

DCP 287 MODELLING REQUEST QUESTIONS

Initial Feedback from CEPA/TNEI and Working Group comments to date

We received a couple of comments on the modelling request issued to CEPA/TNEI mainly relating to the "Annuity Factor" parameter which is included in the calculations. The three points they have raised are set out below after which I have added the comments received so far:

- 1. Annuity Factor is calculated in a different manner for both the FCP and LRIC methodologies, however, it is used in the same way in the methods. Therefore, in order to try and align the models as much as possible, we will assume that Annuity Factor will be calculated separately outside of the model by the DNOs and entered into the model after this calculation. This means that most aspects of the implementation will be the same for both models.**

LRIC: NPg have no issue with this suggestion. The formula in clause 2.9 is clear and easily implemented outside of the models to enable an 'Annuity Factor' input to be used, and is also the same as that used in the CDCM (called the 'Annuity Rate') so the value could just be taken direct from the CDCM model.

FCP: Our understanding is that the FCPs Annuity Factor is specific to each branch being reinforced, as such no one singular value or placeholder can be provided, hence it would not be possible to treat the Annuity Factor as an input to the FCP model version.

It was suggested that the FCP load calculation in the DCUSA could have the Annuity Factor embedded within this formula (P708), it may be worth putting this to CEPA/TNEI to see their views.

- 2. It would be good for the DNOs to provide "placeholder" values of the Annuity Factor, for both the LRIC and FCP variants, that we can use while developing the model.**

LRIC: 5.07% could be used as an illustrative value for the annuity factor. This is based on the 2019/20 slow track DNOs' discount rate (4.02%) and the formula in 2.9.

FCP: See response above

- 3. if those factors are to be calculated within the model, then I think we will still require a little more guidance on how to do that for the FCP. I actually am personally not totally clear on how the proposed solution for the FCP model works (having been unable to attend the previous 287 meeting) but I am going to follow this up with Fiona (who is out of the office today) tomorrow morning. It may be worth double checking this anyway (although perhaps the DNOs will do this themselves by producing placeholder values for us).**

LRIC: n/a for LRIC.

FCP: further input needed

Subsequent Feedback from CEPA/TNEI and Working Group comments

The initial feedback from the Working Group was passed back to CEPA/TNEI and then ElectraLink had a conversation with them about this aspect of the request. Following this conversation ElectraLink issued an email outlining the view of CEPA/TNEI to the Working Group. The below is what we received:

“As promised, here is a quick summary of what I think are the issues and options.

The main issue is that this aspect of the methodology sits outside of our model and we don't have good visibility of what exactly it is doing. However, as I'm sure you'll agree, it is very complex! I think potentially the approach SPEN describe could work, but we aren't best placed to comment on the detail of it without having looked into it in more detail.

As we discussed on the phone, there seem to be two options for resolving this:

- *Getting the working group to look at it in more detail, potentially even trying to discuss with those who originally developed the FCP model*
- *Asking us to investigate this in more detail through Service 4 requests.*

On the first option - I believe from memory that one of the EDCM methods was developed by academics at the University of Bath, but I can't recall if it was FCP or LRIC.

Although we could treat this with Service 4 requests, we are not as well placed to answer questions on it so easily as this part of the methodology is outside of the models we've redeveloped. I think because it's so complex, we'd need to break this into a series of smaller questions to make sure they're manageable and we can get to the right answers.

One other option would be for us to carry out the modelling for the LRIC model only - that might still allow the working group to consider the impacts while we resolve the FCP issues.”

The Working Group were asked to confirm their views on progressing this area of the CP and modelling request and alongside this the DNOs using the FCP methodology were asked to confirm if they have, or able to locate, someone with an understanding of this aspect of the methodology. No responses were received to this request.