

**DEMAND SIDE WORKING GROUP MEETING
MEETING NOTES**

Venue: Ofgem, 9 Millbank, London

Date: 23 April 2007

Attendees

Chairperson: Philip Davies (PD) Ofgem

1. Andy Lees (AL)	National Grid Gas (Gas Ops)
2. James Hanks (JH)	John Hall Associates
3. Alexandra Campbell (AC)	E.ON UK
4. Bob Brown (BB)	Cornwall Energy Consultants
5. Chris Logue (CL)	National Grid NTS
6. Eddie Proffitt (EP)	MEUC
7. Gareth Davies (GD)	CIA
8. John Bradley (JB)	Joint Office of Gas Transporters
9. Steve Wilkin (SW)	ELEXON
10. Barbara Vest (BV)	GdF ESS
11. Andrew Ryan (AR)	National Grid Electricity
12. Paul Savage (PS)	energywatch
13. Sebastian Eyre (SE)	John Hall Associates
14. Alan Raper (AR)	National Grid Distribution
15. Richard Street (RS)	Statoil UK
16. Christiane Sykes (CS)	Statoil UK
17. Peter Zeng (PZ)	National Grid Gas
18. Tim Dewhurst (TD)	Ofgem
19. Andrew Wallace (AW)	Ofgem
20. Claire Rozyn (CR)	Ofgem

1. Introduction

PD opened the meeting by introducing himself as the new Director of GB Markets and welcoming all those who were able to attend the meeting today.

2. Review of

a) meeting notes from last meeting 27/02/07

There were no comments on the minutes from the previous meeting.

b) actions from DSWG meeting 27/02/07

PD noted that the majority of the actions arising out of the previous DSWG would be addressed in the presentations to be given later in the meeting. The remaining actions were addressed as follows:

- *NG to communicate to the DNs, the NEC and internally within NG Transmission a request from the DSWG to describe how emergency interruptions (for Transmission Constraints or for Gas Deficit Emergencies) are likely to be affected by the implementation of UNC 90. Specifically each*

Transporter asked to consider the implications of potentially having less interruptible volume or diversity available during stage 1 of an emergency and whether some additional services might need to be procured by transporters for any or all types of an emergency:

CL noted that he had forwarded the above action point on to DN representatives and the NEC to initiate the discussions suggested by the DSWG. CL noted that he had also raised the issue of lack of DN representation at the DSWG. Both these issues would likely be taken forward at the GDPCR (?) workgroup with Jo Whittington. EP questioned whether this was the best forum to progress these issues given that the focus of Jo's group was pricing and not operations or safety. CL noted xx that he would provide an update of the Group's progress at the next DSWG.

- *Gas Forum to engage with customers and report on a timetable for the resolution for a Best Practice Guideline for Emergency Contact Details:*

CR asked whether there was a representative from the Gas Forum present who could provide an update to the DSWG on this point. Xx noted that he/she understood that the Guidelines were being consulted upon by xx. EP noted that it was vital that customers were consulted and included in the process of developing the guidelines, but that no progress in this area had been seen to date. CS accepted an action on behalf of the Gas Forum to provide an update to DSWG members as to how the Best Practice Guidelines were progressing and how customers views could be fed into the process.

3. Performance of the Information Exchange: Website Performance and Information Incentives Update (presentation by Chris Logue, National Grid Transmission)

CL explained that average performance of the website has been good recently and over winter. As compared to last year, the website has exceeded expectations. TD confirmed that the performance over the winter had met all targets. CS asked whether this may be due to the fact that the winter was relatively stress-free. TD added that it would be good to see website usage figures so that usage across the winters could be compared. CL was happy to provide these figures at the next meeting and noted an observation that average usage had grown tremendously on last year.

ACTION: NG to provide figures which will allow a comparison of website usage across the winters

CL noted that the website experienced 61 minutes of downtime during the period ending in March. This was mainly due to an extended outage in December which meant the availability target for winter had not been met. TD questioned whether the cause of that downtime in December had been looked into and rectified and whether this event could be considered a one off. CL noted that he understood the problem had been fixed and so wouldn't expect that the outage would be repeated.

CL noted that NG had agreed to increase its performance target such that 75% of data was now expected to be published no later than 10 minutes after the hour where previously it was required to publish 51% of data no later than 30 minutes after the hour. NG would also be given an allowance of 720 minutes downtime for the year. TD noted that Ofgem had said that it would monitor NGs performance incentives over the winter and would reassess going forward. He

stated further that it was important that NG was given challenging targets: at the moment it is very good in achieving its timeliness incentive. Improvement in terms of the availability incentive was a key driver behind the new platform to be launch in October.

JB questioned whether planned maintenance periods (such as those that may be required for the introduction of the new platform), would be included in the incentive targets. CL confirmed that there was no regular maintenance period allowance but that because it was a new site, there should be no requirement for downtime.

CL also confirmed that NG was planning to implement UNC 121 and 97a on October 1st and that it would keep the DSWG updated as to how this new information will be made available. CL also confirmed that 006 data had suffered from some problems over the past few weeks. Data at Hornsea had been substituted because metering information had been unavailable. The “substitute values” were based on the last good value received, or where relevant, on any other information made available to NG. CL noted that the website will always flag when substitution data has been used. Xx confirmed that there had only been a small amount of injection occurring at Hornsea recently and that the metering equipment was okay on the Hornsea side. CL confirmed it was an intermittent fault and that no big problems had been created. NG was currently working to resolve the problem.

JB asked whether there would be a drop dead date for the implementation of UNC 104. CL noted that NG was planning to include 104 in the scope of its work given the Ofgem “minded to” as set out in the Ofgem IA. However, NG would likely need confirmation as to whether this would be implemented or not by the end of June in time to launch the new platform in October.

4. Gas Information Review Proposal 140 Update (presentation by Chris Logue, National Grid Transmission)

CL stated that the main progress made in this area since the last DSWG related to the formal launch of the project. The main aim of the project was to review publicly available gas data. The project scope would exclude any information recently implemented and would instead be backward looking with the aim of identifying data not being used, gaps in data and duplication of data. CL also noted that NCORM would be reviewed and if possible, changed to a more user friendly format given it is currently not conducive to the efficient provision of information.

CL noted that the first full meeting would occur in early May, hopefully the second week. The Mod Panel had given the Group 6 weeks to report back but this wouldn't preclude modifications being raised. CL noted that formal invitations would be sent out via the Joint Office. CL also noted that NG intended on getting as much feedback as possible from customers as it would sooner know at the start of the process whether any of the data that may be proposed for removal was in fact useful to consumers. BV noted that it was often difficult for consumers to get involved in frequent industry meetings and so questioned whether EP knew of some consumer groups which were already scheduled to meet that NG could go and see. CL noted that NG would be happy to do this given that they wanted the consultation to reach as wide an audience as possible.

Xx questioned whether NG could see which information and reports were being used and which weren't. CL confirmed that NG did know hit rates on the various

reports and were planning to broadly categorise these in a traffic light system. EP questioned whether it could be the case that some reports were not being used simply because people did not know they existed. CL noted that we may find all the data that is published is useful. PS expressed his nervousness about removing data given that, at some point, resource went into putting it there and it was obviously published for a reason. He noted that it was important to understand (a) whether reports weren't being used because consumers did not know they were there, and (b) how each set of data fits into the overall picture. PS questioned whether perhaps presentation should be the main aim of the project. CL confirmed that presentation would be on the agenda, but that NG believed there were certain reports that had been superseded.

SE noted that some reports appeared in pdf format and so weren't useful at all. However, JB noted that while this was the case, a lot of the reports were also available in [excel] format. CL set out the three aims of the review (see slides).

BV questioned why there was a need for modification proposals to make these changes, and whether it would be possible for industry to simply have this dialogue which could then be overseen by Ofgem. JB confirmed that any changes made to NCORM needed to go through the UNC committee. PD noted that if it turns out that only presentational changes need to be made, there may in fact not be a need for a modification.

5. Day Ahead Demand Forecasting (presentation by Peter Zeng, National Grid Gas)

PZ began by noting that, last August, he gave the DSWG an overview of NG's forecasting process. There had since been new processes introduced, which he planned to cover today.

PZ noted that while the forecast error had reached over 20 mcm on some days, most of the time is sat around 0.1 to 0.5 mcms. BV questioned whether electricity system information was considered in the gas forecasting process. PZ said that it wasn't. BV asked if PZ could confirm that there was in fact no interaction between the demand forecasts in gas and those in electricity. PZ confirmed this. BV questioned the value of this and it was noted by others in the group that there must be a [distinction] made between compliance (i.e. NGG and NGET chinese walls) and the effect on the market of withholding relevant information from one another. PZ noted that a programme of work had been identified and NG would be looking to take this forward over the next few years.

TD asked PZ to explain what factors had contributed to better forecasting and performance; had it been because internal processes had improved or was it simply a result of good luck. PZ noted that he suspected it was 70:30 but he could come back with a more accurate number useful. TD noted the importance of continuing to challenge the assumptions behind the demand forecasting incentive. He noted that this had been a useful presentation in drawing out some of the issues and that a number of these would be looked at closely in the upcoming SO review.

RS questioned why the D-1 13:00 forecast appeared to be more accurate than the later D-1 16:00 forecast. PZ noted that NG tended to use its own model at 13:00 as opposed to using information and data received from users. EP questioned whether this might be because the incentive focuses on the 13:00 forecast. PZ noted that it could also have something to do with the shift change that occurs between 1pm and 4pm. TD asked whether mod 123 had had any

impact. Xx stated that OPN's, if assumed to be more accurate, would be used. If they seemed volatile or less accurate, NG would continue to use its own forecasting model. EP noted that D-1 16:00 was when nomination came through and that shippers tended to under-nominate at this time because they are open to be changed. Xx stated that while some shippers tend to over-nominate, others tend to under-nominate: this was something NG monitored closely. TD noted that all these concerns were driving the request for NG to publish a forecasting methodology statement on its website. [TD asked whether it would also be helpful to have some indication on the likely level of demand side response. EP stated that this may be useful for shippers but would unlikely be of use to customers.] TD reminded the Group that the demand forecasting incentive was initially created in response to the high forecast error being made at D-1 which appeared to be leading to an increase in the DA price. TD asked NG whether it was planning to publish such a Statement. BV said that anything that would aid understanding would be helpful. TD noted that this would need to include a clear statement as to whether demand side response was or wasn't included in the forecast. PZ noted that it could include a generation description and key inputs at the time of publication.

EP question...

6. Electricity Information Transparency (presentation by Andrew Ryan, National Grid Electricity)

AR questioned whether the request for an electricity information page had arisen from industries wish for clearer information, or rather from a want of a signal of system stress. He considered it was important to get a feel for this now. PS explained that the gas information summary page had been developed in response to the need for customers to know what was happening in the gas market for demand side response purposes; the question was whether that was needed in electricity. EP noted that an electricity information summary page may be helpful for customers with regard to the triad days. For example, currently customers may only receive notification at 3.45pm that 4pm is likely to be a triad period. This creates a rush for customers to get off the system. EP noted it was important for customers to understand what constitutes a triad i.e. not demand but generation. XX agreed that transparency around triad notification would be helpful. However, care would need to be taken in order to avoid confusion because notifying of a triad could lead to the triad not occurring.

Xx considered it would be beneficial to tidy up the definitions of demand in the BSC. Xx noted that there was a modification in progress which aimed to do just that (see slides)

Xx noted that NG only sees a complete picture of wind-farms over a certain size. Xx explained that while all sites connected to the NTS or DNs are metered, NG does not see the 7GW of embedded generation. Xx explained that there is a different definition in E&W than in Scotland and noted that Ofgem had undertaken a review in order to understand the different definitions. EP asked whether Ofgem should make it a requirement that NG see all this embedded generation. AR noted that they do not have a need to see this information. AR also noted that NG tends to forecast wind itself rather than allowing individuals to forecast wind.

Further, AR confirmed that it isn't demand published on the NG website but generation and that is was only generation above a certain size. AR noted that this was a small difference but one that needed to be recognised. SEE SLIDES (What gens make up demand).

In terms of a new electricity summary page, AR asked the Group for views on which platform would be best i.e. Elexon or NG. CL highlighted that while it had been possible to build a new platform to cope with the 006 information in gas, the market structure was different in electricity i.e. it was Elexon's function to provide data. SW noted that Elexon's Project Isis provided a good opportunity to look at these issues (send hyperlink to NG). PS considered it was important to remember that the gas summary page went through numerous reiterations before being finalised and the process of development was quite long. EP noted that it would be useful to see a running graph illustrating the build up of generation.

AR noted that NG would meet with customer groups over the next few weeks to discuss ideas for an electricity information page with the intention of presenting a straw man at the next DSWG.

ACTION: NG to meet with customer groups over the next few weeks to discuss ideas for an electricity information page in order to present a straw-man at the next DSWG.

7. Cash-out review (Tim Dewhurst, Ofgem)

TD ran through the slides presented at Ofgem's recent electricity cash-out review industry meeting. He noted that it would be useful to understand whether Ofgem's concerns reflected the concerns of DSWG members. TD explained that Ofgem had put forward two potential electricity cash-out models at the meeting, and had also set out the issues Ofgem believed warranted further consideration e.g. derivation of prices, locational BSuoS, ex-post trading etc. TD outlined that the next industry meeting would be held in June, however, a few mods had recently been raised so this would in itself kick off a new process. TD asked the Group whether there were any other issues they believed Ofgem had not touched upon. He noted that it remained important to continue discussions and draw out any issues raised by the mods. He asked that the DSWG come back with any further thoughts they may have on these issues at the next meeting.