Consultation Response

CDSP Consultation on the NDM Algorithm

Responses invited by: 5pm on Friday 20th November 2020

To: xoserve.demand.estimation@xoserve.com

Representative:	Mark Jones
Organisation:	SSE Energy Supply Limited
Type of Organisation	Shipper/Supplier
Date of Representation:	20 November 2020
I am happy for this response to be published on the Joint Office website	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 fully support the industry's efforts in this area as they may lead to a reduction in UIG, recognising that these efforts have already led to significant improvements in the NDM gas allocation algorithm. Machine Learning is not necessarily required in order to make improvements in this area.

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

No, apart from potentially Option 2 – Machine Learnt Annual Profiles, which would need further investigation. We do not support either Option 3 – Machine Learnt Annual Direct

Outputs or Option 4 – Continual Machine Learning with Direct Outputs as potential future approaches to NDM demand modelling.

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.

3

As per our response above, we would support investigation into Option 2 only as a potential future approach to demand modelling,

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

The annual parameters are used in a number of fundamental business processes.

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	

We believe that under the current industry rules and conditions the proportion of the GB gas market that will still be NDM in 2,5 and 10 years will be largely unchanged from where it is today due to the necessary investment required by shippers in infrastructure and business processes in order to operate significant numbers of sites in settlement class 2. This investment would result in high costs being incurred by shippers for little perceived benefit. As Project Nexus was implemented back in June 2017, any shippers that want to operate significant numbers of sites in class 2 are probably already doing so.

However, future proportions could be impacted by changes to annual AUGE weighting factors or a mandated requirement to send in daily readings for all AMR and smart meters.

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	

For the reasons mentioned in our response to question 7, we believe the proportion of our portfolio that will be NDM in 2,5 or 10 years will be largely unchanged from where it is today.

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.

We are unable to quantify as it is a non-linear relationship, and also the impact is the difference between temporary UIG and permanent UIG after all reconciliation activity has occurred up to the line in the sand. The use of machine learning will do very little to reduce permanent UIG.