

**Review Group 0176 Minutes**  
**Thursday 06 December 2007**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Julian Majdanski (Chair)	JM	Joint Office of Gas Transporters
Helen Cuin (Secretary)	HC	Joint Office of Gas Transporters
Sallyann Blackett (Proposer)	SB	E.ON UK
Alison Chamberlain	AC	National Grid Distribution
Denis Aitchison	DA	Scotia Gas Networks
Ed Rains	ER	Total Gas & Power
Euan Chisholm	EC	Scottish Power
Fiona Cottam	FC	xoserve
Hannah McKinney	HM	EDF Energy
Jonathan Aitken	JA	RWE Npower
Louise Child	LC	E.ON UK
Mark Perry	MP	xoserve
Mo Rezvani	MR	Scottish and Southern Energy
Steve Taylor	ST	Centrica
Stuart Cameron	SC	Scottish Power

**Apologies**

Bali Dohel	BD	Scotia Gas Networks
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**1. Introduction and Review Group Operation**

JM welcomed members to the meeting.

**2. Review of Minutes and Actions from the last meeting**

**2.1 Minutes**

The minutes were approved.

**2.2 Actions Outstanding**

**Action RG0176/001:** All to think about various options, with reference to the points set out under the Scope and Deliverables of the ToR, and bring to next meeting with a view to presenting to the Group for discussion.

**Update:** Covered at item 3; **action closed**

**Action RG0176/002:** SB agreed to present an overview of Option 1 (use of Actual and Seasonal Normal CWV).

**Update:** Covered at item 3; **action closed.**

**Action RG0176/003:** FC agreed to present an overview of Option 2 (Forecast Demand derived from AQs and daily ALPs).

**Update:** Covered at item 3; **action closed.**

**Action RG0176/004:** HM to present more details on Option 3, if time permits and if internal authorisation can be gained.

**Update:** Covered at item 3; **action closed**

**Action RG0176/005:** MR to present more details on his ideas for Option 4, if time permits and if internal authorisation can be gained.

**Update:** MR was unable to follow up on Option 4 due to time constraints and internal authorisation; **action closed**

### 3. Options

#### 3.1 Overview of Option 2 (Forecast Demand derived from Aqs and daily ALPs)

FC gave a presentation on deriving a more neutral, bottom-up view of Seasonal Normal Demand (SND) by taking the sum of all live Aqs with the appropriate Annual Load Profile (ALP) applied, either as a daily, monthly or once-a-year calculation.

The presentation provided a suggested approach for the Weather Correction Factor (WCF) with the use of Aqs and ALPs.

FC confirmed that Aqs are set at Seasonal Normal Temperatures (SNT), the daily allocation formula then corrects throughput by taking into account weather correction factors.

SB explained that SNTs are due to be reviewed for October 2010 as part of the 5-yearly review.

A discussion evolved around the use of the calculations and possible bias. SB clarified that the formulae compares actual consumption to an average condition.

FC explained the suggested approach and options of using a sum of Aqs and moving away from Network forecasts, with an approximation of a Seasonal Normal Demand comparing the average seasonal demand for all live sites against actual NDM Demand.

FC also explained the options for frequency of the calculation, which could range from daily to monthly, quarterly or annually. JA questioned if the frequency options would in any way affect the AQ Review considerations currently being reviewed. FC agreed that a more frequent calculation (not annual) would complement a regime of rolling AQ calculation.

FC explained the typical profiles for Seasonal Normal Temperatures and Seasonal Normal Demand.

FC went on to explain the Daily Adjustment Factor (DAF) which is currently published during August for the coming year, and explained the alternative of also using AQ and ALP and the options for frequency of calculation. FC highlighted that the impact of SND on the DAF was much less significant and that less frequent, even annual, calculation option might be sufficient, due to the lack of impact.

The presentation also provided some advantages and disadvantages of the use of AQ and ALP. JA questioned if there was an opportunity to use check points for AQ changes with a variation limit where calculations could be redone. MR expressed concern that there is a trade off between the frequency of calculation and system automation. MR highlighted that this approach was not reliant on DN forecasts but this could also be a disadvantage by placing reliance on Aqs which could be out-of-date.

SB highlighted that the formulas are not about forecasting demand ahead but equitably allocating out the energy consumed after the gas day.

DA challenged why xoserve had grouped the annual and monthly frequency together, he questioned whether these ought to be considered separately as there was a vast

difference between yearly and monthly. He explained that monthly would be more accurate than yearly or quarterly.

FC's initial thoughts were that an offline calculation could at a stretch be performed for every month with little or no change to UKLink.

### **3.2 Overview of Option 1 (use of Actual and Seasonal Normal CWV)**

SB gave a presentation on this option to derive a WCF from the difference between Seasonal Normal CWV and actual CWV (Composite Weather Variable) each day.

The presentation provided a graph which illustrated how the WCF performance can act inconsistently. It also illustrated the scaling factor which ideally should be a close to 1. SB suggested the obvious way to check if formulas would work in the future is to recalculate the allocation formula and examine if the scaling factor is closer to 1 compared to the existing profile.

SB confirmed that it has been difficult to account for weekend and holiday impacts, purely on weather or CWV. She explained that a factor needs to be built in for weekends and holiday impacts, however this would complicate the formula. SB confirmed that to be able to make final checks the calculations will need to be done at EUC level and xoserve's assistance would be required to obtain this information.

A discussion evolved about simply using weather to derive a WCF, since this could not include any other factors, such as price sensitivity or conservation effects, and hence the scaling factor will rarely be close to 1.

### **3.3 Other Options**

HM provided a discussion paper based on the reviews by the Met Office on climate changes.

JA explained the principle of using climate models using a 30 year average. The rolling 30 Year window model (15 historic, 15 future years) predicts a steady but small increase in temperatures.

JA believed that the longer the period used, the better, and that using past trends is not preferable.

JA provided a further illustration illustrating that in recent years the temperature has been increasing which illustrates that past trends may not be a suitable method for setting a Seasonal Normal Temperature. However he noted that the scale is very small.

HM believed that this might be something that the Review Group wants to include.

SB questioned what information can be disclosed due to the confidentiality agreement set by the project. MR confirmed he would investigate the extent of information the Review Group could use without breaching copyrights.

MR encouraged DNs to participate with the project as he believed it would be interest to them.

A discussion evolved on SNT and how this should be calculated in accordance with the UNC. FC confirmed that the UNC states SNT must be based on a "significant number of years". SB suggested that the UNC may not need changing if the new period includes a historical period of 15 years, which would be viewed as significant. She believed the UNC suggests that this period is a minimum requirement not the maximum.

FC explained that DNs do not just use SNT to forecast Seasonal Normal Demand (SND), a wide range of economic trends and other factors are also incorporated.

DA explained that DNs are revising forecasts to take into account what has been happening in the last few years. There is an obligation not to set charges that over- or

under-recover, so DNs may assume that actual weather will differ from SNT, typically predicting warmer weather, to prevent too much under-recovery.

FC questioned the timescales for the climate change project. SB believed that the delivery of a forecasting methodology is due Feb/March with actual forecasts available in April/May 2008.

JA expressed concern that it was difficult with the current system to understand what causes changes in demand.

HM questioned if a scaling factor could be developed which takes into account such things as weekends and holidays and the weather kept separate. SB explained the ALPs should take account of such differences, but that weekends and holidays were harder to model, because there were fewer data points than for typical weekdays. FC explained that a number of factors can affect demand which can result in unexpected demand compared to usual behaviours.

SB believed it would be worth looking at a day where the demand was very close to the actual forecast for the day, to examine possible reasons for any differences.

MR believed members needed to digest the options for the next meeting and consider what combination would provide an appropriate solution.

It was suggested that the solutions need to be worked through to establish if the desired affect can be achieved, SB suggested that this may need to be done at an EUC level rather than LDZ level.

#### **Post meeting note:**

UNC extract H1.5.2

The "**seasonal normal value**" of the Composite Weather Variable for an LDZ for a Day in any year is the smoothed average of the values of the variable (derived from the formula prevailing in accordance with paragraph 1.4 for that year) for that Day in a significant number of consecutive previous years, up to and including a year not more than 6 years prior to the year in question, derived from weather records maintained by the Transporters.

The text currently refers to an average of "consecutive previous years", so it appears that a Modification would be required to allow the use of future year forecasts in determining SNT.

**Action RG0176/0006:** xoserve to examine the possibility of providing E.ON with historic weather sensitivity data by EUC to enable further modelling.

**Action RG0176/0007:** xoserve or E.ON (depending on data sensitivity) to model the allocation process for Gas Year 2006 for WM LDZ using the actual CWV method.

**Action RG0176/0008:** xoserve to model the allocation process for Gas Year 2006 for WM LDZ using the AQ/ALP method.

**Action RG0176/0009:** MR to check with Met Office Project board on the release of Project data for the use by the Review Group.

#### **4. Review Group Process**

Working arrangements were reviewed and agreed.

**5. Diary Planning for Review Group**

The next meeting of Review Group 176 will follow the next DESC meeting and will be held on Tuesday 15 January 2008, in Conference Room 5, 31 Homer Road, B91 3LT.

**6. Any Other Business**

None raised.

**ACTION LOG: Review Group 0176**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
RG0176/001	08/11/2007	4	All to think about various options, with reference to the points set out under the Scope and Deliverables of the ToR, and bring to next meeting (06/12/07) with a view to presenting to the Group for discussion.	ALL	Action: Complete
RG0176/002	08/11/2007	4	Present an overview of Option 1 (use of Actual and Seasonal Normal CWV).	E.ON UK (SB)	Action: Complete
RG0176/003	08/11/2007	4	Present an overview of Option 2 (Forecast Demand derived from AQs and daily ALPs).	xoserve (FC)	Action: Complete
RG0176/004	08/11/2007	4	Present more details on Option 3, if time permits and if internal authorisation can be gained.	EDF Energy (HM)	Action: Complete
RG0176/005	08/11/2007	4	Present more details on ideas for Option 4, if time permits and if internal authorisation can be gained.	SSE (MR)	Action: Complete
RG0176/006	06/12/2007	3	xoserve to examine the possibility of providing E.ON with historic weather sensitivity data by EUC to enable further modelling.	xoserve (FC)	Action: Pending
RG0176/007	06/12/2007	3	xoserve or E.ON (depending on data sensitivity) to model the allocation process for Gas Year 2006 for WM LDZ using the actual CWV method.	xoserve/E.ON UK (FC/SB)	Action: Pending
RG0176/008	06/12/2007	3	xoserve to model the allocation process for Gas Year 2006 for WM LDZ using the AQ/ALP method.	xoserve (FC)	Action: Pending

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<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
RG0176/ 0009	06/12/2007	3	MR to check with Met Office Project board on the release of Project data for the use by the Review Group.	SSE (MR)	Action: Pending