

Gas demand forecasting and website performance incentives

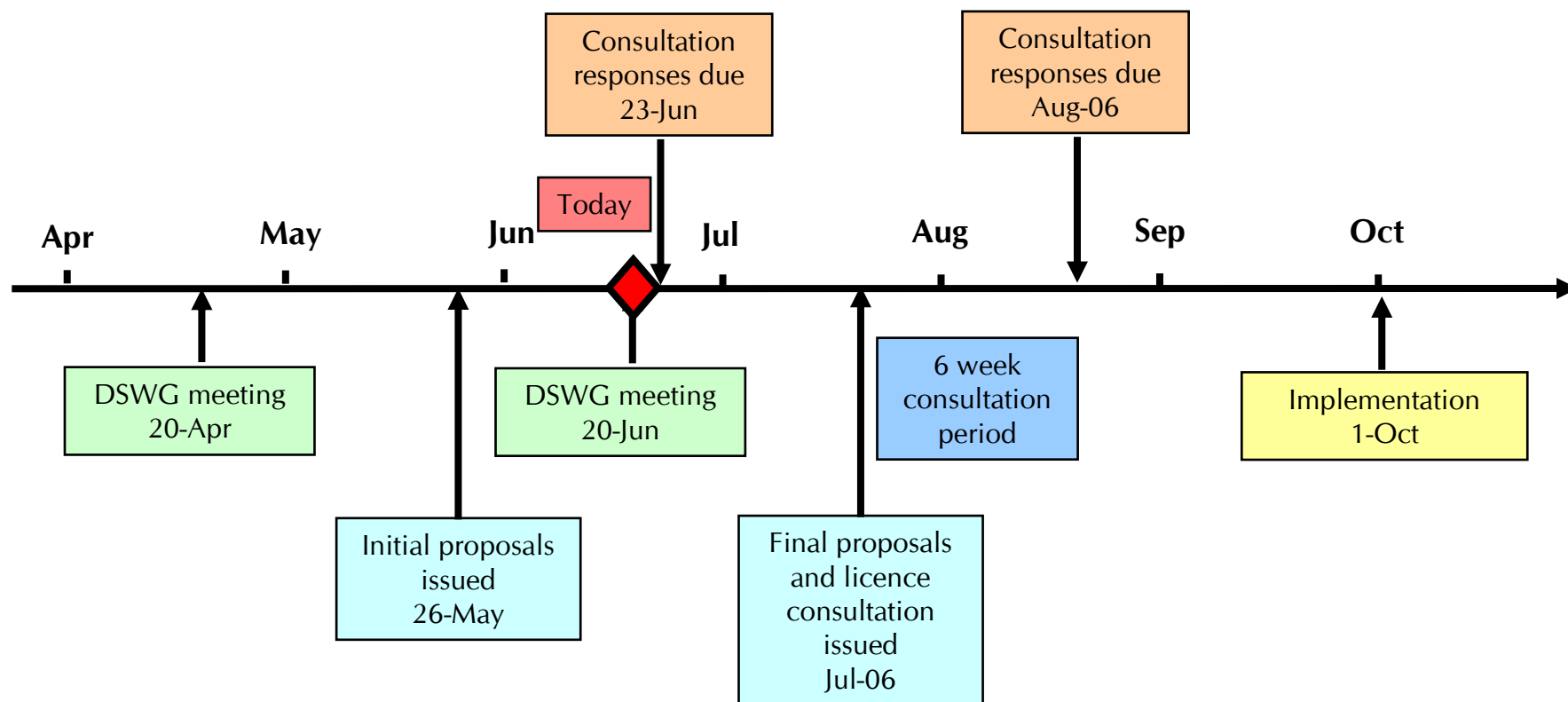
DSWG – 20 June 2006

- Background
- Demand forecasting incentive initial proposals
 - Proposed incentive arrangements
 - Incentive scheme options
- NG's website performance incentive initial proposals
 - Proposed incentive arrangements
 - Incentive scheme options
- Way forward

Background

- Experience of Winter 05/06 highlighted two areas where significant scope for improvement exists in NG's performance
 - performance of NG's website; and
 - accuracy of short term (day ahead) demand forecasting
- Improvements in these areas may lead to significant benefits for customers
- Discussed possible incentive arrangements at DSWG meeting on 20-Apr and issued questionnaire

Process



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- Way forward

Demand incentive: scope

Focus

- 14:00 D-1 demand forecast
- Total system demand forecast, not sub-components
- Weighted equally across all periods

Performance measure

- Measure improvements in terms of reductions in the average demand forecasting error
- Benchmark from winter 2005/06 is an error of 3.6%

Demand incentive: form (1)

Balance of upside and downside risk

Option 1



- Upside only in terms of incentive payments, although NG will incur incremental IS cost
- Less potential reward

Option 2

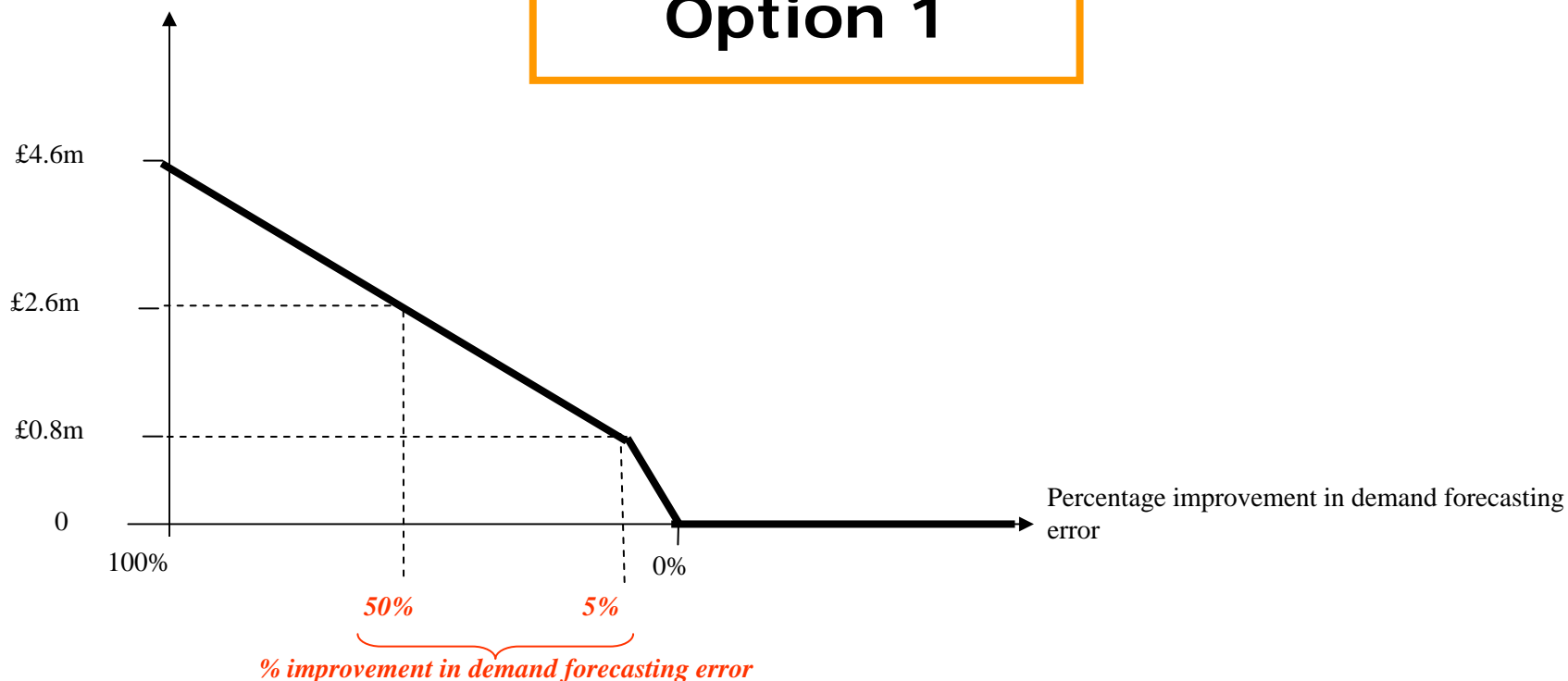


- Upside **and** downside
- Higher potential reward

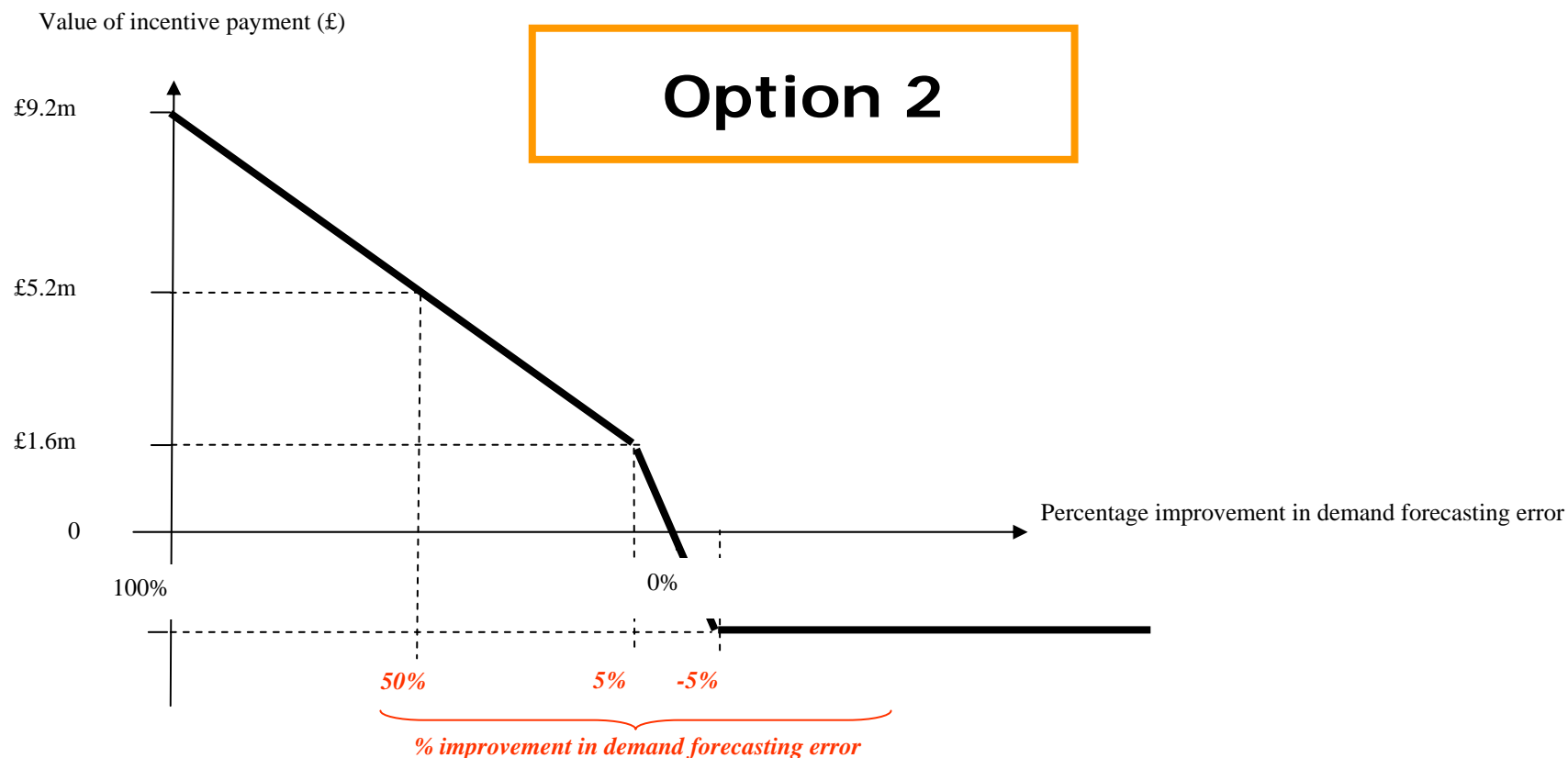
- Both options have proposed duration of 6 months

Demand incentive: form (2)

Option 1



Demand incentive: form (3)



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Website incentive: scope (1)

Focus



- Availability and timeliness of key data fields
- Based on responses to questionnaire we focus on:
 - Linepack data (NB92)
 - Physical flows into the NTS (NTSAPF)
 - Nominated flows into the NTS (NTSAFF)
 - Forecast demand (SISR03)

Are these the key data fields?

Website incentive: scope (2)

Website availability component

Focus



- Availability of key data (published on DSR)
- 24/7 performance, weighted equally across all periods

Performance measure



- Measure improvements in availability in terms of reductions in downtime
- Benchmark from winter 2005/06 is downtime of 0.11% or 4 hours 48 minutes (over 6 month period)

Website incentive: scope (3)

Website timeliness component

Focus



- Timeliness of publication of 4 key data fields
- Linepack, physical and nominated flows onto NTS and forecast demand

Performance measure



- Measure performance in terms of publication within 20 min of real time or by intended publication times
- Benchmark from winter 2005/06 is timeliness of 44.25%

Website incentive: scope (4)

Data report	Measure	Winter 05/06 performance
Linepack (NB92)	% of occasions data posted within 20 minutes of real time	29%
NTS nominated flows (NTSAFF)	% of occasions data posted within 20 minutes of real time	38%
NTS actual flows (NTSAPF)	% of occasions data posted within 20 minutes of real time	46%
Demand forecast (day ahead and within day)	% of occasions 14:00, 02:00 (day ahead) 12:00, 15:00, 18:00 and 21:30 (within day) publication deadlines met	64%
Average performance (benchmark)		44.25%

Website incentive: scope (5)

Overall website performance is average of:

% improvement in availability (i.e. % reduction in downtime)

and

% improvement in timeliness

Equal weighting - is 50:50 appropriate?

Website incentive: form (1)

Balance of upside and downside risk

Option 1



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Option 2



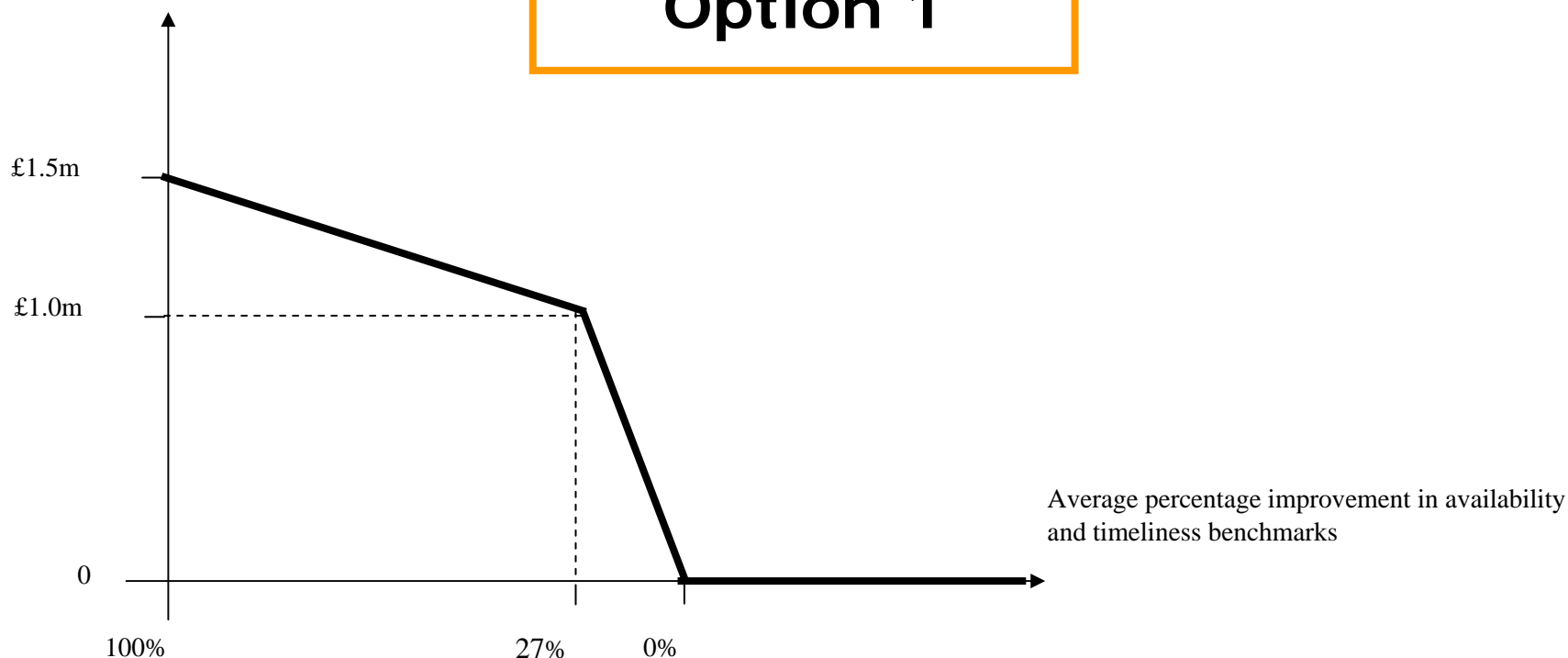
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- Both options have proposed duration of 6 months

Website incentive: form (2)

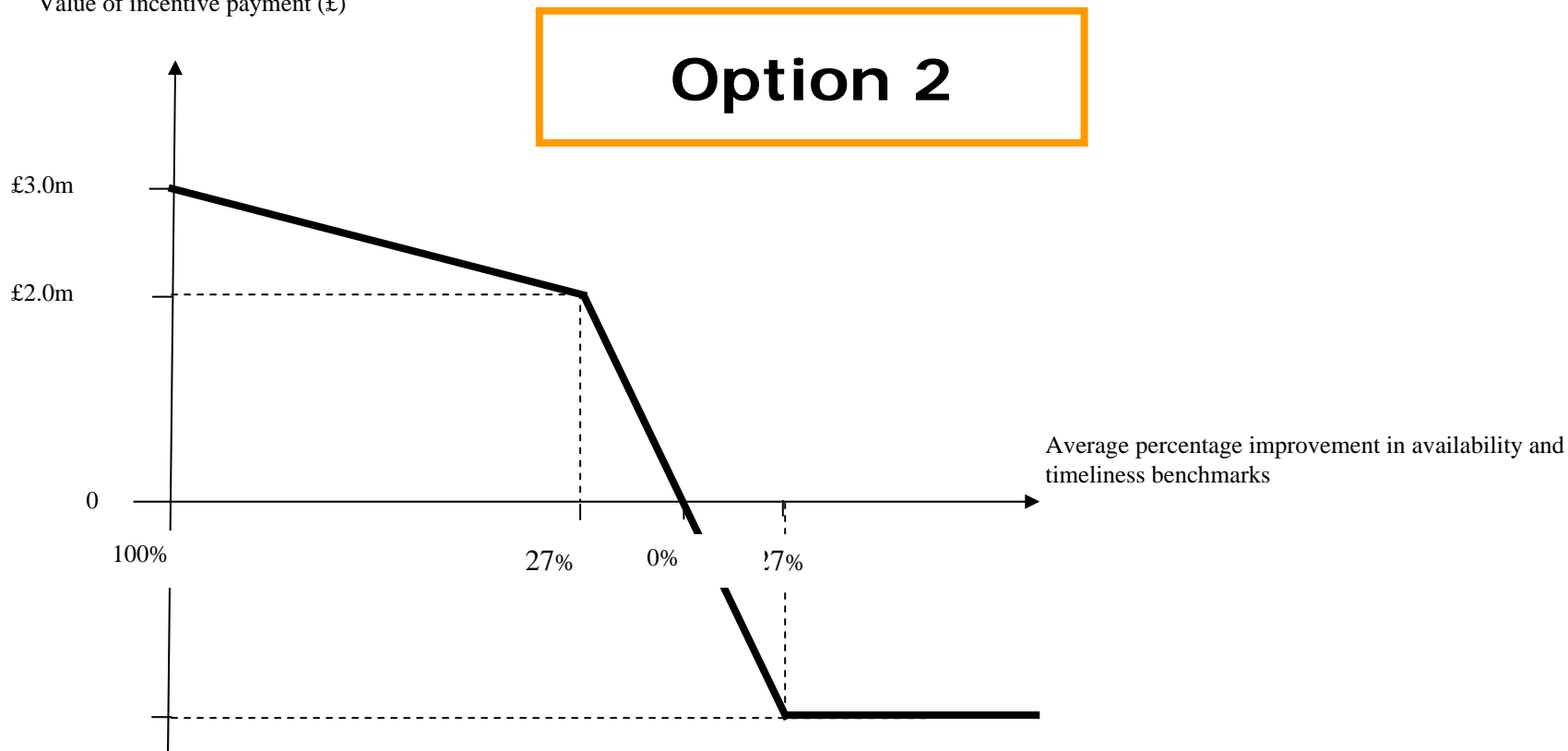
Value of incentive payment (£)

Option 1



Website incentive: form (3)

Value of incentive payment (£)



- Overview
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Key consultation questions

- Scope of incentives
 - 14:00 D-1 forecast
 - 4 key data fields
 - weighting
- Form of incentives
 - Option 1 or 2
- Duration of incentives
 - 6 months
- Cost recovery
 - commodity charge

Way forward

- Responses due by 23-Jun
- Send to wholesale.markets@ofgem.gov.uk
- Views of respondents will be considered in development of final proposals
- Publish final proposals and statutory notice in Jul-06
- Considering longer term incentives from Apr-07



Promoting choice and value for all
gas and electricity customers