

Review Group Report

Review Proposal 0280

Review of Demand Estimation UNC H Processes and Responsibilities

Version 0.2

1. Review Proposal

E.ON UK raised Review Proposal 0280, for which the Terms of Reference are on the Joint Office web site at www.gasgovernance.co.uk/0280.

2. Review Process

In accordance with the Modification Rules, at its meeting on 21 January 2010, the Modification Panel determined that this Review Proposal should be referred to a Review Group for progression. This Review Group Report was subsequently compiled by and approved by Review Group attendees.

3. Areas Reviewed

The following items are included within scope of the group and should be considered within the review process:

1. Consider Demand Estimation roles, responsibilities and timescales.
2. Consider Demand Estimation governance and in particular the consultation process (excludes the review of Supply Meter Point Demand Formula and associated algorithms)
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 [to consider - a draft proposal attached to the report could be issued to consultation if recommended by group and Panel]

4. Limits

The Review Group focused on developing recommendations and draft UNC Proposals that efficiently address the issues identified in a proportionate and cost effective manner. The Review Group considered the changes required to procedures and processes within UNC and its associated documents.

5. Review Group Process

The Review Group agreed a workplan based on the topics listed in 3 above (see appendix 1) and assigned actions to owners.

6. Conclusions

The Review Group considered the items detailed in 3 above and in particular TPD Section H. A number of issues were identified and examined:

6.1 Responsibilities and Obligations

It was recognised by Review Group members that Transporters have obligations to produce recommendations for annual work process recommendations and consult with Users either at UNCC or a sub-committee. However, there was no clear definition of consultation and how consultation responses should be used to amend or influence the annual work process recommendations. The Review Group considered it would be beneficial to include rules in the UNC to clarify consultation, its purpose and how Users can influence the process.

6.2 The Governance Process

The Review Group considered the relevant sections of TPD Section H and concluded the process was in need of review. As with responsibilities and obligations, members felt the process was unclear on the management of issues and there was no clear method to dispute the annual work process recommendations made by Transporters other than an appeal to the Authority.

The Review Group was concerned the governance process currently adopted was not responsive enough to queries or issues raised during the annual work process as the timeline was insufficient to allow additional analysis to be undertaken by the Transporters Agent in time to meet the obligations in section H. Therefore, issues raised during the current year were either delayed or not relevant to the following years workplan/analysis.

The Review Group considered the roles of UNCC and DESC and whether the roles of these committees was in keeping with a desire to improve the governance and analysis processes undertaken during the year. Members were concerned with the accountability and role of these committees, including their responsiveness to manage/resolve issues raised during the annual work process or as a result of consultation. Users members were concerned the committees failed to provide sufficient time to investigate issues in time to influence the analysis for the annual work process recommendations.

The Review Group considered a number of changes to the Governance process and the User members were in favour of creating an additional committee/workgroup to support the development of analysis undertaken by the Transporters agent - this group would be known as the Expert Group and include representatives from Transporters and Users (see appendix 2 for draft terms of reference).

The role of the Expert Group is to direct and oversee the analysis undertaken by the Transporters agent on a more frequent basis to DESC, to raise queries and issues at an earlier stage in the process. The Expert Group will then make recommendations on annual work plan to DESC and explain how it reached its conclusions. The objective being to provide a route for Users to be more closely involved in the annual work process recommendations and more likely to accept them. The process will allow Users to replicate the analysis undertaken by Transporters and in some situations undertake analysis on behalf of all parties. The Expert Group objectives and membership is to be approved by DESC on an annual basis.

The role of DESC was examined and the Review Group concluded that with the support of the Expert Group, DESC would provide the industry expertise to recommend changes identified in annual work process and oversee the Expert Group. These recommendations could then be approved by UNCC or where agreement is not reached, allow a route for escalation of issues before there is a requirement to seek a view from the Authority.

The Review Group considered whether the DESC or Expert Group should have a budget to manage analysis. Members concluded that the current annual workplan has sufficient funding to manage the majority of analysis requests. However, the Transporters Agent would be in a position to identify where such analysis requests would be a strain on resources or require system changes, which would take the analysis out of scope for the current year and be subject to UNC modification rules prior to being undertaken.

6.3 The use of Historical Data

Users were concerned that the historical weather data used in the analysis for the annual work process was not made available to them, particularly where weather stations had missing data and this was backfilled from alternative sources. Transporters were concerned their commercial arrangements for the provision of this data would prevent them sharing it with Users, though they agreed to consult with their weather data providers to identify the contractual changes required to allow the data to be passed to Users.

7. Recommendations

APPENDIX 1 – Review Group Workplan

05 February 2010

Agree terms of reference

26 February 2010

High Level Review of UNC TPD Section H

15 March 2010

Discussion and evaluation of

- a) Annual Work Processes
- b) Non Annual Work Processes

Including roles and responsibilities, associated consultation processes, timescales, mechanisms for change, etc.

19 April 2010

Governance Processes, including definition of consultation and appropriate escalation routes; role of DESC and UNCC

18 May 2010

Governance Processes:

Expert Group ToR

Role of UNCC and DESC

DESC and Expert Group Governance

Consultation process

14 June 2010

Review of:

Expert Group ToR

Timelines

Governance Strawman.

23 July 2010

Review of progress:

Review of any draft Modification Proposals

provisional recommendations

draft Review Group Report.

14 September 2010

Finalise Modification Proposals and Review Group report

Appendix 2 - Expert Group Terms of Reference [to be included]

Appendix 3 - DESC Terms of Reference

Appendix 4 – Draft Proposal