



UIG Volatility in March and April

During Winter 2021/22 we have seen consistent periods of negative UIG across all LDZs, primarily due to NDM over allocation. We believe the cause of the over-allocation is due to the AQ used in the NDM Algorithm being too high. Since October, for those sites that have had an AQ calculated, there has been a noticeable downward trend in the average AQ (c.2 to 3%) for the Domestic population– see chart 1 below.

An AQ always has an inherent lag contained within it due to the nature of the calculation, however the reductions observed the past few months are more prominent and suggest a change in consumer behaviour almost certainly associated with the spike in gas prices as well as possibly some 'post COVID' correction. For those sites that have been sending reads, at least the AQ is updating to a more realistic position on a monthly basis, however we should consider the number of MPRs that have an AQ effective date of October 2021 or earlier (which is about 4m NDM MPRs). If we assume, these 4m MPRs are also conserving their usage due to gas prices, then their AQ will be even more out of date.

When considering March 2022 specifically, it should be noted that the weather (CWV) was much warmer than Seasonal Normal, particularly the last 7-10 days - see chart 2 below. March 2022, in fact was recorded as the 4th warmest March in the past 50 years from a CWV perspective – see chart 3 below. The combination of the unusually warm weather and the AQs being too high has meant the NDM has over-allocated which means UIG, as the balancing figure, is having to go negative. We fully expect the NDM reads received for March to 'expose' this over-allocation which will generate credit reconciliations and therefore debit UIG on the same invoice. This will continue the pattern that has been observed on the interactive UIG chart that displays 'Temporary UIG' (i.e. D+5) and eventually the 'real UIG' post reconciliation – see link to chart [here](#). You will see that for the past 4-5 months the post reconciliation UIG is above the D+5 UIG which confirms that the NDM estimate has been too high for the reasons explained above.

For information, following a request from PAC a few months ago, a UIG Allocation Issues Tracker was established, which was mainly to help explain specific gas days or LDZs where the D+1 UIG is unusual e.g. as a result of a missing DM or LDZ input. We have also updated it to explain any unusual patterns, such as the negative UIG observed this winter. This tracker is available on xserve.com – link [here](#).

The other aspect to consider, is that since October 2021 the UIG Weighting Factors have changed significantly. Although these don't impact UIG seen at an LDZ level, they will influence the amount of UIG shared out to you depending on the market sector you operate in.

If you have any further queries with UIG, Demand Estimation or NDM Allocation processes please raise a query via the Help and Support query route [here](#) and this will be directed through to the Demand Estimation team.

Chart 1:

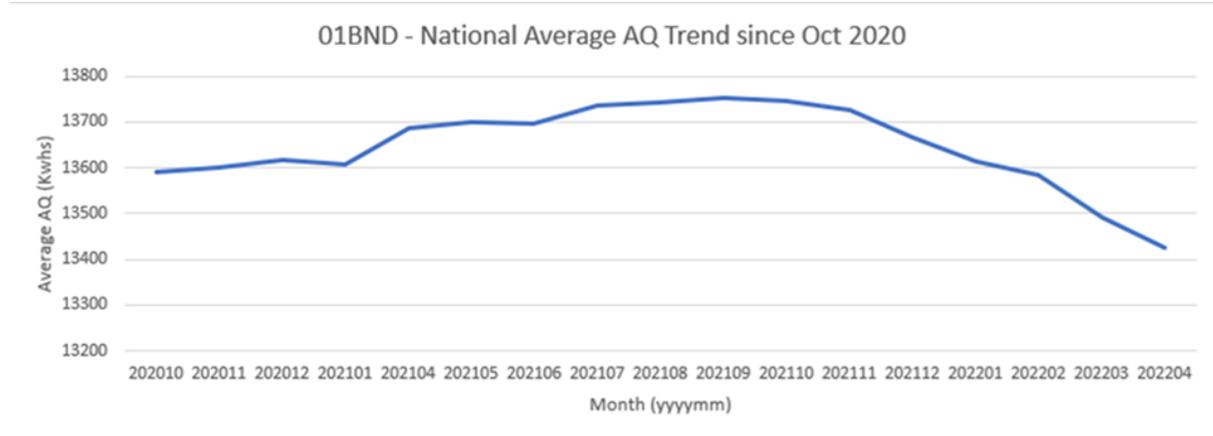


Chart 2:

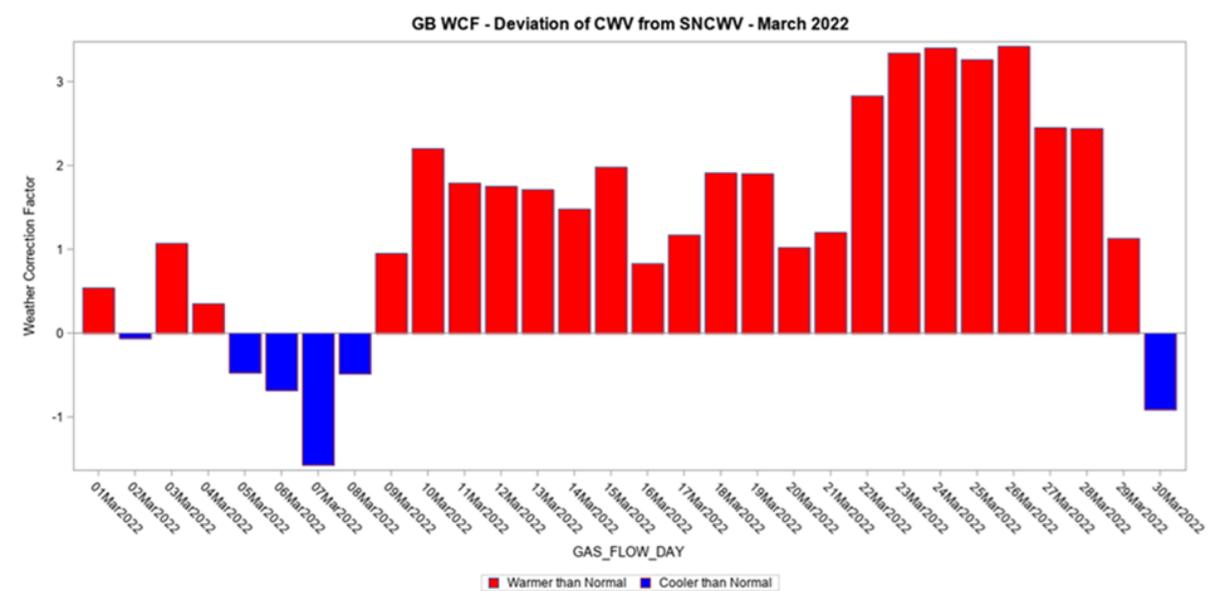


Chart 3:

Average GB CWV for March Ranked Coldest to warmest

