



**Demand Estimation Sub Committee
(DESC)
Modelling Approach 2023 - FINAL**

**Demand Estimation Team
March 2023**

Modelling Approach 2023

TERMS AND ABBREVIATIONS USED IN THIS DOCUMENT

Any regularly used phrases or abbreviations are set out here as defined terms to provide clarity and avoid repetition in the main body of the document.

Defined Terms

Analysis Period - 1st April 2022 to 31st March 2023

For gas demand EUC modelling purposes, it is necessary to have a full Easter holiday period in the data set being analysed. This year a 12-month period is required.

Data Collection Period (For Information Only) - 25th March 2022 to 7th April 2023

For gas demand EUC modelling purposes, it is necessary to have a full week before and after the **Analysis Period** for in-filling any missing data.

Target Gas Year – 1st October 2023 to 30th September 2024

Warm Weather Data - The warmest 2^o of data (i.e. that for which the CWV is greater than Max. CWV - 2^o)

Abbreviations

ALP – Annual Load Profile

AQ – Annual Quantity

CWV – Composite Weather Variable

DAF – Daily Adjustment Factor

DESC – Demand Estimation Sub Committee

EUC – End User Category

LDZ – Local Distribution Zone

I&C – Industrial and Commercial (i.e. non Domestic)

NDM – Non-Daily Metered

PLF – Peak Load Factor

PPM – Pre-payment Meter

SNCWV – Seasonal Normal Composite Weather Variable

TWG – Technical Work Group

UNC – Uniform Network Code

WAR – Winter to Annual Ratio

DESC Decision, Dates and Relevant References

Several dates and reference items are relevant to the contents of this document. These are listed in [Appendix 7](#) and flagged in the relevant text as Note-n with a hyperlink.

e.g. In the Sample data section [Note-1](#) refers to the DESC decision to use third party sample data

EXECUTIVE SUMMARY

Context

Gas Demand Profiles are represented as 3 parameters, which support several key industry processes such as NDM Nominations/Allocations, AQ calculation and Capacity Invoicing.

- (i) Annual Load Profile (ALP),
- (ii) Daily Adjustment Factor (DAF) and
- (iii) Peak Load Factor (PLF)

Each Gas Year the approach to the development of the following year's Gas Demand Profiles (UNC Term – "Derived Factors") is agreed with the Demand Estimation Sub Committee (DESC) and described in a document referred to as the "Modelling Approach". The review and agreement of the Modelling Approach normally takes place around February each year for the following Gas Year. It represents an important milestone which, when achieved, triggers the commencement of the Gas Demand EUC Modelling process.

The Gas Demand EUC Modelling drives the new set of industry parameters required for the **Target Gas Year**. [Appendix 1](#) provides a visual representation of the Gas Demand EUC Modelling lifecycle and where this document fits within it.

Contents

Section	Contents
Daily Gas Consumption Data	Which years and months of Daily Gas Consumption Data will be used in the modelling analysis, the sources of this data and how the data will be validated and selected.
Daily Weather Data	Which weather stations and versions of Composite Weather Variables (CWV) and Seasonal Normal weather (SNCWV) will be used in the modelling analysis.
End User Categories (EUC)	Which types of consumers will be grouped together from the Daily Gas Consumption Data for Gas Demand EUC Modelling.
Gas Demand EUC Modelling	Explains the detailed rules applied to the regression analysis which form the basis of the Gas Demand EUC Modelling process.
Demand Model Smoothing	Explains how 'smoothing' will be applied to the models for the coming gas year, which effectively averages the impacts of the previous 3 years modelling process to provide a more stable set of models.
Gas Demand Profiles	Key output from the Demand Model Smoothing process and the values which will be subject to industry consultation and approval, ahead of loading them into Xoserve systems.
NDM Algorithms Booklet	How all the information, results and decisions made during the end to end process is summarised and provided to the industry.
Industry Consultation	A summary of the key checkpoints in the process and how and when DESC and/or any sub-group of DESC members will be involved in the decision-making process.

Conclusions

This year's document is effectively the same as last years in terms of the principles for how the Gas Demand EUC Modelling shall be carried out, [with the following amendments approved by DESC on 1st March 2023](#).

- [Stratification to be applied to all bands where there is sufficient sample data received.](#)
- [Additional Section within Gas Demand EUC Modelling covering "Impacts of Significant Socioeconomic Factors on Demand Modelling"](#)
- [Changes to EUC Sample Data aggregation for all WAR Bands except 05W01-04](#)
- [Changes to Model to be used for 09B](#)
- [Additional note regarding potential missing Distribution Network Sample Data in Summer 2023 within Gas Demand EUC Modelling](#)

DAILY GAS CONSUMPTION DATA

Daily Gas Consumption Data is a critical input to the production of Gas Demand Profiles. This data is collected by sampling the NDM population for the **Analysis Period**.

Sources

The expected source of most of the Daily Gas Consumption Data is now from Third Parties (Shippers) and mainly covers EUC bands 1 and 2 [Note-1](#) [Note-2](#) [Note-3](#). The Distribution Network sampling typically covers EUC Bands 2 and above (up to and including EUC Band 9).

Any data provided by a third party will be required in an agreed format ([file format document](#) available on DESC's homepage on the Joint Office website) and be subjected to the same validation rules applied to the Distribution Network sampling.

Class 3 data can be used to create a model for the Band 1 Prepayment EUC ('01BPD') [Note-4](#).

Validation and Selection

The Daily Gas Consumption Data collected for the **Analysis Period** will be subject to validation prior to its use in Gas Demand EUC Modelling. The validation criteria aims to strike the balance between maximising the amount of Daily Gas Consumption Data available for modelling and ensuring any erroneous and/or missing data is removed from the process, so as not to have an adverse effect on the modelling results and conclusions.

[Appendix 2](#) displays a summary of the validation criteria to be applied to the various EUCs.

The following table shows the current stratification rules [Note-6](#). [DESC agreed at the 1st March 2023 meeting that stratification should be applied in all EUC Bands where sufficient data is received. As and when stratification is possible in other EUC Bands, they will be added to the table.](#)

EUC Band	AQ Range	Customer Type	EUC	Stratification Bands
01	0 - 73.2 MWh	Domestic Credit	01BND	0 - 10 MWh
				10 - 20 MWh
				20 - 30 MWh
				30 - 73.2 MWh
02	73.2 - 293 MWh	I&C Credit	02BNI	73.2 - 140 MWh
				140 - 210 MWh
				210 - 293 MWh

To avoid removing validated supply points unnecessarily from the modelling process a 5% tolerance (+ or -) will be used when assessing the sub-band proportions for the population and sample data sets. In addition, where the number of supply points drops below the minimum threshold of 30 for any given EUC demand model, stratification principles will not apply.

Where the validated Daily Gas Consumption Data for a EUC Band are over the ideal target numbers, Distribution Network sampling should be used primarily to retain continuity within the Gas Demand EUC Models and any additional data obtained from third parties will be randomly selected to avoid any shipper bias in the resulting Gas Demand Profiles [Note-5](#).

[Appendix 3](#) displays the latest view of the ideal sampling size for post-validation Daily Gas Consumption Data.

All validated Daily Gas Consumption Data shall be aggregated prior to its use in the Gas Demand Modelling System.

Note: We do not anticipate any issues with the Distribution Network sampling in this year's process for creating demand models.

As raised at the extraordinary DESC meeting on 13th February, however, if the procurement of a new Service Provider for the Distribution Networks is not completed on time, future process would be impacted. The Algorithm Performance in Autumn 2023 and Demand Modelling in Spring 2024 are at risk for some EUC Bands and LDZs. This will be explored further during DESC meetings scheduled in 2023.

DAILY WEATHER DATA

Daily Weather Data is a critical input to the production of Gas Demand EUC Models. The latest Gas Demand EUC Modelling analysis year requires daily weather data for the **Analysis Period**.

The weather variables used in Gas Demand EUC Modelling will be Composite Weather Variables (CWVs) and Seasonal Normal Composite Weather Variables (SNCWVs) [Note-7](#).

List of weather stations to be used for Gas Demand EUC Modelling in 2023:

LDZ	Temperature	Windspeed	Solar Radiation
SC	Glasgow Bishopton	Glasgow Bishopton	Glasgow Bishopton
NO	Albemarle Barracks	Albemarle Barracks	Durham Weather Station
NW	Rostherne No 2	Rostherne No 2	Rostherne No 2
NE	Nottingham Watnall	Nottingham Watnall	Nottingham Watnall
EM	Nottingham Watnall	Nottingham Watnall	Nottingham Watnall
WM	Birmingham Winterbourne 2	Coleshill	Coleshill
WN	Rostherne No 2	Rostherne No 2	Rostherne No 2
WS	St. Athan	St. Athan	St. Athan
EA	London Heathrow	London Heathrow	London Heathrow
NT	London Heathrow	London Heathrow	London Heathrow
SE	London Heathrow	London Heathrow	London Heathrow
SO	Southampton Oceanographic Institute	Southampton Oceanographic Institute	Southampton Oceanographic Institute
SW	Yeovilton Weather Station	Yeovilton Weather Station	Yeovilton Weather Station

There are no expected changes for the above weather stations ahead of the start of the **Target Gas Year**.

END USER CATEGORIES

End User Categories represent different groups of gas consumer types and provide a critical input to the production of Gas Demand EUC Models. The proposed EUC groupings need to be defined ahead of the Gas Demand EUC Modelling process.

Proposed End User Categories for Bands 1 and 2

The proposed EUCs for the **Target Gas Year** for EUC Bands 1 and 2 are shown in the table below:

Consumption Range (kWh P.A.)		EUC Description	Consumer Type	No. of Models Required
From	To			
0	73,200	xx:Eyy01BND	Domestic	1
0	73,200	xx:Eyy01BPD	Prepayment Domestic	1
0	73,200	xx:Eyy01BNI	I&C	1
0	73,200	xx:Eyy01BPI	Prepayment I&C	1
73,201	293,000	xx:Eyy02BND	Domestic	1
73,201	293,000	xx:Eyy02BPD	Prepayment Domestic	1
73,201	293,000	xx:Eyy02BNI	I&C	1
73,201	293,000	xx:Eyy02BPI	Prepayment I&C	1

Note: It is likely that insufficient Daily Gas Consumption Data will be available (due to low population numbers) for some of these proposed EUCs and if so following principles should apply [Note-8](#):

For the Prepayment I&C EUCs (xx:Eyy01BPI and xx:Eyy02BPI) the underlying Gas Demand EUC Models can use the Non-Prepayment I&C model in the equivalent EUC Band (xx:Eyy01BNI and xx:Eyy02BNI respectively).

For the Prepayment Domestic EUC in Band 2 (xx:Eyy02BPD) the underlying Gas Demand EUC Models can use the Prepayment Domestic EUC in Band 1 (xx:Eyy01BPD).

Proposed End User Categories for Bands 3 and Above

The proposed EUCs for the **Target Gas Year** for EUC Bands 3 and above are shown in the table below:

Consumption Range (kWh P.A.)		EUC Description					No. of Models Required
From	To	Bucket Band	WAR Band 1	WAR Band 2	WAR band 3	WAR band 4	
293,001	732,000	xx:Eyy03B	xx:Eyy03W01	xx:Eyy03W02	xx:Eyy03W03	xx:Eyy03W04	5
732,001	2,196,000	xx:Eyy04B	xx:Eyy04W01	xx:Eyy04W02	xx:Eyy04W03	xx:Eyy04W04	5
2,196,001	5,860,000	xx:Eyy05B	xx:Eyy05W01	xx:Eyy05W02	xx:Eyy05W03	xx:Eyy05W04	5
5,860,001	14,650,000	xx:Eyy06B	xx:Eyy06W01	xx:Eyy06W02	xx:Eyy06W03	xx:Eyy06W04	5
14,650,001	29,300,000	xx:Eyy07B	xx:Eyy07W01	xx:Eyy07W02	xx:Eyy07W03	xx:Eyy07W04	5
29,300,001	58,600,000	xx:Eyy08B	xx:Eyy08W01	xx:Eyy08W02	xx:Eyy08W03	xx:Eyy08W04	5
58,600,001		xx:Eyy09B					1

In line with the previous Modelling Approaches, where there is insufficient sample data for LDZ level analysis, appropriate aggregation will be used.

Bands 07 (14650 – 29300 MWh pa) and 08 (29300 – 58600 MWh p.a.) are combined for Gas Demand EUC Modelling purposes only, for Bucket Bands [only Note-9](#)

The following additional modelling rules were agreed at DESC 1st March 2023

- Bands 03 and 04 WAR Bands to be modelled separately (were previously aggregated).

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- Bands 05 to 08 Sample Data will be aggregated for Bands 06 to 08 WAR Band modelling, (Band 05 WAR Bands to be modelled separately).
 - Band 09 Consumption (Bucket) Band to use Band 08 Consumption Band Model ALPs and DAFs

GAS DEMAND EUC MODELLING

This section provides a broad outline of the proposed modelling approach to be adopted for the analysis which, in the main, will be the same as applied in the previous year.

Impacts of Significant Socioeconomic Factors on Demand Modelling

The proposed modelling approach covers a 'standard' analysis year. In the past analysis has been required to understand unusual demand behaviour (such as during the COVID-19 pandemic [Note-17](#)) and action taken to avoid this detrimentally impacting the forecast.

Analysis may again be required due to consumption changes as a result of the 2022 rise in energy prices.

Actions could range from removal of specific days / periods from the analysis, using different weighting at the model smoothing phase or not using the latest **Analysis Period** data in the derivation of this year's Gas Demand Profiles. The actions may vary across sectors e.g. Domestic and I&C.

Modelling Approach

1. This approach is detailed in the flowcharts shown in [Appendix 4](#) (and also explained in Section 3 of the NDM Algorithms booklet).

A broad outline of the approach is reproduced below:

- a. Exclude **Warm Weather Data** and summer data (i.e. June to September) and fit a line to the remaining data. Any flat Gas Demand EUC Models are detected and re-run with all the data.
 - b. Assess the excluded summer data against the line fitted in step (a) to establish whether a summer reduction is required. A 5% minimum summer reduction is considered to apply to each individual year model (i.e. where the calculated summer reduction is less than 5% it is not considered to be sufficient enough to apply).
 - c. Whilst continuing to exclude the **Warm Weather Data**, reintroduce the summer data into the data set (after inflating by any summer reduction identified in step b; if no summer reduction is identified then there would be no inflation). Fit a line to the augmented data set, to establish whether a cut-off is appropriate, considering potential cut-offs in the range 0.5 to 4 degrees below the maximum value of the CWV. The tolerance for assessing whether there should be a cut-off applied is a 20% improvement in the mean square residual over that obtained by using the straight line alone.
 - e. If a cut-off is not required, then reintroduce the **Warm Weather Data** and fit a line to the entire data set.
 - f. Demand Model Smoothing considers three years' models and the application of summer reductions (or not) to the smoothed model is dependent on all the years contributing to the smoothed model. Therefore, if any of the contributing models are non-summer reduction, the smoothed model will be non-summer reduction. To cover this eventuality, each year's modelling produces models with and without summer reductions.
2. Weekend effects for all EUCs will be modelled using the same "variable weather sensitivity" form of model. (This form of the model is set out in Section 3 of the NDM Algorithms booklet).
3. The Daily Gas Consumption Data applicable to the **Analysis Period** will not have been analysed previously, so investigation of the most appropriate data aggregations, determination of WAR band limits, etc., will be undertaken with respect to this data set.
4. The Gas Demand EUC Models for all EUCs will allow the possibility of summer cut-offs and summer reductions being applied, however, cut-offs will not be applied to the models derived for consumption bands up to 293 MWh pa [Note-10](#).

5. In any single LDZ, the same definition of CWV will be used for all runs (i.e. for all EUCs in that LDZ and for all years of data).

6. Weekend, holiday and summer reductions will be calculated (where appropriate) as the average of the percentage reductions estimated for the three individual years' models; where applicable the CWV cut-off (at which models cease to be weather sensitive) will be the simple average of the three separate estimates. If for one or two of the three years there is no CWV cut-off, the maximum value of the CWV will be substituted as the cut-off for those years. Further details are provided in the attached [Appendix 6](#).

7. There are 4 sets of Holiday Codes applied to the analyses, the holidays applying to England and Wales and those for Scotland are separate, and Domestic and Non Domestic EUCs are separate due to the different impacts observed. [Appendix 5](#) provides a summary of the holiday code rules which are applied in the Gas Demand Modelling System.

There are additional planned special bank holidays at present in the data. These are covering VE day (May 2020) and Platinum Jubilee (June 2022). The additional bank holiday for the Coronation (May 2023) will be included in the 2023/24 Analysis Period.

No alterations will be made to the Holiday Code dates or derived values when they are applied in deriving Gas Demand Profiles for the **Target Gas Year**. Holiday codes are reviewed periodically as part of the DESC ad hoc work plan.

Holidays are excluded from the regression models for all EUCs [Note-11](#).

8. As set out in [Appendix 6](#), the key aspect of averaging the models will be to average the ratio of the slope to the constant term, from each year's model. These ratios are equivalent to the reciprocals of the CWV intercepts.

9. Prior to the averaging, any Gas Demand EUC Models giving non-negative slopes on initial analysis (excluding the warmest weather from the regression), will be re-fitted to the entire data set. Any positive slopes remaining will be set to zero.

10. The following approach will be taken with respect to non-statistically significant (at the 95% confidence level) weekend effects:

- a. For those EUCs where the Gas Demand EUC Models is based on domestic consumers (xx:Eyy01BND, xx:Eyy01BPD, xx:Eyy02BND and xx:Eyy02BPD) all positive non-significant weekend effects will be retained at their original values.
- b. For all the remaining EUCs, all negative non-significant weekend effects will be retained at their original values.

11. The Daily Gas Consumption Data for Gas Demand EUC Models in EUC bands 07 and 08 (consumption ranges 14650 - 29300 MWh pa. and 29300 - 58600 MWh pa. respectively) will be combined, for the consumption band EUCs and the WAR band EUCs. [Note-12](#).

Reporting

The output from this process is provided at the May DESC meeting.

Results of the Gas Demand EUC Modelling process will be provided as usual in the NDM Algorithms Booklet (Sections 4 and 5).

DEMAND MODEL SMOOTHING

This section provides a broad outline of the proposed overall approach to Demand Model Smoothing for the 2023 analysis. This in the main will be the same as that applied in 2022 in the sense that it will be smoothed over the most recent 3 years of **used** data.

Demand Model Smoothing Approach

1. Year on year Demand Model Smoothing will be used in the analysis, in deriving the NDM Derived Factors to be applied to the **Target Gas Year**.
2. In the absence of evidence of trends in the parameters of the year on year Gas Demand EUC Models, simple averaging will be applied to the models feeding into Demand Model Smoothing.
3. The Gas Demand EUC Models for three years will be used for Demand Model Smoothing. Only 01BND EUCs used data from April 2020 to March 2021 [Note-17](#).
 - a. For 01BND EUCs only, the three contributing years will be 2020/21, 2021/22 and 2022/23.
 - b. For 01BPD EUCs only, the three contributing years will be 2012/13, 2021/22 and 2022/23 [Note-16](#).
 - c. For all other EUCs the three contributing years will be 2019/20, 2021/22 and 2022/23.

The table below outlines which Analysis Periods will be used for Model Smoothing and which of the Analysis Periods contain 13 months in order to include a full set of Easter holiday codes.

Analysis Period	01BND EUCs	01BPD EUCs	All Other EUCs	13 Month Period
2019/20			✓	
2020/21	✓			
2021/22	✓	✓	✓	✓
2022/23	✓	✓	✓	

4. In applying smoothing, models from equivalent WAR bands in the three separate years will be averaged although WAR band limits change from year to year.

As a subsidiary point there is also a strong stability incentive to retain the current period (December to March) in the definition of the WAR values and therefore the existing definition will be retained for the 2023 analysis.

5. The approach to Demand Model Smoothing will be at the level of the underlying demand models, as was the case in the previous analyses. Further details are attached in [Appendix 6](#).

Models for Historical Years

1. To assist in any investigation of trends, all three years (i.e. 2019/20, 2020/21 and 2021/22) will be re-run to correctly consider any changes in holiday periods applicable to the 2023 analysis.

Note: For the additional EUCs, if Daily Gas Consumption Data for these years is not available, model re-runs will be limited to the number of years available, possibly none.

2. Two of the three re-runs from the 2019/20, 2020/21 and 2021/22 Daily Gas Consumption Data will be used (along with the Daily Gas Consumption Data for 2022/23) in Demand Model Smoothing, making up the three years of data applied in the 2023 analysis. See table above for a breakdown of periods by EUC.
3. The principles set out above for the Gas Demand EUC Modelling will also be applied to the historical years.

Reporting

The parameters for the smoothed models will be provided in electronic form for each of the three years feeding into Demand Model Smoothing. For all final smoothed EUC models, information (i.e. values of factors and flags where these apply to each model) covering: summer cut-off, summer reduction, non-holiday weekend effects, and holiday effects will be provided in electronic form. All CWV intercepts (for each year's models and for the smoothed model) will be provided in electronic form.

Demand Model Smoothing Assessment

The last assessment of Demand Model Smoothing as applied to NDM demand estimation was presented at the DESC meeting on 24th February 2021. The results of the assessment confirmed that the objective of Demand Model Smoothing to reduce year on year volatility in the EUC models was being achieved. DESC supported Xserve's recommendation to continue with the application of three-year Demand Model Smoothing in the manner currently applied. The Smoothing process is reviewed periodically with the next review of the application planned for Autumn 2023.

GAS DEMAND PROFILES

“Derived Factors” is the UNC Section H Term to represent the Gas Demand Profiles which represent the three key output parameters from the Demand Estimation process.

These three parameters are:

- (i) the Annual Load Profile (ALP) – represents the daily consumption profile for an EUC
- (ii) the Daily Adjustment Factor (DAF) – represents the daily weather sensitivity of demand for an EUC
- (iii) the Peak Load Factor (PLF) – a factor used to determine the peak load of a supply point within an EUC

Derived Factors

The [Demand Estimation Methodology](#) document provides the formula for each of the parameters above, with further clarification provided below on how the parameters are derived.

1. The DAFs for **Target Gas Year** will be based on the formula in the Demand Estimation Methodology document. It is no longer required to be computed using output from an aggregate NDM demand model following the decision to change the Supply Meter Point Demand Formula.
2. In calculating DAF values in the case where the smoothed model has a cut-off, the reduction in the magnitude of weather sensitivity will be phased in as described in Section 9 of the NDM Algorithms booklet.
3. Peak Load Factor computations for each EUC will be based on the relevant smoothed model.

One of the key components of the EUC peak load factor is the estimate of the 1 in 20 Peak Day Demand (PDD), which is determined by simulation using a long period of actual historic CWV data for the relevant LDZ [Note-14](#). The approach for both Small and Large NDM is simulation using the smoothed EUC demand model in conjunction with the database of historic daily composite weather variable values for the appropriate LDZ.

4. In the context of the non-application of cut-offs to Gas Demand EUC Models in consumption range 0-293 MWh pa, the values of ALPs for EUCs in this range will be constrained to be never less than 1% of their maximum values as a safeguard against a theoretical possibility of negative ALPs [Note-13](#).

Reporting

Section 10 of the NDM Algorithms booklet will contain a comparison of the proposed EUC Peak Load Factors with the corresponding EUC Peak Load Factors that applied in the previous gas year.

NDM ALGORITHMS BOOKLET

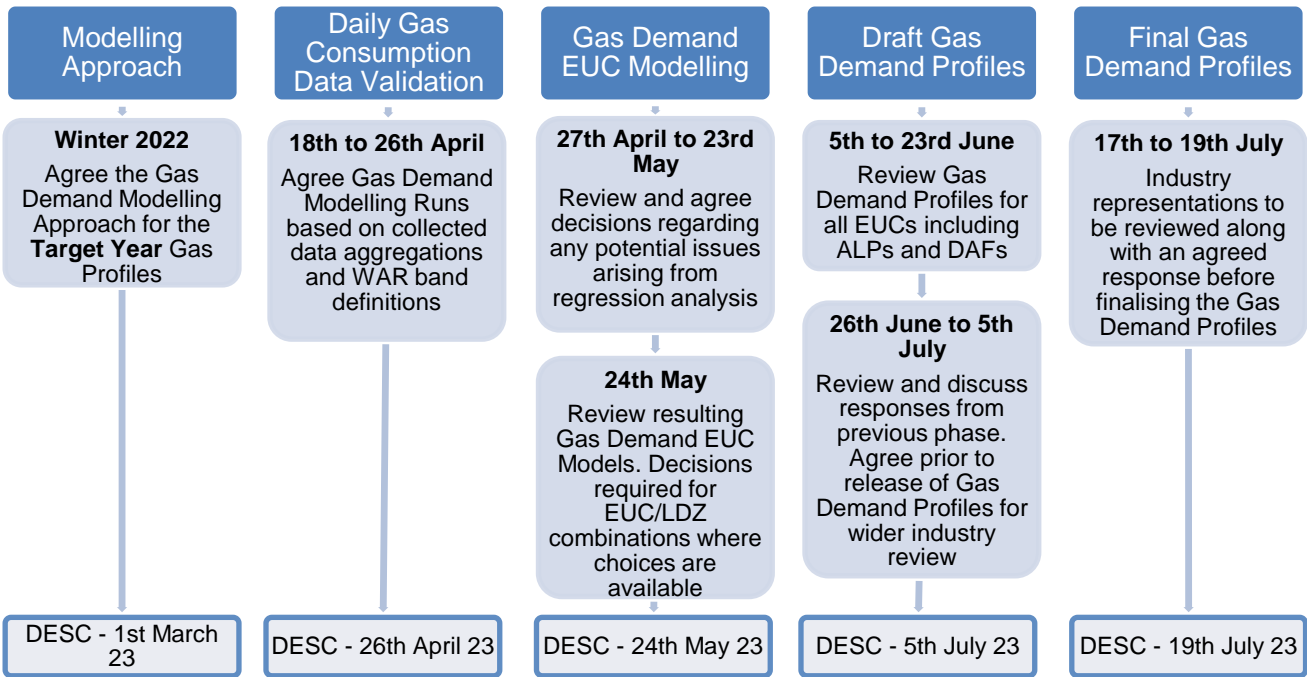
The outcomes of the annual Gas Demand EUC Modelling process are summarised each year in the NDM Algorithms booklet which is usually published at similar time as the proposed algorithm values.

The booklet will include several sections and will summarise key decisions and outcomes, such as:

- Numbers of validated data points used in the Gas Demand EUC Modelling
- EUC definitions
- Data aggregations used in the Gas Demand EUC Modelling (e.g. where data has been aggregated across multiple LDZs and/or consumption bands)
- WAR Band boundaries to be applied for the coming year
- Outcomes of the Gas Demand EUC Modelling, including regressions parameters and load factors
- A review of the performance of the NDM algorithm during the previous full gas year -
 - a. Weather Analysis,
 - b. Unidentified Gas Analysis and
 - c. NDM Daily Demand Analysis

INDUSTRY CONSULTATION

The consultation process on the proposed Gas Demand Profiles takes place during June and July although DESC are provided with regular updates at certain key checkpoints and must provide their approval at each stage – see proposed timetable below:



Fall-back Position

In the event DESC does not wish to approve the proposed Gas Demand Profiles (ALPs, DAFs and Peak Load Factors) derived from this year’s process, then DESC has the option of rejecting them and using the ‘fall-back’ position. The fall-back position for the coming year would be the use of EUC definitions and Gas Demand Profiles based on the underlying Gas Demand EUC Models from the previous year’s analysis with the actual weekend and holiday dates for the **Target Gas Year** [Note-15](#).

End of Main Document

APPENDIX 1 - EUC DEMAND MODEL LIFECYCLE

Overview: EUC and Demand Model Lifecycle

The purpose of the Gas Demand EUC model is to represent the behaviour and reactions of the EUC population



APPENDIX 2 – DAILY GAS CONSUMPTION DATA VALIDATION

The following provides the proposed validation criteria for use against the Daily Gas Consumption Data in the Gas Demand EUC Modelling. Section 1 of the NDM Algorithms Booklet will contain further details of the validation process and outcomes.

Small NDM: 0 to 2,196 MWh p.a.

EUC Bands	Missing Days		Consecutive Zeros		Spike Ratios	
	Summer	Winter	Summer	Winter	Summer	Winter
01	15 or more	15 or more	N/A	33 or more	15:01	08:01
02, 03 and 04	28 or more	28 or more	N/A	20 or more	10:01	05:01

Large NDM: >2,196 MWh p.a.

EUC Bands	Missing Days		Consecutive Zeros		Spike Ratios	
	Annual	Winter	Annual	Winter	Annual	Winter
05,06,07 and 08	40 or more	20 or more	N/A	20 or more	08:01	N/A

Where:

Summer period is defined as 1st April to 30th September

Winter period is defined as 1st October to 31st March

Annual period is defined as the **Analysis Period**

The following validation rules are also applied:

Day of the Week – A comparison of consumption against the CWV to highlight any step changes. This validation is performed at provider level.

Winter Zero Consumption – This check is performed for months December to March and is an overall count of the number of zero consumptions additional to the consecutive zeros check mentioned above.

Sample AQ vs Rolling AQ – Once passed all other validations, a check against the final derived Sample AQ is performed against the Rolling AQ held in UK Link. Any exceptions that fall outside 0.5 to 1.5 will be investigated.

CWV Intercept and R² – A check of the consumption vs the CWV, allows identification of suspicious consumption patterns

APPENDIX 3 – POPULATION AND TARGET NUMBERS

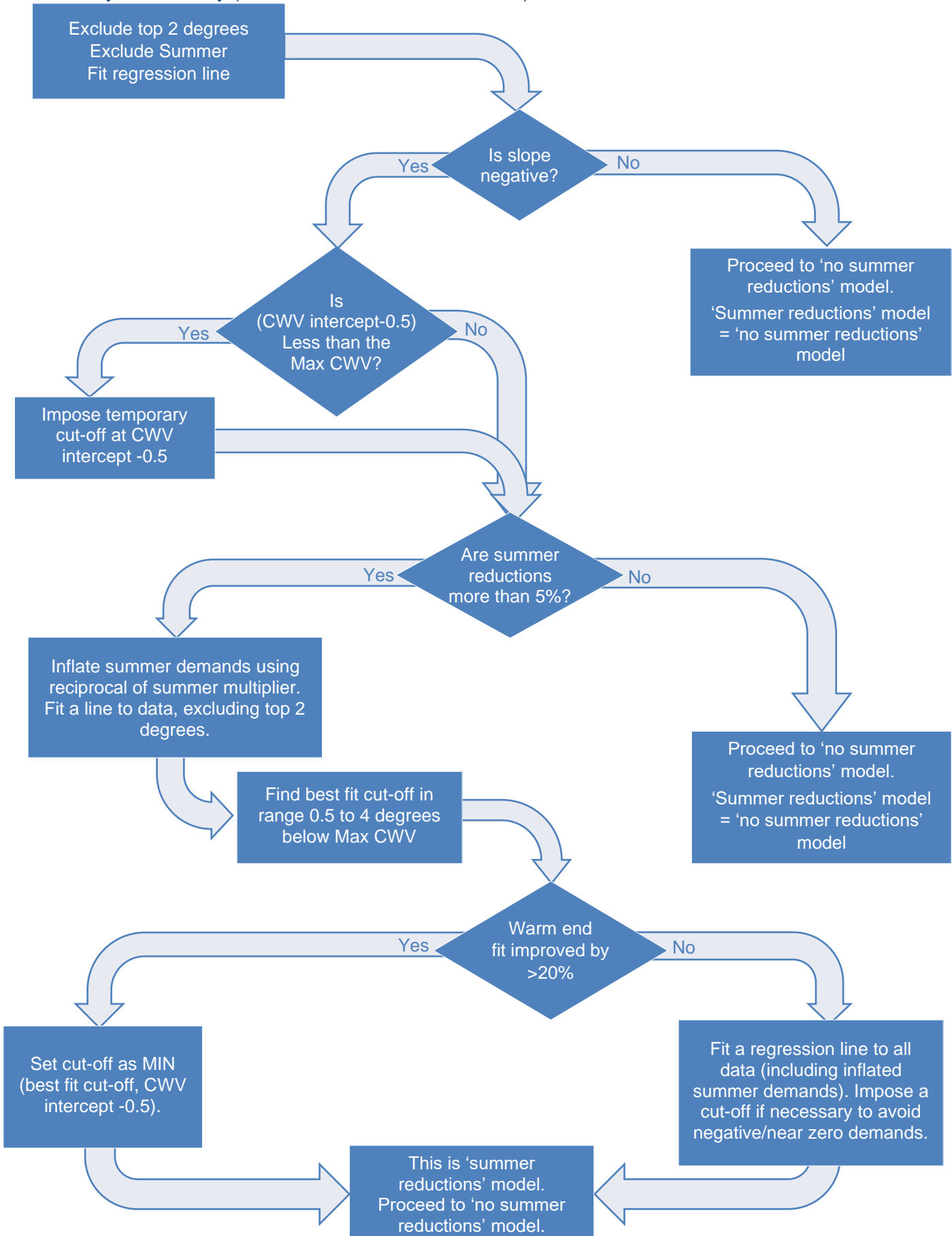
 Population Numbers as at **March 2023**

Population Size - March 2023 NDM - Class 3 and 4 only														
	LDZ													Total
	SC	NO	NW	NE	EM	WM	WN	WS	EA	NT	SE	SO	SW	
01BND	1,937,507	1,213,688	2,663,948	1,379,129	2,370,880	2,009,215	246,849	825,274	1,945,761	2,117,753	2,470,636	1,751,940	1,590,904	22,523,484
01BNI	39,797	25,908	63,020	35,117	51,252	43,663	6,936	19,613	40,146	59,963	55,059	39,226	38,241	517,941
01BPD	188,100	88,385	237,175	99,751	157,949	157,956	22,632	74,898	116,580	221,686	196,571	77,245	87,027	1,725,955
01BPI	211	101	453	185	283	295	47	194	198	580	457	145	172	3,321
02BND	3,953	1,968	5,388	3,172	4,338	4,005	320	1,092	4,108	8,619	7,399	3,229	2,510	50,101
02BNI	11,812	7,159	16,143	8,971	13,519	12,550	1,681	4,515	11,229	16,733	14,789	11,377	9,576	140,054
02BPD	116	90	232	137	153	181	10	53	114	244	173	51	65	1,619
02BPI	8	5	8	2	2	4	0	0	2	14	5	3	3	56
03B	4,290	2,307	4,808	2,487	3,873	3,697	436	1,187	3,314	5,678	4,264	3,255	2,469	42,065
04B	1,839	843	1,795	975	1,544	1,587	223	536	1,312	2,672	1,593	1,293	984	17,196
05B	469	198	485	257	387	411	46	143	279	714	322	257	212	4,180
06B	121	75	177	107	193	134	27	43	108	160	96	88	84	1,413
07B	49	29	69	44	77	52	12	18	47	38	20	29	41	525
08B	21	16	35	14	53	30	7	20	28	21	21	15	18	299
	2,188,293	1,340,772	2,993,736	1,530,348	2,604,503	2,233,780	279,226	927,586	2,123,226	2,434,875	2,751,405	1,888,153	1,732,306	25,028,209

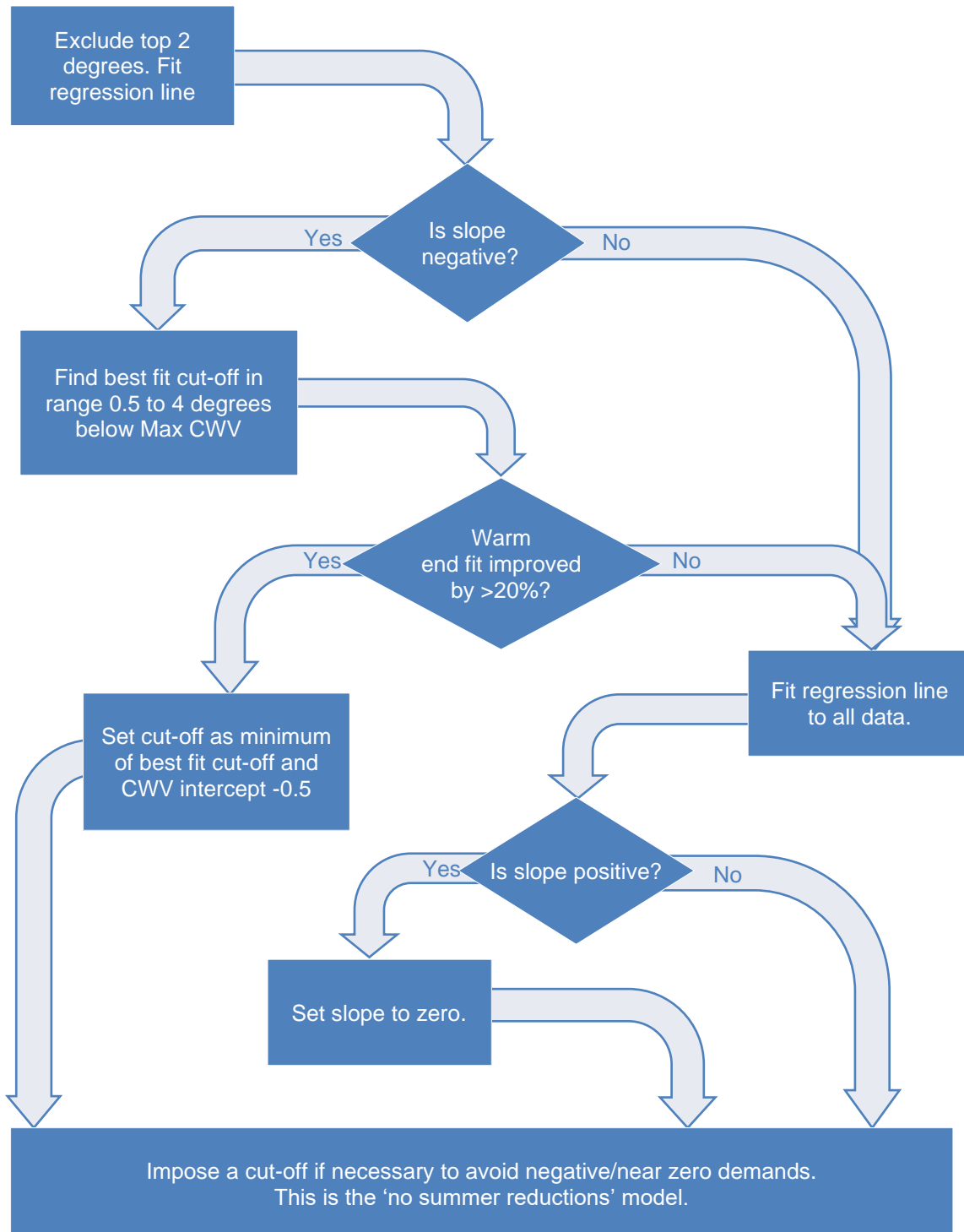
Target Sample Numbers based on population size above

Target Sample Size - March 2023 NDM - Class 3 and 4 only														
	LDZ													Total
	SC	NO	NW	NE	EM	WM	WN	WS	EA	NT	SE	SO	SW	
01BND	385	385	385	385	385	385	384	385	385	385	385	385	385	5,004
01BNI	381	379	383	381	382	382	365	378	381	383	382	381	381	4,939
01BPD	384	383	384	384	384	384	379	383	384	384	384	383	383	4,983
01BPI	136	80	208	125	163	167	42	129	131	232	209	105	119	1,846
02BND	351	322	359	343	354	351	175	285	352	369	366	344	334	4,305
02BNI	373	365	376	369	374	374	313	355	372	376	375	372	370	4,764
02BPD	89	73	145	101	110	123	10	47	88	150	120	45	56	1,157
02BPI	8	5	8	2	2	4	0	0	2	14	5	3	3	56
03B	353	330	357	333	350	349	205	291	345	361	353	344	333	4,304
04B	318	264	317	276	308	310	141	224	298	337	310	297	277	3,677
05B	212	131	215	154	193	199	41	104	162	250	176	154	137	2,128
06B	92	63	121	84	129	100	25	39	84	113	77	72	69	1,068
07B	44	27	59	40	64	46	12	17	42	35	19	27	37	469
08B	20	15	32	14	47	28	7	19	26	20	20	14	17	279
	3,146	2,822	3,349	2,991	3,245	3,202	2,099	2,656	3,052	3,409	3,181	2,926	2,901	38,979

APPENDIX 4 – GAS DEMAND EUC MODELLING APPROACH
Monday to Thursday (**Potential Summer Reductions**)



Monday to Thursday (No Summer Reductions)



APPENDIX 5 – HOLIDAY CODE RULES

Holiday Code Rules were reviewed winter 2021-22 and changes agreed by DESC in spring 2022. Current holiday periods and codes for use in Gas Demand EUC Modelling are as follows:

Holiday Code 1: Not currently in use

Christmas/New Year (Holiday codes 2, 3, and 4) England and Wales LDZs

Holiday period starts on 23rd December and ends on the New Year Bank Holiday if it is a Monday, Sunday 3rd if New Year's Day is Friday, or first Friday in January in all other cases.

Holiday code 2: 25th, 26th December, January 1st and any remaining Bank Holidays (excludes second Scotland New Year Bank Holiday) and any other Saturdays and Sundays in the period

Holiday code 3: Any remaining Mondays to Fridays between 24th December and 1st January

Holiday code 4: : Remaining Mondays to Fridays before 24th December and after 1st January

Christmas/New Year (Holiday codes 2, 3, and 4) Scotland LDZs

Holiday period starts on 23rd December and ends on the Second New Year Bank Holiday if it is a Monday or Tuesday, or the first Friday in January in all other cases.

Holiday code 2: 25th, 26th December, January 1st and any remaining Bank Holidays (excludes second Scotland New Year Bank Holiday) and any other Saturdays and Sundays in the period

Holiday code 3: Any remaining Mondays to Fridays between 24th December and 1st January

Holiday code 4: : Remaining Mondays to Fridays before 24th December and after 1st January including Second Bank Holiday in Scotland only

The following table shows the Christmas holiday codes and how they are used in training the model (2019-2022) and applied in calculating derived factors for **Target Gas Year**.

Christmas 2019		Christmas 2020		Christmas 2021		Christmas 2022		Christmas 2023	
Date	Hol Code	Date	Hol Code	Date	Hol Code	Date	Hol Code	Date	Hol Code
Sat 21/12/2019		Mon 21/12/2020		Tue 21/12/2021		Wed 21/12/2022		Thu 21/12/2023	
Sun 22/12/2019		Tue 22/12/2020		Wed 22/12/2021		Thu 22/12/2022		Fri 22/12/2023	
Mon 23/12/2019	4	Wed 23/12/2020	4	Thu 23/12/2021	4	Fri 23/12/2022	4	Sat 23/12/2023	2
Tue 24/12/2019	3	Thu 24/12/2020	3	Fri 24/12/2021	3	Sat 24/12/2022	2	Sun 24/12/2023	2
Wed 25/12/2019	2	Fri 25/12/2020	2	Sat 25/12/2021	2	Sun 25/12/2022	2	Mon 25/12/2023	2
Thu 26/12/2019	2	Sat 26/12/2020	2	Sun 26/12/2021	2	Mon 26/12/2022	2	Tue 26/12/2023	2
Fri 27/12/2019	3	Sun 27/12/2020	2	Mon 27/12/2021	2	Tue 27/12/2022	2	Wed 27/12/2023	3
Sat 28/12/2019	2	Mon 28/12/2020	2	Tue 28/12/2021	2	Wed 28/12/2022	3	Thu 28/12/2023	3
Sun 29/12/2019	2	Tue 29/12/2020	3	Wed 29/12/2021	3	Thu 29/12/2022	3	Fri 29/12/2023	3
Mon 30/12/2019	3	Wed 30/12/2020	3	Thu 30/12/2021	3	Fri 30/12/2022	3	Sat 30/12/2023	2
Tue 31/12/2019	3	Thu 31/12/2020	3	Fri 31/12/2021	3	Sat 31/12/2022	2	Sun 31/12/2023	2
Wed 01/01/2020	2	Fri 01/01/2021	2	Sat 01/01/2022	2	Sun 01/01/2023	2	Mon 01/01/2024	2
Thu 02/01/2020	4	Sat 02/01/2021	2	Sun 02/01/2022	2	Mon 02/01/2023	2	Tue 02/01/2024	4 (SC)
Fri 03/01/2020	4	Sun 03/01/2021	2	Mon 03/01/2022	2	Tue 03/01/2023	4 (SC)	Wed 03/01/2024	
Sat 04/01/2020		Mon 04/01/2021	4 (SC)	Tue 04/01/2022	4 (SC)	Wed 04/01/2023		Thu 04/01/2024	
Sun 05/01/2020		Tue 05/01/2021		Wed 05/01/2022		Thu 05/01/2023		Fri 05/01/2024	
Mon 06/01/2020		Wed 06/01/2021		Thu 06/01/2022		Fri 06/01/2023		Sat 06/01/2024	

Holiday code 5: Not currently in use

Easter (Holiday codes 6, 7 and 8)

From Wednesday before Good Friday to the Friday after Good Friday (10 days).

Holiday code 6: Easter Saturday and Easter Sunday

Holiday code 7: Good Friday and Easter Monday

Holiday code 8: All other days in the period above.

First Bank Holiday in May (Holiday code 9) Excluding Domestic EUCs

From Saturday immediately preceding Bank Holiday, for 3 days in total.

Holiday code 9 I&C: First Bank Holiday in May; Saturday and Sunday immediately prior

Note: In 2020 when the Bank Holiday was moved to Friday 8th for VE day, the dates used for code 9 are 8th, 9th and 10th May (Friday to Sunday)

Note: the Additional Bank holiday in 2023 for the Coronation was announced after the Gas year commenced and therefore not included, however if DESC approve it to be added it can be used retrospectively in training data.

Holiday code 10: Not currently in use

Spring Bank Holiday (Holiday codes 11 and 12)

From Sunday immediately preceding bank holiday, for a week.

Holiday code 11: Spring bank holiday; Saturdays and Sundays in period above

Holiday code 12: All other days in period above.

2022 Platinum Jubilee:

The spring bank holiday was amended from being Monday 30th May 2022 to occur on Thursday 2nd June 2022 with the Platinum Jubilee bank holiday on 3rd June 2022 with the following table showing the changes:

Gas Flow Day	Holiday Based On	
	Existing Rules	Revised Platinum Jubilee
Sun 29 th May 22	11	11
Mon 30 th May 22	11	12
Tue 31 st May 22	12	12
Wed 1 st June 22	12	12
Thu 2 nd Jun 22	12	11
Fri 3 rd Jun 22	12	11
Sat 4 th Jun 22	11	11

General Summer Holiday (Holiday codes 13 and 14)

17 days from first Friday on or after 19th July.

Holiday code 13: Saturdays and Sundays in period above.

Holiday code 14: All other days in period above.

August Bank Holiday (Holiday code 15) England and Wales LDZs only

From Saturday immediately preceding Bank Holiday, for 3 days in total.

Holiday code 15: August bank holiday; Saturday and Sunday immediately prior

Holiday code 16: Not Currently in use

Special Codes for Summer Reductions

These special codes are used for certain EUCs where summer reductions need to be modelled.

All non-holiday days over the period from the start of the England and Wales Spring Bank Holiday period above to the to the last Sunday in September are assigned the following codes:

Holiday code 17: Non-holiday Monday to Thursdays in this summer reductions period

Holiday code 18: Non-holiday Fridays in this period

Holiday code 19: Non-holiday Saturdays in this period

Holiday code 20: Non-holiday Sundays in this period

APPENDIX 6 - DEMAND MODEL SMOOTHING

The key stages of the end user category (EUC) Demand Model Smoothing process are explained below. This is unchanged from previous practice.

1. Produce models for the EUC based on the data for each of the last three years. In the case that summer reductions have been applied in an individual year, two versions of the Gas Demand EUC Model for that year exist, one with summer reductions and one without summer reductions. Where summer reductions are applied, the magnitude of these reductions is expressed in terms of a summer multiplier applied to the fitted daily demands over the non-holiday days from the spring bank holiday period to the last weekend in September. For example, a summer multiplier of 0.870 means that fitted demands are reduced by 13% over this period. If no summer reductions are applied, the summer multiplier takes value of 1.
2. Decide whether to apply summer reductions to the final smoothed model. The criterion applied in making this decision is as follows:

The summer multipliers for the three individual year models for the EUC are averaged. If this average summer multiplier is less than the critical value of 0.9 (a 10% reduction), summer reductions are applied in the smoothed model and the Summer multiplier for the smoothed model is this average value. If the average summer multiplier is greater than or equal to the critical value, summer reductions are not applied to the smoothed model.

For example, for an EUC with summer multipliers of 1.000 (i.e. no summer reductions), 0.820, and 0.840 in the individual years, the average summer multiplier is 0.887. This is less than the critical value of 0.9, so a summer reduction is applied to the smoothed model.

This decision process allows a unique Gas Demand EUC Model to be selected for each individual year. If summer reductions are to be applied in the smoothed model, the version of each individual year's model with summer reductions (if such a version exists) is selected. Otherwise, the version without summer reductions is selected for each individual year.

3. At this stage, the decision as to whether to set weekend effects to zero is taken.

The selected individual year models for the EUC are standardised, by dividing through by the constant for that individual year. This gives a model for each year (yr) of the form:

$$D_t(\text{yr}) = 1 + C2(\text{yr}) \cdot \text{CWV}_t + C3(\text{yr}) \cdot \text{Fri} + C4(\text{yr}) \cdot \text{Sat} + C5(\text{yr}) \cdot \text{Sun}$$

This standardisation ensures that all three individual year models give the same normalised daily demand value (i.e. 1.0), for a non-holiday Monday to Thursday at 0° CWV. This ensures that equal weight is given to each individual year in the smoothing process.

Each individual parameter of the initial smoothed model for the EUC is calculated by averaging the values of the parameter over the three individual years.

For example,

$$C2(\text{smoothed}) = \{C2(\text{yr. 1}) + C2(\text{yr. 2}) + C2(\text{yr. 3})\}/3$$

The constant (which is 1 in the standardised model), and the slope of the smoothed model are then multiplied by the constant term of the original (unstandardised) model for the most recent year. Note that this step has no effect on the NDM profiling or capacity estimation parameters, but it gives model parameters of the same scale as that of the model for the most recent individual year.

The multiplicative day of week/holiday factors (P_t as described in Section 3 of the NDM Algorithms Booklet) are calculated for the smoothed model for the EUC. These are calculated for each day as averages of the corresponding values in the three individual years' models.

4. A decision is made as to whether to apply a composite weather variable cut-off to the smoothed model for the EUC. Application of a CWV cut-off has the effect of causing the fitted demand to level off for values of CWV above the cut-off. The criterion used in making the decision is as follows. The value of the CWV cut off is

estimated for each year's model. If no cut-off is required, the cut-off value for that year is set to the maximum CWV for the LDZ. The three individual years' CWV cut-offs are then averaged. If this average value is less than the maximum CWV for that LDZ, a CWV cut-off is set at this value in the smoothed model. Otherwise no CWV cut-off is applied to the smoothed model. Note however that cut-offs will not be applied to the models derived for consumption bands up to 293 MWh pa [Note-10](#).

The ensuing form of model is used in the calculation of the Gas Demand Profiles.

A form of the smoothed model is also produced with additive weekend effects. The averaged standardised parameters for each day from Friday to Sunday are multiplied by the constant term of the original unstandardised model for the most recent year, to give additive weekend effects for the smoothed model.

This gives a smoothed model of the form:

$$D_t = C1 + C2 * CWV_t + C3 * Fri + C4 * Sat + C5 * Sun$$

C1 as the same value as the constant term of the EUC model for the most recent year. This is a simple form of the smoothed model because it does not embody such features as holiday effects, summer cut-offs and summer reductions. The parameter values for this form of model will be shown in the 2022 NDM Algorithms booklet.

APPENDIX 7 – REFERENCE ITEMS GLOSSARY

1. Due to declining numbers in both sampling portfolios, at its meeting on 17th November 2015 DESC agreed the use of third-party provided Daily Gas Consumption Data in the Gas Demand EUC Modelling process, which has previously been provided on a voluntary basis.
[Back to Daily Gas Consumption Data.](#)
2. From 1st March 2019 the implementation of Modification 0654S introduced an obligation into the UNC for the provision of regular Daily Gas Consumption Data from Shippers (with a portfolio >25K) to the Central Data Service Provider (CDSP).
[Back to Daily Gas Consumption Data.](#)
3. Following DESC's decision in 2019 to introduce new EUCs in Bands 1 and 2 it will be necessary to collect additional Daily Gas Consumption Data for Gas Demand Profiles which represent
 - i) meter points in Band 1 (0-73.2 MWh pa) which are categorised as non-domestic,
 - ii) meter points in Band 1 which use pre-payment meters and
 - iii) meter points in Band 2 (73.2-293 MWh pa) which are categorised as domestic.[Back to Daily Gas Consumption Data.](#)
4. Following successful analysis in the October 2021 Algorithm Performance, at the DESC meeting in March 2022 it was unanimously agreed that Class 3 data can be used to create a single year model for the Band 1 Prepayment EUC ("01BPD").
[Back to Daily Gas Consumption Data.](#)
5. Where the validated Daily Gas Consumption Data for a EUC Band are well over the ideal target numbers, DESC agreed at its meeting on 10th December 2018 that a process should be created to select the required amount of data needed to be representative of the population. In this case, this means not using all the available data. DESC agreed that the Xserve and Distribution Network sampling should be used primarily to retain continuity within the Gas Demand EUC Models. Any additional data obtained from third parties will be randomly selected to avoid any shipper bias in the resulting Gas Demand Profiles.
[Back to Daily Gas Consumption Data.](#)
6. Due to different weather sensitivities for small domestic users, DESC agreed at its meeting on 10th December 2018 that it would be good practice if the validated Daily Gas Consumption Data selected for the Band 1 domestic model are sourced appropriately from different sub bands. DESC also recommended applying a stratification method to Band 2 Non-Domestic sites.
[Back to Daily Gas Consumption Data.](#)
7. The CWVs used will reflect the new formula approved by DESC at its meeting on 7th October 2019 and the SNCWVs used will be those approved by DESC at its meeting on 9th December 2019, both of which became effective from 1st October 2020.
[Back to Daily Weather Data.](#)
8. At its meeting on 10th December 2018, DESC confirmed the following principle for the proposed EUCs which are most likely to be affected by insufficient data:

For the Prepayment I&C EUCs (xx:Eyy01BPI and xx:Eyy02BPI) the underlying Gas Demand EUC Models can utilise the Non-Prepayment I&C model in the equivalent EUC Band (xx:Eyy01BNI and xx:Eyy02BNI respectively).

For the Prepayment Domestic EUCs in Band 2 (xx:Eyy02BPD) the underlying Gas Demand EUC Models can utilise the Prepayment Domestic EUC in Band 1 (xx:Eyy01BPD).

[Back to End User Categories.](#)
9. During 2013 DESC asked TWG to investigate the boundaries of the current EUC definitions and assess whether any more appropriate NDM groupings exist. Results of this analysis were shared at the TWG meeting on 27th November 2013 and the TWG meeting on 15th January 2014. It was agreed that there did not appear to be any obvious 'new bandings' emerging, however TWG did make a recommendation to DESC to merge bands 07 (14650 – 29300 MWh pa) and 08 (29300 – 58600 MWh p.a.) for Gas Demand

EUC Modelling purposes only, owing to the similarity in their profiles. DESC had already previously agreed that should it become necessary due to insufficient Daily Gas Consumption Data, the sampling applicable to consumption bands 07 and 08 could be combined for WAR band Gas Demand EUC Modelling in these consumption ranges.

At its meeting on 13th February 2018 DESC agreed to retain the existing EUC definitions in terms of AQ ranges, however it was agreed that an updated review of the boundaries which define the EUCs for the Large NDM population should be added to DESC's ad hoc work plan.

[Back to End User Categories.](#)

10. As agreed by DESC in December 2003, with a view to mitigating instability during the summer and was also applied to all previous NDM analyses from spring 2004 onwards, cut-offs will not be applied to the models derived for consumption bands up to 293 MWh pa.
[Back to Gas Demand EUC Modelling.](#)
11. Following evidence presented at the 15th February 2017 DESC meeting which reviewed the performance of the "01B" EUC models during the summer months, a decision was made to exclude holidays from the regression models for "01B" EUCs, which now brings them in line with the practice used for all other EUCs.

Note: This approach will also be applied to the additional EUCs in Bands 1 and 2.

[Back to Gas Demand EUC Modelling.](#)

12. DESC made the decision on 12th February 2014 that the Daily Gas Consumption Data applicable to the Gas Demand EUC Models for consumption ranges 14650 - 29300 MWh pa and 29300 - 58600 MWh pa (EUC bands 07 and 08, respectively) will be combined.
[Back to Gas Demand EUC Modelling.](#)
13. In the context of the non-application of cut-offs to Gas Demand EUC Models in consumption range 0-293 MWh pa, and as agreed by DESC in December 2003, the values of ALPs for EUCs in this consumption range will be constrained to be never less than 1% of their maximum values. Note that this is a safeguard against a theoretical possibility of negative ALPs arising (in the profiles computed for all gas years since 2004/05 it has never been necessary to invoke this constraint).
[Back to Gas Demand Profiles.](#)
14. One of the key components of the EUC peak load factor is the estimate of the 1 in 20 Peak Day Demand (PDD).
Prior to the implementation of UNC Modification 0331 the formula for calculating the Peak Load Factors was defined in specific detail in Section H of the UNC, including exactly how the PDD should be calculated (with different approaches for the Small and Large NDM sector), however it now states that "*the relevant sub-committee will determine the 1 in 20 peak day demand*". The Demand Estimation Methodology, the supporting document which came into effect following the implementation of UNC Modification 0432 on 1st June 2017, makes no distinction between Small and Large NDM and simply states that "*the PDD will be determined by simulation using a long period of actual historic CWV data for the relevant LDZ*". This is in line with DESC's decision in February 2016 to approve this approach.
[Back to Gas Demand Profiles.](#)
15. Section H of UNC states that, in the event DESC does not wish to approve the proposed Gas Demand Profiles (ALPs, DAFs and Peak Load Factors) derived from this year's process, then DESC has the option of rejecting them and using the 'fall-back' position. The fall-back position for the coming year would normally be the use of EUC definitions and Gas Demand Profiles based on the underlying Gas Demand EUC Models from the previous year's analysis.

For the avoidance of doubt, the fall-back proposals will use the actual weekend and holiday dates for the **Target Gas Year** and would be available using the rules applicable post the implementation of UNC Modification 0432 (Project Nexus – Gas Demand, Allocation, Settlement and Reconciliation reform).

[Back to Industry Consultation.](#)

16. On 7th July 2022 DESC unanimously voted to adopt a smoothed approach to the transition from MOD451AV data (2012/13) to Class 3 data for Domestic pre-payment meters "01BND". This limited the impact on SOQ values of the change, and the transition will be complete by Gas Year 2024/25.
[Back to Demand Model Smoothing.](#)

17. Due to the impact of Covid lockdowns on the consumption for I&C EUCs, DESC decided on 24th May 2021 not to use the data collected in the period April 2020 to March 2021 for all EUCs except 01BND. The decision was reiterated in 2022 when DESC confirmed the data should not be used for smoothing, and the last 3 used periods of data should be used in all cases.

[Back to Gas Demand EUC Modelling.](#)

[Back to Demand Model Smoothing.](#)