

# **Tideway updated revised Revenue Statement 2017**

Allowed Revenue for Charging Year 2018/19

## **RPI Updated IP Charge Notification - 2018/19**

Submitted to Thames Water on 14 December 2017

IP Charge for 2018/19 (£)

49,235,940

## November 2017 RPI

275.8

Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 12 December 2017, Office for National Statistics

Inputs 2017

		Inputs	2017										
	Unit	Source/notes	2012/13	2013/14	2		First Charging Year 2015/16	charging year 2016/17	Third Charging Year 2017/18	Charging Year 2018/19	Fifth Charging Year 2019/20	Sixth Charging Year 2020/21	Se Ch Ye 202
Year starts Year ends Year t-2							01/04/2015 31/03/2016 2013/14	01/04/2016 31/03/2017 2014/15	01/04/2017 31/03/2018 2015/16	01/04/2018 31/03/2019 2016/17	01/04/2019 31/03/2020 2017/18	01/04/2020 31/03/2021 2018/19	
Year t-1 Year t							2014/15 2015/16	2015/16 2016/17	2016/17 2017/18	2017/18 2018/19	2018/19 2019/20	2019/20 2020/21	
Year t+1 Year t+2							2016/17 2017/18	2017/18 2018/19	2018/19 2019/20	2019/20 2020/21	2020/21 2021/22	2021/22 2022/23	
1.1 2014/15 RPI Adjustment Factor		Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of											
Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences	%	independent forecasts", HM Treasury, August 2017 Required by Project Licence Appendix 1, 1, 1 (i), (ii), (iii) Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of							3.5%	3.5%	3.09	6 3.	.0%
Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends	%	independent forecasts", HM Treasury, August 2017 Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii)			-				3.5%	3.0%	3.0%	6 3.	.0%
RPI, September of Charging Year		Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 17 October 2017, Office for National Statistics. Required by Project Licence Appendix 1, 1.1 (iii)				257.6	259.6	264.9	275.1				
RPI, March of Charging Year		Source: RPI (All Itens) index, Consumer Price Inflation Reference Tables, Table 36, 17 October 2017, Office for National Statistics Required by Project Licence Appendix 1, 1.1 (iii)			254.8	257.1	261.1	269.3					
Applicable Change in Revenue RPI		Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 12 December 2017, Office for									1		
RPIt (RPI for November in Charging Year Yt-1)		National Statistics. Required by Project Licence Appendix 1, Part A 3, 4 and 6 Note: for both First and Second Charging years, stated RPI is for November 2015, as Allowed Revenue for both			245.6	252.1	259.8	259.8	265.5	275.8			
		these years is being calculated together Source: Calculated from RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 17 October				050.7					I.		
Year average RPI		2017 Office for National Statistics Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.1 (iv)				256.7	259.4	265.0					
A.3. Return on Capital and A.4 Liquidity													
Water Services Regulation Authority Stated RCV (2014/15 Prices) at 31 March	2014/15 prices, £	Source: Regulatory Capital Values - Bazalgette Tunnel Limited (Tideway), Ofwat, 14 July 2017 Required by Project Licence Appendix 1, Part A 3			0	0	148,741,346	478,533,658	]				
Allowable Project Spend (actual and forecast) - as at October 2017	Outturn prices, £	Source: "Allowable Project Spend Verification No 15.pdf"				0	150,344,662	340,489,147	168,451,729	1			
Annual Actual Project Spend Estimated Allowable Project Spend	Outturn prices, £	Required by Project Licence Appendix 1, Part A 3 Source: "Regulation Reporting Sep 17" Required by Project Licence Appendix 1, Part A 3			-	0	150,344,002	0	44,803,438	-			
Forecast Allowable Project Spend	Outturn prices, £	Fouries 2017 Revenue Statement: 17A Expenditure Forecast Review Addendum.pdf* The 2017/18 ligure is net of expenditure already realised (Annual Actual Project Spend and Estimated Allowable Project Spend n).				0	(	0	334,865,165	627,477,388	624,355,468		
		Project openin). Required by Project Licence Appendix 1, Part A 3, 4											
Excluded Project Spend	Outturn prices, £	Source: 2015/16 and 2016/17: "Section 5 regulatory tables - calculation version - 2016-17" - table 5B to Ofwat Source: 2017/18 year to date at September 2017: "Tables for Interim Financial Performance Report 2017-18" - ref Output 1					64,394,743	87,615,825	36,581,373				
	,-	Note: For information (not required for Allowed Revenue calculation), backward-looking only. 2015/16 figure updated to reflect prior year adjustment made in 2016/17 annual reporting.											
Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project Spenc and therefore is excluded from the Allowable spend metrics set out above	Outturn prices, £	Source: Head of Commercial, Tideway Notes: Zero prior to Licence award. Required by Project Licence Appendix 2, 1.5				0	C	0	0	. 0			
BWACC	%	Source: Project Licence, Appendix 1, 1.18 Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8					2.497%	1	1				
		Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 6						1					
A.5. Opex Opex forecast as at October 2017	Outturn prices, £	Note: In line with the Project Licence, zero as all expenditure treated as capex. Required by Project Licence Appendix 1, Part A 5					(	0	0	0			
		Пецилей by Fliger Elverke Ардения I, Fait A 3						1					
A.6. Financing Cost Adjustment		Source: "FCA yield calculator.xlsx"							1				
Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March	%	Calculated with reference to iBoxx BBB data and spot implied inflation rates for 10 year maturity from Bank of England.				1.30%	1.43%	0.35%					
		Required by Project Licence Appendix 1, Part A 6							1				
Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March	Year	Source: Regulatory Capital Values - Bazalgette Tunnel Limited (Tideway), Ofwat, 14 July 2017 Required by Project Licence Appendix 1, Part A 3		0	0	0	151,310,515	502,087,458	_				
Net Debt at 31 March	Current prices at 31 March of Charging Year	Source: Tideway financial statements as at 31 March 2017 Required by Project Licence Appendix 1, Part A 6		0	0	0	-130,376,913	-315,919,558					
Notional Debt to RCV ratio	%	Source: Project Licence Appendix 1, 1.42 Required by Project Licence Appendix 1, Part A 6				62.5%			-				
A 1.4. Tax													
Tax as at October 2017	Outturn prices, £	In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax. See Project Licence Appendix 1, Part A 1.4	-				(	0	0	0			
A.7. Under/Over Recovered Revenue Adjustment and Column		·· ·											
A.7. Under/Over Recovered Revenue Adjustment - as at October 2017		See Project Licence, Appendix 1, Part A.7											
Allowed Revenue (including building block reconciliation)	£	Source: 2015 and 2016 Updated Revised Revenue Statements						33,603,285	28,559,132	1			
Amount recovered in respect of 2016/17 Allowed Revenue (to end of September 2017)	Outturn prices, £	Source: Revenue Sep17.xls Note: Captures all 2016/17 revenue received from Thames Water prior to the end of September 2017- this is based on revenue collected by Thames Water up to and including July 2017.	d .					31,009,138					
Amounts received from TWUL in Charging Year (all years of Allowed Revenue)	Outturn prices, £	Source: Revenue Sep17.xls Note: Captures all 2016/17 revenue received from Thames Water prior to the end of March 2017.						26,747,386	I				
A.8. Reconciliation adjustment		See Project Licence, Appendix 1, Part A 8											
Time since original calculation	Years	Represents the number of years since revenue was first calculated to feed into the NPV adjustment of the reconciliation adjustment.					2	2 2	1	0			
Reconcile this year?		Revenue for a given Charging Year is subject to building block reconciliation adjustment where estimated or forecast expenditure or inflation inputs were used the last time that year's revenue was calculated. Defined as follows: 1 = yes, 0 = no					1	1	1	0			
Allowed Revenue as per most recently submitted Revenue Statement (excluding building block reconciliation)	£	Source: Calculated from 2016 Updated Revised Revenue Statement excluding building block reconciliation					8,669,904	19,763,649	33,974,208				
A.11. Additional Return on Capital Building Block		Med configurable of accessed - located to be coldered with building black base											
Additional Allowable Project Spend		Not applicable at present. Inputs to be added if this building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11											
A 1.6.4. Net Present Value Adjustment													
A 1.0.4. Net Present Value Adjustment End of first charging year Licence Award		Last day of the First Charging Year Date of Licence award					31/03/2016 24/08/2015						

Seventh Charging Year 2021/22 01/04/2021 31/03/0002 2019/20 2020/21 2021/22 2022/23 2022/23



#### BBRA Inputs 2016

		BBRA Inputs 2016					_					
	Unit	Source/notes	2012/13	2013/14		2014/15	First Charging Year 2015/16	Second charging year 2016/17	Third Charging Year 2017/18	Fourth Charging Year 2018/19	Fifth Charging Year 2019/20	Sixth Charging Year 2020/21
Year starts Year ends							01/04/2015 31/03/2016	01/04/2016 31/03/2017	01/04/2017 31/03/2018	01/04/2018 31/03/2019	01/04/2019 31/03/2020	01/04/2020 31/03/2021
Year t-2 Year t-1							2013/14 2014/15	2014/15 2015/16	2015/16 2016/17	2016/17 2017/18	2017/18 2018/19	2018/19 2019/20
Yeart Yeart							2015/16 2016/17	2016/17 2017/18	2017/18 2018/19	2018/19 2019/20	2019/20 2020/21	2020/21 2021/22
Year te1 Year te2							2016/17	2018/19	2019/20	2020/21	2020/21	2021/22 2022/23
1.1 2014/15 RPI Adjustment Factor												
Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences	%	UPDATED FOR RECONCILIATION Source: Average independent new forecasts for RPJ. Table M3, "Forecasts for the UK economy: a comparison of independent forecasts," HM Treasury, August 2017 Required by Project Lennes Appendix 1, 11, (i), (ii), (ii) UPDATED FOR RECONCILIATION Source: Average independent new forecasts for RPJ. Table M3, "Forecasts for Average independent of the Concentration of the Concentrat							3.5%	3.5%	3.09	6 3.0%
		Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii) UPDATED FOR RECONCILIATION Source: Average independent new forecasts for RPI, Table M3, "Forecasts for										
Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends	%	the UK economy: a comparison or independent torecasts", HM Treasury, August 2017 Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii)						1	3.5%	3.0%	3.09	6 3.0%
RPI, September of Charging Year		UF-UA IEU FUK FREUUMULE AL IUM SOURCE FM (All intens) intens), intens, Lonsumer Price Instaton Heterence I abes, Tabel 38, 17 Cober 2017, Officie frei Hetera Statistica. Reourierd V Protect Leance Accendrá 1, 1,1 (i) UPU/IEU FOR FREUCUELATINO Source FM (All Items) index, Consumer Price Inflation Reference Tables, Tabel 38, 17 Cober 2017, Officie frei Hetera Statistica Resource V Protect Leance Accendent 1, 1,1 (ii)				257.6	259.6	264.9	275.			
RPI, March of Charging Year		Reduited by Protect Licence Addenation 1. 1.1 III UPDATED FOR RECONCLIATION Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 32 (2 October 2017) Office For Index (Institution			254.8	257.1	261.1	269.3				
RM, March of Charging Year		Table 56, 17 October 2017, Unice for National Statistics Required by Protect Licence Appendix 1, 1.1 (iii)			204.0	207.1	201.1	209.2				
Applicable Change in Revenue RPI										-		
		Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 13 December 2016, Office for National Statistics.			245.6	252.1	259.8	259.8	265.			
RPIt (RPI for November in Charging Year Yi-1)		National Statistics. Required by Project Licence Appendix 1, Part A 3, 4 and 6 Note: for both First and Second Charging years, stated RPI is for November 2016, as Allowed Revenue for both			245.6	252.1	259.8	259.8	265.			
Year average RPI		Holes of colori in a function of colority of year and a summer or to be in the international colority of the colority of th				256.7	7 259.4	265.0				
Tear average KP1		Reterence races, race so, 17 October 2017 Unice for viational statistics Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.1 (iv)			l	200.1	209.4	200.0				
A.3. Return on Capital and A.4 Liquidity												
Water Services Regulation Authority Stated RCV (2014/15 Prices) at 31 March	2014/15 prices, £	Source: Ofwat publication (prs_web2016RcvBazalgette.xkx). Zero prior to licence award Required by Protect Licence Appendix 1. Part A 3			0	0	148,741,346					
Allowable Project Spend (actual and forecast) - as at October 2017										-		
Annual Actual Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "Alionable Project Spend Verification No 16.pdf" Required by Project Lience Appandix 1, Part A 3 UPDATED FOR RECONCILIATION Source: "Requisition Reporting Sep17"				0	150,344,662	340,489,147		9		
Estimated Allowable Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "Regulation Reporting Sep17" Required by Protect Licence Appandix 1. Part A 3 UPDATED FOR RECONCILIATION Source: "2017 Revenue Statement - (TA Expenditure Forecast Review				(	0 0	0	44,803,43	8	-	
Forecast Allowable Project Spend	Outturn prices, £	Addendum.pdf"							334,865,16	627.477.38		
Forecast Allowable Project Spend	Outturn prices, £	The 2017/18 figure is net of expenditure already realised (Annual Actual Project Spend and Estimated Allowable Project Spend). Required by Project Licence Appendix 1. Part A 3. 4				0	) (	0	334,865,16	5 627,477,388	3	
Excluded Project Spend	Outhing prices. 6	Required by Protect Licence Albendox 1. Part A 3. 4 Data removed as not required for reconciliation purposes. See "Inputs 2017".			L						1	
Excluded Project Spend	Outurn prices, £	Data removed as not required for reconciliation purposes. See "inputs 2017".										
Allance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project Spend and therefore is excluded from the Allowable spend metrics set out above	<sup>d</sup> Outturn prices, £											
BWACC	%	Source: Project Licence, Appendix 1, 1.18 Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8					2.497%					
A.5. Opex									1	-		
Opex forecast as at October 2017	Outturn prices, £	Note: In line with the Project Licence, zero as all expenditure treated as capex. Required by Prolect Licence Appendix 1. Part A 5					c	0				
A.6. Financing Cost Adjustment								_				
Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March	~	UPDATED FOR REVISED BANK OF ENGLAND DATA Source: "FCA yield calculator.xisx" Calculated with reference to iBoox BBB data and spot implied inflation rates for 10 year maturity from Bank of			[	1.30%	6 1.43%					
Financing Cost Adjustment index Yield - 12 months trailing average at 31 March	76	England. Reaulred by Prolect Licence Appendix 1. Part A 6				1.30%	0 1.43%					
								_				
Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March	Current prices at 31 March of Charging	Source: Ofwat publication (prs_web2016RcvBazalgette.skss). Zero prior to licence award Required by Project Licence Appendix 1, Part A 3		0	0	c	151,310,515					
								-				
Net Debt at 31 March	Year	Required by Project Licence Appendix 1, Part A 6		0	0		-130,376,913					
Notional Debt to RCV ratio	%	Source: Project Licence Appendix 1, 1.42 Required by Project Licence Appendix 1, Part A 6			l	62.5%	6					
A 1.4. Tax		In line with the Project Licence, zero as the ID is not required to new conversion two or new other immediated										
Tax as at October 2017	Outturn prices, £	In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax. See Project Licence Appendix 1, Part A 1.4					c	0				
A.7. Under/Over Recovered Revenue Adjustment - as at October 2016		See Project Licence, Appendix 1, Part A.7										
2010 Allowed Revenue	£	Data removed as not required for reconciliation purposes.										
Print Work 1 Norther Know	-											
Amount recovered in respect of IP Charge as at end of [Charging Year T-3]	£	Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2, and 2015 was the first year the Allowed Revenue calculation was made. In future years, source will be IP regulatory accounts.										
Amount recovered in respect of IP Charge April - September accounting periods [Charging Year T-2]	£	Not applicable for 2016 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2, and 2015 was the first year the Allowed Revenue calculation was made. In future years, source will be IP Internal accounting records.										
Amount recovered in respect of IP Charge as at end of [Charging Year T-2]	£	Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year 7-2, and 2015 was the first year the Allowed Revenue calculation was made. In future years, source will be P regulatory accounts.										
Amount recovered in respect of IP Charge April - September accounting periods [Charging Year T-1]	£	2015 was the first year the Allowed Revenue calculation was made. In future years, source will be IP internal accounting records.										
A.8. Reconciliation adjustment Time since most recent calculation	Years	See Project Licence, Appendix 1, Part A 8 Data removed as not required for reconciliation purposes.										
Reconcile this year? Alowed Revenue as per most recently submitted Revenue Statement	£	Data removed as not required for reconciliation purposes. Data removed as not required for reconciliation purposes. Data removed as not required for reconciliation purposes.										
A.11. Additional Return on Capital Building Block		Not analizable at present. Inputs in he added if this building block becomes relayed (i.e. if Tolegon										
Additional Allowable Project Spend		Not applicable at present. Inputs to be added if this building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix I, Part A 11										
A 1.6.4. Net Present Value Adjustment		Data removed as not required for recognitiation ourspace-										
End of first charging year Licence Award		Data removed as not required for reconciliation purposes. Data removed as not required for reconciliation purposes.										

BBRA Calculation 2016

suiding Block ar status ar ends ar 12 wr 1 wr 1	Unit	Notes/description	2013/14 2014/15	First Charging 5 Year 0 2015/16 01.04/2015 31/03/2016 2013/14 2014/15 2015/16	Second . Charging Year 2016/17 01/04/2016 31/03/2017 2014/15 2016/17 2016/17	Third Charging Year 2017/18 01/04/2017 31/03/2018 2016/16 2016/17 2016/17
ar te1 sar te2				2016/17 2017/18	2017/18 2018/19	2018/19 2019/20
1 2014/15 RPI Adjustment Factor		A factor calculated for each Charging Year to express costs associated with that year in a 2014/15 price base. See Project Licence, Appendix 1, 1.1				
() for the purposes of calculating Forecast Allowable Project Spend for Charging Year Yt- srecast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 commences receast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 ends.	+1, estimated Allowable %	Project Spend for the said Charging Year shall be deflated from a price base in Cha Forecast RPI - see input sheet for description of source	arging Year Yt+1 to the Base	RPI Index year ([2014/15]	), using an adjustme	ent factor derived from mult 3.5%
precast RPI Adjustment Factor for the calendar year in which Charging Year Yh+1 ends precast RPI Adjustment Factor for the calendar year in which Charging Year Yh commences recast RPI Adjustment Factor for the calendar year in which Charging Year Yh ends	%	Forecast RPI - see input sheet for description of source Forecast RPI - see input sheet for description of source Forecast RPI - see input sheet for description of source				3.0%
	%	Forecast RPI - see input sheet for description of source NOT USED FOR RECONCILIATION Calculated with reference to the index values for			-	3.5%
arcentage movement in the RPI (All Items) index as published by Office for National Statistics for the period sril to September in the calendar year in which Charging Year 1%-1 commenced	%	NOT USED FOR RECORCLEATION Calculated with reterence to the index values for March and September to capture April to September inflation (see "Statement of calculation 2017")				1.5%
arcentage movement in the RPI (All Items) index as published by Office for National Statistics for the period xil to September in the calendar year in which Charging Year 'N commenced		NOT USED FOR RECONCILIATION Calculated with reference to the index values for March and September to capture April to September inflation (see "Statement of				2.2%
precast RPI Adjustment Factor for the calendar year in which Charoing Year YI-1 commenced	%	calculation 2017") NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source				0.0%
srecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 ends	%	NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source Year average RPI for 2014/15, used as base year RPI				0.0%
ale n=1 hanging Year Yh-2, or where this is on or before Base RPI Index year, 2014/15 hanging Year Yh-1		Tear average RPT IS 2014/15, ISBN 35-0828 year RPT Year average RPT for Charging year T-2 (or 2014/15 where this is later) NEW ROW ADDED FOR RECONCILIATION Year average RPI for Charging Year I-1				259.7 259.4 265.0
t (i) 1 (ii) 1 (iii)		Factor used to adjust prices from Charging Year T-1 to Charging Year T CALCULATION ALTERED FOR RECONCILATION Factor used to adjust prices from Charging Yea CALCULATION ALTERED FOR RECONCILATION Factor used to adjust prices from Charging Yea	ar T to Charging Year T-1 ar T-1 to Charging Year T-2			1.03 1.04 1.02
1 (e)		Factor used to adjust prices from Changing Year T-2 to Changing Year T-3 Combines factors (I), (II), (III) and (IV) above to calculate factor used to adjust prices from			, i	1.01
PI Adjustment Factor Charging Year T+1		Charging Year T+1 to 2014/15 price base.			-	1.11
PI Adjustment Factor Charging Year T		Combines factors (ii), (iii) and (iv) above to calculate factor used to adjust prices from Charging Year T to 2014/15 price base				1.07
PI Adjustment Factor Charging Year T-1		Combines factors (iii) and (iv) above to calculate factor used to adjust prices from Charoing Year T-1 to 2014/15 price base				1.03
PI Adjustment Factor Charging Year T-2		Chardon ( Hear ( +) is 2014/15 billow base Equal to factor (iv) above - used to adjust prices from Charging Year T-2 to 2014/15 price base.				1.01
pplicable Change in Revenue RPI		RPI in November of previous Charging Year relative to 2014/15 base year RPI in November of Charging Year T-1	0.96 0.98	1.01	1.01	1.03
Pit Pibase (Base RPI Index)		RPI in November of Charging Year T-1 Average RPI for 2014/15	240.0 252 256.7 256	5.7 256.7	259.8 256.7	265.5 256.7
.1. Allowed Revenue	£	Total Allowed Revenue calculated as the total of the building blocks below, in accordance with Project Licence, Appendix 1, 1.4. See Statement of calculation 2017 for further detail.				32,865,395
.3. Return on Capital	£	The Return on Capital building block allows the IP to earn a return on capital in relation to the forecast average RCV in the Charolog Year in question. See Project Licence			[	18,959,027
		Appendix 1, Part A 3			L	
fwat Stated RCV for YH2	£, 2014/15 prices	RCV at the end of Charging Year T-2 as published by Olwat by 1 September following the end of the Charging Year				148,741,346
PRCV Yh-1 314/15 RPI Adjustment Factor Yh-1	£, 2014/15 prices	Opening RCV for Charoling Year 7-1. Scalar to adjust forecast coats for Charging Year 7-1 to 2014/15 price base Allowable Project Spend (verlide by the ITA) incurred in Charging Year 7-1				148,741,346 1.03
mual Actual Project Spend Yt-1 stimated Allowable Project Spend Yt-1	£, 2014/15 prices £, 2014/15 prices	Allowable Project Spend (verified by the ITA) incurred in Charging Year T-1 Allowable Project Spend (not verified by the ITA) incurred in Charging Year T-1			F	329,792,312 0
precast Allowable Project Spend Yt-1	£, 2014/15 prices	Atomaba Frobert Spand (retrieval) on TPA/INDEXTON on Marging/ rotat **1 Atomaba Project Spand (not verified by the ITA) Incurred in Charging Year T-1 Allowabb Project Spand forecast to be incurred in Charging Year T-1 Opening RCV for Charging Year T-1 ensured of opening RCV for Charging year T-1 and				0
PRCV Yt 114/15 RPI Adjustment Factor Yt	£, 2014/15 prices	all Allowable Proiect Soend in that year Scalar to adjust forecast costs for Charging Year T to 2014/15 price base				478,533,658
nual Actual Project Spend Yt stimated Allowable Project Spend Yt	£, 2014/15 prices £, 2014/15 prices				F	157,029,620 41,765,478
Receard Allowable Project Spend Yt PRCV Yt	£, 2014/15 prices £, 2014/15 prices	Allowable Project Spend (not verified by the ITA) incurred in Charging Year T Allowable Project Spend forecast to be incurred in Charging Year Charging Year C Closing RCV for Charging Year T - the sum of opening RCV for Charging Year T and all				312,159,157 989,487,912
NCV II	£, 2014/15 prices	Allowable Project Spend in that year Year average RCV for Charging Year T				989,487,912 734,010,785
4. Liquidity	£	The Liquidity building block allows the IP a liquidity allowance (return on capital) in relation to the incremental average RCV in the year following the Charoling Year in			Γ	13,906,368
		relation to the incremental average RCV in the year following the Charging Year in averation. See Protect Licence. Accendus 1. Part A 4				
RCV Yt+1 (4/15 RPI Adjustment Factor Yt+1 mart Allwarehin Project Segred for user te1	£, 2014/15 prices	Opening RCV for Charging Year T+1 Scalar to adjust forecast costs for Charging Year T+1 to 2014/15 price base Allowable Project Spend forecast to be incurred in Charging Year T+1				989,487,912 1.11 565,833,511
recast Allowable Project Spend for year t+1 RCV Yt+1	£, 2014/15 prices £, 2014/15 prices	Allowable Project Spend forecast to be incurred in Charging Year T+1 Closing RCV for Charging Year T+1				565,833,511 1,555,321,424
ARCV Yte1	£, 2014/15 prices	Average RCV for Charging Year T+1			0	1,272,404,668
5. Opex		In line with the Project Licence, the Opex building block is zero as all costs are accounted for as capital expanditure. See Project Licence, Accendix 1, Part A 5				0
		The Einsecting Cost Adjustment building block is intended to protect against movements				
.6. Financing Cost Adjustment building block		The translating Cost of debt, by comparing a measure of financing costs at an annual in the market cost of debt, by comparing a measure of financing costs at an annual reference point to a base reference point of March 2015. See Project Licence, Appendix 1, Part A 6				0
ancing Cost Adjustment Yt				0	0	0
nancing Cost Adjustment Index Yield	%	See Project Licence Appendix 1, Part A 6.3	1.30	1.43%		
ase Reference Point (BRP)	%	The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield as at 31 March 2015		1.30%	1.30%	1.30%
nual Reference Point (ARP)	%	at 31 March 2015 The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield as		1.30%	1.30%	1.43%
RP-ABP arket Cost of Debt Adjustment Factor (absolute)	% %	at 31 March of Charolina Year Yv.2 Differance between BRP and ARP See Prolect Lienze Ascendix 1 Part A 6.7		0.0%	0.0%	-0.1%
arket Cost of Debt Adjustment Factor (absolute) arket Cost of Debt Adjustment Factor (corrected sign)	%	See Project Licence Appendix 1 Part A 6.7 NEW ROW FOR 2016 See Project Licence Appendix 1 Part A 6.7		0.0%	0.0%	0.0%
et Debt in Charging Year Yt-2		Net Debt at the end of Charging Year T-2 as defined in Project Licence Appendix 1, 1.41		0	0	-130,376,913
ater Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-2 otional Debt to RCV Ratio	£, current prices (March of Charoing Year T-2)	RCV at the end of Charging Year T-2 in then current prices		0	0	151,310,515
otional Debt to RCV Ratio otional Net Debt in Charging Year Yh-2	% £, current prices (March of Charging Year T-2)	As defined in Project Licence Appendix 1, 1.42 RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A 6.9		62.5%	62.5%	62.5% 94,569,072
at Packs in Channing Youn W 3						
et Debt in Charging Year Yk-3 ater Services. Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yk-3	Charging Year T-3) £, current prices (March of	Net Debt at the end of Charging Year T-3 as defined in Project Licence Appendix 1, 1.41 RCV at the end of Charging Year T-3 in then current prices		0	0	0
				0 62.5%	0 62.5%	0 62.5%
	E, current prices (March of Charging Year T-3)	RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A 6.9		0	0	0
spicable Change in Revenue RPI for Charging Year Yt spicable Change in Revenue RPI for Charging Year Yt-2				1.01 0.96	1.01 0.98	1.03 1.01
		In line with the Project Licence, zero as the IP is not required to pay corporation tax or any				
1.4. Tax	£	other income-based tax. See Project Licence Appendix 1, Part A 1.4				0
.7. Under/Over Recovered Revenue Adjustment	£	The revenue adjustment building block is to reconcile for under/over recovered Allowed Revenue in previous Charging Years. Not applicable for 2015 and 2016 Revenue Statements as dyustment applies in respect of Charging Year 72, and 2015 was the first				
	-	Statements as adjustment applies in respect of Charging Year T-2, and 2015 was the first year the Allowed Revenue calculation was made. See Project Licence, Appendix 1, Part A.7				U
		REMOVED FROM THIS RECONCILATION SHEET AS RECONCILED SEPARATELY IN BBRA CALCULATION 2015 Reconciliation for updated expenditure and initiation data to reflect realised actuals and updated forecasts. See Project Licence, Appendix 1, Part			Γ	
		In Sector CALCOLA ITOM 2010 Reconciliation for updated expenditure and initiation data				0
8. Reconciliation adjustment	£	48				
	£ n/a	A 8 Revenue for a given Charging Year is subject to building block reconciliation adjustment where estimated or forecast expenditure or inflation inputs were used the last time that				
<ol> <li>Reconciliation adjustment econole its year?</li> <li>me since most recent calculation</li> </ol>		A 8 Revenue for a given Charging Year is subject to building block reconciliation adjustment where estimated or forecast expenditure or initiation injusts were used he last time that vear's revenue was calculated. Defined as follows: 1 = vus. G = no Represents the number of years since revenue was most recently calculated to feed into the INPV adjustment of the reconciliation adjustment.				
aconola His year? me since most recent calculation	n/a	A 8 Revenue for a given Charging Year is subject to building block reconciliation adjustment where estimated or forecast expenditure or initiation inputs were used he last time that wear's revenue and accludated. Defined as ablows: = 1+w. G. An Represents the number of years aince revenue was most recently calculated to feed into the INPV adjustment of the recordiation adjustment.				
aconcile this year?	n/a years	A 8 Restructs for a given Charging har to a digital to building block modulism adjustment invertient of the second upper induction of the second production of the work revenues are calculated. Other data tables: 1 - vs. 5, no rol to an one of the INP's adjustment of the recording of the second products and function for the the INP's adjustment of the recording of the second products and function of the INP's disease Revenue rescaled and uppeddime candidation adjustment. Markee Revenue rescaled and uppeddime candidation adjustment. Markee Revenue rescaled and using patient expendition and inflation data. Excludes blocks as the second patient of the recording to the recording to the recording to blocks are then building blocks are not subject to recordingtion. See BBPA Calculation 2016				
aconola His year? me since most recent calculation	n/a years	A 8 Revense bit a given Charging Year is subject to building block reconciliation adjustment where estimated or breast expenditure or influion inputs were used the last time that were any series of the second seco				
sconcile tris year? The since most recent calculation could Revenue (as at October 2016) cread Revenue (as at October 2015)	n/a years	A 8 Revenue be a given Charging has a subject to building block reconciliation adjustment where remove or calculated Charles in the subject to building block reconciliation adjustment and the subject of the subject to building block reconciliation adjustment building block resources of years inter remove and subject to building block reconciliation adjustment the INPA adjustment of the reconciliation adjustment and the reconciliation adjustment building block resources reconversely never adjustment and the reconcilianies adjustment building block removes as submedie in 2015 significant encoding the reconcilianies adjustment building 2016 Allowed Revense a submedie in 2015 significant environies The subject Routing 2016				
sconcile this year? me since most recent calculation lowerd Revenue (as all October 2016)	n/a years	All and the paper Charging' has a halped to hulding plother transmitter adjustment down estimated or house aspective or biological to the state in the war's revenue sea calculated. Obtained as follows: " I was 6. no. 10 Regression the number of years are not revenue and most the state in the state of the state of the state of the state of the state of the state of the state of the state of the state of the state of the Allowed Revenue recalculated using updated apendular and the state based backs, and them building backs are not allowed to reconciliation. See BBMC Assissant the understate recovery descent adjustment and the reconciliation adjustment building backs, as them building backs are not allowed to reconciliation. Classisses the understate recovery devenue adjustment and the reconciliation adjustment building backs, as these building backs are not allowed to the reconciliation devenues the state and the state of the state the state of the state and the state of the state the state of the state and the state of the state the state building backs are not allowed to the reconciliation. Advastment tabularity backs are real undiged to reconciliation adjustment building backs, as these building backs are real-stated and the state of the state the state of the state of the state the state of the state of the state backs and the state of the state the state of the state of the state backs and the state of the state the state of the state of the state and the state of the state backs and the state of the state the state of the state of the state of the state backs and the state of the state backs and the state of the state backs and the state of				
sconole this year? me since most recent calculation bread Revenue (as at October 2016) bread Revenue (as at October 2015) splicable Changen Revenue RPI (querry in which original calculation was mode) splicable Changen Revenue RPI (querry year)	nia years £	All and a spine Charging' has the adjust to Juding bold recordination adjustment deparent instituted from the angeondhar on which in part aware and which a statem that war's revenue was calculated. Other than the spine service and other adjustment of the other the IVP adjustment of the recordination adjustment. The value of the other that the IVP adjustment of the recordination adjustment. The statement of the theory adjustment being the IVP adjustment of the recordination adjustment. The statement of the theory adjustment being bolds, as mere building bolds are not mighter the recordination adjustment building bolds, and the statement of the statement of the recordination adjustment building bolds, and the adjustment of the recordination adjustment building bolds, as mere building bolds are not subject to recordination adjustment building bolds, as mere building bolds are not subject to recordination adjustment building bolds, as mere building bolds are not subject to recordination adjustment building bolds, as mere building bolds are not subject to recordination adjustment building bolds, as mere building bolds are not subject to recordination adjustment building bolds, as mere building bolds are not subject to recordination.				
concile file year? ne since most recert calculation oread Revenue (as al October 2016) gelacible Change al October 2015) gelacible Change al Revenue APP (care in which original calculation was made) photoletic Change and Revenue APP (care in year) concellation amounts (wRPV-adjusted)	nia years £	All and the a speer Charging' have a subject to hubiting block measurement ways's resonance associations or hubiting block measurement and the second second second second second second second Respective Measurement and the second second second Allowed Resonance reactualised using updated speardures and initiation data. Excludes the autoencore reconcerdure second second second second second Allowed Resonance and second second second second second and second second second second second advanced second second second second advanced second second second advanced second second second advanced second second advanced second second advanced second second advanced second advanced second second advanced second advanced second advanced second advanced a				
econole this year? me since must recent calculation breed Revenue (as at October 2016) breed Revenue (as at October 2015) splicable Dongs in Brevenue RPI (prior in which original calculation was made) splicable Dongs in Strevenue RPI (prior in which original calculation was made) splicable Dongs in Strevenue RPI (prior in which original calculation was made) splicable Dongs in Strevenue RPI (prior in which original calculation was made) splicable Dongs in Strevenue RPI (prior in which original calculation was made) splicable Dongs in Strevenue RPI (prior in which original calculation was made)	nia years £	All All the of gene Charging's has a subject to building plot necessitiation adjustment war's nervous ans calculated. Default as follows: 1 + vst. 6, non. Regressitis the number of years since revenue and material calculated to field the Marken Stream and a subject of the subject to adjustment of the data Marken Stream and the subject to adjustment of the encouldation adjustment building books, as the building books are not adjusted to recordisation adjustment building books, as an these building books are not adjusted to recordisation adjustment building books, as the building books are not adjusted to recordisation adjustment building books, as the building books are not adjusted to recordisation adjustment building books, as the building books are not adjusted to recordisation adjustment building books, as the building books are not adjusted to recordisation adjustment building books, as the building books are not adjusted to recordisation adjustment building books, as the building books are not adjusted to recordisation adjustment building books, as an the building books are not adjusted to recordisation adjustment building books, and mean building books are not adjusted to recordisation adjustment building books, and mean building books are not adjusted to recordisation adjustment building books, and mean building books are not adjusted to recordisation adjustment building books, and mean building books are not adjusted to adjustment building books, and mean building books are not adjusted to adjustment building books, and mean building books are not adjusted to adjustment building books, and mean building books are not adjusted to adjustment building books, and mean building books are not adjusted to adjustment building books, and mean building books are not adjusted to adjustment building books, and mean building books are not adjusted to adjustment building books, and mean building books are not adjusted to building books are not adjusted to building				

		BBRA Inputs 2015								
Year starts	Unit	Source/notes	2012/13	2013/14	2014/15	First Charging Year 2015/16 01/04/2015	g Second charging year 2016/17 01/04/2016		Fourth Charging Year 2018/19 01/04/2018	Fifth Charging Year 2019/20 01/04/2019
Year ends Year t-2						31/03/2016 2013/14	31/03/2017 2014/15	31/03/2018 2015/16	31/03/2019 2016/17	31/03/2020 2017/18
Yeart-1 Yeart Yeart						2014/15 2015/16 2016/17	2015/16 2016/17 2017/18	2016/17 2017/18 2018/19	2017/18 2018/19 2019/20	2018/19 2019/20 2020/21
Year t+2						2017/18	2018/19	2019/20	2020/21	2021/22
1.1 2014/15 RPI Adjustment Factor		UPDATED FOR RECONCILIATION Source: Average independent new forecasts for RPI, Table M3, "Forecasts for								
Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends	%	the UK economy: a comparison of independent forecasts', HM Treasury, August 2017 Required by Project Licence Appendix 1, 1.1 (i), (iii), (iiii) UPDATED FOR RECONCILUATION Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of independent forecasts', HM Treasury, August 2017						3.5%	3.5%	
RPI, September of Charging Year		Required by Project Licence Appendix 1, 1.1 (i), (iii), (iii) UPDATED FOR RECONCILIATION Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 17 October 2017, Office for National Statistics.			25	7.6 259.	6 264.9	275.1		
RPI, March of Charging Year		Required by Project Licence Appendix 1, 1 ( iii UPDATED FOR RECONCLEMTION Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 13 June 2017, Office for National Statistics Required by Project Licence Appendix 1, 1 ( iii)		2	54.8 25	7.1 261.	1 269.3			
Applicable Change in Revenue RPI										
RPIt (RPI for November in Charging Year Yt-1)		Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, November 2015, Office for National Statistics. Required by Project Licence Appendix 1, Part A 3, 4 and 6 Note: for both First and Second Charging years, stated RPI is for November 2015, as Allowed Revenue for both		2	45.6 25	2.1 259.	8 259.8			
Year average RPI		these years is being calculated together UPDATED FOR RECONCULENTION Source: Calculated from RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 17 October 2017 Office for National Statistics Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.7 (iv)			25	6.7 259.	4 265.0			
A.3. Return on Capital and A.4 Liquidity										
Water Services Regulation Authority Stated RCV (2014/15 Prices) at 31 March	2014/15 prices, £	Source: Ofwat published figure, zero prior to licence award Required by Project Licence Appendix 1, Part A 3			0	0				
Allowable Project Spend (actual and forecast) - as at October 2017		UPDATED FOR RECONCILIATION Source: "Allowable Project Spend Verification No 15.pdf"							1	
Annual Actual Project Spend Estimated Allowable Project Spend	Outturn prices, £	Required by Project Licence Appendix 1, Part A 3 UPDATED FOR RECONCILIATION Source: "Regulation Reporting Sep17"				0 150,344,66	2 340,489,147 0 0	168,451,729 44,803,438		
		Required by Project Licence Appendix 1, Part A 3 UPDATED FOR RECONCILIATION Source: "2017 Revenue Statement - ITA Expenditure Forecast Review Addendum.pdf"								
Forecast Allowable Project Spend		The 2017/16 figure is net of expenditure already realised (Annual Actual Project Spend and Estimated Allowable Project Spend). Required by Project Licence Appendix 1, Part A 3, 4				0	0 0	334,865,165		
Excluded Project Spend		Data removed as not required for reconciliation purposes. See "Inputs 2017".								
Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project Spend and therefore is excluded from the Allowable spend metrics set out above	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2017".								
BWACC	%	Source: Project Licence, Appendix 1, 1:18 Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8				2.497%				
A.5. Opex Opex forecast as at October 2017	Outturn prices, £	Note: In line with the Project Licence, zero as all expenditure treated as capex. Required by Project Licence Appendix 1, Part A 5					0 0			
A.6. Financing Cost Adjustment										
Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March	%	UPDATED FOR REVISED BANK OF ENGLAND DATA Source: "FCA yield calculator.xlsx" Calculated with reference to IBoxx BBB data and spot implied inflation rates for 10 year maturity from Bank of England. Required by Project Licence Appendix 1. Part A 6			1.3	0%				
Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March	Current prices at 31 March of Charging Year	Required by Project Licence Appendix 1, Part A 6		0	0	0				
Net Debt at 31 March	Current prices at 31 March of Charging Year	Source: IP regulatory accounts, zero prior to Licence award Required by Project Licence Appendix 1, Part A 6		0	0	0				
Notional Debt to RCV ratio	%	Source: Project Licence Appendix 1, 1.42 Required by Project Licence Appendix 1, Part A 6			62.	5%				
A 4 4 Tau										
A 1.4. Tax Tax as at October 2017	Outturn prices, £	In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax.					0 0			
A.7. Under/Over Recovered Revenue Adjustment - as at October		See Project Licence Appendix 1, Part A 1.4								
2015		See Project Licence, Appendix 1, Part A.7 Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2, and								
Allowed Revenue	£	2015 is the first year the Allowed Revenue calculation has been made. In future years, source will be previous Revenue Statements. Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2, and								
Amount recovered in respect of IP Charge as at end of [Charging Year T-3]	£	2015 is the first year the Allowed Revenue calculation has been made. In future years, source will be IP regulatory accounts.								
Amount recovered in respect of IP Charge April - September accounting periods [Charging Year T-2]	£	Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2, and 2015 is the first year the Allowed Revenue calculation has been made. In future years, source will be IP internal accounting records.								
Amount recovered in respect of IP Charge as at end of [Charging Year T-2]	£	Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2, and 2015 is the first year the Allowed Revenue calculation has been made. In future years, source will be IP regulatory accounts. Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2, and								
Amount recovered in respect of IP Charge April - September accounting periods [Charging Year T-1]	£	Vocappicadie for 2015 and 2016 Revenue Statemanta as adjustment applies in respect or Charging Year (+2, and 2015 is the first year the Allowed Revenue calculation has been made. In future years, source will be IP Internal accounting records.								
A.8. Reconciliation adjustment		See Project Licence, Appendix 1, Part A 8								
Time since first calculation	Years	Not applicable for 2015 Revenue Statement as reconciliation adjustment applies in respect of Charging Year T-1 and 2015 is the first year the Allowate Revenue calculation has been made. This input will represent the number of years since revenue was first calculated to foed into the NPV adjustment of the reconciliation adjustment.								
Reconcile this year?		years since revenue was instructurated to redu into the H+Y adjustment of the rectinuation adjustment. Not applicable for 2015 Revenue Statement as reconciliation adjustment applies in respect of Charging Year T-1 and 2015 is the first year the Allowed Revenue calculation has been made. In future, this input will be defined as follows: 1 = yes, 0= no								
A.11. Additional Return on Capital Building Block										
Additional Allowable Project Spend		Not applicable at present. Inputs to be added if this building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11								
A 1.6.4. Net Present Value Adjustment End of first charging year Licence Award		Last day of the First Charging Year Date of Licence award				31/03/201 24/08/201				

## **BBRA Calculation 2015**

		BBRA Calculation 2015				
Building Block	Unit	Notes/description	2013/14	2014/15	First Charging Year	Second Charging Year
Year starts Year ends Year t-2 Year t-1 Year t Year t+1 Year t+2					2015/16 01/04/2015 31/03/2016 2013/14 2014/15 2015/16 2015/16 2016/17 2017/18	2016/17 01/04/2016 31/03/2017 2014/15 2015/16 2016/17 2017/18 2018/19
1.1 2014/15 RPI Adjustment Factor		A factor calculated for each Charging Year to express costs associated with that year				
(a) for the purposes of calculating Forecast Allowable Project Spend for Charging Year Ytt Forecast RPI Adjustment Factor for the calendar year in which Charging Year Ytt+1 commences Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 ends Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 commences Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt commences Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt commences	+1, estimated Allowable % % % %	in a 2014/15 price base. See Project Licence, Appendix 1, 1.1 Project Spend for the said Charging Year shall be deflated from a price base in Charg Forecast RPI - see input sheet for description of source Forecast RPI - see input sheet for description of source NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source	ing Year Yt+1 to	o the Base RPI	Index year ([2014/15])	, using an adjustmen 3.5% 3.5% 0.0% 0.0%
Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in the calendar year in which Charging Year Yt-1 commenced	%	NOT USED FOR RECONCILIATION Calculated with reference to the index values for March and September to capture April to September inflation (see "Statement of calculation 2017")				1.0%
Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in the calendar year in which Charging Year Yt commenced		NOT USED FOR RECONCILIATION Calculated with reference to the index values for March and September to capture April to September inflation (see "Statement of calculation 2017")				1.5%
Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in the calendar year in which Charging Year Yt+1 commenced		NEW ROW ADDED FOR RECONCILIATION Calculated with reference to the index values for March and September to capture April to September inflation (see "Statement of calculation 2017")				2.2%
Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 commenced Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 ends	% %	NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source				0.0% 0.0%
Base RPI Charging Year Yt-2, or where this is on or before Base RPI Index year, 2014/15 Charging Year Yt-1 Charging Year Yt		Year average RPI for 2014/15, used as base year RPI Year average RPI for Charging year T-2 (or 2014/15 where this is later) NEW ROW ADDED FOR RECONCILIATION Year average RPI for Charging year T-1 NEW ROW ADDED FOR RECONCILIATION Year average RPI for Charging year T				256.7 256.7 259.4 265.0
1.1 (i) 1.1 (ii)		CALCULATION ALTERED FOR RECONCILIATION Factor used to adjust prices from Charging Y CALCULATION ALTERED FOR RECONCILIATION Factor used to adjust prices from Charging Y.				1.04
1.1 (iii) 1.1 (iii) 1.1 (iv)		CALCULATED ALTERED FOR RECONCILIATION Factor used to adjust prices from Charging Ye Factor used to adjust prices from Charging Year T-2 to Charging Year T-3				1.01 1.00
RPI Adjustment Factor Charging Year T+1		Combines factors (i), (ii), (iii) and (iv) above to calculate factor used to adjust prices from Charging Year T+1 to 2014/15 price base. For First Charging Year, use calculations from Second Charging Year in relation to Charging Year T			1.03	1.07
RPI Adjustment Factor Charging Year T		Combines factors (ii), (iii) and (iv) above to calculate factor used to adjust prices from Charging Year T to 2014/15 price base. For First Charging Year, use calculations from Second Charging Year in relation to Charging Year T-1			1.01	1.03
RPI Adjustment Factor Charging Year T-1		Combines factors (iii) and (iv) above to calculate factor used to adjust prices from Charging Year T-1 to 2014/15 price base. For First Charging Year, use calculations from Second Charging Year in relation to Charging Year T-2			1.00	1.01
RPI Adjustment Factor Charging Year T-2		Equal to factor (iv) above - used to adjust prices from Charging Year T-2 to 2014/15 price base. Set equal to 1 for Second Charging Year as Year T-2 is equal to base year				1.00
Applicable Change in Revenue RPI		RPI in November of previous Charging Year relative to 2014/15 base year	0.96	0.98	1.01	1.01
RPIt RPIbase (Base RPI Index)		RPI in November of Charging Year T-1 Average RPI for 2014/15	245.6 256.7	252.1 256.7		259.8 256.7
A.1. Allowed Revenue	£	Total Allowed Revenue calculated as the total of the building blocks below, in accordance with Project Licence, Appendix 1, 1.4. See Statement of calculation 2017 for further detail. Second Charging Year Allowed Revenue incorporates Allowed Revenue for First Charging Year.			7,927,134	26,637,473
A.3. Return on Capital	£	The Return on Capital building block allows the IP to earn a return on capital in relation to the forecast average RCV in the Charging Year in question. See Project Licence, Appendix 1, Part A 3			1,879,706	7,927,134
Ofwat Stated RCV for Yt-2	£, 2014/15 prices	RCV at the end of Charging Year T-2 as published by Ofwat by 1 September following the end of the Charging Year			0	0
OPRCV Yt-1	£, 2014/15 prices	Opening RCV for Charging Year T-1. Zero for both the First and Second Charging Years			0	0
2014/15 RPI Adjustment Factor Yt-1 Annual Actual Project Spend Yt-1	£, 2014/15 prices	Scalar to adjust forecast costs for Charging Year T-1 to 2014/15 price base Allowable Project Spend (verified by the ITA) incurred in Charging Year T-1			<u> </u>	<i>1.01</i> 148,741,346
Estimated Allowable Project Spend Yt-1 Forecast Allowable Project Spend Yt-1	£, 2014/15 prices £, 2014/15 prices	Allowable Project Spend (not verified by the ITA) incurred in Charging Year T-1 Allowable Project Spend forecast to be incurred in Charging Year T-1			0	0
OPRCV Yt	£, 2014/15 prices	Opening RCV for Charging Year T - the sum of opening RCV for Charging year T-1 and all Allowable Project Spend in that year			0	148,741,346
2014/15 RPI Adjustment Factor Yt Annual Actual Project Spend Yt	£, 2014/15 prices	Scalar to adjust forecast costs for Charging Year T to 2014/15 price base Allowable Project Spend (verified by the ITA) incurred in Charging Year T			<i>1.01</i> 148,741,346	1.03 329,792,312
Estimated Allowable Project Spend Yt Forecast Allowable Project Spend Yt	£, 2014/15 prices £, 2014/15 prices	Allowable Project Spend (not verified by the ITA) incurred in Charging Year T Allowable Project Spend forecast to be incurred in Charging Year T			0	0
CPRCV Yt	£, 2014/15 prices	Closing RCV for Charging Year T - the sum of opening RCV for Charging Year T and all Allowable Project Spend in that year			148,741,346	478,533,658
YARCV Yt	£, 2014/15 prices	Year average RCV for Charging Year T			74,370,673	313,637,502
A.4. Liquidity	£	The Liquidity building block allows the IP a liquidity allowance (return on capital) in relation to the incremental average RCV in the year following the Charging Year in question. See Project Licence, Appendix 1, Part A 4			6,047,428	10,624,863
OPRCV Yt+1 2014/15 RPI Adjustment Factor Yt+1	£, 2014/15 prices	Opening RCV for Charging Year T+1 Scalar to adjust forecast costs for Charging Year T+1 to 2014/15 price base			148,741,346	478,533,658 1.07
Annual Actual Project Spend for year t+1 Estimated Allowable Project Spend for year t+1	£, 2014/15 prices £, 2014/15 prices	Allowable Project Spend (verified by the ITA) incurred in Charging Year T+1 Allowable Project Spend (not verified by the ITA) incurred in Charging Year T+1			329,792,312	157,029,620 41,765,478
Forecast Allowable Project Spend for year t+1 CPRCV Yt+1	£, 2014/15 prices £, 2014/15 prices	Allowable Project Spend forecast to be incurred in Charging Year T+1 Closing RCV for Charging Year T+1			0 478,533,658	312,159,157
FYARCV Yt+1	£, 2014/15 prices	Average RCV for Charging Year T+1			313,637,502	
A.5. Opex		In line with the Project Licence, the Opex building block is zero as all costs are			0	0
		accounted for as capital expenditure. See Project Licence, Appendix 1, Part A 5 The Financing Cost Adjustment building block is intended to protect against movements in the market cost of debt, by comparing a measure of financing costs at an				-
A.6. Financing Cost Adjustment building block Financing Cost Adjustment Yt		annual reference point to a base reference point of March 2015. See Project Licence, Appendix 1, Part A 6			0	0
Financing Cost Adjustment Index Yield	%	See Project Licence Appendix 1, Part A 6.3	1	1.30%	1	
Base Reference Point (BRP)	%	The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield			1.30%	1.30%
Annual Reference Point (ARP)	%	as at 31 March 2015 The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield			1.30%	1.30%
BRP-ABP Market Cost of Debt Adjustment Factor	%	as at 31 March of Charging Year Yt-2 Difference between BRP and ARP See Breinet Lieance Amagniti. 1 Part 4.6.7			0.0%	0.0%
ואמוזיסי סטפרטו בשטר אטןטפוווופוור רמטוטו	70	See Project Licence Appendix 1 Part A 6.7			0.0%	0.0%

Net Debt in Charging Year Yt-2

Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-2 Notional Debt to RCV Ratio

Notional Net Debt in Charging Year Yt-2

Net Debt in Charging Year Yt-3

Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-3 Notional Debt to RCV Ratio Notional Net Debt in Charging Year Yt-3

Applicable Change in Revenue RPI for Charging Year Yt Applicable Change in Revenue RPI for Charging Year Yt-2

A.1.4. Tax

A.7. Under/Over Recovered Revenue Adjustment

A.8. Reconciliation adjustment

 £, current prices (March of Charging Year T-2)
 Net Debt at the end of Charging Year T-2 as defined in Project Licence Appendix 1, 1.41

 £, current prices (March of Charging Year T-2)
 RCV at the end of Charging Year T-2 in then current prices

 %
 As defined in Project Licence Appendix 1, 1.42

 £, current prices (March of Charging Year T-2)
 RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A 6.9

 £, current prices (March of Charging Year T-3)
 Net Debt at the end of Charging Year T-3 as defined in Project Licence Appendix 1, 1.41

 £, current prices (March of Charging Year T-3)
 1.41

 %
 RCV at the end of Charging Year T-3 in then current prices As defined in Project Licence Appendix 1, 1.42

 £, current prices (March of Charging Year T-3)
 RCV at the end of Charging Year T-3 in then current prices As defined in Project Licence Appendix 1, 1.42

 £, current prices (March of Charging Year T-3)
 RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A 6.9

£

£

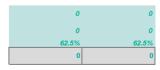
£

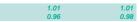
In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax See Project Licence Appendix 1, Part A 1.4 The revenue adjustment building block is to reconcile for under/over recovered Allowed

The revenue adjustment building block is to reconcile for under/over recovered Allowed Revenue in previous Charging Years. Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2, and 2015 is the first year the Allowed Revenue calculation has been made. See Project Licence, Appendix 1, Part A.7

Not applicable for 2015 Revenue Statement as reconciliation adjustment applies in respect of Charging Year T-1 and 2015 is the first year the Allowed Revenue calculation has been made. See Project Licence, Appendix 1, Part A 8













A.11. Additional Return on Capital Building Block	£	Not applicable. To be added to calculation if building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11
A.11. Additional Liquidity Building Block	£	Not applicable. To be added to calculation if building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11
A.1.6.4. Net Present Value Adjustment	£	Value adjustment using the BWACC to take account of the fact that Allowed Revenue for the First Charging Year (2015/16) was calculated and billed one year late.
PD		Calculation of the proportion of a year between Licence award and the end of the First Charging Year

End of first charging year Licence Award



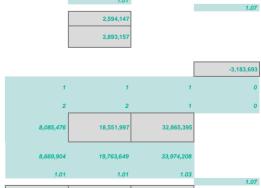
## Calculation 2017

		Calculation 2017					
Building Block	Unit	Notes/description	2013/14 2014/1	5 First Charging Year 2015/16	Second Charging Year 2016/17	Third Charging Year 2017/18	Fourth Charging Year 2018/19
Year starts Year ends Year t-2 Year t-1 Year t+1 Year t+2				01/04/2015 31/03/2016 2013/14 2014/15 2015/16 2016/17 2017/18	01/04/2016 31/03/2017 2014/15 2015/16 2016/17 2017/18 2018/19	01/04/2017 31/03/2018 2015/16 2016/17 2017/18 2017/18 2018/19 2019/20	01/04/2018 31/03/2019 2016/17 2017/18 2018/19 2019/20 2020/21
1.1 2014/15 RPI Adjustment Factor (a) for the purposes of calculating Forecast Allowable Project Spend for Charging Year Yt+ Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 commences Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 ends Forecast RPI Adjustment Factor for the calendar year in which Charging Year Ytent ends Forecast RPI Adjustment Factor for the calendar year in which Charging Year Ytent State Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt ends	P1, estimated Allowable Pro % % % %	A factor calculated for each Charging Year to express costs associated with that year in a 2014/15 price base. See Project Licence. Appendix 1, 1.1 oject Spend for the said Charging Year shall be deflated from a price base in Charging Y Forecast RPI - see input sheet for description of source Forecast RPI - see input sheet for description of source Forecast RPI - see input sheet for description of source Forecast RPI - see input sheet for description of source	Year Yt+1 to the Base RPI I	Index year ([2014/15]), using	an adjustment facto	r derived from multiply	ving the factors set out 3.0% 3.5% 3.0%
Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in the calendar year in which Charging Year Yt-1 commenced	%	Calculated with reference to the index values for March and September to capture April to September inflation (see detailed modelling assumptions in "Statement of calculation 2017")				[	2.2%
Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 commenced Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 ends	%	Forecast RPI - see input sheet for description of source Forecast RPI - see input sheet for description of source				I	3.5% 3.5%
Base RPI Charging Year Yt-2, or where this is on or before Base RPI Index year, 2014/15		Year average RPI for 2014/15, used as base year RPI Year average RPI for Charging year T-2 (or 2014/15 where this is later)					<b>256.7</b> 265.0
1.1 (i) 1.1 (ii) 1.1 (iii) 1.1 (iii)		Factor used to adjust prices from Charging Year T+1 to Charging Year T Factor used to adjust prices from Charging Year T to Charging Year T-1 Factor used to adjust prices from Charging Year T-1 to Charging Year T-2 Factor used to adjust prices from Charging Year T-2 to Base RPI Index year				l	1.03 1.03 1.04 1.03
RPI Adjustment Factor Charging Year T+1		Combines factors (i), (ii), (iii) and (iv) above to calculate factor used to adjust prices from Charging Year T+1 to 2014/15 price base.					1.14
RPI Adjustment Factor Charging Year T		Combines factors (ii), (iii) and (iv) above to calculate factor used to adjust prices from Charging Year T to 2014/15 price base.					1.11
RPI Adjustment Factor Charging Year T-1 RPI Adjustment Factor Charging Year T-2		Combines factors (iii) and (iv) above to calculate factor used to adjust prices from Charging Year T-1 to 2014/15 price base. Equal to factor (iv) above - used to adjust prices from Charging Year T-2 to 2014/15 price base.					1.07 1.03
Applicable Change in Revenue RPI RPIt RPIbase (Base RPI Index)		RPI in November of previous Charging Year relative to 2014/15 base year RPI in November of Charging Year T-1 Average RPI for 2014/15	0.96 0.9 245.6 256.7	8 1.01 252.1 259.8 256.7 256.7	1.01 259.8 256.7	1.03 265.5 256.7	1.07 275.8 256.7
A.1. Allowed Revenue	£	Total Allowed Revenue calculated as the total of the building blocks below, in accordance with Project Licence, Appendix 1, 1.4. See Statement of calculation 2017 for further detail.				[	49,235,940
A.3. Return on Capital	£	The Return on Capital building block allows the IP to earn a return on capital in relation to the forecast average RCV in the Charging Year in question. See Project Licence, Appendix 1, Part A 3				[	34,140,399
Ofwat Stated RCV for Yt-2	£, 2014/15 prices	RCV at the end of Charging Year T-2 as published by Ofwat by 1 September following the end of the Charging Year					478,533,658
OPRCV Yt-1 2014/15 RPI Adjustment Factor Yt-1 Annual Actual Project Spend Yt-1 Estimated Allowable Project Spend Yt-1 OPRCV Yt 2014/15 RPI Adjustment Factor Yt Annual Actual Project Spend Yt Estimated Allowable Project Spend Yt Forecast Allowable Project Spend Yt CPRCV Vt	£, 2014/15 prices £, 2014/15 prices	Opening RCV for Charging Year T-1 Scalar to adjust forecast costs for Charging Year T-1 to 2014/15 price base Allowable Project Spend (verified by the ITA) incurred in Charging Year T-1 Allowable Project Spend (rot verified by the ITA) incurred in Charging Year T-1 Allowable Project Spend (rot verified by the ITA) incurred in Charging Year T-1 Opening RCV for Charging Year T- the sum of opening RCV for Charging year T-1 and all Allowable Project Spend (not reading the Year T to 2014/15 price base Allowable Project Spend (not verified by the ITA) incurred in Charging Year T Allowable Project Spend (not verified by the ITA) incurred in Charging Year T Allowable Project Spend (not verified by the ITA) incurred in Charging Year T Allowable Project Spend (not verified by the ITA) incurred in Charging Year T Allowable Project Spend (not verified by the ITA) incurred in Charging Year T Allowable Project Spend (not net were all Allowable Project Spend (not net were in Charging Year T Closing RCV for Charging Year T- the sum of opening RCV for Charging Year T and all Allowable Project Spend (not the Year T)					478,533,658 1.07 157,029,620 41,765,478 312,159,157 989,487,912 1.11 0 0 565,833,511 1,555,321,424
YARCV Yt	£, 2014/15 prices	Year average RCV for Charging Year T				[	1,272,404,668
A.4. Liquidity	£	The Liquidity building block allows the IP a liquidity allowance (return on capital) in relation to the incremental average RCV in the year following the Charging Year in question. See Project Licence, Appendix 1, Part A 4				[	14,924,339
OPRCV Yt+1 2014/15 RPI Adjustment Factor Yt+1 Forecast Alkovable Project Spend for year t+1 CPRCV Yt+1	£, 2014/15 prices £, 2014/15 prices £, 2014/15 prices	Opening RCV for Charging Year T+1 Scalar to adjust forecast costs for Charging Year T+1 to 2014/15 price base Allowable Project Spend forecast to be incurred in Charging Year T+1 Closing RCV for Charging Year T+1				[ [	1,555,321,424 1.14 546,619,700 2,101,941,124
FYARCV Y+1	£, 2014/15 prices	Average RCV for Charging Year T+1				[	1,828,631,274
A.5. Opex		In line with the Project Licence, the Opex building block is zero as all costs are accounted for as capital expenditure. See Project Licence, Appendix 1, Part A 5 The Financing Cost Adjustment building block is intended to protect against					0
A.6. Financing Cost Adjustment building block		movements in the market cost of debt, by comparing a measure of financing costs at an annual reference point to a base reference point of March 2015. See Project Licence, Appendix 1, Part A 6		0		0	461,739
Financing Cost Adjustment Index Yield	%	See Project Licence Appendix 1, Part A 6.3		1.30% 1.43%	0.35%		
Base Reference Point (BRP) Annual Reference Point (ARP)	%	The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield as at 31 March 2015 The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield		1.30%	1.30%		1.30% 0.35%
BRP-ABP Market Cost of Debt Adjustment Factor (absolute)	%	as at 31 March of Charging Year Yt-2 Difference between BRP and ARP See Project Licence Appendix 1 Part A 6.7 See Project Licence Appendix 1 Part A 6.7		0.0%	0.0%	-0.1%	0.9%
Market Cost of Debt Adjustment Factor (corrected sign) Net Debt in Charging Year Yt-2	% £, current prices (March of Charging Year T-2)	See Project Licence Appendix 1 Part A 6.7 Net Debt at the end of Charging Year T-2 as defined in Project Licence Appendix 1, 1.41		0.0%	0.0%		-0.2%
Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-2 Notional Debt to RCV Ratio Notional Net Debt in Charging Year Yt-2	£, current prices (March of Charging Year T-2) %			0 62.5% 0	62.5%		502,087,458 62.5% 313,804,661
Net Debt in Charging Year Yt-3 Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-3 Notional Debt to RCV Ratio Notional Net Debt in Charging Year Yt-3 Applicable Change in Revenue RPI for Charging Year Yt-2	£, current prices (March of Charqing Year T-3) £, current prices (March of Charging Year T-3) %	Net Debt at the end of Charging Year T-3 as defined in Project Licence Appendix 1, 1,41		0 62.5% 0 1.01	62.5% (1.01 0.95	0 62.5% 0 0	
A.1.4. Tax	£	In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax.					0
A.7. Under/Over Recovered Revenue Adjustment	£	See Project Licence Appendix 1, Part A 1.4 The revenue adjustment building block is to reconcile for under/over recovered Allowed Revenue in previous Charging Years. See Project Licence, Appendix 1, Part A.7				[	2,893,157
Allowed Revenue Amount recovered in respect of 2016/17 Allowed Revenue (to end of September 2017) Applicable Change in Revenue RPI (year in which original calculation was made) Applicable Change in Revenue RPI (current year)		Allowed Revenue as submitted in 2015 updated revised Revenue Statement Amount collected by Thames Water and received by Tideway in respect of 2016/17 Allowed Revenue, prior to the end of September 2017.			33,603,285 31,009,138 1.01		1.07

Amount recovered in respect of 2016/17 Allowed Revenue (to end of September 2017) Applicable Change in Revenue RPI (year in which original calculation was made) Applicable Change in Revenue RPI (current year) Reconciliation amounts (unadjusted)

icable

Applicable Change in Revenue RPI (current year)		
Reconciliation amounts (unadjusted)		Difference between Allowed Revenue for a Charging Year and the amount collected by Thames Water and received by Tideway in respect of that Allowed Revenue. Reconciliation amount as calculated above. NPV-adjusted for the delay between the
Reconciliation amounts (NPV-adjusted)		original Charging Year and the year of reconciliation using the BWACC and Applicable Change in Revenue RPI.
A.8. Reconciliation adjustment	£	Reconciliation for updated expenditure and inflation data to reflect realised actuals and updated forecasts. See Project Licence, Appendix 1, Part A 8 Revenue for a given Charging Year is subject to building block reconciliation
Reconcile this year?	n/a	adjustment where estimated or forecast expenditure or inflation inputs were used the last time that year's revenue was calculated. Defined as follows: 1 = yes, 0= no
Time since original calculation	years	Represents the number of years since revenue was first calculated to feed into the NPV adjustment of the reconciliation adjustment. Allowed Revenue recalculated using updated expenditure and inflation data. Excludes
Allowed Revenue (as at October 2017)	£	the under/over recovered revenue adjustment and the reconciliation adjustment building blocks, as these building blocks are not subject to reconciliation. See BBRA Calculation 2015 and BBRA Calculation 2016
Allowed Revenue (as at October 2016)	£	Allowed Revenue as submitted in 2016 updated revised Revenue Statament. Excludes the under/over recovered revenue adjustment and the reconciliation adjustment building blocks, as these building blocks are not subject to reconciliation.
Applicable Change in Revenue RPI (year in which original calculation was made) Applicable Change in Revenue RPI (current year)		
Reconciliation amounts (unadjusted)	£	Adjustment calculated as difference between updated calculation and previous year's calculation, prior to NPV adjustment.
Reconciliation amounts (NPV-adjusted)	£	Adjustment calculated as difference between updated calculation and previous year's calculation, post NPV-adjustment using BWACC and Applicable Change in Revenue RPI.
A.11. Additional Return on Capital Building Block	£	Not applicable. To be added to calculation if building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11
A.11. Additional Liquidity Building Block	£	Not applicable. To be added to calculation if building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11



-1,108,813	-1,211,652	-584,428
-1,180,591	-1,351,311	-651,791

## **Updated revised Revenue Statement - 2018/19**

Submitted to Ofwat on 14 December 2017

£, nominal	Year preceding Prior Charging Year 2015/16	Prior Charging Year 2016/17	Current Charging Year 2017/18	Forthcoming Charging Year 2018/19
Allowed Revenue		33,603,285	28,559,132	49,235,940
Amounts received from TWUL	0	26,747,386		

Statement of calculation

#### Introduction

The following section sets out how Tideway's Allowed Revenue calculation has been made for the charging year 2018/19. It builds on Tideway's 2015 and 2016 Revenue Statements. The Licence has been written to provide the basis of a revenue submission in a typical year. A number of detailed modelling assumptions have been made in interpreting Appendix 1 of the Project Licence. The 2015 submission was atypical as it covered two years. As such, a number of assumptions were required to ensure the calculation was in line with the spirit and intent of the Licence, some of which continued to apply in the 2016 submission. For the 2017 Revenue Statement, a small number of additional clarifying assumption assumption ande, for example in relation to the reconciliation of prior years' revenue for updated expenditure and inflation information and for under recovery of revenue (e.g. where the licence does not specify formulae.). These assumptions, as set out in the table below, have been agreed with Ofwat prior to submission (email received from Martyn Andrews dated 31/10/17).

Sheet	Issue	Resolution
Revenue Statement 2017	How to present First and Second Charging Year Allowed Revenue on the Revenue Statement.	Both First and Second Year Allowed Revenue are added and shown as a single figure for the "Prior Charging Year" on the Revenue Statement. Both years of Allowed Revenue were billed by Thames Water in 2016/17, and need to be treated as a single year of Allowed Revenue for the purposes of revenue reconciliation in 2018/19 and overpayment provisions in the licence and Revenue Agreement.
BBRA Inputs 2015	Applying the definition of Applicable Change in Revenue RPI for the First Charging Year seems to suggest referring to November 2014 RPI. However, this revenue was billed in 2016/17.	Consistent with the financial model used as part of the IP procurement process and the 2015 Revenue Statement, apply November 2015 RPI for the Applicable Change in Revenue RPI for the First Charging Year.
BBRA Inputs 2015, BBRA Inputs 2016, Inputs 2017	The 2014/15 RPI Adjustment Factor refers to "the percentage movement in the RPI (All Items) index as published by ONS for the period April to September in the calendar year" However, if the index values for April and September are taken, this only picks up 5 months of inflation. Together with the other elements of the formula, this results in an underestimate of inflation for the Charging Year.	Interpret the movement for the period April to September as the movement between the March and September index values, which ensures April inflation is also picked up.
BBRA Calculation 2015, BBRA Calculation 2016, Calculation 2017	Annual Actual Project Spend for the current Charging Year (Yt-1) feeds into the calculation of RCV, which is required for the calculation of the Return on Capital and Liquidity building blocks. The licence specifies that Annual Actual Project Spend should be deflated by the Applicable Change in Cost RPI for a Charging Year, rather than the 2014/15 RPI Adjustment Factor. However, the Applicable Change in Cost RPI can only be calculated following the publication of RPI for each month of the relevant Charging Year. This information is not available for the current Charging Year at the time the Revenue Statement Is prepared.	Use the 2014/15 RPI Adjustment Factor to deflate the Annual Actual Project Spend in the current Charging Year. This will be trued up in next year's Revenue Statement as part of the building block reconciliation adjustment.
BBRA Calculation 2015, BBRA Calculation 2016	In order to reconcile Allowed Revenue calculated in prior years for updated inflation, it is not appropriate to use the 2014/15 RPI Adjustment Factor defined in Tideway's licence as more up to date information is available (i.e. a further year of actual inflation data which can be used to replace the forecast).	Use approach consistent with definition of 2014/15 RPI Adjustment Factor but with actual inflation used up to September of Yt. This is equivalent to applying the 2014/15 RPI Adjustment Factor values as calculated for the Fourth Charging Year Allowed Revenue calculation, and ensures the latest actual RPI data is taken into account.
Calculation 2017	Appendix 1, Part A 8 of Tideway's licence requires a reconciliation adjustment of a number of building blocks for updated values. The licence requires that the adjustment is calculated on a net present value neutral basis using the BWACC, but it does not specify the adjustment formulaically or specify the means of adjusting for inflation.	Apply a net present value adjustment in nominal terms by using (1+BWACC) as the real discount factor and adjusting for inflation using RPI, taking into account the number of years since the Allowed Revenue for a given year was first calculated. This involves multiplying the reconciliation amount by (1+BWACC) raised to the power of the number of years since the Allowed Revenue for the relevant year was first calculated, and the ratio between the Applicable Change in Revenue RPI of the two Charging Years. The reconciliation amount is calculated relative to the value calculated in the prior year. The formulae used to perform this reconciliation are as set out in this statement of calculation.
Calculation 2017	Appendix 1, Part A 7 of Tideway's licence requires an under/over recovered revenue adjustment to be made to Allowed Revenue in the Third Charging Year and each Charging Year thereafter. However, as Tideway's Allowed Revenue for the First Charging Year was not billed until the Second Charging Year (due to the timing of licence award), this would have meant making a material reconciliation for revenue in the Third Charging Year that had been received during the course of the Second Charging Year.	In line with the spirit and intent of the licence, and as agreed with Ofwat for the 2016 Revenue Statement, an under/over recovered revenue adjustment to Allowed Revenue was not calculated for the Third Charging Year. The under/over recovered revenue adjustment will be calculated for the first time for the Fourth Charging Year and will cover Allowed Revenue from both the First and Second Charging Years, both billed in 2016/17 (see below).
Calculation 2017	The under/over recovered revenue adjustment is calculated with reference to Allowed Revenue for Charging Year t-2, as set out in Appendix 1, Part A 7 of Tideway's licence. If Allowed Revenue for Charging Year t-2 is interpreted as only 2016/17 Allowed Revenue, 2015/16 Allowed Revenue would be excluded from the reconciliation.	As per the first assumption in this table, treat Allowed Revenue for the First and Second Charging Years as a single year of Allowed Revenue for the purposes of revenue reconciliation and overpayment provisions in the licence and Revenue Agreement.
Calculation 2017	One of the terms in the formula for the under/over recovered revenue adjustment (as set out in Appendix 1, Part A 7 of Tideway's licence) is "the amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Charging Year I-2". However, the licence does not specify the time period to which this element of the calculation should relate.	Interpret "the amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Charging Year t-2" as the amount that has been paid by Thames Water and Tideway has received prior to the end of September of Charging Year t-1.
Calculation 2017	Appendix 1, Part A 7 of Tideway's licence requires that the under/over recovered revenue adjustment is calculated on a net present value neutral basis using the BWACC, but it does not specify the adjustment formulaically or specify the means of adjusting for inflation.	Apply a net present value adjustment in nominal terms by using (1+BWACC) as the real discount factor and adjusting for inflation using RPI. For 2018/19 Allowed Revenue, this involves multiplying the unadjusted reconciliation amount by (1+BWACC) <sup>2</sup> and the ratio between the Applicable Change in Revenue RPI of the two Charging years (to account for the two year delay in revenue receipts). For 2018/19, the reconciliation amount is calculated as the difference between 2016/17 Allowed Revenue and the amount recovered in respect of 2016/17 Allowed Revenue.
Calculation 2017	Additional Return on Capital and Additional Liquidity Building Blocks may never become relevant (i.e. these building blocks may only become relevant if Tideway applies for an Increase in Allowed Revenue (IAR).	Exclude calculations for Additional Return on Capital and Additional Liquidity until there is a non-negligible probability that these will be required.
BBRA Calculation 2015, BBRA Calculation 2016	Reconciliation Adjustment (A 8) states that Financing Cost Adjustment should be subject to reconciliation, but none of the elements of this calculation are forecast.	Leave a placeholder for reconciliation of the Financing Cost Adjustment should this, for any reason, become relevant in future, but exclude from calculation at present.
Key to Charg	ing Years	
	Charging	
Year	Year Full description	

	Charging	
Year	Year	Full description
2015/16	Y1	First Charging Year
2016/17	Y2	Second Charging Year
2017/18	Y3	Third Charging Year
2018/19	Y4	Fourth Charging Year
2019/20	Y5	Fifth Charging Year

Summary The inputs to this calculation, and the sources of these inputs, are set out on the "Inputs 2017", "BBRA Inputs 2016" and "BBRA Inputs 2015" sheets of this workbook. The "BBRA Inputs 2015" sheet isolates the inputs required to reconcile the Allowed Revenue first calculated in 2015 (i.e. for the First and Second Charging Years), with the "BBRA Inputs 2016" sheet isolating the inputs required to reconcile the Allowed Revenue first calculated in 2015 (i.e. for the First and Second Charging Years), with the "BBRA Inputs 2016" sheet isolating the inputs required to reconcile the Allowed Revenue first calculated in 2015 (i.e. for the First and Second Charging Years), with the "BBRA Inputs 2016" sheet isolating the inputs required to reconcile the Allowed Revenue first calculated in 2016 (for the Third Charging Year). Both reconciliations are for updated cost and inflation data and the inputs are consistent with those set out on "Inputs 2017". Tideway Allowed Revenue (t) = Return on capital + Liquidity + Operating expenditure + Financing cost adjustment +/- Building block for reconciliation adjustment +/- Building block for reconciliation adjustment +/- Building block for reconciliation adjustment +/- Additional liquidity

Tideway Allowed Revenue (Fourth Charging Year)	=	34.1 +	14.9 +	0	+	0.5 +	0 + 2.9	-3.2	+ 0	+ 0

= 49.2 (£m)

The calculation of each of these elements is described below.

Inputs The inputs for the Allowed Revenue calculation are set out in "Inputs 2017", "BBRA Inputs 2016" and "BBRA Inputs 2015", along with source information and accompanying notes.

In line with Appendix 1 A8 of Tideway's licence, the Expenditure Forecast is that most recently verified by the Independent Technical Assessor (verified 29/10/17). It represents the company's latest forecast of cash expenditure over 2017/18, 2018/19 and 2019/20.

Return on Capital The Return on Capital building block allows Tideway to earn a return on capital in relation to the forecast average RCV in the Charging Year in question. Average RCV is calculated using annual actual, estimated and forecast allowable project spend, as shown in the table below.

£m, 2014/15 prices	Y1	Y2	Y3	Y4	Y5
Opening RCV	0.0	148.7	478.5	989.5	1,555.3
Allowable Project Spend	148.7	329.8	511.0	565.8	546.6
Closing RCV	148.7	478.5	989.5	1,555.3	2,101.9
Average RCV	74.4	313.6	734.0	1,272.4	1,828.6

#### For the Fourth Charging Year, this building block is calculated as follows:

Return on Capital =	Average RCV in Y4	٠	Bid WACC	*	Applicable Change in Revenue RPI for the Fourth Charging Year
=	1,272.4	•	2.497%	*	<u>275.8</u> 256.7
=	34.1	(£m)			

Liquidity The Liquidity building block allows Tideway a liquidity allowance (return on capital) in relation to the incremental average RCV in the year following the Charging Year in question.

For the Fourth Charging Year, this building block is calculated as follows:

Liquidity = (Forecast average RCV in year 5 - Average RCV in year 4) \* Bid WACC \* Applicable Change in Revenue RPI for the Fourth Charging Year

= 556.2 \* 2.497% \* <u>275.8</u> 256.7

= 14.9 (£m)

Operating Expenditure (opex) In line with Tideway's licence, the Opex building block is currently zero as all costs are accounted for as capital expenditure.

#### Financing Cost Adjustment

Fina

The Financing Cost Adjustment building block is intended to protect against movements in the market cost of debt. recognising that Tideway's Bid WACC will apply for a much longer period than the standard five year control period for a WaSC or WoC.

### The Financing Cost Adjustment for a given year is calculated as follows:

nancing Cost Adjustment (t) =		(Net Debt (t-2) - Ne	Net Debt (t-2) - Net Debt (t-3)) * Market Cost of Debt Adjustment Factor (t) * (1 + BWACC)*2 * <u>Applicable Change in Revenue RPI (t)</u> Applicable Change in Revenue RPI (t-2)								
where	Market Cost of Debt Adjustment Factor (t)	=	i) if the difference between the BRP and the ARP on any ARP Calculation Date is +/- 50 bps, the market cost of debt adjustment will be 0 ii) if the difference between the BRP and the ARP is between (+/-) 51 bps and 100 bps, the market cost of debt adjustment factor will be equal to 50% of the amount by which such difference exceeds siii) if the difference between the BRP and the ARP is greater than +/- 100 bps, the market cost of debt adjustment factor will be equal to the amount by which such difference exceeds the market cost of debt adjustment factor will be equal to the amount by which such difference exceeds 75 bps.								
			BRP = the 12 months' trailing average of the Financing Cost A ARP = the 12 months' trailing average of the Financing Cost A								
			where the Financing Cost Adjustment Index Yield =	(1+ iBoxx BBB UK non-financials with 10+ year maturity) (1 + spot implied inflation rates for 10 year maturity published by the Bank of England)	- 1						

Note that where the ratio between Net Debt and Ofwat-stated RCV (current prices) is higher than the notional debt to RCV ratio, Net Debt will be deemed to equal the notional debt to RCV ratio multiplied by the Ofwat-stated RCV in current prices.

The Financing Cost Adjustment Building Block for each Charging Year is the sum of the Financing Cost Adjustment for that Charging Year and all previous Charging Years, to reflect the build-up of the market cost of debt protection over time.

There was no Financing Cost Adjustment in respect of the Allowed Revenue for the First or Second Charging Years, as in both cases, Tideway did not exist in Charging Year 1-2 and 1-3, and so did not hold any Net Debt at this time. The Financing Cost Adjustment building block was zero in the Third Charging Year as the difference between the BRP and ARP was less than 50 bps, and therefore the Market Cost of Debt Adjustment Factor was zero.

In October 2017, the Bank of England published revised UK real yield estimates for 2015 and 2016, which affect the spot implied inflation rates for 10 year maturity used to calculate the Financing Cost Adjustment Index Yield. The revisions reflect a change in methodology related to the types of inflation-linked government bonds used to produce the data. These revisions affect the base reference point (BRP) and annual reference point (ARP) for 2016/17, which have been updated in the Revenue Statement and are set out below for completeness. As described above, there was no Financing Cost Adjustment in the First, Second or Third Charging Years, and so no adjustment to prior years' Allowed Revenue is required.

Charging Year	20	15/16	201	16/17
	Original	Revised	Original	Revised
Base reference point	1.299%	1.298%	-	-
Annual reference point			1 464%	1 430%

#### For the Fourth Charging Year, this building block is calculated as follows:

Financing Cost Adjustment (year 4) = (Net Debt (year 2) - Net Debt (year 1)) \* Market Cost of Debt Adjustment Factor (year 4) \* (1 + BWACC)<sup>2</sup> \* <u>Applicable Change in Revenue RPI (year 4)</u>

=	( -315.9	-	-130.4 ) *	-0.22%	•	(1+ 0.02497) ^2 *	1.07 1.01
-	0.5	(£m)					

Where the Market Cost of Debt Adjustment Factor (year 4) results from the difference between the BRP and the ARP:

BRP - ARP= 1.30% - 0.35%

= 0.95%, a difference of 95 basis points, which falls in the greater than 50bps but less than 100 bps band.

This leads to a Market Cost of Debt Adjustment Factor (year 4) of 50% of the amount by which this difference exceeds 50bps, or (50% \* (0.95% - 0.50%)) = -0.22% (The Market Cost of Debt Adjustment Factor shall be expressed as a positive figure where the ARP exceeds the BRP, and as a negative figure where the BRP exceeds the ARP)

Financing Cost Adjustment building block	=	Financing Cost Ad	justment (year 1) + Financi	ng Cost Adjustment (year	r 2) + Financing Cost A	djustment (year 3) +	Financing Cost Adjustment (year	4)
	=	0	+	0	+	0 +	0.5	
	=	0.5	(£m)					

In line with Tideway's licence, the tax building block is zero as Tideway is not currently required to pay corporation tax or any other income-based tax.

#### Revenue Adjustment

Revenue Adjustment The revenue adjustment building block is to reconcile for under/over recovered Allowed Revenue in previous Charging Years. In line with the assumptions set out above, there was no revenue adjustment for the Allowed Revenue in the Third Charging Year, as Thames Water only started billing Tideway's revenue in the Second Charging Year (2016/17). Therefore, this building block applies for the first time in the Fourth Charging Year (2018/19).

The Revenue Adjustment for the Fourth Charging Year will be based on under recovery of revenue for the Second Charging Year. The table below sets out the amount in respect of the IP Charge recovered by Tideway in respect of the Second Charging Year at the beginning of this statement is being prepared. This is split between 2016/17 (as reported in our 2016/17 Annual Report) and the period April to September 2017 (consistent with the assumptions set out in the table at the beginning of this statement) Payment received from

n	Thames W	Nater in period		
	2016/17	2017/18		
Allowed revenue	Full year	Apr-Sep		
11.2	26.7	4.3		
22.4	20.7	4.5		
	Allowed revenue 11.2	2016/17           Allowed revenue         Full year           11.2         26.7		

### For the Fourth Charging Year, this building block is calculated as follows:

Revenue Adjustment (Fourth Charging Yea (before NPV adjustment)		=	Allowed Re	evenue for the Second Charging Y	Year - [the amount in respect of t	the IP Charge recovered by the Infrastructure Provider in respect of the Second Charging Ye	ear + the amount in respect of the IP Charge recovered by the Infrastructure Prov	ider in respect of any Charging Year falling prior to Second Charging Year that has not been included in any previous Revenue A
		=	33.6		- [	31.0	+	0]
		=	2.6	(£m)				
	The Revenue Adjustment is subject to a net p	present value a	adjustment as	s specified in Tideway's licence an	nd calculated in line with the ass	sumptions set out above.		
	Revenue Adjustment (Fourth Charging Year)	=	=	Revenue Adjustment (Fourth C	Charging Year) before NPV adjust	stment * (1+Bid WACC)^2) * Applicable Change in Revenue RPI (year 4)		

(after NPV adjustment) Applicable Change in Revenue RPI (year 2)

=	2.6	* (1 + 0.02497 )^2) *	1.07	
			1.01	
=	2.9 (£m)			

#### Building Block Reconciliation Adjustment (BBRA)

Building Block Reconciliation Adjustment (BBRA) A reconciliation adjustment applies for the Return on Capital. Liquidity, Opex, Financing Cost Adjustment, Tax, Additional Return on Capital and Additional Liquidity building blocks. The reconciliation is calculated on a net present value neutral basis, using the Bid WACC as the discount factor. It reconciles for actual values realised since the previous calculation of the Allowed Revenue for a particular year, and updated forecasts. In practice, this means reconciling for updated expenditure and inflation. This building block was applied for the first time in the calculation of 2017/18 Allowed Revenue, and it reconciles dor a 2016/17 Allowed Revenue, both of which were calculated in the 2015/16 Revenue Statement. In the 2017 Revenue Statement, the building block includes a further reconciliation of 2016/17 Allowed Revenue, be being reconciled for the first time. The Sis because actual values have now been realised for all inputs to this calculation, with no forecasts that would require further reconciliation. The Building Block Reconciliation Adjustment uses the company's latest forecast of expenditure as described in the "Inputs" section above. The differences between 2016/17 actual expenditure and the inputs used for the 2016 Revenue Statement are due to delayed construction expenditure and the contingency provision not being incurred. Similar information will be provided for 2017/18 in the 2018 Revenue Statement, nee the full year of actual expenditure has been realised.

Allowed Revenue



The table above shows the Allowed Revenue for 2015/16, 2016/17 and 2017/18 as calculated in the 2015 and 2016 Revenue Statements, and recalculated for this 2017 Revenue Statement. The Allowed Revenue figures set out above exclude the building block reconciliation adjustment (BBRA) and revenue adjustment (RA) building blocks, which are not subject to reconciliation (and which were zero for 2015/16 and 2016/17 Allowed Revenue). The building block reconciliation is made on a net present value neutral basis using the Bid WACC as a discount factor and adjusting for inflation using RPI, which takes into account the number of years since the Allowed Revenue for a given year was first calculated. This gives the following calculation:

Building block reconciliation adjustment = (Fourth Charging Year) (2015/16 Allowed Revenue [2017 calculation] - 2015/16 Allowed Revenue [2016 calculation])\* ((1 + Bid WACC)\*2)\* <u>Applicable Change in Revenue RPI (vear</u> + Applicable Change in Revenue RPI (vear 2) Applicable Change in Revenue RPI (vear 3)

((1 + 0.02497 )^2) 1.07 + ( 32.9 ( 8.1 - 8.7 ) + (18.6 - 19.8 ) \* ((1 + 0.02497)^2) \* 1.07 =

nue Adjustment calculation]

34 ) \*((1 + 0.02497 )^1) \* <u>1.07</u>

-3.2 (£m) =

### The sections below set out the recalculation of the 2015/16, 2016/17 and 2017/18 Allowed Revenue.

## Return on Capital

irst Charging Y Return on	'ear	in First Charging Year * Bid WA	ACC * Applicable Chan	nge in Revenue RPI for	r the First Charging Year	Second Charging Year Return on Capital =		verage RCV in Secor	nd Charging Year * Bid	WACC * Applicable Change in I	Revenue RPI for the Second Charging Year		Third Charging Year Return on Capital = A	verage RCV in Third	Charging Y	/ear * Bid W	ACC * Applicable
	=	74.4 *	2.497%	*	259.8 256.7		=	313.6	*	2.497%	•	259.8 256.7	=	734.0		2.497%	*
	=	1.9 (£m)					=	7.9 (£m)					=	19.0 (£m)			
<b>iquidity</b> irst Charging Y	′ear Liquidity = (Forecast ave	rage RCV in year 2- Average RC	CV in year 1) * Bid WA	CC * Applicable Chan	nge in Revenue RPI for the First Charging Yea	Second Charging Year r Liquic		Forecast average RC	V in year 3 - Average R(	CV in year 2) * Bid WACC * App	plicable Change in Revenue RPI for the Second C	harging Year	Third Charging Year Liquidity = (I	Forecast average RC	V in year 4	- Average R	CV in year 3) * B

=	239.3 *	2.497%	*	259.8 256.7	=	420.4	*	2.497%	* -	<u>259.8</u> 256.7	=	538.4	* 1	2.497%	*
=	6.0 (£m)				=	10.6 (£m)					=	13.9 (£m)			

## Opex In line with Tideway's licence, the Opex building block is zero as all costs are accounted for as capital expenditure. Therefore, no reconciliation is required.

Financing Cost Adjustment The Financing Cost Adjustment does not rely on any forecast inputs and therefore a reconciliation for actuals and updated forecasts is not required.

Tax In line with Tideway's licence, the tax building block is zero as Tideway is not required to pay corporation tax or any other income-based tax.

# Additional Return on Capital and Additional Liquidity These building blocks will only apply if spend exceeds the Threshold Outturn and Tideway has made an IAR Overrun Application. Therefore this building block is zero for the purposes of this calculation.

## Recalculated Allowed Revenue

Tideway Allowed Revenue (t) = Return on capital + Liquidity + Operating expenditure + Financing cost adjustment + Tax + Additional return on capital + Additional liquidity

### (excludes the building block reconciliation adjustment and revenue adjustment building blocks, which are not subject to reconciliation)

#### The colorising of these building blocks is as described above. This results is the following resolutional Allowed Devenue for 2045/40, 2046/47 and 2047/40.

The calculation of these building blocks is as described above. This results in the following recalculated Allowed Revenue for 2015/16, 2016/17 and 2017/16.										
Tideway Allowed Revenue (First Charging Year)		=	1.9	+ 6	+	0 +	0 +	0 +	0 +	0
		=	7.9	(£m)						
Tideway Allowed R	evenue (Second Charging Year)	=	7.9	+ 10.6	+	0 +	0 +	0 +	0 +	0
		=	18.6	(£m)						
'Tideway Allowed F	evenue (Third Charging Year)	=	19.0	+ 13.9	+	0 +	0 +	0 +	0 +	0
		=	32.9	(£m)						

### The Allowed Revenue for the First Charging Year is subject to an NPV adjustment as follows:

Adjusted Allowed Revenue (First Charging Year) = Allowed Revenue (First Charging Year) \* (1 + BWACC) (0.5 + PD/2) where PD is the proportion of the First Charging Year between Licence Award and the end of the First Year

= 7.9 \* (1+0.02497)^(0.5+(221/366)/2)

= 8.1 (£m)

Additional Return on Capital The Additional Return on Capital building block will only apply if spend exceeds the Threshold Outturn and Tideway has made an IAR Overrun Application. Therefore this building block is zero for the purposes of this calculation.

Additional Liquidity The Additional Return on Capital building block will only apply if spend exceeds the Threshold Outturn and Tideway has made an IAR Overrun Application. Therefore this building block is zero for the purposes of this calculation.

cable Change in Revenue RPI for the Third Charging Year

265.5

narging year Liquidity = (Forecast average RCV in year 4 - Average RCV in year 3) \* Bid WACC \* Applicable Change in Revenue RPI for the Third Charging Year

265.5