

## Consultation Response

### CDSP Consultation on the NDM Algorithm

Responses invited by: **5pm on Friday 20<sup>th</sup> November 2020**

To: [xoserve.demand.estimate@xoserve.com](mailto:xoserve.demand.estimate@xoserve.com)

<b>Representative:</b>	Steve Mulingnanie
<b>Organisation:</b>	Gazprom Energy
<b>Type of Organisation</b>	Shipper & Supplier
<b>Date of Representation:</b>	20 <sup>th</sup> November 2020
<b>I am happy for this response to be published on the Joint Office website</b>	Yes

#### Guide to Scoring:

- 1 = Strongly oppose
- 2 = Somewhat oppose
- 3 = Neither oppose nor support
- 4 = Somewhat support
- 5 = Strongly support

#### 1. Do you support the industry's efforts to improve the accuracy of the NDM gas allocation algorithm?

Yes

#### 2. How strongly do you support the industry's efforts to improve the accuracy of the NDM gas allocation algorithm, on a scale of 1 to 5? Please provide a brief explanation of your reasons.

5 – We strongly support any improvements that can be made to the NDM profiles as Model Error is a major contributor to temporary UIG

#### 3. Do you support the use of Machine Learning as the future approach to NDM demand modelling?

Yes

**4. How strongly do you support the use of Machine Learning as the future approach to NDM demand modelling, on a scale of 1 to 5? Please provide a brief explanation of your reasons.**

4 – The analysis presented to date suggests a significant improvement in certain areas can be achieved by utilising machine learning. However, we would expect a full Impact Assessment and Cost Benefit Analysis to be undertaken before such a fundamental decision to change was made. We would need to understand how such a change would impact on parties' abilities to accurately forecast both long term and short term and whether such a change would have consequential and unintended detrimental impact. We would expect to see a robust proof of concept including parallel running of the existing and new arrangements to enable parties to evaluate the benefit of such a change over an extended period. We would also need to understand the interaction between the new approach and ourselves so that we could assure ourselves that we can successfully operate within the new arrangements.

**5. Do you require access to a set of parameters ahead of the gas year to allow you to forecast/ simulate NDM gas allocation (as currently provided by Annual Load Profiles and Daily Adjustment Factors - ALPs and DAFs)?**

Yes

**6. How strongly do you support the need to retain a set of annual parameters (e.g. ALPs and DAFs) in the NDM gas allocation algorithm, on a scale of 1 to 5? Please provide a brief explanation of your reasons.**

5 – based on the current arrangements

**7. What proportion of the GB gas market do you believe will still be NDM in 2, 5 and 10 years? Please provide a brief explanation of your reasons.**

Years from now	% of market which is NDM
2	
5	
10	

The rollout of Smart and Advanced meters provides easier remote access to more granular read information. Whilst the introduction of the new Classes facilitates enables unrestricted access to DM products. Based on these factors we would expect, with the right incentives, that the utilisation of the current NDM Products to slowly reduce over time. However, we may also see regulatory intervention driving a more aggressive transition to DM Products as we have seen in the power markets.

Due to this uncertainty we are not in a position to provide any estimates.

**8. What proportion of your portfolio do you believe will still be Non-Daily Metered in 2, 5 and 10 years? (this information will be aggregated with other market participants' responses prior to disclosure outside Xoserve). Please provide a brief explanation of your reasons.**

Years from now	% of portfolio which is NDM
2	
5	
10	

Commercially sensitive - No comment

**9. Can you attribute a financial benefit to a reduction in UIG levels, even if this is due to an increase in NDM Allocation? (a more accurate NDM Algorithm could result in higher NDM Allocations and lower UIG). If so please quantify (e.g. a reduction of x% in average UIG would result in a cost saving of £y per annum.**

Commercially sensitive - No comment