Forecasting Performance Variance

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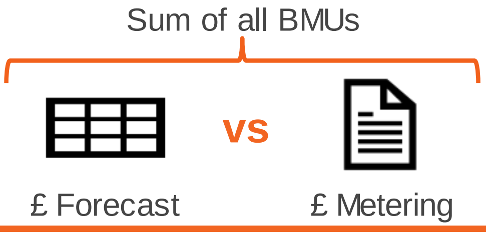
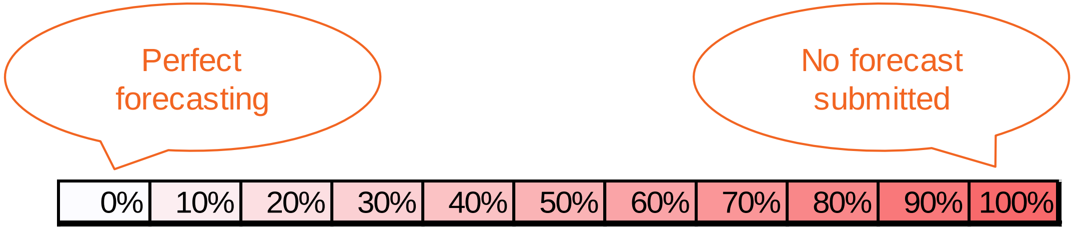
Forecasting Performance VAR (FPVAR)

What: FPVAR is the variance between the value of **forecast** demand and **actual** demand



Why: FPVAR is one of the inputs that determines the amount of security required for the following year



When:

- Calculated in July, using values from Initial Demand Reconciliation
- Used in security calculations from 1 October to 30 September

Forecasting Performance VAR (FPVAR) - NHH example (1)

	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Demand Forecast	120,000 kWh						240,000 kWh			270,000 kWh	300,000 kWh	
Forecast Liability	£6,000	£6,000	£6,000	£6,000	£6,000	£6,000	£12,000	£12,000	£12,000	£13,500	£15,000	£15,000

Compare each months forecast annual liability with actual annual liability

Rec £	Actual annual liability: £15,000

	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
VAR %	60%	60%	% 60%	60%	60%	60%	20%	20%	20%	10%	0%	0%

VAR = (Actual - forecast) / actual
A positive VAR indicates under-forecasting
A negative VAR indicates over-forecasting

Forecasting Performance VAR (FPVAR) – NHH example (2)

	April	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
VAR %	60%	60%	60%	60%	60%	60%	20%	20%	20%	10%	0%	0%
Forecast Weight ($\Sigma = 300$)	0	0	0	0	0	0	0	41	49	59	70	81
VAR % x Weight	0	0	0	0	0	0	0	820 %	980 %	590 %	0 %	0 %

Sum of VAR X weight: **2,390%** ÷ Sum of weight: **300** = NHH weighted average VAR: **7.97%**

NHH weighted average VAR: **7.97%** − NHH extreme condition adj: **3%** = NHH deemed FPVAR: **4.97%**

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Forecasting Performance VAR

- HH FPVAR is calculated on the same principles as NHH, but using HH forecast weightings defined in CUSC

- All FPVAR(s) are sent to Suppliers by the end of July

- Supplier can request a revision to the FPVAR

- The FPVAR is used in the calculation of security requirements .The greater the FPVAR the greater potential for a higher amount of security.

If you want to know more about FPVAR, come to the workshop later