

Alternate approach to “genuine reconciliation” volume calculation

Genuine reconciliation is the extent to which consumption by LSP (NDMs) dropped by more than SSP (NDMs) in the previous year. As AQs in the current year are the best indicator of consumption by these two groups in the preceding year, **genuine reconciliation is the extent to which LSP (NDM) share of total NDM AQs has dropped by more than that of the SSP AQs in the current year.** Therefore, genuine reconciliation is:

$$\left[\begin{array}{c} \text{LSP Share of} \\ \text{NDM AQs} \\ \text{(2007/08)} \end{array} - \begin{array}{c} \text{LSP Share of} \\ \text{NDM AQs} \\ \text{(2006/07)} \end{array} \right] \times \begin{array}{c} \text{Total} \\ \text{NDM AQs} \\ \text{(2007/08)} \end{array}$$

Using more rigorous algebra:

$$\left[\frac{\text{AQ}^1}{\text{mAQ}^1} - \frac{\text{AQ}^2}{\text{mAQ}^2} \right] \times \text{mAQ}^1$$

Where:

AQ¹ = LSP AQ share of NDM market AQ in current Gas Year
 AQ² = LSP AQ share of NDM market AQ in previous Gas Year
 mAQ¹ = market aggregate NDM AQ in current Gas Year
 mAQ² = market aggregate NDM AQ in previous Gas Year

Worked example using data from 2006/07 and 2007/08:

LSP AQ reduced from 156.60 TWh to 147.47 TWh, and NDM market AQ reduced from 553.70 TWh to 527.50 TWh

Thus genuine reconciliation from LSP to SSP sector is:

$$\left[\frac{147.47}{527.50} - \frac{156.60}{553.70} \right] \times 527.50$$

= (27.956% - 28.283%) x 527.5 TWh = - 1.72 TWh (constituting 20% of RbD error in 2006/07).