



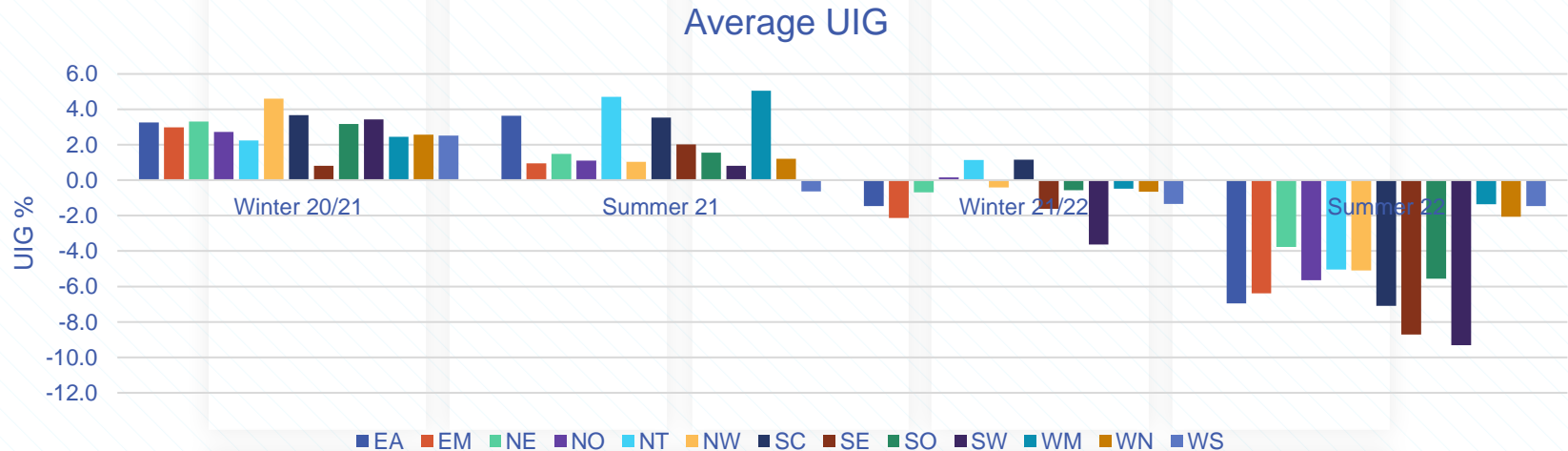
Demand Estimation Sub Committee

Additional Material – Agenda Item 2.0
UIG Proposed Mitigation Action

5th October 2022

Recent UIG Trends

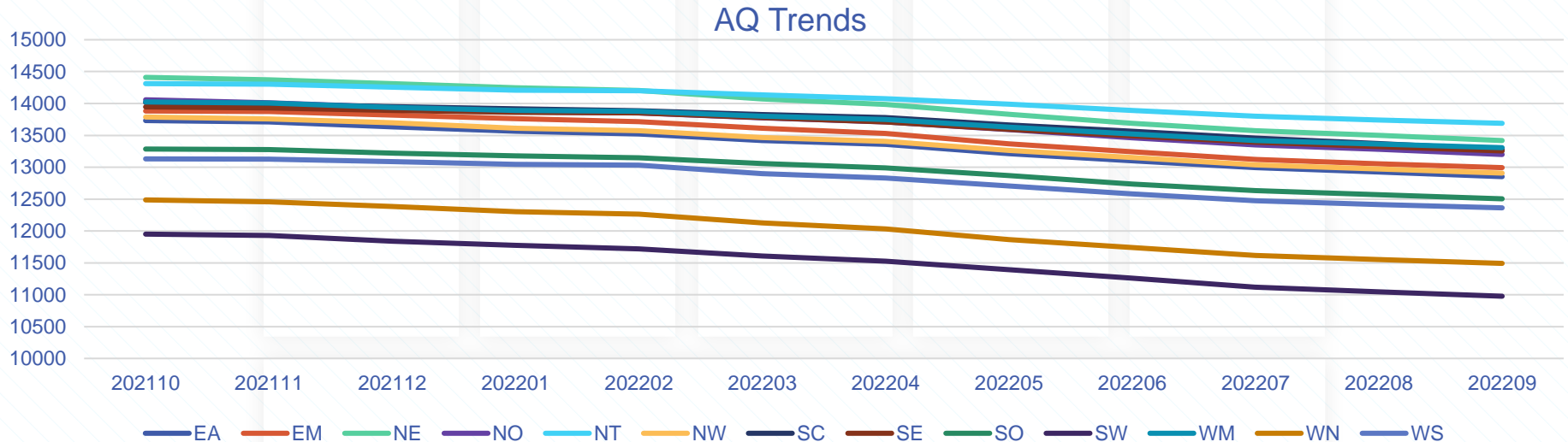
- Historically UIG has trended around +2%
- UIG started trending negative in Winter 21/22
- Summer 2022 has seen UIG continue to trend more negative



Note: Apr-Jun has been excluded from EM due to Thornton Curtis metering error

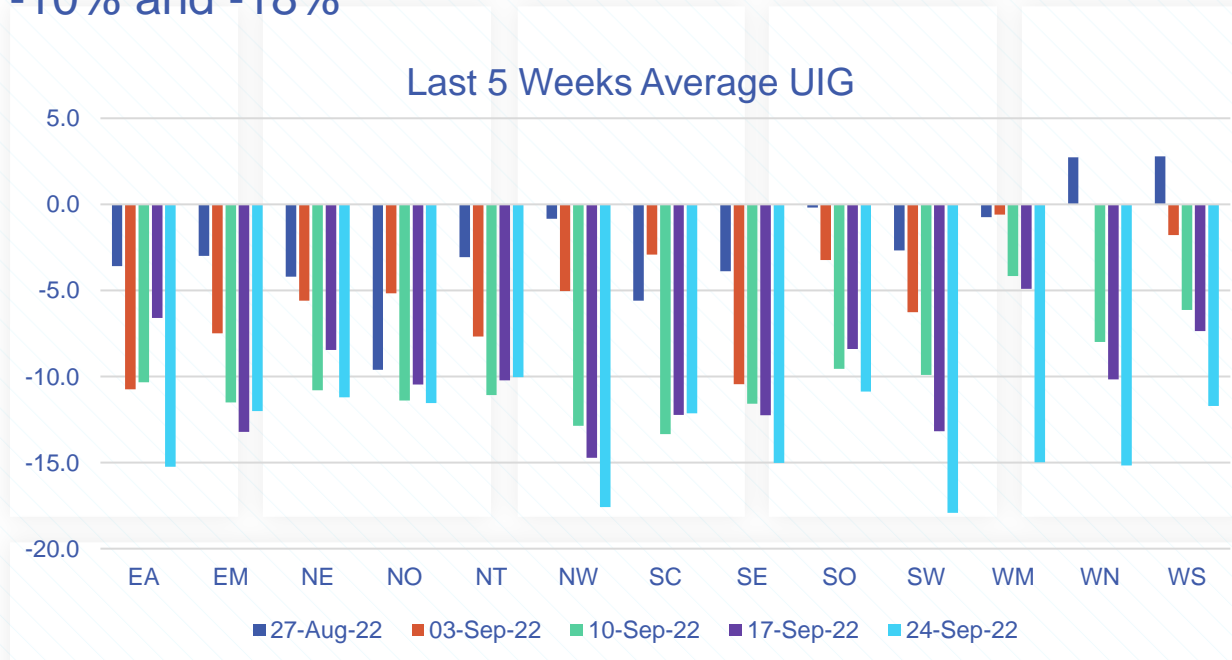
Domestic AQ Trends

- The cost of living started increasing towards the end of winter 21/22
- Customer behaviour began to change from January 22, when media attention was given to the likelihood of a significant price rise to the capped energy prices from April
- AQs can take 9-12 months to 'catch-up' with any step changes to consumption
- 01BND AQs for all LDZs have fallen month-on-month for the 21/22 Gas Year, which confirms that the NDM Allocation is running too high



Recent UIG

- The first instance of colder than Seasonal Normal weather in the Autumn has exacerbated the UIG situation as the ALPs forecast Domestic consumption to increase by a greater level than has been realised
- The last week of September saw all LDZs show significantly negative UIGs of between -10% and -18%

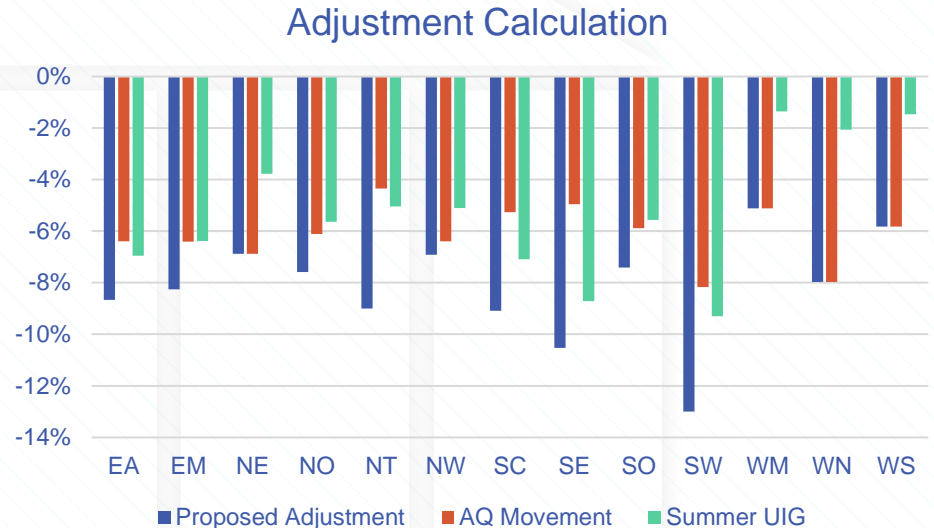


Potential Action to Mitigate Impact on UIG

- In order to avoid large negative UIG at closeout, and large volumes of energy moving around post meter point reconciliation, we can adjust the ALPs and DAFs for Allocation purposes without changing those that are used for AQ calculation
- We propose a potential solution in applying a flat reduction to the ALPs for Domestic EUCs from November onwards
- These adjustments are based on the AQ reductions and recent UIG trends, detailed on the following slide
- No change is recommended to the DAFs as these work in conjunction with the weather correction factor, therefore any change can have both +/- effect on forecast consumption

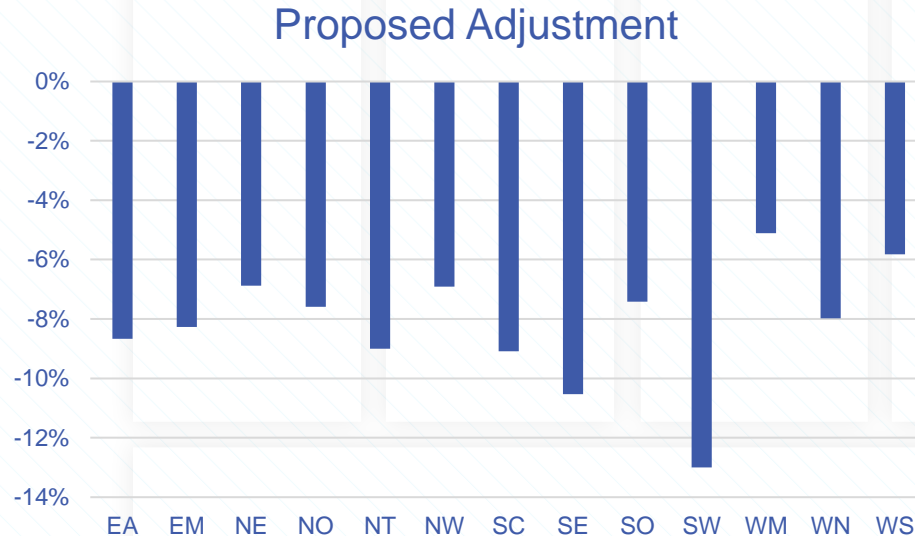
Calculation of Proposed Adjustments

- Proposed values are the highest reduction of either
 - the AQ movement
 - the summer UIG plus 2%
 - Two areas (NT, SW) were adjusted by an additional 2% after trial runs suggested 2% was insufficient, given more recent UIG levels
- The UIG is calculated on all EUCs, however we are only adjusting Domestic EUCs, therefore the additional 2% / 4% helps to bring the values more in line



Proposed ALP Reductions

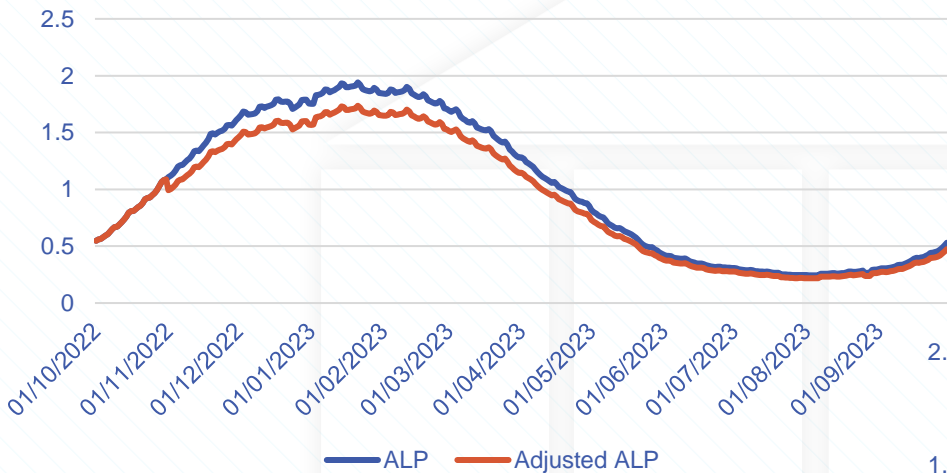
- The chart and table show the proposed adjustments by LDZ
- These could be reviewed regularly (e.g. monthly) and removed when AQt have caught up with demand



LDZ	Multiplier
EA	0.91
EM	0.92
NE	0.93
NO	0.92
NT	0.91
NW	0.93
SC	0.91
SE	0.89
SO	0.93
SW	0.87
WM	0.95
WN	0.92
WS	0.94

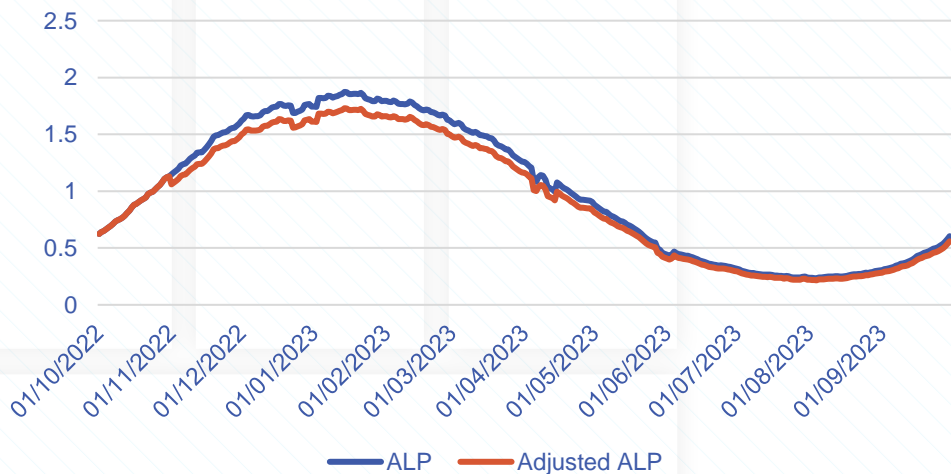
ALP Examples – 01BND

SE:E2201BND



ALP adjustments proposed to take effect from 1st November

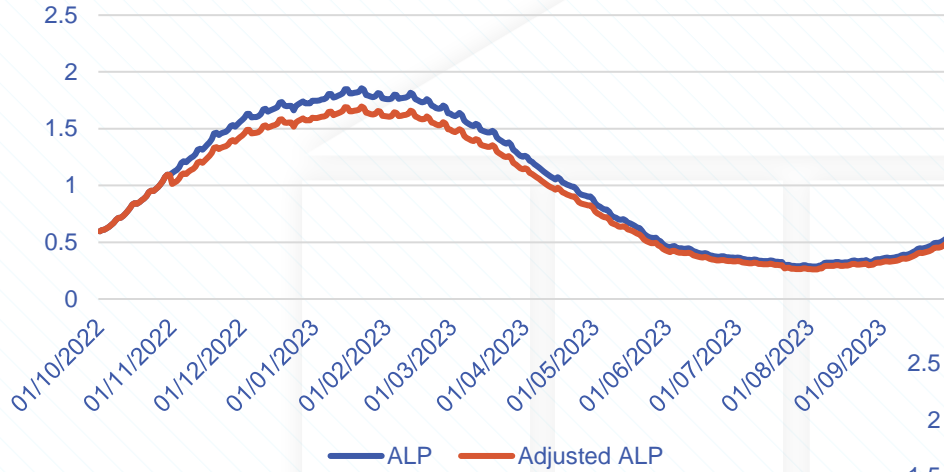
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These are Domestic Credit Meter ALPs

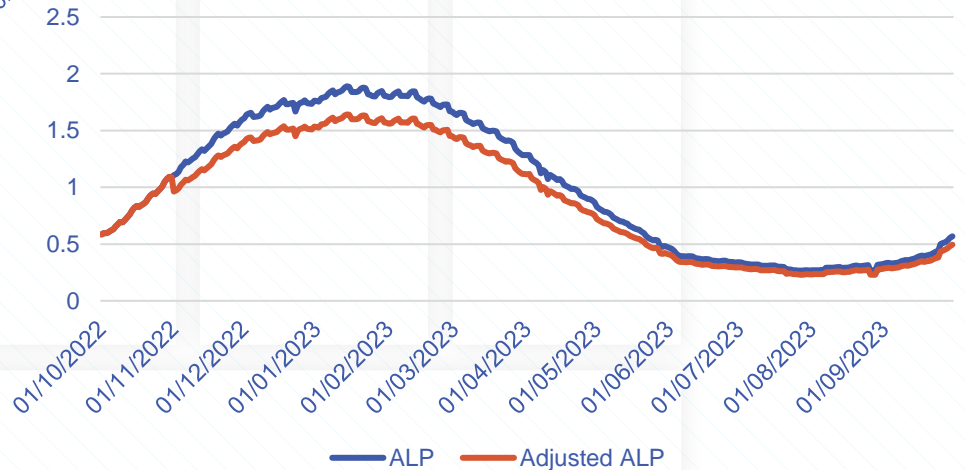
ALP Examples – 01BPD

EA:E2201BPD



ALP adjustments proposed to take effect from 1st November

SW:E2201BPD

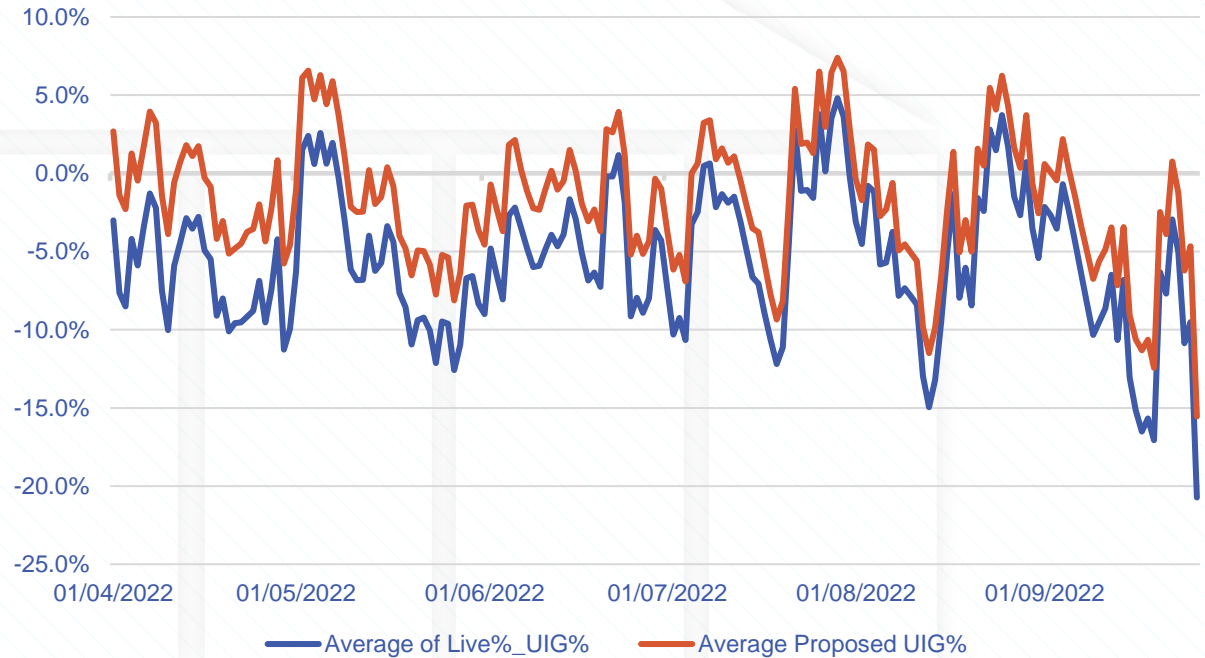


These are Domestic
Pre-Payment Meter ALPs

Daily UIG Improvement

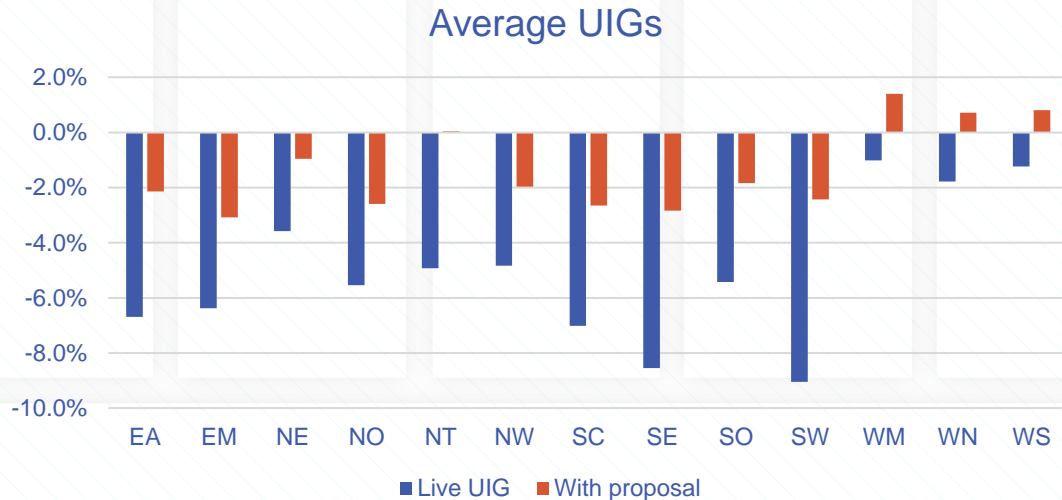
- The chart on the right shows the impact of the changes on the average UIG for the last 6 months (if this adjustment had been in place)
- There is no weighting to this national UIG (it is a simple average across all LDZs) so values will not match any published figures

Impact on Average Daily UIG



Impact on UIG

- If these adjustments had been in place for the last 6 months the following average UIGs would have been seen
- Note: whilst these reductions would have reduced UIG they would not bring it back to positive in most areas



Next Steps

- Full proposal
 - Apply changes as detailed on slide 7 to Domestic EUC* ALPs (for Allocation only) from the 1st November 22 until 30th September 23 *(‘01BND’, ‘01BPD’, ‘02BND’, ‘02BPD’)
 - DE to modify the Demand Estimation Methodology Document and circulate for Approval
 - DE to feedback on the impact at the December DESC meeting, and at every DESC meeting in the future
 - If for any reason the adjustments appear to be having a detrimental impact, we revert to the previous values immediately
- Do DESC approve these changes? Vote Required
 - If not, are there any other suggestions you would like considered