

## **How changes in SNCWV impact AQ**

SNCWV is used to define the expected level of temperature in CWV terms throughout the year. This provides a base for assessing whether changes in observed gas demand or in AQ levels are due to underlying changes or just the impact of variability in the weather.

Although AQ is based on historical consumption it is used to define an expected level of gas demand for each supply point. To enable this demand level to be applicable to future gas years the consumption is corrected to seasonal normal. This correction uses WAALP data which is based on levels of SNCWV.

Code requires a review of seasonal normal levels at least every five years. The last such review took place ready for 1<sup>st</sup> October 2005 and every AQ was reviewed and either recalculated using amended WAALP data or scaled using EUC specific factors agreed through DESC.

Once AQ is calculated on a rolling basis there will not be a mechanism to automatically review all AQ to enable them to be reset on a consistent basis.

If some AQ are allowed to recalculate using revised WAALP data but other AQ are held at current levels then the expectation of a warmer seasonal normal level would lead to revised AQ being significantly lower than other AQ. This will lead to a misallocation of energy between Shippers and market sectors.

The suggested practical alternative is to use a set of agreed factors to scale all AQ to the revised seasonal normal basis ready for the 1<sup>st</sup> October in line with each seasonal normal change. The factors were a good approximation to actual WAALP calculation during the 2005 review and will maintain the appropriate allocation across the market. AQ will then recalculate using the revised WAALP data as soon as a read is received.