

**DEMAND SIDE WORKING GROUP MEETING
MEETING NOTES**

**Venue: Ofgem, 9 Millbank, London
Date: 7 December 2007**

Attendees

Chair: Philip Davies (PD)

Ofgem

1. Andrew Wallace	Ofgem
2. Elio Zammuto	Ofgem
3. James Crump	Ofgem
4. Paul Auckland	National Grid
5. Richard Price	National Grid
6. Chris Logue	National Grid
7. Paul Gallagher	National Grid
8. John Perkins	National Grid
9. Bob Brown	Cornwall Energy Associates
10. John Lucas	ELEXON
11. Charles Ruffell	RWE Npower
12. Paul Savage	energywatch
13. Mo Rezvani	SSE
14. Clare Temperley	Gas Forum
15. Eddie Proffitt	MEUC
16. Gareth Davies	CIA

NB: all presentations from the DSWG can be located on the Ofgem website:

<http://www.ofgem.gov.uk/MARKETS/WHLMKTS/CUSTANDINDUSTRY/DEMSIDEWG/Pages/DemSideWG.aspx>

1. Introduction

PD opened by welcoming attendees to the meeting.

2. Review of minutes and actions:

a) meeting notes from last meeting 02/11/07

No comments were received.

b) actions from DSWG meeting 02/11/07

Response to action: NGG to consider whether the confusion associated with the aggregation of BBL and IUK flows on the Demand Summary page can be clarified and resolved.

CL said that the accompanying helptext had been updated so that it was now clear that the graph on the Demand Summary page showed BBL and IUK import flows.

EP argued the graph still lacked value, as the data was dominated by BBL imports, which swamped the imports or exports of IUK. He did not consider that IUK and BBL operated in the same way. EP noted that as IUK data is available on the interconnector website, and questioned whether this could also be made available, separately, by NGG. GD asked whether the website could show two separate graphs for IUK and BBL data.

CL noted that NGG would need to be careful not to discriminate in their treatment of interconnectors.

ACTION: NGG to examine ways of separating BBL and IUK flows for website publication and present findings at next DSWG.

All other actions were addressed as part of the meeting agenda.

3. NG Website Information update – Paul Gallagher, NGG

PG reported on the changes to the Operational Data Publication system (MIPI). The system went live on 22 November, adding 3 links to the new MIPI screens on the current NGG website. Implementation was successful and no major issues were experienced, despite some minor teething problems. Feedback was generally positive.

EP noted that there were problems in accessing the “Prevailing View” link. PG suggested that this may be caused by the pop-up blocker.

Parallel running of the old gas Demand Summary website will continue for the next few weeks. Users would be alerted by a news item when the site was due to be removed. PG reminded the meeting that the information would continue to be available as a report on one of the new MIPI screens (see Report Explorer). EP suggested flagging this on the gas Demand Summary screen.

AW raised a concern on behalf of Andrew Mackenzie of Ineoschlor (who was not able to attend the meeting) that data at weekends was not as robust as that displayed within the week. PG agreed this was an issue, explaining that more technical problems seemed to occur at the weekend, including a specific storage issue 3 weeks ago, and in addition technical support was less available at weekends. The last four failings had all been at weekends. NGG hoped to review and isolate the cause of these weekend problems.

PG noted that clickable links change the map on the prevailing view, and NGG's intention is for the front screen to link into real time flow data, although this may take a number of months. EP asked if actual flow data with a 24 hour delay could be displayed on the map, and if flow data could be stacked in order of importance so the price setter could be identified. CL noted that this is already available, but not on the map.

4. Other changes to the NG website – Paul Gallagher, NGG

PG highlighted changes to the Operational Data and Operational Information sections of the website. Operational Monthly Updates, Maintenance Programme and Deliverability updates and information on Delivery Facility Operator and Storage Facility Operator Forum will now be housed under the Operational Information link, whilst Miscellaneous System Info to be renamed Historic Data. PG noted that these changes were intended to clarify the information offered by NGG.

5. News Alert Subscription – Paul Gallagher, NGG

NGG are now offering news updates via email alert as an extension to the GBA SMS alert service introduced last year. The service will offer notification via email of news updates from NGG. EP enquired if this would be limited to operational news. PG confirmed that it would. PG informed the group that the subscription service is available now.

6. Storage Stocks Incident – 18th November – Paul Gallagher, NGG

NGG received erroneous data for opening stocks at a storage facility on the 19th November. This was identified by the NGG control room receiving the data; however, PG explained that the data provided was outside the expected parameters. However, there was a misunderstanding relating to the manual check – the input data was checked against the value on the fax rather than confirming the value with the site concerned. PG explained that NGG strive to ensure the published data is as accurate as possible. NG is changing the technical checks which pick up this error, to ensure erroneous fax data is followed up with third party information providers.

PD noted the importance of NGG taking responsibility for data and ensuring processes are in place to identify errors.

7. Forecasting issues during Gemini incident – Paul Gallagher, NGG

Concerns were raised at the last DSWG about the impact of the Gemini outage between 22 October and 2 November 2007. Ofgem had asked NGG to investigate this, in particular whether demand forecasts, linepack and NDM demand attribution were less accurate than normal. NGG were also asked to provide information on the impact on scheduling charges and whether there had been a resultant increase in prompt gas prices.

NGG's figures showed that average differences reported on the D-1 demand forecast performance for the duration of the incident were as least as accurate as those reported under normal conditions, and deviations from predicted closing linepack forecast from observed figures showed no greater variance across the day than normal. NG argued that this indicated there is no evidence to suggest that prompt gas prices were impacted by inaccurate demand and linepack forecasts. EP argued that averages presented by NGG in its analysis hid the true picture, and that larger, within-day variations occurred.

NGG noted that whilst NDM demand attribution did show significantly more variance across the day than normal, this was expected by NGG as DM nominations were being dealt with manually. Scheduling charges were impacted by these demand attribution issues. EP argued that on several days, demand attribution showed a variance of about 20%. PG replied that most days showed a difference of about 10% between initial and final NDM values. PG was not able to comment on the financial materiality of the outage's impact. CL noted that lessons learnt would become clearer following the conclusion of investigations.

PD noted that Ofgem had asked shippers to come forward with assessments of the financial impact of the outage, and had established a dialogue with the Gas Forum Shippers Group to this end. PD said it would be helpful for NGG to have completed its investigations, including lessons learnt, for the next meeting.

PG noted that NGG's performance under the existing forecasting incentive regime provides evidence that it is making improvements in forecast accuracy.

ACTION: NGG to review with Ofgem the best method to report back to interested parties on the cause, implications and lessons learnt from the Gemini outage.

8. SO Incentives Consultation – *Paul Gallagher, NGG*

On 1 November Ofgem published an open letter detailing changes in the gas and electricity incentives consultation process for this year. The consultation will encompass the Balancing Services Incentive Scheme (BSIS) in electricity and a range of gas incentives, comprising System Balancing – NTS Shrinkage, System Balancing – Operating Margins, Residual Balancing, Demand Forecasting, and Information Systems. The revised incentives will apply from 1st April 2008.

Whereas in previous years consultation and response on gas and electricity incentives has been taken forward by Ofgem, this year NG is developing the process. To this end PG and PD encouraged group members to respond to this consultation.

9. “Communication” Outages – *Paul Auckland, NGET*

As a response to an action from the November DSWG, NGET were asked to provide a note on the apparent communication outages which occurred around the time of the October NISM warnings. PA explained these were in fact outages in the electricity balancing mechanism systems, which result in the normal communications route being suspended. These outages followed a planned upgrade to NGET’s Balancing Mechanism system.

PA explained that there are two parts to the BM system - EDT (communication from traders for PNs and prices) and EDL (communication to power stations about operational matters). During an outage EDT is suspended entirely, whereas EDL continues through telephone communication. Suspending EDT and replacing EDL with a service via telephone is necessary to move to NGET’s contingency systems.

On Wed 24 October, a planned outage to BM systems for a new application release resulted in some system performance issues. There were four unplanned outages in the 3 days following 24 October, in addition to the planned outage for the upgrade itself. PA assured the group that four outages are unfortunate and unusual, highlighting that changing established systems brings increased risk, and that the outages took place overnight. The underlying causes of the outages had now been resolved. A second cluster of upgrades was planned for mid-to-late 2008. After these are in place NGET will review more rigorous parallel testing. In the past, outages have always occurred around upgrades. PA noted that planned upgrades were communicated via BMRS.

10. Embedded Generation – *Paul Auckland, NGET*

Further to last month’s DSWG, NGET investigated whether any ex-post data from settlement systems could usefully be made available to the market for embedded generation.

PA informed the group that Elexon had data for settlements at a GSP group level for embedded generation where output was metered. Some embedded generation “spills” onto the distribution network and would therefore be included in GSP group correction.

When data is sent to settlements, it is not in a form that would allow desegregation by fuel type or individual generation (for example wind, CHP, or hydro). For settlement purposes it is not necessary to know generation by fuel types.

EP asked how balancing was possible when 7GW of power was not being operationally metered. He gave an example of all the unmetered embedded generation tripping off at once. BB suggested that such generation was modelled in the demand forecast, and effectively seen as negative demand. MR noted that the process for netting off this generation was not transparent.

PA argued that NGET was moving towards even greater levels of transparency, and that the proposed P219 & P220 would assist this process. P220 in particular would provide information on operationally metered wind generation.

EP asked if a decision had been made that all new wind generation would be monitored. RP responded that new generation will be looked at on a case by case basis.

PA stressed that NGET's current focus was on major generation plant. Whilst smaller facilities may be looked at in the future, there was a need to examine at which level metering became economic. BB questioned whether NGET should have an incentive in this area if this information would benefit the wider market.

JL noted that Elexon do not collect settlements data until circa 4 weeks ex-post. EP asked whether Elexon could provide indicative data the next day. JL responded that physical collection took time, but theoretically could be gathered in days rather than weeks after the event.

11. Market Information – Paul Auckland, NGET/John Lucas, Elexon

PA updated the group on general developments in the provision of electricity information to the market.

Two BSC mods (P219/P220) had been raised by National Grid, and were approved for assessment at November's BSC Panel. NGET are reviewing how P219/P220 could be delivered in practice, and work in this area is running in parallel with the BSC modification process.

Introducing the Phase 1 summary page was on track, and was being developed by ELEXON and Logica with NGET input (based on the 'straw man' summary page developed at the DSWG). JL explained that Phase 1 of the summary page would provide relevant data already on BMRS. Phase 2 would add additional data items, such as wind generation forecasts and generation by fuel type. The Phase 1 summary page will have tables showing system warnings, peak demand, triad demand information (i.e. demand peaks to date and forecast demand peaks) and system prices. It will also include Market Imbalance Volume (i.e. whether the market is short or long), system price, system demand, day and day ahead margin, 2-14 day ahead demand forecast and surplus, and 2-52 week ahead surplus.

Currently, the data that make up the demand forecast and demand outturn differs so that they are not directly comparable. One includes pumped storage, station demand and interconnector flows, whilst the other does not, P219 proposes publication of two different streams of data for demand forecast and out-turn. This would provide one set of comparable forecast and outturn data that includes pumped storage, station demand and interconnector flows and one that

does not. The solution will continue to provide all current data whilst adding additional data to facilitate comparison of forecasts and outturns.

The assessment consultation phase for this mod is between 27th Nov and 10th Dec 2007. JL indicated the modification group would welcome consultation responses from DSWG members.

Modification proposal P220 intends to place a requirement on NGET to provide additional data items for publication on the electricity data summary page to support Phase 2 of its development. These data items include outturn and reference temperatures, wind generation forecast, instantaneous and half-hourly generation by fuel type, daily energy volumes transported across the transmission system and non-BM Short Term Operating Reserve (STOR) instructed volumes.

P220 is more complex than P219, and the mod group meeting have featured lengthy discussion in which the straw-man solution has been improved in different ways, including showing total and percentage fuel generation by fuel type on a near real-time basis. The solution has also been improved by customer representatives attending the mod group.

Two other improvements the Group have considered require new legal drafting, and would therefore constitute an alternative modification. These are the inclusion of historic reference data to set benchmarks on the daily volumes graph and a more robust mechanism for publishing system frequency data pulled from NG's website.

The consultation for P220 is planned for the second week of January, and again NGET and Elexon would welcome input from DSWG attendees.

ACTION: DSWG Group members to respond to NGET's consultation on Mods P219 and P220.

JL presented a proposed timeline for delivery of Mods, which scheduled Ofgem sign-off in January or February 2008. AW observed that were Ofgem to approve the modifications, sign-off could not be completed until the end of March at the earliest, as the BSC Panel would not be voting on P220 until mid-March. PA said that it was too early to say whether this would impact NGET's plans, but that NGET would hope for a quick decision from Ofgem.

ACTION: NGET to review the timeline for the electricity summary page to reflect target for Ofgem decision on P219 and P220 in March/April.

Other information areas which NGET are actively engaging with customers include producing demand history data in excel spreadsheets for monthly publication. Historic demand data is now provided for April 2001 onwards at the NG website.

12 – Ofgem's communication line on NISMs – *Philip Davies, Ofgem*

Ofgem provided the group with its communication line on NISMs. PD noted it was important for people to be clear about the circumstances in which a NISM was triggered so that those with an interest in the market, for example the press, could correctly interpret its meaning. Ofgem's full line is "A NISM is a routine step for National Grid to take to encourage more generation to come onto the system. It preserves the safety cushion of reserve power that National Grid keeps ready in case of plant failure."

PA observed that recent press coverage had not been helpful and that NGET had prepared press briefings and talked to trade and the media to ensure confusion was minimised.

13 – Winter Consultation – *Philip Davies, Ofgem*

PD indicated that the next Winter-to-date seminar will be on 23 January. There will also be a seminar on secondary capacity access at Isle of Grain LNG storage facility on 14 December.

14 – AOB

NGET indicated the tender pack for the short term operator reserve would be launched in January. This contract would last for two years from 1 April 2008.

EP and PS both welcomed the proactive stance taken by NGG and NGET further developing information transparency in the market, including the raising of modifications to industry codes.

15 – Date of next meeting

The next meeting of the DSWG will take place on Tuesday 12 February starting at 12:30pm at Ofgem's Millbank offices.