorithms:</li> <li>• Response to Industry Representations</li> <li>• Weather Station Review</li> <li>• Review Adhoc Workplan</li> <li>• Seasonal Normal Review Update</li> <li>• Communication of Key Messages</li> </ul>

10:00 Monday 07 October 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard agenda, plus <ul style="list-style-type: none"> <li>• NDM Sample Update</li> <li>• Seasonal Normal Review Update</li> <li>• Communication of Key Messages</li> </ul>
10:00 Monday 09 December 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard agenda, plus <ul style="list-style-type: none"> <li>• Evaluation of Algorithm Performance for Gas Year 2018/19</li> <li>• Modelling Approach – Spring 2020</li> <li>• Seasonal Normal Review Update</li> <li>• Communication of Key Messages</li> </ul>

**Action Table (as at 01 April 2019)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
DESC 0201	11/02/19	4.0	Xoserve (MPe) to repeat the analysis to illustrate the impact of a) removal of sample site data and b) applying a weighting factor using population percentages. The outcome of the analysis to be sent to DESC members for review and to seek agreement on which method to adopt.	Xoserve (MPe)	Update provided. <b>Closed</b>
DESC 0401	01/04/19	2.	<i>Reference the Demand Estimation Methodology document</i> - Xoserve (MPe) to prepare both a change marked and clean version of the updated document for DESC approval via an email communication.	Xoserve (MPe)	<b>Pending</b>