

# **Tideway updated revised Revenue Statement 2019**

Allowed Revenue for Charging Year 2020/21

2340-TDWAY-TTTUN-990-ZZ-ED-700062

## **Updated revised Revenue Statement - 2020/21 Allowed Revenue**

Submitted to Ofwat on 19 December 2019

| £, nominal                 | Year preceding<br>Prior Charging<br>Year<br>2017/18 | Prior Charging<br>Year<br>2018/19 | Current Charging<br>Year<br>2019/20 | Forthcoming<br>Charging Year<br>2020/21 |
|----------------------------|---|-----------------------------------|-------------------------------------|---|
| Allowed Revenue            | 28,559,132  | 49,235,940                        | 63,431,062                          | 76,465,429                              |
| Amounts received from TWUL | 26,791,391  | 38,387,688                        |                                     |   |

COMMERCIAL IN CONFIDENCE

## **RPI Updated IP Charge Notification - 2020/21**

Submitted to Thames Water on 19 December 2019

IP Charge for 2020/21 (£)

76,465,429

## November 2019 RPI

**291.0** 

Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 18 December 2019, Office for National Statistics

|   |   |  |  |  |   |  | S   | tatement of calculation   |  |                                       |
|---|---|--|--|--|---|--|---|---|--|---------------------------------------|
| Introducti  | ection sets out how Tideway's Allowed Revenue calculat  | ion has been made for the charging year 2020/21 (Sixth Char  | ging Year).  |  |   |  |   |   |  |                                       |
| The Licence ha<br>This model, ind   | as been written to provide the basis of a revenue submiss<br>cluding these assumptions, as set out in the table below,      | sion in a typical year. A number of detailed modelling assumpt<br>has been sent to Ofwat. In an email dated 30/10/19, Ofwat n  | ions have been made in interpreting Appendix to<br>be it is content with the resolutions described.  | I of the Project Licence to ensure                                     | the mechanics of the calculation are in   | ine with the spirit of the licence. T  | These modelling assumptions a   | are set out in the table below.   |  |                                       |
| BBRA Inputs   | Issue   |  |  |  | Resolution  |  |   |   |  |                                       |
| 2016, BBRA<br>Inputs 2017,<br>BBRA Inputs<br>2018, Inputs<br>2019<br>BBRA                             | The 2014/15 RPI Adjustment Factor refers to "the percu<br>index values for April and September are taken, this onl<br>Year. | entage movement in the RPI (All Items) index as published by<br>y picks up 5 months of inflation. Together with the other elem   | ONS for the period April to September in the ca<br>ents of the formula, this results in an underesti | alendar year" However, if the<br>mate of inflation for the Charging    | Interpret the movement for the period<br>April inflation is also picked up.   | April to September as the moven  | nent between the March and S  | eptember index values, which ensures  |  |                                       |
| Calculation<br>2016, BBRA<br>Calculation<br>2017, BBRA  | licence specifies that Annual Actual Project Spend should   | Year (Yt-1) feeds into the calculation of RCV, which is required<br>id be deflated by the Applicable Change in Cost RPI for a Ch<br>allowing the publication of RPI for each month of the relevant | arging Year, rather than the 2014/15 RPI Adjust  | tment Factor. However, the   | Use the 2014/15 RPI Adjustment Far<br>year's Revenue Statement as part of   | tor to deflate the Annual Actual P<br>the building block reconciliation ar   | Project Spend in the current Ch<br>djustment.   | arging Year. This will be trued up in next  |  |                                       |
| BBRA<br>Calculation<br>2016, BBRA<br>Calculation<br>2017, BBRA<br>Calculation<br>2018                 | In order to reconcile Allowed Revenue calculated in prici<br>information is available (i.e. a further year of actual infla  | r years for updated inflation, it is not appropriate to use the 20<br>diton data which can be used to replace the forecast).   | 14/15 RPI Adjustment Factor defined in Tidewa  | ay's licence as more up to date  | Use approach consistent with definiti<br>equivalent to applying the 2014/15 Ri<br>ensures the latest actual RPI data is   | PI Adjustment Factor values as ca  | actor but with actual inflation us<br>alculated for the Sixth Charging  | ed up to September of Yt. This is<br>Year Allowed Revenue calculation, and  |  |                                       |
|   |   | vered revenue adjustment (as set out in Appendix 1, Part A 7.<br>However, the licence does not specify the time period to whic   |  | of the IP Charge recovered by the                                      | has been paid by Thames Water to T  | ideway and receipted in Tideway's  | s bank account prior to the end   | of Charging Year I-2" as the amount that<br>of September of Charging Year I-1.<br>d with reference to amounts recovered by            |  |                                       |
| Calculation<br>2019   | Appendix 1, Part A 7 of Tideway's licence requires that<br>adjustment formulaically or specify the means of adjust          | the under/over recovered revenue adjustment is calculated on<br>ing for inflation.   | a net present value neutral basis using the BW   | ACC, but it does not specify the                                       | To reconcile amounts not yet receive<br>(1+BWACC) <sup>4</sup> 2 and the ratio between<br>revenue receipts).<br>A separate one-year NPV adjustment<br>2 that have not been included in a pro- | d in respect of Charging Year t-2,<br>the Applicable Change in Revenu<br>is applied to the further amounts<br>vious revenue adjustment calcula | this involves multiplying the ur<br>ue RPI of the two charging yea<br>received in respect of any Cha<br>ation. This is to account for the | rs (to account for the two year delay in<br>arging Year falling prior to Charging Year t-<br>one-year delay between the collection of |  |                                       |
|   |   |  |  |  | current and forthcoming Charging Ye   | conciliation amount by (1+BWAC ars.  | CC) and the ratio between the A   | ing Charging Year. The adjustment<br>applicable Change in Revenue RPI in the<br>tor and adjusting for inflation using RPI,            |  |                                       |
| Calculation<br>2019   |   | conciliation adjustment of a number of building blocks for upda<br>pecify the adjustment formulaically or specify the means of ad  |  | ment is calculated on a net preser                                     | taking into account the number of yea<br>treconciliation amount by (1+BWACC<br>calculated, and the ratio between the  | ars since the Allowed Revenue for<br>) raised to the power of the number<br>Applicable Change in Revenue R                                     | r a given year was first calculat<br>er of years since the Allowed F<br>PI of the two Charging Years.                                     | ed. This involves multiplying the   |  |                                       |
| BBRA<br>Calculation<br>2016, BBRA<br>Calculation<br>2017, BBRA<br>Calculation<br>2018                 | Reconciliation Adjustment (A 8) states that the Financir  | ng Cost Adjustment should be subject to reconciliation, but no   | he of the elements of this calculation are foreca  | st.  | Leave a placeholder for reconciliation<br>calculation at present.   | of the Financing Cost Adjustmen  | nt should this, for any reason, t   | ecome relevant in future, but exclude from  |  |                                       |
| BBRA<br>Calculation<br>2016, BBRA<br>Calculation<br>2017, BBRA<br>Calculation<br>2018,<br>Calculation | Additional Return on Capital and Additional Liquidity Bu<br>Revenue (IAR).)   | ilding Blocks may never become relevant (i.e. these building b   | locks may only become relevant if Tideway app  | ies for an Increase in Allowed   | Exclude calculations for Additional Re  | turn on Capital and Additional Liq   | quidity until there is a non-negli  | gible probability that these will be required.  |  |                                       |
| 2019<br>Key to Chargi   | ng Years  |  |  |  |   |  |   |   |  |                                       |
| Year  | Charging Year   | Full description   |  |  |   |  |   |   |  |                                       |
| 2017/18<br>2018/19  | Y1<br>Y2<br>Y3<br>Y4<br>Y5  | First Charging Year<br>Second Charging Year<br>Third Charging Year<br>Fourth Charging Year<br>Fifth Charging Year  |  |  |   |  |   |   |  |                                       |
| 2020/21<br>2020/21<br>2021/22   | Y6<br>Y7  | Sixth Charging Year<br>Seventh Charging Year   |  |  |   |  |   |   |  |                                       |
| Summary<br>Below is a high  |   | harging Year, with respect to each of the building blocks invol  | ved in the calculation.  |  |   |  |   |   |  |                                       |
|   | ed Revenue (t) =<br>ed Revenue (Sixth Charging Year)  | =  | Return on capital + Liquidity<br>65.0 + 12.9   | + Operating expenditure<br>+ 0   | <ul> <li>Financing cost adjustment</li> <li>-3.2</li> </ul>   | + Tax + F<br>+ 0   | Revenue adjustment + Be<br>+ 2.7  | uilding block for reconciliation adjustment<br>-0.9   | + Additional return on capital<br>+ 0            | + Additional liquidity<br>+ 0         |
| The calculation   | of each of these elements is described below.   | =  | 76.5 (£m)  |  |   |  |   |   |  |                                       |
| Inputs  |   |  |  |  |   |  |   |   |  |                                       |
| The inputs to the All the reconcil  | iations are for updated cost and inflation data and the inp   | out on the "Inputs 2019" "BBRA Inputs 2018", "BBRA Inputs 2<br>buts are consistent with those set out on "Inputs 2019".<br>st is that most recently verified by the Independent Technical .        |  | rkbook. The 'BBRA Inputs 2016'   | sheet isolates the inputs required to re-   | concile the Allowed Revenue first  | calculated in 2016 (for the Thi   | rd Charging Year), the "BBRA Inputs 2017" s   | heet isolates the inputs required to reconcile A | llowed Revenue first calculated in 20 |
| It represents the Return on C   | e company's latest verified forecast of cash expenditure  | over 2019/20, 2020/21 and 2021/22.   |  |  |   |  |   |   |  |                                       |
| The Return on   |   | capital in relation to the forecast average RCV in the Chargin<br>allowable project spend, as shown in the table below.  | q Year in question.  |  |   |  |   |   |  |                                       |
|   |   | £m, 2014/15 prices         Y:           Opening RCV         0.0           Allowable Project Spend         148.3  | 0 148.7<br>7 329.8   | Y3         Y           478.5         962.           483.8         528. | 3 1,490.3<br>D 543.7  | 2,034.1<br>524.0   | 2,558.1<br>385.7  |   |  |                                       |
|   |   | Closing RCV 148.<br>Average RCV 74.  | 7 478.5<br>4 313.6   | 962.3 1,490.<br>720.4 1,226.   | 3 2,034.1<br>3 1,762.2  | 2,558.1<br>2,296.1   | 2,943.8<br>2,750.9  |   |  |                                       |
| For the Sixth C   | harging Year, this building block is calculated as follows:   |  |  |  |   |  |   |   |  |                                       |
|   | Return on Capital   | = Average RCV in Y6 *  | Bid WACC * 2.497% *  | Applicable Change in Re<br>291.0                                       | venue RPI for the Sixth Charging Year   |  |   |   |  |                                       |
|   |   | = 65.0 (£m)  | 2.407.0  | 256.7  | -   |  |   |   |  |                                       |
|   |   | on capital) in relation to the incremental average RCV in the v  | ear following the Charging Year in question.   |  |   |  |   |   |  |                                       |
| For the Sixth C   | harging Year, this building block is calculated as follows:<br>Liquidity  | :<br>= (Forecast average RCV in year 7 - Average RCV in year 6   | ) * Bid WACC * Applicable Change in Revenue  | RPI for the the Sixth Charging Ye                                      | ar  |  |   |   |  |                                       |
|   | Lidnialà  | <ul> <li>(Forecast average RCV in year / - Average RCV in year t</li> <li>454.8</li> <li>12.9 (£m)</li> </ul>  | ) * Bid WACC * Applicable Change in Revenue<br>2.497% *  | 291.0<br>256.7   |   |  |   |   |  |                                       |
|   |   | - 12.9 (±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.

Tideway 2019 updated revised Revenue Statement submission 18 12 2019 FINAL - WEB

Financing Cost Adjustment 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. reconcile Allowed Revenue first calculated in 2017 (for the fourth charging year) and the "BBRA Inputs 2018" sheet isolates the inputs required to reconcile Allowed Revenue first calculated in 2018.

- 1

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

Einancing Cost Adjustment (t) =

(Net Debt (t-2) - Net Debt (t-3)) \* Market Cost of Debt Adjustment Factor (t) \* (1 + BWACC)/2 \* Acolicable Change in Revenue RPI (t-2) 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 (+/-1) ST bos and 100 bps, the market cost of debt adjustment factor will be equal to 50% of the amount by which such difference exceeds 50 bps iii) if the difference between the BRP and the ARP is grater than +/-100 bps, the market cost of debt adjustment factor will be equal to 50% of the amount by which such difference exceeds 75 bps The Market Cost of Debt Adjustment Factor shall be expressed as a cositive figure where the ARP exceeds the BRP, and a negative figure where the BRP exceeds the ARP.

BRP = the 12 months' trailing average of the Financing Cost Adjustment Index Yield as at 31 March 2015 ARP = the 12 months' trailing average of the Financing Cost Adjustment Index Yield as at 31 March of Charging Year t-2

#### where the Financing Cost Adjustment Index Yield = (1+ iBox BBB UK non-financials with 10+ year maturity) (1 + spot implied inflation rates for 10 year maturity published by the Bank of England)

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. The table below summarises the build-up of the Financing Cost Adjustment in previous years, and details of prior years calculations are available in previous Revenue Statements (with the relevant Revenue Statement identified in the table). There was no Financing Cost Adjustment in respect of the Allowed Revenue for the First of Second Charging Years, as in both cases; Thideway 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.

=

|   |         |   | Charg | ing Year |        |        |  |
|---|---------|---|-------|----------|--------|--------|--|
|   | 2015/16 | 2015/16 2016/17 2017/18 2018/19 2019/20 |       |          |        |        |  |
| Revenue Statement                                     | 2015    |   | 2016  | 2017     | 2018   | 2019   |  |
| Base Reference Point                                  | 1.30%   | 1.30%                                   | 1.30% | 1.30%    | 1.30%  | 1.30%  |  |
| Annual Reference Point                                | 1.30%   | 1.30%                                   | 1.43% | 0.35%    | 0.01%  | 0.23%  |  |
| Market Cost of Debt Adjustment Factor                 | 0.00%   | 0.00%                                   | 0.00% | -0.22%   | -0.54% | -0.32% |  |
| Financing Cost Adjustment                             | 0.00    | 0.00                                    | 0.00  | 0.5      | -1.5   | -2.2   |  |
| Financing Cost Adjustment building block (cumulative) | 0.00    | 0.00                                    | 0.00  | 0.5      | -1.0   | -3.2   |  |

For the Sixth Charging Year, this building block is calculated as follows: Financing Cost Adjustment (year 6)

(Net Debt (year 4) - Net Debt (year 3)) \* Market Cost of Debt Adjustment Factor (year 6) \* (1 + BWACC)\*2 \* <u>Applicable Change in Revenue RPI (year 6)</u> Acolicable Change in Revenue RPI (year 4) =

| ( 543.272.1 ) * -0.32% * (1+ 0.02497) ^2 * | 1.13 |
|--|------|
|--|------|

| = | -2.2 (fm) |  |
|---|-----------|--|

Where the Market Cost of Debt Adjustment Factor (year 6) results from the difference between the BRP and the ARP:

BRP - ARP= 1.30% - 0.23%

= 1.07%, a difference of 107 basis points, which falls in the greater than 100 bps band.

This leads to a Market Cost of Debt Adjustment Factor (year 5) of the amount by which this difference exceeds 75bps, or (1.07% - 0.75%)) = -0.32% (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 Adjustment(year | 1) + Financing Cost Adjustment(year 2 | ) + Financing Cost Adjustment(year 3) + Finar | cing Cost Adjustment(year | 4) + Financing Cost Adjustment() | year 5) + Financing Cost Ajdustment(year 6) |
|--|---|--------------------------------|---------------------------------------|---|---------------------------|----------------------------------|---|
|  | = | 0                              | + 0                                   | + 0   | + 0.5                     | -1.5                             | -2.2  |
|  | = | -3.2 (£m)                      |                                       |   |                           |                                  |   |

Tax 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

The revenue adjustment building block is to reconcile for under/over recovered Allowed Revenue in previous Charging Years. Appendix 1 A7 of the licence defines it as:

RA Y1 = Allowed Revenue for Charging Year t-2 – (the amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastructure Provider in respect of the IP Charge recovered by the Infrastru

This building block applied for the first time in the Fourth Charging Year (2018/19). 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).

The Revenue Adjustment for the Skith Charging Year is based on recovery of revenue for the Second, Third and Fourth Charging Years. The Fourth Charging Years is being recorcied for the first time and the Second and Third Charging Years are being recorcied to remove amounts that have been recovered for the Second, Third and Fourth Charging Years are being recorcied for the first time and the Second and Third Charging Years are being recorcied to remove amounts that have been recovered for Thamse Water. The table being recorcied of the IP Charge amount is recorded of the IP Charge amount is recorded of the IP Charge amount is recorded of the Second and Third Charging Years are being recorcied amount is recorded of the statement is being metric amount in the table at the being interval the being interval the table at the being interval the statement is being recorcied amount is recorded of the IP Charge amount is record

|   |   |  | -   | Pay   | ment received from Thames   | Water in period   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|---|---|--|---|---|---|---|---|---|---|---|-------------------------------------|-------------------------|-------------------------------------|---------------------------------|--------------------------------------|
|   | £m  | 201  | 5/17  | 20  | 17/18   | 201   | 8/19  | 20  | 019/20  | Total   |                                     |                         |                                     |                                 |                                      |
| Charging Year   | Allowed revenue   | Apr-Sep  | Oct-Mar   | Apr-Sep   | Oct-Mar   | Apr-Sep   | Oct-Mar   |   | pr-Sep  |   |                                     |                         |                                     |                                 |                                      |
| 2015/16   | 11.2  | 12.1   | 14.6  | 4.3   | 0.8   | 0.3   | 0.2   |   | 0.4   | 32.8  |                                     |                         |                                     |                                 |                                      |
| 2016/17   | 22.4  | n/a  | n/a   | 9.3   | 12.4  | 2.4   | 0.4   |   | 0.2   | 24.8  | _                                   |                         |                                     |                                 |                                      |
| 2017/18 2018/19   | 28.6  | n/a<br>n/a   | n/a<br>n/a  | 9.3<br>n/a  | n/a   | 2.4   | 18.7  |   | 10.7  | 24.8<br>45.7  | _                                   |                         |                                     |                                 |                                      |
| Note: The table data is extracted from Tideway's 2018/19  |   |  |   |   |   | 10.5  | 10.7  |   | 10.7  | 43.7  |                                     |                         |                                     |                                 |                                      |
|   |   |  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| iliation amounts in respect of Fourth Charging Year   |   | =  | Allowed Revenue for Fo  | ourth Charging Year -   | Amount in respect of the  | IP Charge recovered by the In   | frastructure Provider in res  | spect of Fourth Cha                                   | rging Year (to end of S                               | September 2019)   |                                     |                         |                                     |                                 |                                      |
| NPV adjustment)   |   | -  | 49  | 2   | - 45.7  |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|   |   |  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|   |   | =  | 3   | .5 (£m)   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| iliation amounts in respect of Third Charging Year not previously in  | included  | -  | Amount in respect of th   | e IP Charge recovered by the  | e Infrastructure Provider in res  | pect of the Third Charging Ve   | ar (to end of Sentember 20  | 19)   | Amount in respect of                                  | he IP Charge recovered by the Infrastru   | ture Provider in respect of Third ( | haroing Year (to end    | of Sentember 2018)                  |                                 |                                      |
| NPV adjustment)   | indiada   |  |   |   |   | poor of the filled ontarging for  |   | ,,,,,,  |   |   |                                     | onarging roar (to ona   |                                     |                                 |                                      |
|   |   | =  | 24  | .8  |   |   |   | -   | 24.2  |   |                                     |                         |                                     |                                 |                                      |
|   |   | -  | 0   | .6 (£m)   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|   |   |  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| iliation amounts in respect of Second Charging Year not previously<br>NPV adjustment)   | ly included   | =  | Amount in respect of th   | e IP Charge recovered by the  | e Infrastructure Provider in res  | pect of the Second Charging 1   | fear (to end of September   | 2019) -   | Amount in respect of                                  | f the IP Charge recovered by the Infrastr   | cture Provider in respect of Seco   | ond Charging Year (to   | end of September 2018)              |                                 |                                      |
| vi v aujuar(Helit)  |   | =  | 32  | .8  |   |   |   | -   | 32.2  |   |                                     |                         |                                     |                                 |                                      |
|   |   |  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|   |   | =  | 0   | .5 (£m)   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| ired by Appendix 1 A7 of the licence, the reconciliation amounts ar   | are subject to a net present value (*   | NPV) adjustment, which is  | et out below. The NPV   | adjustments are made consi  | stent with the assumptions set  | out in the table at the beginning   | ng of this statement.   |   |   |   |                                     |                         |                                     |                                 |                                      |
| Weiler environte la succession ( Exuation Observice Ve  |   |  | Decession of the second second  | in an and the set of the set  | - March data MDM - C  | -   |   |   | D   |   |                                     |                         |                                     |                                 |                                      |
| iliation amounts in respect of Fourth Charging Year<br>PV adjustment)   |   | =  | Reconciliation amounts  | in respect of Fourth Chargin  | g Year (before NPV adjustmer  | nt) * ((1+BWACC)^2))  |   |   | n Revenue RPI (year 6<br>in Revenue RPI (year         |   |                                     |                         |                                     |                                 |                                      |
|   |   |  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|   |   | =  | 3   | 5   |   | * ((1 + 0.02497)^2)   | •   |   | 1.13  |   |                                     |                         |                                     |                                 |                                      |
|   |   | =  | 3   | .9 (£m)   |   |   |   |   | 1.07  |   |                                     |                         |                                     |                                 |                                      |
|   |   |  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| iliation amounts in respect of Third Charging Year not previously in<br>PV adjustment)  | .ncluded  | =  | Reconciliation amounts  | in respect of Third Charging  | Year not previously included (  | before NPV adjustment)  | * (1+BWACC)   |   | ange in Revenue RPI<br>ange in Revenue RPI (          |   |                                     |                         |                                     |                                 |                                      |
| v adjustment)   |   |  |   |   |   |   |   | Applicable one  | singe in revenue rei i                                | year 5)   |                                     |                         |                                     |                                 |                                      |
|   |   | =  | -0  | .6  |   |   | * (1 + 0.02497)   | *   | 1.13  |   |                                     |                         |                                     |                                 |                                      |
|   |   | -  | .0  | .6 (£m)   |   |   |   |   | 1.11  |   |                                     |                         |                                     |                                 |                                      |
|   |   |  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| iliation amounts in respect of Second Charging Year not previously  | ly included   | =  | Reconciliation amounts  | in respect of Second Chargi   | ng Year not previously include  | d (before NPV adjustment)   | * (1+BWACC)   |   | inge in Revenue RPI (                                 |   |                                     |                         |                                     |                                 |                                      |
| PV adjustment)  |   |  |   |   |   |   |   |   | ange in Revenue RPI (                                 | year 5)   |                                     |                         |                                     |                                 |                                      |
|   |   | =  | -0  | .5  |   |   | * (1 + 0.02497)   | *   | 1.13  |   |                                     |                         |                                     |                                 |                                      |
|   |   | _  | .0  | .6 (£m)   |   |   |   |   | 1.11  |   |                                     |                         |                                     |                                 |                                      |
|   |   | =  | -0  | .0 (111)  |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|   |   |  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| e Adjustment (Sixth Charging Year)<br>PV adjustment)  |   | -  | Reconciliation amounts  | in respect of Fourth Charoir  | n Year (after NPV adjustment)   | + Reconciliation amounts in   | respect of Second Charnin   | a Vear not previous                                   | ly included (after NPV                                | adjustment) + Reconciliation amounts in   | respect of Third Charoing Year o    | ot previously included  | (after NPV adjustment)              |                                 |                                      |
| v aujustitient)   |   | -  |   |   | ig real (alter Nr v aujustillent)   | + Reconciliation amounts in   | espect of Second Chargin  |   | ry included (anel 141 v                               |   |                                     | or previously included  | (arter ner v aujustinenti)          |                                 |                                      |
|   |   | =  | 3   | .9  |   |   |   | -0.6  |   |   | 0.6                                 |                         |                                     |                                 |                                      |
|   |   |  | 2   | .7 (£m)   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|   |   |  | 2   | .7 (211)  |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
|   |   | =  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| ng Block Reconciliation Adjustment (BBRA)   |   | =  |   |   |   |   |   |   |   |   |                                     |                         |                                     |                                 |                                      |
| ciliation adjustment applies for the Return on Capital, Liquidity, Op   | pex, Financing Cost Adjustment, Ta  | ax, Additional Return on Ca  | pital and Additional Liqu   | idity building blocks.  | Allowed Devenue for a particular  | lar user and undefed foreses  | to to prosting this manage  | second line for und                                   | lated summer fiture and                               | offation  |                                     |                         |                                     |                                 |                                      |
| ng Block Reconciliation Adjustment (BBRA)<br>cliation adjustment applies for the Return on Capital, Liaudity, On<br>onciliation is calculated on a net present value neural basis, using<br>018 Revenue Statement. the kulidito block reconciles 2019;20 All  | g the Bid WACC as the discount fa   | actor. It reconciles for actua   | I values realised since t   | he previous calculation of the  | Allowed Revenue for a partice   | ular year, and updated forecas  | ts. In practice, this means<br>I time in this 2019 Revenu                                       | s reconciling for upd                                 | ated expenditure and is because actual value          | nflation.<br>s have now been realised for all inputs t  | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/1    | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital, Liquidity, Op<br>onciliation is calculated on a net present value neutral basis, using  | g the Bid WACC as the discount fa   | actor. It reconciles for actua   | I values realised since t   | he previous calculation of the  | a Allowed Revenue for a partic<br>he 2017/18 Allowed Revenue  | ular year, and updated forecas<br>is being reconciled for the fina  | ts. In practice, this means<br>I time in this 2019 Revenu                                       | s reconciling for upd<br>se Statement. This is        | lated expenditure and<br>s because actual value       | nflation.<br>s have now been realised for all inputs tr   | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/1    | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital, Liquidity, Op<br>onciliation is calculated on a net present value neutral basis, using  | g the Bid WACC as the discount fa   | actor. It reconciles for actua   | I values realised since t   | he previous calculation of the  | he 2017/18 Allowed Revenue  | ular year, and updated forecas<br>is being reconciled for the fina  | ts. In practice, this means<br>I time in this 2019 Revenu                                       | s reconciling for upd<br>e Statement. This is         | lated expenditure and i<br>s because actual value     | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/1    | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previc |
| ciliation adjustment applies for the Return on Capital, Liquidity, Op<br>onciliation is calculated on a net present value neutral basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All  | g the Bid WACC as the discount far<br>Illowed Revenue for the first time an   | actor. It reconciles for actua   | I values realised since t   | he previous calculation of the  | he 2017/18 Allowed Revenue  | ular year, and updated forecas<br>is being reconciled for the fina<br>2017/18   | I time in this 2019 Revenu  | s reconciling for upd<br>e Statement. This is         | lated expenditure and is because actual value 2019/20 | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/1    | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital. Liquidity, Oo<br>onciliation is calculated on an et present value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue Stater  | g the Bid WACC as the discount fai<br>llowed Revenue for the first time an  | actor. It reconciles for actua   | I values realised since t   | he previous calculation of the<br>2018/19 Allowed Revenue. T<br>2015/10<br>11.2   | Allowed Revenue<br>3 2016/17<br>2 22.4  | is being reconciled for the fina<br>2017/18   | I time in this 2019 Revenu  | e Statement. This is                                  | s because actual value                                | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/1    | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment apolies for the Return on Capital. Liquidity, Op<br>colliation is calculated on an en present value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue Stater<br>Allowed Revenue - as calculated for 2016 Revenue Stater  | g the Bid WACC as the discount fai<br>allowed Revenue for the first time an<br>ement<br>ement   | actor. It reconciles for actua   | I values realised since t   | he previous calculation of the<br>2018/19 Allowed Revenue. T<br>2015/10<br>11.2<br>8.7  | Allowed Revenue<br>3 2016/17<br>2 22.4<br>7 19.8  | is being reconciled for the fina<br>2017/18<br>34.0   | I time in this 2019 Revenu  | e Statement. This i                                   | s because actual value                                | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/1    | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital, Liquidity, Or<br>conciliation is calculated on a net present value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue Stater<br>Allowed Revenue - as calculated for 2016 Revenue Stater<br>Allowed Revenue - as calculated for 2017 Revenue Stater<br>Allowed Revenue - as calculated for 2017 Revenue Stater  | g the Bid WACC as the discount fa<br>allowed Revenue for the first time an<br>ament<br>ament<br>ament<br>ament<br>ament   | actor. It reconciles for actua   | I values realised since t   | he previous calculation of the<br>2018/19 Allowed Revenue. T<br>2015/10<br>11.2   | Allowed Revenue<br>3 2016/17<br>2 22.4<br>7 19.8  | is being reconciled for the fina<br>2017/18<br>34.0<br>32.5<br>31.5   | I time in this 2019 Revenu  | e Statement. This is<br>018/19<br>49.5<br>48.4        | s because actual value                                | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/1    | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital. Liquidity, Op<br>onciliation is calculated on an et present value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue Stater<br>Allowed Revenue - as calculated for 2016 Revenue Stater<br>Allowed Revenue - as calculated for 2016 Revenue Stater  | g the Bid WACC as the discount fa<br>allowed Revenue for the first time an<br>ament<br>ament<br>ament<br>ament<br>ament   | actor. It reconciles for actua   | I values realised since t   | he previous calculation of the<br>2018/19 Allowed Revenue. T<br>2015/10<br>11.2<br>8.7  | he 2017/18 Allowed Revenue<br>Allowed Revenue<br>2 2016/17<br>2 22.4<br>19.8<br>18.6  | is being reconciled for the fina<br>2017/18<br>34.0<br>32.9   | I time in this 2019 Revenu  | ue Statement. This is<br>018/19<br>49.5               | s because actual value 2019/20                        | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/     | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital, Liquidity, Or<br>colliation is calculated on a net present value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue State<br>Allowed Revenue - as calculated for 2016 Revenue State<br>Allowed Revenue - as calculated for 2017 Revenue State<br>Allowed Revenue - as calculated for 2017 Revenue State<br>Allowed Revenue - as calculated for 2019 Revenue State<br>Allowed Revenue - as calculated for 2019 Revenue State  | ig the Bid WACC as the discount fan<br>Illowed Revenue for the first time an<br>ament<br>ement<br>ement<br>ement<br>ement   | ctor. It reconciles for actuand includes a further recon                 | I values realised since t   | he previous calculation of the<br>2018/19 Allowed Revenue. T<br>2015/10<br>11.2<br>8.7  | he 2017/18 Allowed Revenue<br>Allowed Revenue<br>2 2016/17<br>2 22.4<br>19.8<br>18.6  | is being reconciled for the fina<br>2017/18<br>34.0<br>32.5<br>31.5   | I time in this 2019 Revenu  | e Statement. This is<br>018/19<br>49.5<br>48.4        | 2019/20<br>62.5                                       | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | ther reconciliation. The 2015/1     | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital. Liquidity, Op-<br>oniciliation is calculated on an entresent value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue State<br>Allowed Revenue - as calculated for 2016 Revenue State<br>Allowed Revenue - as calculated for 2016 Revenue State<br>Allowed Revenue - as calculated for 2019 Revenue State<br>Allowed Revenue for each year as calculated<br>the Allowed Revenue for each year as calculated<br>the Revenue Revenue for each year as calculated for 2019 Revenue State  | g the Bid WACC as the discount fa<br>allowed Revenue for the first time an<br>ament<br>ament<br>ament<br>ament<br>"recalculated in each Revenue Stat<br>conciliation adjustment (BBRA) and                              | ement<br>d revenue adjustment (RA)                                       | I values realised since to alliation of 2017/18 and :   | he previous calculation of th<br>2018/19 Allowed Revenue. T<br>2015/11<br>11.<br>8.<br>8.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9. | he 2017/18 Allowed Revenue<br>3 2016/17<br>2 22.4<br>7 19.8<br>1 18.6<br>18.2<br>on (and which were zero for 20   | is being reconciled for the fina<br>2017/18<br>34.0<br>32.5<br>31.2<br>31.7<br>15/16 and 2016/17 Allowed R  | I time in this 2019 Revenu  | e Statement. This i<br>018/19<br>49.5<br>48.4<br>47.7 | 2019/20<br>2019/20<br>62.5<br>62.6                    | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | rther reconciliation. The 2015/1    | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital, Liquidity, Op<br>onciliation is calculated on an etyresent value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue Stater<br>Allowed Revenue - as calculated for 2016 Revenue Stater<br>Allowed Revenue - as calculated for 2018 Revenue Stater   | g the Bid WACC as the discount fa<br>allowed Revenue for the first time an<br>ament<br>ament<br>ament<br>ament<br>"recalculated in each Revenue Stat<br>conciliation adjustment (BBRA) and                              | ement<br>d revenue adjustment (RA)                                       | I values realised since to<br>ilitation of 2017/18 and :<br>building blocks, which a                            | he previous calculation of th<br>2018/19 Allowed Revenue. T<br>2015/11<br>11.<br>8.<br>8.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9.<br>9. | he 2017/18 Allowed Revenue<br>3 2016/17<br>2 22.4<br>7 19.8<br>1 18.6<br>18.2<br>on (and which were zero for 20   | is being reconciled for the fina<br>2017/18<br>34.0<br>32.5<br>31.2<br>31.7<br>15/16 and 2016/17 Allowed R  | I time in this 2019 Revenu  | e Statement. This i<br>018/19<br>49.5<br>48.4<br>47.7 | 2019/20<br>2019/20<br>62.5<br>62.6                    | nflation.<br>s have now been realised for all inputs to   | this calculation, with no forecast  | s that would require fu | ther reconciliation. The 2015/      | 16 and 2016/17 Allowed Revenues | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital. Liquidity, Op<br>onciliation is calculated on a net present value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue State<br>Allowed Revenue - as calculated for 2016 Revenue State<br>Allowed Revenue - as calculated for 2016 Revenue State<br>Allowed Revenue - as calculated for 2018 Revenue State<br>Bebove schows the Allowed Revenue for each year as calculated<br>for 2018 Revenue - as calculated for 2018 Revenue State   | ig the Bik WACC as the discount fa<br>allowed Revenue for the first time an<br>ament<br>ament<br>ament<br>recalculated in each Revenue Statt<br>conciliation adjustment (BBRA) an<br>assis using the Bid WACC as a disc | errent<br>de revenue adjustment (RA)<br>south factor and adjustment (RA) | I values realised since t<br>iliation of 2017/18 and :<br>building blocks, which a<br>r inflation using RPI, wi | he previous calculation of th<br>2018/19 Allowed Revenue. T<br>11.1<br>8.<br>8.<br>wre not subject to reconciliation<br>ich takes into account the n                    | Allowed Revenue           3         2017/18 Allowed Revenue           3         2016/17           2         22.4           7         19.8           18.6         18.6           18.9         18.6           18.0         18.4           18.0         18.4           18.1         18.4           18.2         18.4           18.4         18.4           18.5         18.2 | is being reconciled for the fina<br>2017/18<br>34.0<br>32.5<br>31.2<br>31.7<br>15/16 and 2016/17 Allowed R<br>ed Revenue for a given year v   | I time in this 2019 Revenu<br>20<br>evenue).<br>aras first calculated. This (                   | e Statement. This i<br>018/19<br>49.5<br>48.4<br>47.7 | 2019/20<br>62.5<br>62.6<br>alculation:                | s have now been realised for all inputs to  |                                     |                         |                                     |                                 |                                      |
| ciliation adjustment applies for the Return on Capital. Liquidity, Op-<br>oniciliation is calculated on an entresent value neural basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue State<br>Allowed Revenue - as calculated for 2016 Revenue State<br>Allowed Revenue - as calculated for 2016 Revenue State<br>Allowed Revenue - as calculated for 2019 Revenue State<br>Allowed Revenue for each year as calculated<br>the Allowed Revenue for each year as calculated<br>the Revenue Revenue for each year as calculated for 2019 Revenue State  | ig the Bik WACC as the discount fa<br>allowed Revenue for the first time an<br>ament<br>ament<br>ament<br>recalculated in each Revenue Statt<br>conciliation adjustment (BBRA) an<br>assis using the Bid WACC as a disc | errent<br>de revenue adjustment (RA)<br>south factor and adjustment (RA) | I values realised since t<br>iliation of 2017/18 and :<br>building blocks, which a<br>r inflation using RPI, wi | he previous calculation of th<br>2018/19 Allowed Revenue. T<br>11.1<br>8.<br>8.<br>wre not subject to reconciliation<br>ich takes into account the n                    | he 2017/18 Allowed Revenue<br>3 2016/17<br>2 22.4<br>7 19.8<br>1 18.6<br>18.2<br>on (and which were zero for 20   | is being reconciled for the fina<br>2017/18<br>34.0<br>32.5<br>31.2<br>31.7<br>15/16 and 2016/17 Allowed R<br>ed Revenue for a given year v   | I time in this 2019 Revenu<br>evenue).<br>was first calculated. This (o<br>Revenue RPI (vear 6) | e Statement. This i<br>018/19<br>49.5<br>48.4<br>47.7 | 2019/20<br>62.5<br>62.6<br>alculation:                | nflation.<br>s have now been realised for all inputs to<br>8/19 Allowed Revenue (2019 calculation |                                     |                         | Bid WACC)*2) * <u>Acolicable Ch</u> |                                 | have been fully reconciled in previo |
| ciliation adjustment applies for the Return on Capital. Liquidity, Op<br>onciliation is calculated on an etyresent value neutral basis, using<br>019 Revenue Statement, the building block reconciles 2019/20 All<br>Allowed Revenue - as calculated for 2015 Revenue Stater<br>Allowed Revenue - as calculated for 2016 Revenue Stater<br>Allowed Revenue - as calculated for 2018 Revenue S | ig the Bik WACC as the discount fa<br>allowed Revenue for the first time an<br>ament<br>ament<br>ament<br>recalculated in each Revenue Statt<br>conciliation adjustment (BBRA) an<br>assis using the Bid WACC as a disc | errent<br>de revenue adjustment (RA)<br>south factor and adjustment (RA) | I values realised since t<br>iliation of 2017/18 and :<br>building blocks, which a<br>r inflation using RPI, wi | he previous calculation of th<br>2018/19 Allowed Revenue. T<br>11.1<br>8.<br>8.<br>wre not subject to reconciliation<br>ich takes into account the n                    | Allowed Revenue           3         2017/18 Allowed Revenue           3         2016/17           2         22.4           7         19.8           18.6         18.6           18.9         18.6           18.0         18.4           18.0         18.4           18.1         18.4           18.2         18.4           18.4         18.4           18.5         18.2 | is being reconciled for the fina<br><b>2017/1</b><br>34.4<br>32.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5<br>31.5 | I time in this 2019 Revenu<br>evenue).<br>was first calculated. This (o<br>Revenue RPI (vear 6) | e Statement. This i<br>018/19<br>49.5<br>48.4<br>47.7 | 2019/20<br>62.5<br>62.6<br>alculation:                | s have now been realised for all inputs to<br>8/19 Allowed Revenue (2019 calculation              |                                     |                         | Bid WACC)*2) * <u>Acolicable Ch</u> | ance in Revenue RPI (vear 6)    |                                      |

wed Revenue [2019 calculation] - 2019/20 Allowed Revenue [2018 calculation])\*((1 + Bid WACC)\*1) \* <u>Acolicable Chance in Revenue RPI (vear 6)</u> Applicable Change in Revenue RPI (vear 5)

- 62.5 ) \*((1 + 0.02497 )^1)\* <u>1.13</u>

# = -0.3 -0.8 + 0.1 = -0.9 (Em)

### The sections below set out the recalculation of the 2017/18, 2018/19 and 2019/20 Allowed Revenue.

| The sections below set out the recalculation of the z   | 2017/10, 2010/13 and 2013/20 Allowed Re      | venue.                                  |  |                                      |   |                                   |                          |  |  |             |                      |                                    |               |
|---|--|---|--|--------------------------------------|---|-----------------------------------|--------------------------|--|--|-------------|----------------------|------------------------------------|---------------|
| Return on Capital<br>Third Charging Year  | Return on Capital = Average RCV in Th        | ird Charging Year * Bid WACC * Appli    | cable Change in Revenue RPI for the Third Cl | harging Year                         | Fourth Charging Year<br>Return on Capital = | Average RCV in Fourth Charging Y  | ear * Bid WACC * Applica | able Change in Revenue RPI for the Fourth Charging Year                  | Fifth Charging Year<br>Return on Capital = | Average R0  | CV in Fifth Charging | a Year * Bid WACC * Applicable C   | Change in Rev |
|   | =  | 720.4 *2.497%                           | *  |                                      | =   | 1,226.3                           | *2.497%*                 | 275.8<br>256.7   |  | =           | 1,762.2              | *2.497% *                          |               |
|   | =  | 18.6 (£m)                               |  |                                      | =   | 32.9 (£r                          | n)                       |  |  | =           | 48.8 (£m)            |                                    |               |
| Liquidity<br>Third Charging Year  | Liquidity = (Forecast average                | RCV in year 4 - Average RCV in year 3   | 3) * Bid WACC * Applicable Change in Revenu  | ue RPI for the Third Charging Year   | Fourth Charging Year<br>Liquidity =         | (Forecast average RCV in year 5 - | Average RCV in year 4) * | Bid WACC * Applicable Change in Revenue RPI for the Fourth Charging Year | Liquidity =                                | (Forecast a | average RCV in year  | r 6 - Average RCV in year 5) * Bid | I WACC * App  |
|   | =  | 505.9 *2.497%                           | * 265.5<br>256.7                             |                                      | =   | 535.9                             | *2.497%*                 | 275.8<br>256.7   |  | =           | 533.9                | *2.497% *                          |               |
|   | =  | 13.1 (£m)                               |  |                                      | =   | 14.4 (£r                          | n)                       |  |  | =           | 14.8 (£m)            |                                    |               |
| Opex<br>In line with Tideway's licence, the Opex building bloc  | ck is zero as all costs are accounted for as | capital expenditure. Therefore, no rece | onciliation is required.                     |                                      |   |                                   |                          |  |  |             |                      |                                    |               |
| Financing Cost Adjustment<br>The Financing Cost Adjustment does not rely on an<br>The Financing Cost Adjustment is non-zero in the F                            |  |   |  | and recalculation and so nets out to | zero and has no impact on the BB            | IRA.                              |                          |  |  |             |                      |                                    |               |
| Tax<br>In line with Tideway's licence, the tax building block   | is zero as Tideway is not required to pay co | propration tax or any other income-base | ed tax.                                      |                                      |   |                                   |                          |  |  |             |                      |                                    |               |
| Additional Return on Capital and Additional I<br>These building blocks will only apply if spend exceer<br>Therefore this building block is zero for the purpose | ds the Threshold Outturn and Tideway has     | made an IAR Overrun Application.        |  |                                      |   |                                   |                          |  |  |             |                      |                                    |               |
| Recalculated Allowed Revenue  |  |   |  |                                      |   |                                   |                          |  |  |             |                      |                                    |               |
| Tideway Allowed Revenue (t) =   |  |   | Return on capital + Liquidity + Operating ex | penditure + Financing cost adjustme  | ent + Tax + Additional return on cap        | pital + Additional liquidity      |                          |  |  |             |                      |                                    |               |
| (excludes the building block reconciliation adjustmen<br>(when the financing cost adjustment is non-zero, it i  |  |   |  |                                      |   |                                   |                          |  |  |             |                      |                                    |               |
| The calculation of these building blocks is as describ  | bed above. This results in the following rec | alculated Allowed Revenue for 2016/1    | 7, 2017/18 and 2018/19:                      |                                      |   |                                   |                          |  |  |             |                      |                                    |               |
| Tideway Allowed Revenue (Third Charging Year)   |  | =                                       | 18.6 + 13.1                                  | + 0                                  | + 0   | + 0                               | + 0                      | + 0  |  |             |                      |                                    |               |
| Tideway Allowed Revenue (Fourth Charging Year)  |  | =                                       | 31.7 (£m)<br>32.9 + 14.4                     | +0                                   | 0.5   | + 0                               | + 0                      | + 0  |  |             |                      |                                    |               |
| I ideway Allowed Revenue (Fourth Charging Year)   |  | =                                       | 32.9 + 14.4<br>47.7 (£m)                     | +0                                   | 0.5   | +0                                | +0                       | + 0  |  |             |                      |                                    |               |
| Tideway Allowed Revenue (Fifth Charging Year)   |  | =                                       | 48.8 + 14.8                                  | + 0                                  | -1.0  | + 0                               | + 0                      | + 0  |  |             |                      |                                    |               |
|   |  | =                                       | 62.6 (£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 buildina block is zero for the purposes of this calculation.

in Revenue RPI for the Fifth Charging Year 284.6 256.7

C\* Applicable Change in Revenue RPI for the Fifth Charging Year 284.6 256.7

| Year starts<br>Year ends<br>Year t-2<br>Year t-1<br>Year t-1<br>Year t-2<br>Year t-2<br>1.1.2 014 /15 DDI Adjustment Easter  | Unit                                   | Source/notes   | 2012/13 | 2013/14 | 2014/ | 15             | Inputs 2<br>First Charging<br>Year<br>2015/16<br>01/04/2015<br>3103/2016<br>2013/14<br>2014/15<br>2015/16<br>2015/16<br>2016/17<br>2017/18 | 019<br>Second<br>charging year<br>2016/17<br>01/04/2016<br>31/03/2017<br>2014/15<br>2015/16<br>2016/17<br>2017/18<br>2018/19 | Third<br>Charging<br>Year<br>2017/18<br>01/04/2017<br>31/03/2018<br>2015/16<br>2016/17<br>2017/18<br>2018/19<br>2019/20 | Fourth<br>Charging Year<br>2018/19<br>01/04/2018<br>31/03/2019<br>2016/17<br>2017/18<br>2019/20<br>2020/21 | Fifth<br>Charging<br>Year<br>2019/20<br>01/04/2019<br>31/03/2020<br>2017/18<br>2019/20<br>2020/21<br>2020/21<br>2021/22 | Charging<br>Year | Seventh<br>Charging<br>Year<br>2021/22<br>01/04/2021<br>31/03/202<br>2020/21<br>2021/22<br>2022/23<br>2022/23<br>2023/24 | Yea<br>2022 |
|--|--|--|---------|---------|-------|----------------|--|--|---|--|---|------------------|--|-------------|
| 1.1 2014/15 RPI Adjustment Factor<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends | %                                      | Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of<br>independent forecasts", HM Treasury, August 2019<br>Required by Project Licence Appendix 1, 11 (i), (iii) (iii)<br>Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of<br>independent forecasts", HM Treasury, August 2019<br>Required by Project Licence Appendix 1, 11 (i), (iii), (iii) (iii)              |         |         |       |                |  |  |   |  | 2.7%  |                  |  | _           |
| RPI, September of Charging Year<br>RPI, March of Charging Year   |  | Source: RPI (All lems) index, Consumer Price Inflation Reference Tables, Table 36, 16 October 2019, Office for<br>National Statistics:<br>Required by Project Licence Appendix 1, 1.1 (iii)<br>Source: RPI (All lems) index, Consumer Price Inflation Reference Tables, Table 36, 16 October 2019, Office for<br>National Statistics<br>Required by Project Licence Appendix 1, 1.1 (iii)  |         |         | 254.8 | 257.6<br>257.1 | 259.6<br>261.1   | 264.9<br>269.3   |   | 284.1<br>285.1   | 291.0   |                  |  |             |
| Applicable Change in Revenue RPI<br>RPIt (RPI for November in Charging Year Yt-1)  |  | Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 18 December 2019, Office for<br>National Statistics.<br>Required by Project Licence Appendix 1, Part A 3, 4 and 6<br>Note: for both First and Second Charging years, stated RPI is for November 2015, as Allowed Revenue for both<br>these vears is being calculated together  |         |         | 245.6 | 252.1          | 259.8  | 259.8  | 265.5   | 275.8  | 284.6   | ; 291.0          |  |             |
| Year average RPI<br>A.3. Return on Capital and A.4 Liquidity   |  | Source: Calculated from RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 15 October<br>2019 Office for National Statistics<br>Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.1 (iv)  |         |         |       | 256.7          | 259.4  | 265.0  | 274.9   | 283.3  |   |                  |  |             |
| Water Services Regulation Authority Stated RCV (2014/15 Prices) at 31 March  | 2014/15 prices, £                      | Source: RCV-Bazalgette-2019-publ.xls, published by Ofwat on 16 July 2019<br>Zero prior to licence award<br>Required by Project Licence Appendix 1, Part A 3  |         |         | 0     | 0              | 148,741,346  | 478,533,658  | 962,316,426   | 1,490,337,315  |   |                  |  |             |
| Annual Actual Project Spand<br>Estimated Allowable Project Spand   | Outturn prices, £<br>Outturn prices, £ | Source: "TA Verification No. 37.pdf"<br>Required by Project Licence Appendix 1, Part A 3<br>Source: "Regulation Reporting Sep 19"<br>Required by Project Licence Appendix 1, Part A 3<br>Source: 2019 Revenue Statement - ITA Expenditure Forecast Review Q2 - Issued Rev1.pdf" for full-year 20192C<br>202021 and 220122 forecast: The 20192D figure is net of expenditure already realised (April to September) as   | ļ,      |         |       | 0              | 150,344,662  | 340,489,147  | 518,165,900   | 582,828,772  | 224,031,449<br>58,140,795   |                  |  |             |
| Forecast Allowable Project Spend Excluded Project Spend  | Outturn prices, £                      | reflected in Annual Actual Project Spend and Estimated Allowable Project Spend.<br>Required by Project Licence Appendix 1, Part A 3, 4<br>Source: In Ine with the reported year end and interim statutory financial statements.<br>Note : 2019/20 for information - relates to the period incurred to September i.e. Apr - Sept.   |         |         |       | 0              | 64,394,743   | 87,615,825   | 0 0   | 80,287,259   | 338,668,378<br>32,156,645   | 1                | 466,716,56   |             |
| Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project Spend<br>and therefore is excluded from the Allowable spend metrics set out above<br>BWACC                   | Outturn prices, £                      | Source: Head of Commercial, Trideway<br>Notes: Zero prior to Licence award,<br>Required by Project Licence Appendix 2, 1.5<br>Source: Project Licence, Appendix 1, 1.18  |         |         |       | 0              | 2.497%   | C  | 0   | 0  | 0   | 0                |  |             |
| A.5. Opex<br>Opex forecast as at October 2019  | 76<br>Outturn prices, £                | Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8 Note: In line with the Project Licence, zero as all expenditure treated as capex.   |         |         |       |                | 2.49/76  | C  | 0   | 0  | 0   |                  |  |             |
| A.6. Financing Cost Adjustment   |  | Required by Project Licence Appendix 1, Part A 5 Source: "FCA yield calculation 2018.19.xlsx"  |         |         | _     |                |  |  |   |  | 1   |                  | 1  |             |
| Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March   | %<br>Current prices at 31              | Calculated with reference to iBoxx BBB data and spot implied inflation rates for 10 year maturity from Bank of<br>England<br>Required by Project Licence Accendix 1. Part A 6<br>Source: RCV-Bazalgette-2019-publ.xis, published by Ofwat on 16 July 2019  |         |         |       | 1.30%          |  |  |   |  | ]   |                  |  |             |
| Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March<br>Net Debt at 31 March<br>Notional Debt to RCV ratio  | Year                                   | Zero prior to licence award<br>Required by Project Licence Appendix 1, Part A 3<br>Source: Tideway Annual Report 2018/19 - Regulatory Accounting Statements, under Financing cost adjustment<br>section<br>Required by Project Licence Appendix 1, Part A 6<br>Source: Project Licence Appendix 1, 1.42  |         | 0       | 0     | 0              | -130,376,913   | -315,869,558   |   | 1,655,435,722<br>543,155,000   | -   |                  |  |             |
| A 1.4. Tax   |  | Required by Project Licence Appendix 1, Part A 6<br>In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax  |         |         |       | 02.076         | 0  |  |   | 0  | 0   |                  | 1  |             |
| A.7. Under/Over Recovered Revenue Adjustment - as at October 2019  |  | See Project Licence Appendix 1, Part A 1.4<br>See Project Licence, Appendix 1, Part A.7  |         |         |       |                |  |  |   |  |   |                  |  |             |
| Allowed Revenue<br>Amount recovered in respect of 2016/17, 2017/18 and 2018/19 Allowed Revenue (to end of September<br>2019)   | £<br>Outtum prices, £                  | Source: 2015, 2016, 2017 and 2018 updated revised Revenue Statements<br>Source: MTHYTDStatement Consolidated-July-19 Final V2.xbx and Tideway bank records<br>Note: Captures all 2016/17, 2017/18 and 2018/19 reviewa received from Thames Water prior to the end of<br>September 2019- this is based on revenue collected by Thames Water up to and including July 2019.<br>Source: 2018 updated revised Revenue Statement  |         |         |       |                |  | 33,603,285<br>32,767,942   |   | 49,235,940<br>45,739,272   | 63,431,062  | ]                |  |             |
| Amount recovered in respect of Allowed Revenue (to end of September 2018)  | Outturn prices, £                      | Note: Captures all 2016/17 and 2017/18 revenue received by Thames Water prior to the end of October 2018,<br>rather than September 2018. The cu-rolf is the same as that used for the 2018 Revenue Statement ensuring that it<br>amounts received are treated consistently between Revenue Statements.<br>These figures reflect amounts recovered until October 2018 instead of September 2018, as agreed with Ofwat.  |         |         |       |                |  | 32,230,705   | 24,198,552  |  | Ŧ   |                  |  |             |
| Years of NPV adjustment Amounts received from TWUL in Charging Year (all years of Allowed Revenue)   | Outturn prices, £                      | Represents the number of years of NPV adjustment required - two years for a Charging Year being reconciled for<br>the first time, and one year to reconcile further amounts received in respect of Charging Years already reconciled.<br>See "Statement of Calculation 2019"<br>Source: MTHYTDStatement Consolidated-July-19 Final v2.xtxs and Tideway bank records<br>Note: Captures all 2016/17, 2017/18 and 2018/19 revenue received from Tharnes Water prior to the end of March |         |         |       |                |  | 26,747,386   | 26,791,391  | 2<br>38,387,688  | _   |                  |  |             |
| A.8. Reconciliation adjustment<br>Time since original calculation  | Years                                  | 2019.<br>See Project Licence, Appendix 1, Part A 8<br>Represents the number of years since revenue was first calculated to feed into the NPV adjustment of the<br>reconciliation adjustment.<br>Revenue for a given Charging Year is subject to building block reconciliation adjustment where estimated or  |         |         |       |                | 4  | 4  | 3   | 2  | 1   | 0                | _  |             |
| Reconcile this year?<br>Allowed Revenue as per most recently submitted Revenue Statement (excluding building block<br>reconciliation and under/over recovered revenue adjustment)                              | £                                      | Revenue for a given Unaging rean is subject to building block reconciliation adjustment where estimated of<br>forecast expenditive or inflation profix were used the last time that year's revenue was calculated. Defined as<br>follows: 1 = yes, 0 = no<br>Source: 2018 updated revised Revenue Statement, excluding building block reconciliation and under/over<br>recovered revenue adjustment  |         |         |       |                | 8,085,476  | 0  | 1 31,902,004  | 1 48,422,229   | 1 62,470,343  | 0                |  |             |
| 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 IAF<br>Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence,<br>Appendix 1, Part A 11   | 2       |         |       |                |  |  |   |  |   |                  |  |             |

| Eighth          | Ninth           |
|-----------------|-----------------|
| Charging        | Charging        |
| Year<br>2022/23 | Year<br>2023/24 |
| 01/04/2022      | 01/04/2023      |
| 31/03/2023      | 31/03/2024      |
| 2020/21         | 2021/22         |
| 2021/22         | 2022/23         |
| 2022/23         | 2023/24         |
| 2023/24         | 2024/25         |
| 2024/25         | 2025/26         |

| % | 3.2% | 3.2% |
|---|------|------|
| % | 3.2% |      |



#### COMMERCIAL IN CONFIDENCE

#### Calculation 2019

|  |   |   | Calculation 2019  |  |                              |                          |                             |                                |                    |                    |
|--|---|---|---|--|------------------------------|--------------------------|-----------------------------|--------------------------------|--------------------|--------------------|
|  | Building Block  | Unit  | Notes/description   | 2013/14 2014/15                          | Year Year                    |                          | rd Charging Year C          | harging Year Ch                | araina Year        | Charging Year      |
|  | ear starts  |   |   |  | 01/04/2015                   | 01/04/2016               | 01/04/2017                  | 01/04/2018                     | 01/04/2019         | 01/04/2020         |
|  | ear ends<br>ear t-2<br>ear t-1  |   |   |  | 2013/14                      | 2014/15                  | 2015/16                     | 2016/17                        | 2017/18            | 2018/19            |
|  | feart<br>feart+1  |   |   |  | 2015/16<br>2016/17           | 2016/17<br>2017/18       | 2017/18<br>2018/19          | 2018/19<br>2019/20             | 2019/20<br>2020/21 | 2020/21<br>2021/22 |
|  | ear t+2   |   | A faster calculated for each Charging Year to everyon each approximated with that year is a   |  | 2017/18                      | 2018/19                  | 2019/20                     | 2020/21                        | 2021/22            | 2022/23            |
|  | ) for the purposes of calculating Forecast Allowable Project Spend for Charging Year Y  |   | 2014/15 price base. See Project Licence. Appendix 1. 1.1<br>roject Spend for the said Charging Year shall be deflated from a price base in Charg  | ing Year Yt+1 to the Base RPI Index year | ([2014/15]), using an adjust | ment factor derived from | n multiplying the factors s | et out in (i), (ii), (iii) and | (iv) below;        |                    |
|  | precast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 ends  | %   | Forecast RPI - see input sheet for description of source  |  |                              |                          |                             |                                |                    |                    |
|  | orecast RPI Adjustment Factor for the calendar year in which Charging Year Yt ends  |   | Forecast RPI - see input sheet for description of source  |  |                              |                          |                             |                                |                    |                    |
|  | ercentage movement in the RPI (All Items) index as published by Office for National Statistics for the<br>eriod April to September in the calendar year in which Charging Year Yt-1 commenced | %   | September inflation (see detailed modelling assumptions in "Statement of calculation  |  |                              |                          |                             |                                |                    |                    |
|  | orecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 commenced<br>orecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 ends             | %   |   |  |                              |                          |                             |                                |                    |                    |
|  | ase PDI   |   | Vaar avarana RPI for 2014/15, irearl as hase year RPI   |  |                              |                          |                             |                                |                    |                    |
|  | harqing Year Yt-2, or where this is on or before Base RPI Index year, 2014/15   |   | Year average RPI for Charging year T-2 (or 2014/15 where this is later)   |  |                              |                          |                             |                                |                    |                    |
|  | 1 (ii)<br>1 (iii)   |   | Factor used to adjust prices from Charging Year T to Charging Year T-1<br>Factor used to adjust prices from Charging Year T-1 to Charging Year T-2  |  |                              |                          |                             |                                |                    |                    |
|  | 1 (īv)  |   | Factor used to adjust prices from Charging Year T-2 to Base RPI Index year  |  |                              |                          |                             |                                |                    |                    |
|  | PI Adjustment Factor Charging Year T+1  |   | Combines factors (i), (ii), (iii) and (iv) above to calculate factor used to adjust prices from<br>Charging Year T+1 to 2014/15 price base.   |  |                              |                          |                             |                                |                    |                    |
|  | PI Adjustment Factor Charolog Year T  |   | Combines factors (ii), (iii) and (iv) above to calculate factor used to adjust prices from  |  |                              |                          |                             |                                |                    |                    |
|  |   |   |   |  |                              |                          |                             |                                |                    |                    |
| Autor and the second of a  | PI Adjustment Factor Charging Year T-1  |   | Charging Year T-1 to 2014/15 price base.  |  |                              |                          |                             |                                |                    |                    |
| Autor and the second of a  |   |   | Dase.   |  |                              |                          |                             |                                |                    |                    |
|  | pplicable Change in Revenue RPI<br>Pit<br>Differe (Rece DD) Index   |   | RPI in November of Charging Year T-1  | 0.96 0.98<br>245.6 252.1<br>256.7 256.7  | 1.01                         | 1.01 259.8               | 1.03                        | 1.07<br>275.8<br>256 7         | 1.11 284.6         | 1.13               |
|  |   |   | Total Allowed Revenue calculated as the total of the building blocks below, in accordance   | 200.7 206.7                              | 230.7                        | 256.7                    | 256.7                       | 206.7                          | 256.7              |                    |
|  | .1. Allowed Revenue   |   | detail.   |  |                              |                          |                             |                                |                    | 71                 |
|  | .3. Return on Capital   | £   | the forecast average RCV in the Charging Year in question. See Project Licence,   |  |                              |                          |                             |                                |                    | 6                  |
|  |   |   |   |  |                              |                          |                             |                                |                    |                    |
|  | /fwat Stated RCV for Yt-2   |   |   |  |                              |                          |                             |                                |                    | 1,490              |
|  | PRCV YI-1<br>014/15 RPI Adjustment Factor YI-1  |   | Scalar to adjust forecast costs for Charging Year T-1 to 2014/15 price base   |  |                              |                          |                             |                                |                    | 1,49               |
|  | nnual Actual Project Spend Yt-1<br>stimated Allowable Project Spend Yt-1<br>receast Allowable Project Spend Yt-1  | £, 2014/15 prices                                 | Allowable Project Spend (verified by the ITA) incurred in Charging Year T-1<br>Allowable Project Spend (not verified by the ITA) incurred in Charging Year T-1                            |  |                              |                          |                             |                                |                    | 19<br>5<br>21      |
|  | PRCV Yt   |   | Opening RCV for Charging Year T - the sum of opening RCV for Charging year T-1 and<br>all Allowable Project Spend in that year  |  |                              |                          |                             |                                |                    | 2,03               |
|  | nnual Actual Project Spend Yt<br>stimated Allowable Project Spend Yt  | £, 2014/15 prices                                 | Allowable Project Spend (verified by the ITA) incurred in Charging Year T<br>Allowable Project Spend (not verified by the ITA) incurred in Charging Year T                                |  |                              |                          |                             |                                |                    |                    |
|  | orecast Allowable Project Spend Yt<br>PRCV Yt   | £, 2014/15 prices                                 | Allowable Project Spend forecast to be incurred in Charging Year T<br>Closing RCV for Charging Year T - the sum of opening RCV for Charging Year T and all                                |  |                              |                          |                             |                                |                    | 5.                 |
|  | ARCV YI   |   |   |  |                              |                          |                             |                                |                    | 2,21               |
| AdaptCMaxemptingMain<br>MarketMaxemptingMain<br>MarketMaxemptingMark<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>Market<br>   |   |   | The Linuidity hulding block allows the IP a linuidity allowance (raturn on canital) in  |  |                              |                          |                             |                                |                    |                    |
|  | 4. Liquidity  |   | relation to the incremental average RCV in the year following the Charging Year in  |  |                              |                          |                             |                                |                    | 1                  |
| and<br>matrix<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>two<br>tw   | PRCV Yt+1<br>14/15 RPI Adjustment Factor Yt+1   |   | Opening RCV for Charging Year T+1   |  |                              |                          |                             |                                |                    | 2,55               |
|  | orecast Allowable Project Spend for year t+1<br>IPRCV Yt+1  |   | Allowable Project Spend forecast to be incurred in Charging Year T+1  |  |                              |                          |                             |                                |                    | 38<br>2,94         |
|  | YARCV Yt+1  | £, 2014/15 prices                                 | Average RCV for Charging Year T+1   |  |                              |                          |                             |                                |                    | 2,75               |
|  | .5. Opex  |   | In line with the Project Licence, the Opex building block is zero as all costs are accounted  |  |                              |                          |                             |                                |                    |                    |
| where the first is the set of the set   |   |   |   |  |                              |                          |                             |                                |                    |                    |
|  | .6. Financing Cost Adjustment building block  |   | the market cost of debt, by comparing a measure of financing costs at an annual<br>reference point to a base reference point of March 2015. See Project Licence, Appendix<br>1. Part A 6. |  |                              |                          | 0                           |                                |                    |                    |
|  |   | er  | See Project Licence Annantiv 1. Part & 6.3  | 1 30%                                    | 0                            | 0 35%                    | 0.01%                       |                                | -1,478,505         |                    |
|  | nanding Cost Aujustment index men   | 78  |   | 1.0076                                   | 1.462.70                     | 0.0074                   | 0.077                       | 0.2376                         |                    |                    |
|  | ase Reference Point (BRP)   |   | at 31 March 2015  | _  |                              |                          |                             |                                |                    |                    |
| static   | RP-ABP  | %   | at 31 March of Charaina Year YI-2<br>Difference between BRP and ARP   |  |                              | 0.00%                    |                             | 0.95%                          | 1.29%              |                    |
| a lease hand hand hand hand hand hand hand hand  | arket Cost of Debt Adjustment Factor (absolute)<br>arket Cost of Debt Adjustment Factor (corrected sign)  | %   | See Project Licence Appendix 1 Part A 6.7   |  | 0.00%                        | 0.00%                    | 0.00%                       | -0.22%                         | -0.54%             |                    |
| and with the constraint of the con   | et Debt in Charging Year Yt-2   |   |   |  | 0                            |                          |                             |                                |                    |                    |
| Control<br>and control<br>   | /ater Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-2<br>otional Debt to RCV Ratio  | Charging Year T-2)                                | As defined in Project Licence Appendix 1, 1.42  |  | 0<br>62.5%                   |                          |                             |                                |                    | 1,65               |
| in decide dyset<br>in the second  | otional Net Debt in Charging Year Yt-2  | £, current prices (March of<br>Charging Year T-2) | RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A 6.9   |  | o                            | 0                        | 94,569,072                  | 313,804,661                    | 652,141,221        | 1,03               |
| same for the first set if the Carbon is an analysis of the set if the Carbon is and the first set   | et Debt in Charging Year Yt-3   | £, current prices (March of<br>Charging Year T-3) | Net Debt at the end of Charging Year T-3 as defined in Project Licence Appendix 1, 1.41   |  | 0                            | 0                        | 0                           |                                |                    |                    |
|  | ater Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-3<br>otional Debt to RCV Ratio   | £, current prices (March of<br>Charging Year T-3) | RCV at the end of Charging Year T-3 in then current prices<br>As defined in Project Licence Annexity 1, 1,42  |  | 0<br>62.5%                   | 0<br>62.5%               |                             |                                |                    | 1,04               |
| update 2       dig   | otional Debt in RCF Railo<br>otional Net Debt in Charging Year Yt-3   | £, current prices (March of<br>Charging Year T-3) | RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A 6.9   |  | 0                            | 0                        | 0                           |                                |                    | 65                 |
| A. Ta       a.       Best Participation of the second partin of  | vplicable Change in Revenue RPI for Charging Year Yt<br>plicable Change in Revenue RPI for Charging Year Yt-2   |   |   |  | 1.01<br>0.96                 | 1.01<br>0.98             | 1.03<br>1.01                | 1.07<br>1.01                   | 1.11<br>1.03       |                    |
| Af TaxCSecond Ward Second Ward Ward Ward Ward Ward Ward Ward War   |   |   | In line with the Project Licence, zero as the ID is not required to any semantice tay as  |  |                              |                          |                             |                                |                    |                    |
| 1. definite framework for the second sec   | 1.4. Tax  | £   | other income-based tax  |  |                              |                          |                             |                                |                    |                    |
| Control working worki  | .7. Under/Over Recovered Revenue Adjustment   | e   | The revenue adjustment building block is to reconcile for under/over recovered Allowed  |  |                              |                          |                             |                                |                    |                    |
| and takends in single of displayed significant of the single significant of the  |   | ~   | Allowed Revenue as submitted in 2015, 2016 and 2017 updated revised Revenue   |  |                              | 33,603.285               | 28,559,132                  | 49,235,940                     |                    |                    |
| and a constraint of the second se   |   |   | Amount collected by Thames Water and received by Tideway in respect of 2016/17,   |  |                              |                          |                             |                                |                    |                    |
| the second secon   | mount recovered in respect of Allowed Revenue (to end of September 2018)  |   | Amount collected by Thames Water and received by Tideway in respect of 2016/17 and<br>2017/18 Allowed Revenue, prior to the end of October 2018. The cut-off is the same as               |  |                              | 32,230.705               | 24,198.552                  |                                |                    |                    |
| and MV digitation       If       If <thif< th="">       If       If       If</thif<>  |   |   | consistently between Revenue Statements.  |  |                              |                          |                             | 1.07                           |                    |                    |
| where the space s  |   |   | Represents the number of years of NPV adjustment required - two years for a Charging<br>Year being reconciled for the first time, and one year to reconcile further amounts               |  |                              |                          |                             | 1.07                           | 1.11               |                    |
| name and the function of the control of the contr  | ara o r + + ≄ ยัງประเทศท  |   | received in respect of Charging Years already reconciled. See "Statement of Calculation   |  |                              | 1                        |                             | 2                              |                    |                    |
| consistion anome - Changing Yang - Changing Yang and Bandward Rouge Data Substrate The Substrate   | nounts in respect of prior Charging Years not yet reconciled (unadjusted)   |   | Further amounts received in respect of Charging Years that have already been<br>reconciled.   |  |                              | 537,237                  | 568,703                     |                                |                    |                    |
| conciliation amounts (NPV-adjusted)       offen on Revenue RPL         conciliation adjustment       c       500.001       3.075.020       3.075.020         Reconciliation adjustment       c       Reconciliation data to reflect realised actails and updated reparations or singlet realised actails and updated reparations or singlet realised actails and updated reparations or singlet reparations or single   | conciliation amounts - Charging Year T-2 (unadjusted)   |   | Difference between Allowed Revenue for a Charging Year and the amount collected by  |  |                              |                          |                             | 3,496,668                      |                    |                    |
| Change in Revenue RPI       Change in Revenue RPI       Control in Contrel in Contrel in Contrel in Control in Control in Control in Contr  | conciliation amounts (NPV-adjusted)   |   | Reconciliation amount as calculated above, NPV-adjusted for the delay between the<br>original Charoing Year and the year of meropriliation using the BMACC and Amiliantia                 |  |                              | 563.025                  | 506.012                     | 3,875,926                      |                    |                    |
| Conclonation of regulation is a conclusted for exacts. See Project Learce, Agandia to Free as Lange to Juliated for exacts. See Project Learce, Agandia to Free as Lange to Juliate Book reconciliation adjustment $u_{var}^{(1)}$ and $u_{var}^{(2)}$ an  | roonomaavan dilluultis (NE A-diğustika)   |   |   |  | -                            | 563,035 -                | 596,012                     | 3,013,020                      |                    |                    |
| conclusting war?       n       any and price a given Charging Year is subject to building block reconciliation adjustment<br>ware strained or forecast tegenations ware used to all finding a distingent and the method ware used to building block reconciliation adjustment<br>ware strained or forecast tegenations ware used to all finding a distingent at the method ware used to all finding a distingent at the method ware used to all finding a distingent at the method ware used to all finding a distingent at the method ware used to all finding a distingent at the method ware used to all finding a distingent at the method ware used to all finding a distingent at the method ware used to all finding a distingent at the method ware used to all finding adjustment building<br>builden and the ware method ware the ware all finding and the method ware used to all finding adjustment building<br>builden adjustment building adjustment building<br>builden adjustment building adjustment building<br>builden adjustment building adjustment building<br>builden adjustment building adjustment building<br>builden adjustment builden<br>builden adjustment builden<br>builden adjustment builden<br>builden adjustment builden<br>builden adjustment builden<br>builde   | 8. Reconciliation adjustment  | £   | Reconciliation for updated expenditure and inflation data to reflect realised actuals and<br>updated forecasts. See Project Licence. Anoendix 1. Part A 8                                 |  |                              |                          |                             |                                |                    |                    |
| realized calculation was analyzed balance between updated calculation and pervisus year's constrained or years and pervisus year's constrained or years and pervisus year's constrained calculation an   | sconcile this year?   | n/a   | Revenue for a given Charging Year is subject to building block reconciliation adjustment<br>where estimated or forecast expenditure or inflation inputs were used the last time that      |  |                              | 0                        | 1                           | 1                              | 1                  |                    |
| lowed Revenue (as a October 2019) Lowed Revenue (as a October 2019)Lowed Revenue (   | me since original calculation   | years   | year's revenue was calculated. Defined as follows: 1 = yes, 0= no<br>Represents the number of years since revenue was first calculated to feed into the NPV                               |  |                              | 4                        | 3                           | 2                              | 1                  |                    |
| and a control statution and a control statution and previous year's       a contr  | Haund Baranas (an at Oatakas 2000)  | -   | Allowed Revenue recalculated using updated expenditure and inflation data. Excludes   |  |                              |                          |                             |                                |                    |                    |
| owed Revenue (as at October 2018)       £       the under-over recovered revenue adjustment building<br>biocks are not subject to reconciliation adjustment building<br>biocks are not subject to reconciliation.       1.03       1.07       1.11         plicable Change in Revenue RPI (warrin twich)<br>conciliation amounts (undjusted)       £       Adjustment calculated adifference between updated calculation and previous year's<br>conciliation amounts (undjusted)       1.07       1.11         versitient environment       £       Adjustment calculated adifference between updated calculation and previous year's<br>conciliation and revious year's       1.02       1.07       1.02  | Revenue (as at October 2019)  |   | blocks, as these building blocks are not subject to reconciliation. See BBRA Calculation  |  |                              |                          | 31,675,235                  | 47,743,966                     | 62,556,010         |                    |
| pilotable Change in Revenue PPI vear in which original calculation was made)<br>pilotable Change in Revenue PPI (current vear)<br>conciliation amounts (unadjusted)<br>conciliation amoun | lowed Revenue (as at October 2018)  |   | the under/over recovered revenue adjustment and the reconciliation adjustment building  |  |                              |                          | 31,902,004                  | 48,422,229                     | 62,470,343         |                    |
| econciliation amounts (unadjusted) £ Adjustment calculated as difference between updated calculation and previous year's   | plicable Change in Revenue RPI (year in which original calculation was made)  |   | blocks, as these building blocks are not subject to reconciliation.   |  |                              |                          |                             |                                |                    |                    |
| conciliation amounts (NPV-adjusted) 24 Adjustment calculated as difference between updated calculation and previous year's calculation, post NPV-adjustment using BWACC and Applicable Change in Revenue RPL 267,637 -751,630 89,781   |   | £   | calculation, prior to NPV adjustment.   |  |                              |                          | -226,770                    | -678,263                       | 85,668             |                    |
|  | econciliation amounts (NPV-adjusted)  | £   | Adjustment calculated as difference between updated calculation and previous year's<br>calculation, post NPV-adjustment using BWACC and Applicable Change in Revenue RPI.                 |  |                              |                          | -267,637                    | -751,830                       | 89,781             |                    |

|   | 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<br>Tideway makes an IRF Overrum Application to increase allowable Project Spand above<br>the Threshold Outturn). See Project Licence, Appendix 1, Part A 11 |

£

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

Tideway 2019 updated revised Revenue Statement submission 18 12 2019 FINAL - WEB

A.11. Additional Return on Capital Building Block

COMMERCIAL IN CONFIDENC

## BBRA Inputs 2018

| Year starts<br>Year ends<br>Year t-2<br>Year t-1<br>Year t<br>Year t+2<br><b>1.1 2014/15 RPI Adjustment Factor</b><br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends | Unit<br>%  | Source/notes UPDATED FOR RECONCILIATION Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of independent forecasts"; HM Treasury, August 2019 WPDATED FOR RECONCILIATION Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of independent forecasts"; HM Treasury, August 2019 |    | 2013/14 | :     | 2014/15 | First Charging<br>Year<br>2015/16<br>01/04/2015<br>31/03/2016<br>2013/14<br>2014/15<br>2014/15<br>2015/16<br>2016/17<br>2017/18 | Second<br>charging year<br>2016/17<br>01/04/2016<br>31/03/2017<br>2015/16<br>2016/17<br>2017/18<br>2018/19 | Third<br>Charging<br>Year<br>2017/18<br>01/04/2017<br>31/03/2018<br>2015/16<br>2016/17<br>2017/18<br>2018/19<br>2019/20 | Fourth<br>Charging Year<br>2018/19<br>01/04/2018<br>31/03/2019<br>2016/17<br>2017/18<br>2018/19<br>2019/20<br>2020/21 | Fifth<br>Charging<br>Year<br>2019/20<br>01/04/2019<br>31/03/2020<br>2017/18<br>2018/19<br>2019/20<br>2020/21<br>2021/22<br>2.7%<br>2.8% |             | Charging<br>Year<br>2021/22<br>01/04/2021<br>31/03/2022<br>2019/20<br>2020/21<br>2021/22<br>2022/23<br>2023/24<br>3.0% | Year<br>2022/23<br>01/04/2022<br>31/03/2023<br>2020/21<br>2021/22<br>2022/23<br>2023/24<br>2024/25 |
|---|--|--|----|---------|-------|---------|---|--|---|---|---|-------------|--|--|
| RPI, September of Charging Year   |  | Required by Project Licence Appendix 1, 1.1 (i), (iii), (iii)<br>UPDATED FOR RECONCILIATION Source: RPI (All Items) index, Consumer Price Inflation Reference Tables,<br>Table 36, 16 October 2019, Office for National Statistics.  |    |         | [     | 257.    | .6 259.6  | 6 264.9  | 275.1   | 284.1   | 291.0   |             |  |  |
| RPI, March of Charging Year   |  | Required by Project Licence Appendix 1, 1.1 (iii)<br>UPDATED FOR RECONCILIATION Source: RPI (All Items) index, Consumer Price Inflation Reference Tables,<br>Table 36, 10 October 2019, Office for National Statistics.  |    |         | 254.8 | 257     |   |  | 278.3   |   |   |             |  |  |
| Applicable Change in Revenue RPI  |  | Required by Project Licence Appendix 1, 1.1 (iii)  |    |         |       |         |   |  |   |   | ]   |             |  |  |
| RPIt (RPI for November in Charging Year Yt-1)   |  | Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 19 December 2018, Office fo<br>National Statistics.<br>Required by Project Licence Appendix 1, Part A 3, 4 and 6   | r  |         | 245.6 | 252     | 2.1 259.  | .8 259.8   | 265.  | 5 275.8   | 284.6   |             |  |  |
|   |  | Required by Project Lochice Appendix 1, Part A 3, 4 and 0<br>Note: for both First and Second Charging years, stated RPI is for November 2015, as Allowed Revenue for both<br>these years is being calculated together<br>UPDATED FOR RECONCLUATION Source: Calculated from RPI (All Items) index, Consumer Price Inflation   |    |         | 240.0 | 2.32    | 200.  | 235.0  | 203.  | 213.0   | 204.0   |             |  |  |
| Year average RPI  |  | Reference Tables, Table 36, 15 October 2019 Office for National Statistics<br>Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.1 (iv)   |    |         |       | 256     | 5.7 259.  | 4 265.0  | 274.  | 9 283.3   |   |             |  |  |
| 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), 1 August 2018<br>Required by Project Licence Appendix 1, Part A 3   |    |         | 0     |         | 0 148,741,346   | 6 478,533,658  | 962,316,426   |   |   |             |  |  |
| Allowable Project Spend (actual and forecast) - as at October 2019<br>Annual Actual Project Spend   | Outturn prices, £                                | UPDATED FOR RECONCILIATION Source: "ITA Verification No. 37.pdf"   |    |         | ſ     |         | 0 150,344,66  | 340,489,147  | 518,165,90  | 582,828,772   | 224,031,449   | 1           |  |  |
| Estimated Allowable Project Spend   | Outturn prices, £                                | Required by Project Licence Appendix 1, Part A 3   |    |         |       |         | 0   | 0 0  |   | D C   | 58,140,795  |             | 1  |  |
| Forecast Allowable Project Spend  | Outturn prices, £                                | UPDATED FOR RECONCIL/IATION Source: "2019 Revenue Statement - ITA Expenditure Forecast Review Q2 -<br>Issued Rev1.pdf" for full-year 2019/20, 2020/21 and 2021/22 forecast. The 2019/20 figure is net of expenditure<br>already realised (April to September) as reflected in Annual Actual Project Spend and Estimated Allowable Project<br>Spend.  | •  |         |       |         | 0   | 0 0  |   | D C   | 338,668,378   | 615,408,320 |  |  |
| Excluded Project Spend  | Outturn prices, £                                | Required by Project Licence Appendix 1, Part A 3, 4 Data removed as not required for reconciliation purposes. See "Inputs 2019".   |    |         | L     |         |   |  |   |   |   | 1           | 1  |  |
| Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project<br>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 2019".   |    |         |       |         |   |  |   |   |   |             |  |  |
| BWACC   | %  | Source: Project Licence, Appendix 1, 1.18<br>Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8  |    |         |       |         | 2.497%  |  |   |   |   |             |  |  |
| A.5. Opex   |  |  |    |         |       |         |   |  |   |   |   |             |  |  |
| Opex forecast as at October 2019  | Outturn prices, £                                | Note: In line with the Project Licence, zero as all expenditure treated as capex.<br>Required by Project Licence Appendix 1, Part A 5  |    |         |       |         |   | 0 0  |   | D   | C   | ]           |  |  |
| A.6. Financing Cost Adjustment  |  |  |    |         |       |         |   |  |   |   |   |             |  |  |
| Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March  | %  | Source: "FCA yield calculator.xlsx"<br>Calculated with reference to iBoxx BBB data and spot implied inflation rates for 10 year maturity from Bank of<br>England.<br>Required by Project Licence Appendix 1, Part A 6  |    |         |       | 1.30    | 1.435   | % 0.35%  | 0.019   | 6   |   |             |  |  |
| Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March   | Current prices at 3<br>March of Charging<br>Year | 31<br>Source: Regulatory Capital Values - Bazalgette Tunnel Limited (Tideway), 1 August 2018<br>9 Required by Project Licence Appendix 1, Part A 3   |    | 0       | 0     |         | 0 151,310,51  | 5 502,087,458  | 1,043,425,95  | 3   |   |             |  |  |
| Net Debt at 31 March  | Current prices at 2                              | 31<br>Source: Tideway financial statements as at 31 March 2018<br>9 Required by Project Licence Appendix 1, Part A 6   |    | 0       | 0     |         | 0 -130,376,91   | 3 -315,869,558   | -72,091,18  | 6   |   |             |  |  |
| Notional Debt to RCV ratio  | %  | Source: Project Licence Appendix 1, 1.42<br>Required by Project Licence Appendix 1, Part A 6   |    |         |       | 62.5    | 5%  |  | 1   | -   |   |             |  |  |
| A 1.4. Tax  |  |  |    |         |       |         |   |  |   |   |   |             |  |  |
| Tax as at October 2019  | Outturn prices, £                                | In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based ta<br>See Project Licence Appendix 1, Part A 1.4   | х. |         |       |         |   | 0 0  |   | 0 0   | C   |             |  |  |
| A.7. Under/Over Recovered Revenue Adjustment - as at October 2018   |  | See Project Licence, Appendix 1, Part A.7  |    |         |       |         |   |  |   |   |   |             |  |  |
| Allowed Revenue<br>Amount recovered in respect of Allowed Revenue (to end of September 2018)  | £<br>Outturn prices, s                           | Data removed as not required for reconciliation purposes. See "Inputs 2019".<br>2 Data removed as not required for reconciliation purposes. See "Inputs 2019".   |    |         |       |         |   |  |   |   |   |             |  |  |
| Years of NPV adjustment   |  | Data removed as not required for reconciliation purposes. See "Inputs 2019".   |    |         |       |         |   |  |   |   |   |             |  |  |
| Amounts received from TWUL in Charging Year (all years of Allowed Revenue)  | Outturn prices, i                                | Data removed as not required for reconciliation purposes. See "Inputs 2019".   |    |         |       |         |   |  |   |   |   |             |  |  |
| A.8. Reconciliation adjustment<br>Time since original calculation<br>Reconcile this year?<br>Allowed Revenue as per most recently submitted Revenue Statement (excluding building block<br>reconciliation)  | Years<br>£                                       | See Project Licence, Appendix 1, Part A 8<br>Data removed as not required for reconciliation purposes. See "Inputs 2019".<br>Data removed as not required for reconciliation purposes. See "Inputs 2019".<br>Data removed as not required for reconciliation purposes. See "Inputs 2019".  |    |         |       |         |   |  |   |   |   |             |  |  |
| A.11. Additional Return on Capital Building Block<br>Additional Allowable Project Spend   |  | Not applicable at present. Inputs to be added if this building block becomes relevant (i.e. if Tideway makes an IAF<br>Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence,<br>Appendix 1, Part A 11   | 2  |         |       |         |   |  |   |   |   |             |  |  |
| A 1.6.4. Net Present Value Adjustment<br>End of first charging year<br>Licence Award  |  | Last day of the First Charging Year<br>Date of Licence award   |    |         |       |         | 31/03/201<br>24/08/201  | <u>6</u><br>5  |   |   |   |             |  |  |

| BBRA | Calcula | tion 20 | 18 |
|------|---------|---------|----|

|  |  | BBRA Calculation 2018   |  |                                  |                                  |                                  |                                  |   |
|--|--|---|--|----------------------------------|----------------------------------|----------------------------------|----------------------------------|---|
| Building Block   | Unit   | Notes/description   | 2013/14 2014/15  | First Charging Se<br>Year Ye     |                                  |                                  | Fourth<br>Charging Year          | Fifth<br>Charging Year  |
| Year starts  |  |   |  | 2015/16<br>01/04/2015            | 2016/17<br>01/04/2016            | 2017/18<br>01/04/2017            | 2018/19<br>01/04/2018            | 2019/20<br>01/04/2019   |
| Year ends<br>Year t-2<br>Year t-1  |  |   |  | 31/03/2016<br>2013/14<br>2014/15 | 31/03/2017<br>2014/15<br>2015/16 | 31/03/2018<br>2015/16<br>2016/17 | 31/03/2019<br>2016/17<br>2017/18 | 31/03/2020<br>2017/18<br>2018/19                                    |
| Yeart<br>Yeart   |  |   |  | 2014/15<br>2015/16<br>2016/17    | 2016/17<br>2017/18               | 2018/17<br>2017/18<br>2018/19    | 2018/19<br>2019/20               | 2018/19<br>2019/20<br>2020/21                                       |
| Year t+2   |  | A factor calculated for each Charging Year to express costs associated with that year in  |  | 2017/18                          | 2018/19                          | 2019/20                          | 2020/21                          | 2021/22   |
| 1.1.2014/15 RPI Adjustment Factor<br>(a) for the purposes of calculating Forecast Allowable Project Spend for Charging Year<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year Y+1 commerces<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year Y+1 ends<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year Y+1 ends<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year Y+1 ends<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year Y+1 ends | Yt+1, estimated Allowable P<br>%<br>%<br>%                                       | a 2014/15 price base. See Project Licence, Appendix 1, 1.1  | arging Year Yt+1 to the Base R                                     | RPI Index year ([2014/15]), ı    | using an adjustment fact         | or derived from multiplying      | the factors set out              | In (i), (ii), (iii) and (iv) below;<br>2.8%<br>3.0%<br>2.7%<br>2.8% |
| Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the<br>period April to September in the calendar year in which Charging Year Yt-1 commenced<br>Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the<br>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<br>to September inflation (see detailed modelling assumptions in "Statement of calculation<br>2019)<br>Network for Alext And September to capture April to September inflation (see "Statement<br>of Cabculation 2019)               |  |                                  |                                  |                                  |                                  | 2.1%  |
| Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 commenced   | %  | NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of<br>source   |  |                                  |                                  |                                  |                                  |   |
| 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<br>source   |  |                                  |                                  |                                  |                                  |   |
| Base RPI<br>Charging Year YI-2, or where this is on or before Base RPI index year, 2014/15<br>Charging Year YI-1<br>1.1.6)   |  | Yoar arwinge RPI for 2014/15, used as base year RPI<br>Year arwinge RPI for Charging year 7-2 (or 2014/15 where this is later)<br>NEW ROW ADDED FOR RECONDILIATION Year arwinge RPI for Charging Year t-1   |  |                                  |                                  |                                  |                                  | 256.7<br>274.9<br>283.3   |
| 1.1(0)<br>1.1(0)<br>1.1(0)<br>1.1(0)   |  | Factor used to adjust prices from Changing Year T+1 to Changing Year T<br>CALCULATION ALTEREP FOR RECONCULATION Factor used to adjust prices from Changin<br>CALCULATION ALTERED FOR RECONCULATION Factor used to adjust prices from Changing<br>Factor used to adjust prices from Changing Year T-2 to Base RPI Index year | ng Year T to Charging Year T-1<br>ng Year T-1 to Charging Year T-2 |                                  |                                  |                                  |                                  | 1.03<br>1.03<br>1.03<br>1.07  |
| 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.  |  |                                  |                                  |                                  |                                  | 1.17  |
| 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.   |  |                                  |                                  |                                  |                                  | 1.14  |
| RPI Adjustment Factor Charging Year T-1<br>RPI Adjustment Factor Charging Year T-2   |  | Combines factors (iii) and (iv) above to calculate factor used to adjust prices from<br>Charging Year T-1 to 2014/15 price base.<br>Equal to factor (iv) above - used to adjust prices from Charging Year T-2 to 2014/15  |  |                                  |                                  |                                  |                                  | 1.10  |
|  |  | price base.   | 0.05 0.05  | 1.01                             | 1.01                             | 1.02                             | 4.07                             |   |
| Applicable Change in Revenue RPI<br>RPH<br>RPIbase (Base RPI Index)  |  | RPI in November of previous Charging Year relative to 2014/15 base year<br>RPI in November of Charging Year T-1<br>Average RPI for 2014/15  | 0.96 0.98<br>245.6 252.1<br>256.7 256.7                            | 1.01<br>259.8<br>256.7           | 1.01<br>259.8<br>256.7           | 1.03<br>265.5<br>256.7           | 1.07<br>275.0<br>256.3           | 1.11<br>3 284.6<br>7 256.7  |
| A.1. Allowed Revenue   | £  | Total Allowed Revenue calculated as the total of the building blocks below, in<br>accordance with Project Licence, Appendix 1, 1.4. See Statement of calculation 2019<br>for further detail.  |  |                                  |                                  |                                  |                                  | 62,556,010  |
| A.3. Return on Capital   | £  | The Return on Capital building block allows the IP to earn a return on capital in relation<br>to the forecast average RCV in the Charging Year in question. See Project Licence,<br>Appendix 1, Part A 3  |  |                                  |                                  |                                  |                                  | 48,790,998  |
| 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<br>the end of the Charging Year  |  |                                  |                                  |                                  |                                  | 962,316,426   |
| OPRCV Yt-1<br>2014/15 RPI Adjustment Factor Yt-1   |  | Opening RCV for Charging Year T-1.<br>Scalar to adjust forecast costs for Charging Year T-1 to 2014/15 price base   |  |                                  |                                  |                                  |                                  | 962,316,426<br>1.10   |
| Annual Actual Project Spend Yt-1<br>Estimated Allowable Project Spend Yt-1<br>Forecast Allowable Project Spend Yt-1  | £, 2014/15 prices<br>£, 2014/15 prices<br>£, 2014/15 prices                      | Allowable Project Spend (verified by the ITA) incurred in Charging Year T-1<br>Allowable Project Spend (not verified by the ITA) incurred in Charging Year T-1<br>Allowable Project Spend forecast to be incurred in Charging Year T-1  |  |                                  |                                  |                                  |                                  | 528,020,889<br>0<br>0   |
| OPRCV Yt<br>2014/15 RPI Adjustment Factor Yt   | £, 2014/15 prices  | Opening RCV for Charging Year T - the sum of opening RCV for Charging year T-1 and<br>all Allowable Project Spend in that year<br>Scalar to adjust forecast costs for Charging Year T to 2014/15 price base   |  |                                  |                                  |                                  |                                  | 1,490,337,315   |
| Annual Actual Project Spend Yt<br>Estimated Allowable Project Spend Yt<br>Forecast Allowable Project Spend Yt<br>CPRCV Yt  | £, 2014/15 prices<br>£, 2014/15 prices<br>£, 2014/15 prices<br>£, 2014/15 prices | Allowable Project Spend (verified by the ITA) incurred in Charging Year T<br>Allowable Project Spend (not verified by the ITA) incurred in Charging Year T<br>Allowable Project Spend forecast to be incurred in Charging Year T<br>Cosing RCV for Charging Year T - the sum of opening RCV for Charging Year T and all     |  |                                  |                                  |                                  |                                  | 196,205,834<br>50,919,472<br>296,604,392                            |
| YARCV Yt   |  | Allowable Project Spend in that year<br>Year average RCV for Charging Year T  |  |                                  |                                  |                                  |                                  | 2,034,067,013   |
|  |  | The Liquidity building block allows the IP a liquidity allowance (return on capital) in   |  |                                  |                                  |                                  |                                  |   |
| A.4. Liquidity   | £  | relation to the incremental average RCV in the year following the Charging Year in<br>question. See Project Licence, Appendix 1, Part A 4   |  |                                  |                                  |                                  |                                  | 14,781,904  |
| OPRCV Yt+1<br>2014/15 RPI Adjustment Factor Yt+1<br>Forecast Allowable Project Spend for year t+1  | £, 2014/15 prices  | Opening RCV for Charging Year T+1<br>Scalar to adjust forecast costs for Charging Year T+1 to 2014/15 price base<br>Allowable Project Spand forecast to be incurred in Charging Year T+1  |  |                                  |                                  |                                  |                                  | 2,034,067,013<br>1.17<br>524,037,054                                |
| CPRCV YI+1 FYARCV YI+1   | £, 2014/15 prices  | Closing RCV for Charging Year T+1 Average RCV for Charging Year T+1   |  |                                  |                                  |                                  |                                  | 2,558,104,068   |
|  | at an interest of process  | In line with the Project Licence, the Opex building block is zero as all costs are  |  |                                  |                                  |                                  |                                  |   |
| A.5. Opex  |  | accounted for as capital expenditure. See Project Licence, Appendix 4, Part A 5<br>The Financing Cost Adjustment building block is intended to protect against movements  |  |                                  |                                  |                                  |                                  | 0   |
| A.6. Financing Cost Adjustment building block  |  | in the market cost of debt, by comparing a measure of financing costs at an annual<br>reference point to a base reference point of March 2015. See Project Licence, Appendix  |  |                                  |                                  | 0                                | 461,61                           | 4 -1,016,891  |
| Financing Cost Adjustment Yt   |  | 1. Part A 6   |  | 0                                | 0                                | 0                                | 461,61                           | 4 -1,478,505  |
| Financing Cost Adjustment Index Yield  | %  | See Project Licence Appendix 1, Part A 6.3  | 1.30%  | 1.43%                            | 0.35%                            | 0.01%                            |                                  |   |
| Base Reference Point (BRP)   | %  | The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield as<br>at 31 March 2015<br>The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield as  |  | 1.30%                            | 1.30%                            | 1.30%                            | 1.309                            |   |
| Annual Reference Point (ARP)<br>BRP-ABP<br>Market Cost of Debt Adjustment Factor (absolute)  | %<br>%   | at 31 March of Charging Year Yt-2<br>Difforence between BRP and ARP<br>See Project Licence Appendix 1 Part A 6.7  |  | 0.0%                             | 1.30%<br>0.0%<br>0.0%            | 1.43%<br>-0.1%<br>0.0%           | 0.35%                            | 6 1.3%  |
| Market Cost of Debt Adjustment Factor (corrected sign)   | %  | See Project Licence Appendix 1 Part A 6.7   |  | 0.0%                             | 0.0%                             | 0.0%                             | -0.2%                            | -0.5%   |
| Net Debt in Charging Year Yt-2<br>Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-2  | Charging Year T-2)<br>£, current prices (March of<br>Charging Year T-2)          | Net Debt at the end of Charging Year T-2 as defined in Project Licence Appendix 1, 1.41<br>RCV at the end of Charging Year T-2 in then current prices   |  | 0<br>0                           | 0<br>0                           | -130,376,913<br>151,310,515      | -315,869,55                      |   |
| Notional Debt to RCV Ratio<br>Notional Net Debt in Charging Year Yt-2  | %<br>£, current prices (March of   | As defined in Project Licence Appendix 1, 1.42<br>RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A<br>69   |  | 62.5%<br>0                       | 62.5%<br>0                       | 62.5%<br>94,569,072              | 62.5%<br>313,804,661             |   |
| Net Debt in Charging Year Yt-3   | £, current prices (March of  | o.y<br>Net Debt at the end of Charging Year T-3 as defined in Project Licence Appendix 1, 1.41  |  | 0                                | 0                                | 0                                | -130,376,91                      | -315,869,558  |
| Water Services gelation Authority Adjusted RCV (Current Prices) in Charging Year Yt-3<br>Notional Debt to RCV Ratio  | Charging Year T-3)<br>£, current prices (March of<br>Charging Year T-3)          | RCV at the end of Charging Year T-3 in then current prices<br>As defined in Project Licence Appendix 1, 1.42  |  | 0<br>62.5%                       | 0<br>62.5%                       | 0<br>62.5%                       | 151,310,51<br>62.5%              |   |
| Notional Debt to KCV Ratio<br>Notional Net Debt in Charging Year Yt-3  |  | As derined in Project Licence Appendix 1, 1.42<br>RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A<br>6.9  |  | 02.5%                            | 02.5%                            | 62.5%                            | 94,569,072                       |   |
| Applicable Change in Revenue RPI for Charging Year Yt<br>Applicable Change in Revenue RPI for Charging Year Yt-2   |  |   |  | 1.01<br>0.96                     | 1.01<br>0.98                     | 1.03<br>1.01                     | 1.0<br>1.0                       |   |
| A.1.4. Tax   | £  | In line with the Project Licence, zero as the IP is not required to pay corporation tax or<br>any other income-based tax<br>See Project Licence Appendix 1, Part A 1.4  |  |                                  |                                  |                                  |                                  | o   |
| A.7. Under/Over Recovered Revenue Adjustment   | £  | REMOVED FROM THIS RECONCILIATION SHEET AS RECONCILED SEPARATELY,<br>AS UNDERVOVER RECOVERED REVENUE IN RELATION TO ALL APPLICABLE<br>CHARGING YEARS IS RECONCILED IN CALCULATION 2019.<br>The revenue adjustment building block is to reconcile for under/over recovered Allowed  |  |                                  |                                  |                                  |                                  | 0   |
| Allowed Revenue  |  | Revenue in previous Charging Years.<br>See Project Licence, Appendix 1, Part A.7<br>Allowed Revenue as submitted in 2016 updated revised Revenue Statement  |  |                                  |                                  |                                  |                                  |   |
| Amount recovered in respect of Allowed Revenue (to end of September 2018)<br>Amount recovered in respect of Allowed Revenue (to end of September 2017)   | £  | Amount collected by Thames Water and received by Tideway in respect of 2016/17 and<br>2017/18 Allowed Revenue, prior to the end of September 2018.<br>Amount collected by Thames Water and received by Tideway in respect of 2016/17  |  |                                  |                                  |                                  |                                  |   |
| Applicable Change in Revenue RPI   | L  | Allowed Revenue, prior to the end of September 2017.<br>RPI in November of previous Charging Year relative to 2014/15 base year<br>Represents the number of years of NPV adjustment required - two years for a Charging<br>Year being reconciled for the first time, and one year to reconcile further amounts              |  |                                  |                                  |                                  |                                  |   |
| Years of NPV adjustment  |  | received in respect of Charging Years already reconciled. See "Statement of Calculation<br>2018"  |  |                                  |                                  |                                  |                                  |   |
| Amounts in respect of prior Charging Years not yet reconciled (unadjusted)<br>Reconciliation amounts - Charging Year T-2 (unadjusted)  |  | Further amounts received in respect of Charging Years that have already been<br>recorciled.<br>Difference between Allowed Revenue for a Charging Year and the amount collected by   |  |                                  |                                  |                                  |                                  |   |
| Reconciliation amounts - Charging Year T-2 (unadjusted)  |  | Encound Veterseen and received by Trideway in respect of that Allowed Revenue.<br>Reconciliation amount as calculated above, NPV-adjusted for the delay between the   |  |                                  |                                  |                                  |                                  |   |
| Reconciliation amounts (NPV-adjusted)<br>Allowed Revenue   |  | reconclutation anticom as calculated above, vir vagusted to the bang between the<br>original Charging Vear and the year of reconciliation using the BWACC and Applicable<br>Change in Revenue RPI.<br>Allowed Revenue as submitted in 2016 updated revised Revenue Statement  |  |                                  |                                  |                                  |                                  |   |
| Allowed Revenue<br>Amount recovered in respect of Allowed Revenue (to end of September 2018)   | £  | Amount collected by Thames Water and received by Tideway in respect of 2016/17 and<br>2017/18 Allowed Revenue, prior to the end of September 2018.  |  |                                  |                                  |                                  |                                  |   |
| Amount recovered in respect of Allowed Revenue (to end of September 2017)<br>Applicable Change in Revenue RPI  | £  | Amount collected by Thames Water and received by Tideway in respect of 2016/17<br>Allowed Revenue, prior to the end of September 2017.<br>RPI in November of previous Charging Year relative to 2014/15 base year   |  |                                  |                                  |                                  |                                  |   |
| Years of NPV adjustment  |  | Represents the number of years of NPV adjustment required - two years for a Charging<br>Year being reconciled for the first time, and one year to reconcile further amounts<br>received in respect of Charging Years already reconciled. See "Statement of Calculation  |  |                                  |                                  |                                  |                                  |   |
| Amounts in respect of prior Chaming Years not vet reconciled (unadiusted)  |  | 2018"<br>Further amounts received in respect of Charging Years that have already been   |  |                                  |                                  |                                  |                                  |   |

| Amounts in respect of prior Charging Years not yet reconciled (unadjusted)<br>Reconciliation amounts - Charging Year T-2 (unadjusted) |       | Further amounts received in respect of Charging Years that have already been<br>reconciled.<br>Difference between Allowed Revenue for a Charging Year and the amount collected by<br>Thames Water and received by Tideway in respect of that Allowed Revenue.  |
|---|-------|--|
| Reconciliation amounts (NPV-adjusted)   |       | Reconciliation amount as calculated above, NPV-adjusted for the delay between the<br>original Charging Year and the year of reconciliation using the BWACC and Applicable<br>Change in Revenue RPI.  |
| A.8. Reconciliation adjustment  | £     | REMOVED FROM THIS RECONCILATION SHEET AS RECONCILED SEPARATELY<br>IN BBRA CACULATION STOR Reconciliation for updated sepanditure and inflation data<br>to reflect realised actuals and updated forecasts. See Project Licence, Appendix 1, Part<br>A R.  |
| Reconcile this year?  | n/a   | Revenue for a given Charging Year is subject to building block reconciliation adjustment<br>where estimated or forecast expenditure or inflation inputs were used the last time that<br>year's revenue was calculated. Defined as follows: 1 = yes, 0 = no<br>Represents the number of years since revenue was first calculated to feed into the NPV |
| Time since original calculation   | years | Represents the number of years since revenue was first calculated to feed into the NPV<br>adjustment of the reconciliation adjustment.   |
| Allowed Revenue (as at October 2018)  | £     | Allowed Revenue recalculated using updated expenditure and inflation data. Excludes<br>the under/over recovered revenue adjustment and the reconciliation adjustment building<br>blocks, as these building blocks are not subject to reconciliation. See BBRA Calculation<br>2015, BBRA Calculation 2016 and BBRA Calculation 2017.                  |
| Allowed Revenue (as at October 2017)  | £     | Allowed Revenue as submitted in 2017 updated revised Revenue Statement. Excludes<br>the under/over recovered revenue adjustment and the reconciliation adjustment building<br>blocks, as these building blocks are not subject to reconciliation.  |
| Applicable Change in Revenue RPI (year in which original calculation was made)<br>Applicable Change in Revenue RPI (current year)     |       |  |
| Reconciliation amounts (unadjusted)   | £     | Adjustment calculated as difference between updated calculation and previous year's<br>calculation, prior to NPV adjustment.   |
| Reconciliation amounts (NPV-adjusted)   | £     | Adjustment calculated as difference between updated calculation and previous year's<br>calculation, post NPV-adjustment using BWACC and Applicable Change in Revenue<br>RPI.   |
| A.11. Additional Return on Capital Building Block   | £     | Not applicable. To be added to calculation if building block becomes relevant (i.e. if<br>Tideway makes an IAR Overum Application to increase Allowable Project Spend above<br>the Threshold Outlum). 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<br>Tideway makes an IAR Overrun Application to increase Allowable Project Spend above<br>the Threshold Outturn). See Project Licence, Appendix 1, Part A 11   |

## BBRA Inputs 2017

|   |                     | BBRA Inp   | uts 2017 |         |       |         |      |                          |                         |  |  |  |  |  |
|---|---------------------|--|----------|---------|-------|---------|------|--------------------------|-------------------------|--|--|--|--|--|
| Year starts   | Unit                | Source/notes   | 2012/13  | 2013/14 | 2     | 2014/15 | Ye   | ar                       | Second<br>charging year | Third<br>Charging<br>Year<br>2017/18<br>01/04/2017 | Fourth<br>Charging Year<br>2018/19<br>01/04/2018 | Fifth<br>Charging<br>Year<br>2019/20<br>01/04/2019 | Sixth<br>Charging<br>Year<br>2020/21<br>01/04/2020 | Seventh<br>Charging<br>Year<br>2021/22<br>01/04/2021 |
| Year ends   |                     |  |          |         |       |         |      | 31/03/2016<br>2013/14    | 31/03/2017<br>2014/15   | 31/03/2018<br>2015/16                              | 31/03/2019<br>2016/17                            | 31/03/2020<br>2017/18                              | 31/03/2021<br>2018/19                              | 31/03/2022<br>2019/20                                |
| Year t-2<br>Year t-1  |                     |  |          |         |       |         |      | 2014/15                  | 2015/16                 | 2016/17  | 2017/18  | 2018/19  | 2019/20  | 2020/21  |
| Year t<br>Year t+1  |                     |  |          |         |       |         |      | 2015/16<br>2016/17       | 2016/17<br>2017/18      | 2017/18<br>2018/19                                 | 2018/19<br>2019/20                               | 2019/20<br>2020/21                                 | 2020/21<br>2021/22                                 | 2021/22<br>2022/23                                   |
| Year t+2  |                     |  |          |         |       |         |      | 2017/18                  | 2018/19                 | 2019/20  | 2020/21  | 2021/22  | 2022/23  | 2023/24  |
| 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   | %                   | the UK economy: a comparison of independent forecasts", HM Treasury, August 2019<br>Required by Project Licence Appendix 1, 1-1 (1), (ii), (iii)<br>UPDATED FOR RECONCILIATION Source: Average independent new forecasts for RPI, Table M3, "Forecasts fi  |          |         |       |         |      |                          |                         |  |  | 2.7%   |  |  |
| Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends  | %                   | the UK economy: a comparison of independent forecasts", HIM Treasury, August 2019<br>Required by Project Licence Appendix 1, 1.1 (i), (iii), (iiii)<br>UPDATED FOR RECONCILIATION Source: RPI (All Items) index, Consumer Price Inflation Reference Tables,  |          |         | Г     |         |      |                          |                         |  |  | 2.8%   | 3.0  | %  |
| RPI, September of Charging Year   |                     | Table 36, 16 October 2019, Office for National Statistics.<br>Required by Project Licence Appendix 1, 1.1 (iii)<br>UPDATED FOR RECONCLIATION Source: RPI (All Items) index, Consumer Price Inflation Reference Tables,   |          | [       |       | 25      | 57.6 | 259.6                    | 264.9                   | 275.1  | 284.1  | 291.0  |  |  |
| RPI, March of Charging Year   |                     | Table 36, 16 October 2019, Office for National Statistics.<br>Required by Project Licence Appendix 1, 1.1 (iii)  |          |         | 254.8 | 25      | 57.1 | 261.1                    | 269.3                   | 278.3  | 285.1  |  |  |  |
| Applicable Change in Revenue RPI  |                     | Source: RPI (All litems) index, Consumer Price Inflation Reference Tables, Table 36, 12 December 2017, Office  |          |         |       |         |      |                          |                         |  |  | 1  |  |  |
| RPIt (RPI for November in Charging Year Yt-1)   |                     | for National Statistics.<br>Required by Project Licence Appendix 1, Part A 3, 4 and 6<br>Note: for both First and Second Charging years, stated RPI is for November 2015, as Allowed Revenue for both<br>these years is being calculated together<br>UPDATED FOR RECONCLIATION Source: Calculated from RPI (All Items) index, Consumer Price Inflation   |          |         | 245.6 | 25      | 52.1 | 259.8                    | 259.8                   | 265.5  | 275.8  | -  |  |  |
| Year average RPI  |                     | Reference Tables, Table 36, 15 October 2019 Office for National Statistics<br>Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.1 (iv)   |          |         | L     | 25      | 56.7 | 259.4                    | 265.0                   | 274.9  | 283.3  |  |  |  |
| 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<br>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 2019  |                     | I JONATER EAD REAMANTI I ATION Source: 1174 Varification No. 97 - 18   |          |         | F     |         |      |                          |                         | 1  | 1  |  | 1  |  |
| Annual Actual Project Spend   | Outturn prices, £   | UPDATED FOR RECONCILIATION Source: "ITA Verification No. 37.pdf"<br>Required by Project Licence Appendix 1, Part A 3<br>UPDATED FOR DECONCILIATION Example: "Requiring Repetition Reputition Reputition Reputition Reputition Reputition   |          |         | -     |         | 0    | 150,344,662              | 340,489,147             | 518,165,900  | 582,828,772                                      |  |  |  |
| Estimated Allowable Project Spend   | Outturn prices, £   | UPDATED FOR RECONCILIATION Source: "Regulation Reporting Sep 19"<br>Required by Project Licence Appendix 1, Part A 3<br>UPDATED FOR RECONCILIATION Source: "2019 Revenue Statement - ITA Expenditure Forecast Review Q2 -<br>Transport - Transport - Transpo |          |         | ŀ     |         | 0    | 0                        | 0                       | (  | 0  | 58,140,795   |  |  |
| Forecast Allowable Project Spend  | Outturn prices, £   | Issued Rev1,pdf" for full-year 2019/20, 2020/21 and 2021/22 forecast. The 2019/20 figure is net of expenditure<br>already realised (April to September) as reflected in Annual Actual Project Spend and Estimated Allowable<br>Project Spend.<br>Required by Project Licence Appendix 1, Part A 3, 4   |          |         |       |         | 0    | 0                        | 0                       | (  | 0  | 338,668,378  |  |  |
| Excluded Project Spend  | Outturn prices, £   | Data removed as not required for reconciliation purposes. See "Inputs 2019".   |          |         |       |         |      |                          |                         |  |  |  |  |  |
| Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project<br>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 2019".   |          |         |       |         |      |                          |                         |  |  |  |  |  |
| BWACC   | %                   | Source: Project Licence, Appendix 1, 1.18<br>Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8  |          |         |       |         |      | 2.497%                   |                         |  |  |  |  |  |
| A.5. Opex   | <b>.</b>            | Note: In line with the Project Licence, zero as all expenditure treated as capex.  |          |         |       |         | _    |                          |                         |  |  | 1  |  |  |
| Opex forecast as at October 2019  | Outturn prices, £   | Required by Project Licence Appendix 1, Part A 5   |          |         |       |         |      | 0                        | 0                       |  | 0  |  |  |  |
| A.6. Financing Cost Adjustment  |                     |  |          |         |       |         |      |                          |                         |  |  |  |  |  |
| Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March  | %                   | Source: "FCA yield calculator.xlsx"<br>Calculated with reference to iBoxx BBB data and spot implied inflation rates for 10 year maturity from Bank of<br>England.<br>Required by Project Licence Appendix 1, Part A 6  |          |         |       | 1.3     | 30%  | 1.43%                    | 0.35%                   |  |  |  |  |  |
| Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March   | Year                | <sup>1</sup> Source: Regulatory Capital Values - Bazalgette Tunnel Limited (Tideway), Ofwat, 14 July 2017<br>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 3 | 1<br>Source: Tideway financial statements as at 31 March 2017<br>Required by Project Licence Appendix 1, Part A 6  |          | 0       | 0     |         | 0    | -130,376,913             | -315,869,558            |  |  |  |  |  |
| Notional Debt to RCV ratio  | %                   | Source: Project Licence Appendix 1, 1.42<br>Required by Project Licence Appendix 1, Part A 6   |          |         |       | 62.     | 2.5% |                          |                         | 1  |  |  |  |  |
| A 1.4. Tax  |                     |  |          |         |       |         |      |                          |                         |  |  |  |  |  |
| A 1.4. Tax  | Outturn prices, £   | In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based fax  |          |         |       |         |      | 0                        | 0                       | ,  |  |  |  |  |
| Tax as at October 2019  | Outturn prices, £   | See Project Licence Appendix 1, Part A 1.4   |          |         |       |         |      | 0                        | 0                       |  | 0  |  |  |  |
| 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)   | £                   | Data removed as not required for reconciliation purposes. See "Inputs 2019".   |          |         |       |         |      |                          |                         |  |  |  |  |  |
| Amount recovered in respect of 2016/17 Allowed Revenue (to end of September 2017)   | Outturn prices, £   | Data removed as not required for reconciliation purposes. See "Inputs 2019".   |          |         |       |         |      |                          |                         |  |  |  |  |  |
| Amounts received from TWUL in Charging Year (all years of Allowed Revenue)  | Outturn prices, £   | Data removed as not required for reconciliation purposes. See "Inputs 2019".   |          |         |       |         |      |                          |                         |  |  |  |  |  |
|   |                     |  |          |         |       |         |      |                          |                         |  |  |  |  |  |
| A.8. Reconciliation adjustment<br>Time since original calculation   | Years               | See Project Licence, Appendix 1, Part A 8<br>Data removed as not required for reconciliation purposes. See "Inputs 2019".  |          |         |       |         |      |                          |                         |  |  |  |  |  |
| Reconcile this year?<br>Allowed Revenue as per most recently submitted Revenue Statement (excluding building block  |                     | Data removed as not required for reconciliation purposes. See "Inputs 2019".   |          |         |       |         |      |                          |                         |  |  |  |  |  |
| reconciliation)   | £                   | Data removed as not required for reconciliation purposes. See "Inputs 2019".   |          |         |       |         |      |                          |                         |  |  |  |  |  |
| 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<br>IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence<br>Appendix 1, Part A 11  | 2,       |         |       |         |      |                          |                         |  |  |  |  |  |
|   |                     | ripportain (), suice ()  |          |         |       |         |      |                          |                         |  |  |  |  |  |
| A 1.6.4. Net Present Value Adjustment<br>End of first charging year<br>Licence Award  |                     | Last day of the First Charging Year<br>Date of Licence award   |          |         |       |         |      | 31/03/2016<br>24/08/2015 |                         |  |  |  |  |  |
|   |                     |  |          |         |       |         |      |                          |                         |  |  |  |  |  |



#### COMMERCIAL IN CONFIDENCE

|  |  | BBRA Calculation 2017   |                               |                             |   |                  |   |   |   |
|--|--|---|-------------------------------|-----------------------------|---|------------------|---|---|---|
| Building Block   | Unit   | Notes/description   |                               | 2013/14 2014/15             | Yea   | r C              |   |   | ourth Charging Year                                       |
| Year starts<br>Year ends<br>Year 1-1<br>Year 1-1   |  |   |                               |                             | 2015/<br>01/04/2<br>31/03/2<br>2013/<br>2014/ | 015<br>016<br>14 | 2016/17<br>01/04/2016<br>31/03/2017<br>2014/15<br>2015/16 | 2017/18<br>01/04/2017<br>31/03/2018<br>2015/16<br>2016/17 | 2018/19<br>01/04/2018<br>31/03/2019<br>2016/17<br>2017/18 |
| Year t<br>Year t+1   |  |   |                               |                             | 2015/<br>2016/                                | 16<br>17         | 2016/17<br>2017/18  | 2017/18<br>2018/19  | 2018/19<br>2019/20  |
| Yeart+2<br>1.1 2014/15 RPI Adjustment Factor   |  | A factor calculated for each Charging Year to express costs associated with that year in a<br>01014/47 mice based Dec Decised Light is the express costs associated with that year in a   |                               |                             | 2017/   | 18               | 2018/19   | 2019/20   | 2020/21   |
| (a) for the purposes of calculating Forecast Allowable Project Spend for Charging Year Yt+1, estimated A<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 commences   | %  | Forecast RPI - see input sheet for description of source  | ar Yt+1 to                    | the Base RPI Index yea      | r ([2014/15]), using                          | ı an adjust      | ment factor derived                                       | from multiplying the                                      | 2.75  |
| Forecast RPI Adjustment Factor for the calendar vaer in which Charging Year YH+1 ends<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year Y commences<br>Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt ends  | %  | Forecast RPI - see input sheet for description of source<br>NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of sour<br>NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of sour  |                               |                             |   |                  |   |   | 2.85  |
| Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in<br>the calendar year in which Charging Year YL-1 commenced  | n %  | NOT USED FOR RECONCILIATION Calculated with reference to the index values for<br>March and September to capture April to September inflation (see "Statement of<br>calculation 2018")   |                               |                             |   |                  |   |   | 2.29  |
| Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in<br>the calendar year in which Charging Year Y commenced   | 1  | NOT USED FOR RECONCILIATION Calculated with reference to the index values for<br>March and September to capture April to September inflation (see "Statement of   |                               |                             |   |                  |   |   | 2.1   |
| 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 YH 1 commenced   | 1  | calculation 2018")<br>NEW ROW ADDED FOR RECONCILIATION Calculated with reference to the index<br>values for March and September to capture April to September inflation (see "Statement<br>of calculation 2018")  |                               |                             |   |                  |   |   | 2.1   |
| Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt-1 commenced<br>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 sour<br>NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of sour  |                               |                             |   |                  |   |   |   |
| Base RPI<br>Charging Year Yh-2, or where this is on or before Base RPI Index year, 2014/15<br>Charging Year Yh-1<br>Charging Year Yh   |  | Year average RPI for 2014/15, used as base year RPI<br>Year average RPI for Charging year T-2 (or 2014/15 where this is later)<br>NEW ROW ADDED FOR RECONCLIATION Year average RPI for Charging Year t-1<br>NEW ROW ADDED FOR RECONCLIATION Year average RPI for Charging Year t-<br>NEW ROW ADDED FOR RECONCLIATION Year average RPI for Charging Year t |                               |                             |   |                  |   |   | 256.<br>265.<br>274.<br>283.                              |
| 1.1 (b)<br>1.1 (b)<br>1.1 (c)<br>1.1 (c)   |  | CALCULATION ALTERED FOR RECONCILIATION Factor used to adjust prices from Cha<br>CALCULATION ALTERED FOR RECONCILIATION Factor used to adjust prices from Cha<br>CALCULATION ALTERED FOR RECONCILIATION Factor used to adjust prices from Cha<br>Factor used to adjust prices from Charging Vear V 2 as base RPI index year                                | rging Year                    | T to Charging Year T-1      |   |                  |   |   | 1.0<br>1.0<br>1.0<br>1.0                                  |
| RPI Adjustment Factor Charging Year T+1  |  | Combines factors (i), (ii), (iii) and (iv) above to calculate factor used to adjust prices from<br>Charging Year T+1 to 2014/15 price base.   |                               |                             |   |                  |   |   | 1.1   |
| RPI Adjustment Factor Charging Year T  |  | Combines factors (ii), (iii) and (iv) above to calculate factor used to adjust prices from<br>Charging Year T to 2014/15 price base.  |                               |                             |   |                  |   |   | 1.1   |
| RPI Adjustment Factor Charging Year T-1<br>RPI Adjustment Factor Charging Year T-2   |  | Combines factors (iii) and (iv) above to calculate factor used to adjust prices from<br>Charging Year T-1 to 2014/15 price base.<br>Equal to factor (iv) above - used to adjust prices from Charging Year T-2 to 2014/15 price<br>base.   |                               |                             |   |                  |   |   | 1.0   |
| Applicable Change in Revenue RPI<br>RPIt<br>RPIbase (Base RPI Index)   |  | PPI in November of previous Charging Year relative to 2014/15 base year<br>RPI in November of Charging Year T-1<br>Average RPI for 2014/15  |                               | 0.96 0.98<br>245.6<br>256.7 | 252.1<br>256.7                                | 259.8<br>256.7   | 1.01<br>259.8<br>256.7                                    | 1.03<br>265.5<br>256.7                                    | 1.07<br>275.<br>256.                                      |
| A.1. Allowed Revenue   | £  | Total Allowed Revenue calculated as the total of the building blocks below, in accordance<br>with Project Licence, Appendix 1, 1.4. See Statement of calculation 2019 for further<br>detail.  |                               |                             |   |                  |   |   | 47,743,96   |
| A.3. Return on Capital   | £  | The Return on Capital building block allows the IP to earn a return on capital in relation to<br>the forecast average RCV in the Charging Year in question. See Project Licence,<br>Appendix 1, Part A 3  |                               |                             |   |                  |   |   | 32,904,067  |
| Ofwat Stated RCV for Yi-2  | £, 2014/15 prices  | RCV at the end of Charging Year T-2 as published by Ofwat by 1 September following<br>the end of the Charging Year  |                               |                             |   |                  |   |   | 478,533,658   |
| OPRCV Yh-1<br>2014/15 RPI Adjustment Factor Yh-1<br>Annual Actual Project Spend Yh-1   | £, 2014/15 prices<br>£, 2014/15 prices   | Opening RCV for Charging Year T-1.<br>Scalar to adjust forecast costs for Charging Year T-1 to 2014/15 price base<br>Allowable Project Spend (wrified by the ITA) incurred in Charging Year T-1   |                               |                             |   |                  |   |   | 478,533,658<br>1.07<br>483,782,768                        |
| Estimated Allowable Project Spend Yt-1 Forecast Allowable Project Spend Yt-1 Procest Allowable Project Spend Yt-1 Procest Project Spend Yt-1 Provide | £, 2014/15 prices<br>£, 2014/15 prices<br>£, 2014/15 prices                      | Allowable Project Spend (not verified by the ITA) incurred in Charging Year T-1<br>Allowable Project Spend forecast to be incurred in Charging Year T-1<br>Opening RCV for Charging Year T-1 the sum of opening RCV for Charging year T-1 and   |                               |                             |   |                  |   |   |   |
| OPRCV Y1<br>2014/15 RPI Adjustment Factor Y1<br>Annual Actual Project Spend Y1   | £, 2014/15 prices  | all Allowable Project Spend in that year<br>Scalar to adjust forecast costs for Charging Year T to 2014/15 price base<br>Allowable Project Spend (verified by the ITA) incurred in Charging Year T  |                               |                             |   |                  |   | _   | 962,316,420<br>1.10<br>528,020,889                        |
| Estimated Allowable Project Spend Yt Forecast Allowable Project Spend Yt   | £, 2014/15 prices<br>£, 2014/15 prices   | Allowable Project Spend (not verified by the ITA) incurred in Charging Year T<br>Allowable Project Spend forecast to be incurred in Charging Year T<br>Closing RCV for Charging Year T - the sum of opening RCV for Charging Year T and all   |                               |                             |   |                  |   |   |   |
| CPRCV Y1<br>YARCV Y1   | £, 2014/15 prices<br>£, 2014/15 prices   | Allowable Project Spend in that year<br>Year average RCV for Charging Year T  |                               |                             |   |                  |   |   | 1,490,337,315   |
| A.4. Liquidity   | £  | The Liquidity building block allows the IP a liquidity allowance (return on capital) in calculate the immersed summer POV is the use of clinical the Chermica Your in   |                               |                             |   |                  |   |   | 14,378,284  |
| A.4. Liquidity OPRCV 1/+1  | £, 2014/15 prices  | relation to the incremental average RCV in the year following the Charging Year in<br>question. See Project Licence, Appendix 1, Part A 4<br>Opening RCV for Charging Year T+1  |                               |                             |   |                  |   |   | 14,378,284  |
| 2014/15 RPI Adjustment Factor Yt+1<br>Annual Actual Project Spend for year Yt+1<br>Estimated Allowable Project Spend for year Yt+1   | £, 2014/15 prices<br>£, 2014/15 prices   | Solair to adjust forecast costs for Charging Year T+1 to 2014/15 price base<br>Scalar to adjust forecast costs for Charging Year T+1 to 2014/15 price base<br>NEW ROW ADDED FOR RECONCLIATION Allowable Project Spend (vorified by the ITA,<br>NEW ROW ADDED FOR RECONCLIATION Allowable Project Spend (not verified by the                               | ) incurred in<br>ITA) incurre | Charging Year T+1           |   |                  |   |   | 1.14<br>196,205,834<br>50,919,472                         |
| Forecast Allowable Project Spend for year t+1<br>CPRCV Yt+1  | £, 2014/15 prices<br>£, 2014/15 prices   | Allowable Project Spend forecast to be incurred in Charging Year T+1<br>Closing RCV for Charging Year T+1   |                               |                             |   |                  |   |   | 296,604,392<br>2,034,067,013                              |
| FYARCV Yt+1  | £, 2014/15 prices  | Average RCV for Charging Year T+1   |                               |                             |   |                  |   |   | 1,762,202,164   |
| A.5. Opex  |  | In line with the Project Licence, the Opex building block is zero as all costs are accounted<br>for as capital expenditure. See Project Licence, Appendix 1, Part A 5   |                               |                             |   |                  |   |   | C   |
| A.6. Financing Cost Adjustment building block  |  | The Financing Cost Adjustment building block is intended to protect against movements<br>in the market cost of debt, by comparing a measure of financing costs at an annual<br>reference point to a base reference point of March 2015. See Project Licence, Appendix   |                               |                             |   |                  |   | 0   | 461,61  |
| Financing Cost Adjustment Yt   |  | 1. Part A 6   |                               |                             |   | 0                | 0   | 0   | 461,614   |
| 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<br>at 31 March 2015<br>The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield as  |                               |                             |   | 1.30%<br>1.30%   | 1.30%   | 1.30%   | 1.30%   |
| BRP-ABP<br>Market Cost of Debt Adjustment Factor (absolute)  | %  | at 31 March of Charaging Year Yt-2<br>Difference between BRP and ARP<br>See Project Licence Appendix 1 Part A 6.7   |                               |                             |   | 0.0%             | 0.0%<br>0.0%  | -0.1%<br>0.0%   | 0.9%<br>0.2%  |
| Market Cost of Debt Adjustment Factor (corrected sign) Net Debt in Charging Year YI-2  | £, current prices (March of  | See Project Licence Appendix 1 Part A 6.7<br>Net Debt at the end of Charging Year T-2 as defined in Project Licence Appendix 1, 1.41  |                               |                             |   | 0.0%             | 0.0%  | 0.0%<br>-130,376,913                                      | -0.2%<br>-315,869,558                                     |
| Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-2  | Charging Year T-2)<br>£, current prices (March of<br>Charging Year T-2)          | RCV at the end of Charging Year T-2 in then current prices  |                               |                             |   | 0                | 0   | 151,310,515   | 502,087,458   |
| Notional Debt to RCV Ratio Notional Net Debt in Charging Year YI-2   | %<br>£, current prices (March of<br>Charging Year T-2)                           | As defined in Project Licence Appendix 1, 1.42<br>RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A<br>6.9  |                               |                             |   | 62.5%<br>0       | 62.5%<br>0  | 62.5%<br>94,569,072                                       | 62.5%<br>313,804,661                                      |
| Net Debt in Charging Year YI-3   | £, current prices (March of<br>Charging Year T-3)<br>£, current prices (March of | Net Debt at the end of Charging Year 1-5 as demied in Hoject Elence Appendix 1, 1.41  |                               |                             |   | 0                | 0   | 0   | -130,376,913  |
| Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-3 Notional Debt to RCV Ratio   | %  | RCV at the end of Charging Year T-3 in then current prices<br>As defined in Project Licence Appendix 1, 1.42<br>RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A   |                               |                             |   | 0<br>62.5%       | 0<br>62.5%  | 0<br>62.5%  | 151,310,515<br>62.5%                                      |
| Notional Net Debt in Charging Year Yt-3 Applicable Change in Revenue RPI for Charging Year Yt  | Charging Year T-3)   | 6.9   |                               |                             |   | 0                | 0<br>1.01   | 0<br>1.03   | 94,569,072  |
| Applicable Change in Revenue RPI for Charging Year Yt-2  |  | te line with the Decinet Lineares are the 10 is an environd to an experimentation because   |                               |                             |   | 0.96             | 0.98  | 1.01  | 1.01  |
| A.1.4. Tax   | £  | In line with the Project Licence, zero as the IP is not required to pay corporation tax or any<br>other income-based tax<br>See Project Licence Appendix 1, Part A 1.4<br>REMOVED FROM THIS RECONCILATION SHEET AS RECONCILED SEPARATELY,   |                               |                             |   |                  |   |   | c.  |
| A.7. Under/Over Recovered Revenue Adjustment   | £  | AS UNDERVOVER RECOVERED REVENUE IN RELATION TO ALL APPLICABLE<br>CHARGING YEARS IS RECONCILED IN CALCULATION 2019.<br>The revenue adjustment building block is to reconcile for under/over recovered Allowed<br>Revenue in previous Charging Years.<br>See Project Lence, Appendir V, Part A.7  |                               |                             |   |                  |   |   |   |
| Allowed Revenue<br>Amount recovered in respect of 2016/17 Allowed Revenue (to end of September 2017)   |  | See Froject Licence, Appenax 1, Part A./<br>Allowed Revenue as submitted in 2015 updated revised Revenue Statement<br>Amount collected by Thames Water and received by Tideway in respect of 2016/17<br>Allowed Revenue,  |                               |                             |   |                  |   |   |   |
| Andourin teorettein in respect of 2016 if Andouen extension (of end of september 2017)<br>Applicable Change in Revenue RPI (vear in which original calculation was made)<br>Applicable Change in Revenue RPI (current year)  |  | prior to the end of September 2017.   |                               |                             |   |                  |   |   |   |
| Reconciliation amounts (unadjusted) Reconciliation amounts (NPV-adjusted)  |  | Difference between Allowed Revenue for a Charging Year and the amount collected by<br>Thames Water and received by Tideway in respect of that Allowed Revenue.<br>Reconciliation amount as calculated above. Phy-adjusted for the delay between the<br>original Charging Year and the year of reconciliation using the BWACC and Applicable               |                               |                             |   |                  |   |   |   |
| A.8. Reconciliation adjustment   | £  | Change in Revenue RPI.<br>REMOVED FROM THIS RECONCILIATION SHEET AS RECONCILED SEPARATELY<br>IN BBRA CALCULATION 2016 Reconciliation for updated expenditure and inflation data<br>to reflect realised actuals and updated forecasts. See Project Licence, Appendix 1, Part   |                               |                             |   |                  |   |   |   |
| Reconcile this year?   | n/a  | to reflect realised actuals and updated forecasts. See Project Licence, Appendix 1, Part<br>A 8<br>Revenue for a given Charging Year is subject to building block reconciliation adjustment<br>where estimated or forecast expenditure or inflation inputs were used the last time that   |                               |                             |   |                  |   |   |   |
| Time since original calculation  | years  | year's revenue was calculated. Defined as follows: 1 = yes, 0= no<br>Represents the number of years since revenue was first calculated to feed into the NPV<br>adjustment of the reconciliation adjustment.   |                               |                             |   |                  |   |   |   |
| Allowed Revenue (as at October 2017)   | £  | Allowed Revenue recalculated using updated expenditure and inflation data. Excludes<br>the under/over recovered revenue adjustment and the reconciliation adjustment building<br>blocks, as these building blocks are not subject to reconciliation. See BBRA Calculation   |                               |                             |   |                  |   |   |   |
| Allowed Revenue (as at October 2016)   | £  | 2015 and BBRA Calculation 2016<br>Allowed Revenue as submitted in 2016 updated revised Revenue Statement. Excludes<br>the under/over recovered revenue adjustment and the reconciliation adjustment building<br>blocks as the building blocks are not subject to recoveriliation.   |                               |                             |   |                  |   |   |   |
| Applicable Change in Revenue RPI (year in which original calculation was made)<br>Applicable Change in Revenue RPI (current year)  |  | blocks, as these building blocks are not subject to reconciliation.   |                               |                             |   |                  |   |   |   |
|  |  | Adjustment calculated as difference between updated calculation and previous year's   |                               |                             |   |                  |   |   |   |
| Reconciliation amounts (unadjusted)  | £  | calculation, prior to NPV adjustment.   |                               |                             |   |                  |   |   |   |
| Reconciliation amounts (unadjusted) Reconciliation amounts (NPV-adjusted) A 11 Additional Return on Capital Building Block   | £  | calculation, prior to NPV adjustment.<br>Adjustment calculated as difference between updated calculation and previous year's<br>calculation, post NPV-adjustment using BWACC and Applicable Change in Revenue<br>RPI.<br>Not applicable. To be added to calculation if building block becomes relevant (i.e. if   |                               |                             |   |                  |   |   |   |
|  |  | calculation, prior to NPV adjustment.<br>Adjustment calculated as difference between updated calculation and previous year's<br>calculation, post NPV-adjustment using BWACC and Applicable Change in Revenue<br><u>RPI</u> .   |                               |                             |   |                  |   |   |   |

### BBRA Inputs 2016

|   |   | BBRA Inputs 2016  |         |         |       |        |                                     |                                     |                                     |                                     | #11.4.4                             | e:                                  |
|---|---|---|---------|---------|-------|--------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   |   |   |         |         |       |        | First Charging<br>Year              | Second<br>charging year             | Third<br>Charging Year              | Fourth<br>Charging Year             |                                     | Sixth<br>Charging                   |
| Year starts   | Unit  | Source/notes  | 2012/13 | 2013/14 | 20    | 014/15 | 2015/16                             | 2016/17                             | 2017/18                             | 2018/19                             | Year<br>2019/20<br>01/04/2019       | Year<br>2020/21                     |
| Year ends<br>Year t-2   |   |   |         |         |       |        | 01/04/2015<br>31/03/2016<br>2013/14 | 01/04/2016<br>31/03/2017<br>2014/15 | 01/04/2017<br>31/03/2018<br>2015/16 | 01/04/2018<br>31/03/2019<br>2016/17 | 01/04/2019<br>31/03/2020<br>2017/18 | 01/04/2020<br>31/03/2021<br>2018/19 |
| Yeart-1<br>Yeart<br>Yeart+1   |   |   |         |         |       |        | 2014/15<br>2015/16<br>2016/17       | 2015/16<br>2016/17<br>2017/18       | 2016/17<br>2017/18<br>2018/19       | 2017/18<br>2018/19<br>2019/20       | 2018/19<br>2019/20<br>2020/21       | 2019/20<br>2020/21<br>2021/22       |
| Year 142  |   |   |         |         |       |        | 2017/18                             | 2018/19                             | 2019/20                             | 2020/21                             | 2021/22                             | 2022/22                             |
| 1.1 2014/15 RPI Adiustment Factor   |   | UPDATED FOR RECONCILIATION (2018 Revenue Statement) Source: Average independent new forecasts fo<br>RPI, Table M3, "Forecasts for the UK economy: a comparison of independent forecasts", HM Treasury, August   |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences   | %   |   |         |         |       |        |                                     |                                     |                                     |                                     | 2.7%                                | 2.8%                                |
| Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends  | %   | 2018<br>Required by Photect Licence Accendict 1. 1.1 (I). (II).<br>UPDATED FOR RECONCULATION (2018 Revenue Statement) Source: Average independent new forecasts for<br>RPT, Table MS, "Soncasts for the UK economy: a comparison of independent forecasts", HM Treasury, August<br>2018<br>Benvised hy Project Licence Accendity 1.1.1 (II). (III)  |         |         |       |        |                                     |                                     |                                     |                                     | 2.8%                                | 3.0%                                |
| RPI, September of Charging Year   |   | Reaulard by Present Learner Aerondrin 1, 1 m. (iii, iii)<br>UPATET D'RY RATIONER AND  |         |         |       | 257.6  | 259.6                               | 264.9                               | 275.1                               | 284.1                               |                                     | ,                                   |
| RPI, March of Charging Year   |   | UPDATED FOR RECONCLIATION (2018 Revenue Statement) Source: RPI (All Items) Index, Consumer Price<br>Inflation Reference Tables, 21 and 96, 17 October 2018, Office for National Statistics.<br>Required by Protect Licence Accendity 1. 1.1 (iii)   |         |         | 254.8 | 257.1  | 261.1                               | 269.3                               | 278.3                               |                                     |                                     |                                     |
| Applicable Change in Revenue RPI  |   | Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 13 December 2016, Office  |         |         |       |        |                                     |                                     |                                     | 1                                   |                                     |                                     |
| RPIt (RPI for November in Charging Year Yt-1)   |   | for National Statistics<br>Required by Project Lisence Appendix 1, Part A 3, 4 and 6<br>Note: for both Frist and Saccond Charging years, stated RPV is for November 2015, as Allowed Revenue for both<br>these views is both calculated together  | b       |         | 245.6 | 252.1  | 259.8                               | 259.8                               | 265.5                               |                                     |                                     |                                     |
| Year average RPI  |   | Holes on Joan Train and Bachard Generging Jenic, Jamier V Har Anderson Holes and Jenice Carlo and Content and C |         |         |       | 256.7  | 259.4                               | 265.0                               | 274.9                               | 283.3                               |                                     |                                     |
| 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_web2016RcvBaza(gette.xlsx). Zero prior to licence award<br>Required by Protect Licence Accendix 1. Part A 3  |         |         | 0     | 0      | 148,741,346                         |                                     |                                     |                                     |                                     |                                     |
| Allowable Project Spend (actual and forecast) - as at October 2019<br>Annual Actual Project Spend   | Outturn prices, £   | Source: "17A Ventification No. 37 pdf"<br>Recuived by Project Licence Acoendir 1, Part A.3<br>Source: "Regulation Reporting Sup 19"   |         |         |       | 0      | 150,344,662                         | 340,489,147                         | 518,165,900                         | 582,828,772                         |                                     |                                     |
| Estimated Allowable Project Spend   | Outturn prices, £   | Source: "Regulation Reporting Sep 19"<br>Resulted by Protect Licence Assembly 1. Part A 3   |         |         |       | 0      | 0                                   | d                                   | 0                                   | 0                                   |                                     |                                     |
| Forecast Allowable Project Spend  | Outturn prices, £   | Source: "Regulation Reporting Sip 19"<br>Resulted by Private Licence Accentrativ 1. Part A 3<br>Source: 2019 Revenue Statement - ITA Expenditure Foncesst Review 62 - issued Rev 1,pdf" for full-year<br>2019/02, 2020 - 2019 And 2012 (22 Foncess The 201920) Tigure in net of expenditure already realised (April to<br>Separately as inflaced in Annual Actual Project Spand and Estimated Allowable Project Spand.<br>Resulted by Private Licence Accentrativ - Part A - 4  |         |         |       | 0      | 0                                   | d                                   | 0                                   | 0                                   |                                     |                                     |
| Excluded Project Soend  | Outturn prices, £   | Date removed as not required for reconciliation purposes. See "Inputs 2019".  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| Alliance Agreement receipts - expanditure funded by these receipts is treated as Excluded Project<br>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 2019".  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| BWACC   | %   | Source: Project Licence, Appendix 1, 1, 18<br>Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8  |         |         |       |        | 2.497%                              | ]                                   |                                     |                                     |                                     |                                     |
| A.5. ODEX<br>Opex forecast as at October 2019   | Outturn prices, £   | Note: In line with the Project Licence, zero as all expenditure treated as capes.<br>Required by Project Licence Appendix 1, Part A 5   |         |         |       |        | 0                                   | a                                   | 0                                   | ]                                   |                                     |                                     |
| A.6. Financing Cost Adjustment  |   |   |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March  | %   | Source: "20161018, "TTT Index data.xits."<br>Calculated with reference to Block BBB data from Bloomberg and spot implied inflation rates for 10 year maturi<br>from Bank of England<br>Required by Protect Licence Accendix 1. Part A 6   | V       |         |       | 1.30%  | 1.43%                               | ]                                   |                                     |                                     |                                     |                                     |
| Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March   | Current prices at<br>31 March of<br>Charoino Year<br>Current prices at<br>31 March of | Source: Ofwat publication (prg_web2016RovBazalgetex.ktx). Zero prior to Scence award<br>Required by Project Licence Appendix 1, Part A 3  |         | 0       | 0     | 0      | 151,310,515                         |                                     |                                     |                                     |                                     |                                     |
| Net Debt at 31 March  | Current prices at<br>31 March of  | Source: Trideway regulatory accounts, zero prior to Licence award<br>Required by Project Licence Appendix 1, Part A 6   |         | 0       | 0     | 0      | -130,376,913                        |                                     |                                     |                                     |                                     |                                     |
| Notional Debt to RCV ratio  | Charoino Year<br>%  | Source: Project Licence Appendix 1, 142<br>Required by Project Licence Appendix 1, 142  |         |         |       | 62.5%  |                                     | 1                                   |                                     |                                     |                                     |                                     |
|   |   |   |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| A 1.4. Tax<br>Tax as at October 2019  | Outturn prices. £   | In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based   |         |         |       |        |                                     |                                     |                                     | 1                                   |                                     |                                     |
|   | Outurn prices, E  | BBL<br>Reo Piniert I inanno Annerdiv 1. Part & 1.4  |         |         |       |        | 0                                   |                                     |                                     |                                     |                                     |                                     |
| A.7. Under/Over Recovered Revenue Adjustment - as at October<br>2016  |   | See ProjectLicence, Appendix 1, Part A.7  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| Allowed Revenue   | £   | Data removed as not required for reconciliation purposes.<br>Motionalizable for 2015 and 2016 Removes Statements as adjustment applies in respected Chamies Your 7.2  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| 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 7.2,<br>and 2015 use the first year the Allowed Revenue calculation was made. In future years, source will be IP<br>reoutatory accounts.<br>Not acadicable for 2015 and 2016 Revenue Statements as adjustment acelles in respect of Charging Year 7.2.  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| Amount recovered in respect of IP Charge April - September accounting periods [Charging Year T-2]   | £   | Netrapitable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year 7-2,<br>And 2015 was the first year the Allowed Revenue calculation was made. In future years, source will be IP<br>Internal accounting records.  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| Amount recovered in respect of IP Charge as at end of [Charging Year T-2]   | £   | Nat applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T-2,<br>and 2015 uses the first year the Allowed Revenue calculation uses made. In future years, source will be iP<br>reoutlatory accounts.<br>Marannipable for 2015 and 2016 Revenue Statements as adjustment anolisis in respect of Chargino Year T-2.  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| Amount recovered in respect of IP Charge April - September accounting periods [Charging Year T-1]   | £   | Not applicable for 2015 and 2016 Revenue Statements as adjustment applies in respect of Charging Year T2,<br>and 2015 uses the first year the Allowed Revenue calculation was made. In future years, source will be IP<br>internal accounting records.  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| A.8. Reconciliation adjustment  | Years   | See Project Licence, Appendix 1, Part A 8   |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| Time since most recent calculation<br>Reconcile this vear?<br>Allowed Revenue as or most recently submitted Revenue Statement   | rears<br>£  | Data removied as not required for reconciliation ourooses.<br>Data removied as not required for reconciliation ourooses.<br>Data removied as not required for reconciliation ourooses.<br>Data removied as not required for reconciliation ourooses.  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
|   |   |   |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| A.11. Additional Return on Capital Building Block<br>Additional Allowable Project Spend   |   | Not applicable at present - Inputs to be added if this building block becomes relevant (i.e. if Tideway makes an<br>IAR Overum Application to increase Allowable Project Spand above the Threshold Outturn). See Project<br>Licence. Accendus 1. Part A 11  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
| A 1.6.4. Net Present Value Adjustment<br>End of first charains year<br>Licence Award  |   | Data removed as not recurited for reconciliation purposes.<br>Data removed as not recurited for reconciliation purposes.  |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |
|   |   |   |         |         |       |        |                                     |                                     |                                     |                                     |                                     |                                     |

#### BBRA Calcul 2013/14 2014/15 First Sacowd Third Charging Year Third Charging Year Strife 2014/15 Performed Part 2017/15 Sacowd Part 2017/15 Year starts Year ends Year 1-2 Year 1-1 Year 1 Year 1+1 Year 1+2 1.1 2014 A four companyie from Company Text companyie and account of the Arroy on A 2014 of Executions. The Arroy Companyies and Arroy Companyie — university or calculation Forecast Allowable Project Soend for Chair Forecast 99-(dageneet Facetor the calculary yan in which Chairing Nau Yhi commerces Forecast 99-(dageneet Facetor the calculary win in which Chairing Tau Yhi or whi Forecast 99-(dageneet Facetor the calculary win in which Chairing Yan Yhi commerce Forecast 99-(dageneet Facetor the calculary win in which Chairing Yan Yhi commerce Facetor 99-(dageneet Facetor the calculary win in which Chairing Yan Yhi com Peticitype Researce) in the SPI(Allowa) (dags an web---in ---atm. S S S \* nation and in the Samerhan In the calendar same in which Chamton Samer We I communication Forecast RPLAdjustment Factor for the calendar year in which Chamting Year 'H-I commo Forecast RPLAdjustment Factor for the calendar year in which Chamting Year 'H-I ends ŝ Base RPI Charging Year 11-2, or wi Charging Year 11-1 Charging Year 11-1 Charging Year 11+1 Year awares RPI for 2014 15, used as been view RPI Year awares RPI for Charging year 7-6 (or 2014 15 where bits in later) RUM ROW ADDE POR RECORCULATION Year awares RPI for Charging Year 7-4 NEW ROW ADDED POR RECORCULATION Year awares RPI for Charging year 7-4 NEW ROW ADDED POR RECORCULATION Year awares RPI for Charging year 7-4 256.7 259.4 245.0 276.9 276.9 276.9 1.1 (i) 1.1 (ii) 1.1 (iii) 1.1 (iii) near norm Analasi non Rescurscherten in the analogie norm in Linguig per 191 CAC CLEATION & IEEDS CORR SECONDELETION Franzo und to adjustations from Changing Year 7-1 to Changing Year 7-CAC CLEATION & IEEDS CORR SECONDELETION Franzo und to adjustations from Changing Year 7-1 Changing Year 7-1 CAC CLEATION & IEEDS CORR SECONDELETION Franzo und to adjustations from Changing Year 7-1 Changing Year 7-1 Fector und to adjust priora from Changing Year 7-3 1.00 1.04 1.02 Factorizando ta adjustatoria finan Changing Yain 73 di ci Changing Yain 73 di Ci Changing Yain 74 di 20 di Changing Yain 74 di 20 di Yain 24 di 20 di Yain 24 di 20 di 2 RPI Adjustment Factor Changing Year T+1 RPI Adjustment Factor Chansino Year T RPI Adjustment Factor Chansino Year T-1 RPI Adjustment Factor Changing Year T-2 Apolicable Change in Revenue RPI RPt RPbase (Base RPI Inde) A.1. Allowed Revenue 0.96 0.98 1.81 1.01 245.6 252.1 259.8 259.8 266.7 266.7 266.7 265.5 APP in November of Descreto Yaar F-1 Anavaga PP file John T-1 Tard Johney Roffware in clusted at the treat of the Johney blocks balance in accordance with Physical Lemma, Agenda F, 1.4. See Submarrier of novel hand to be for advantage The Romer on Capital Johney Book and the Inter Roof See Treat Sec Terror 21,675,235 A.3. Return on Capital Ofwart Stated RCV for YH2 RCV at the end of Charaino Year T-2 as sublished by Ohat by 1 Sectordar following the end of the Charaino Year £, 2014/15 prices £, 2014/15 prices Oracitatority 11 Providence State StateState St An of the field of basis free 1 a damage of basis of basis free damage of basis and the basis free damage of basis and the basis of 2014/15 prices 478,533,62 1,5 483,782,78 £ 6, 2014/15 prices The Lipsidity building block allows the IP a lipsidity allownoe (return on capital) in relation to the incremental average RCV in the year initiation the Chamion Neurism Neurism matchine. See Devicer I Inners, developed v 1. Dev 4.4. Administrative for a second se In fine with the Project Licence, the Open building block is zero as all costs are accounted for as capital expenditum. See Project Licence. Assessed v. (David A.K. The Financing Could plasmant shallow the second A.S. Financing Cost Adjustment building block Financing Cost Adjustment H Environ Cost Adjustment Inter Visit • \* See Project Licence Accendur 1. Part A 6.3 A Industry and Annual (MAXII) A Industry and Annual (MAXIII) A Industry and Annual (MAXIIII) A Industry and Annual (MAXIII) A Industry Base Reference Point (BRP) Annail Reference Point (BRP) BRP-ADP Market Cost of Dath Adjustment Factor (absolute) Market Cost of Dath Adjustment Factor (one-case) 1.30% 1.30% 1.30% 1.30% 0.0% 0.0% 0.3% 0.3% 0.3% 0.3% Marker Cett of Debt Assessmenn man-Nei Debt in Changing Haar '9-2 Waard Sancie Debugsing Androlly Adjusted RCV (Current Prices) in Changing Yea National Debt in Changing Year 19-2 -130,376,912 62.5% 0 National Net user in Company your and Net Debt in Changing Year Via Water Sensition Regulation Authority Adjusted REV (Current Prices) in Chan National Net To Real National Net To Real o o o 62.5% 0 0.5% Applicable Change in Revenue RPI/tor Changing Year 11 Applicable Change in Revenue RPI/tor Changing Year 11-2 A.1.4. Tax 2 In line with the Project Licence, zero as the IP is n San Devicer I interne Americky 1, Dart & 1.4 . The revenue adjustmentibility block is to recordie for underhver recovered Altowed Revenue in previous Charging Vests. Not applicable for 2015 and 2016 Revenue Stamment as adjustment applics in respected Charging Vest-T-2, and 2016 sea the first year the Altowed Devenue archivehore and made. Sea Device I revenue Altowed to the 4 T ٥ A.7. Under/Over Recovered Revenue Adjustment All sectors and a sector and a A.8. Reconciliation adjustment • a nia years a a Records this year? Time since most recert calculation Allowed Revenue (as at October 2016) Alkows Revenue (as at Octaber 2015) Applicable Outrege in Revenue RPUper in Nichologier calculation was made) Adological Charlos (and Revenue RPU) Recording Charlos (and Revenue RPU) Recording Charlos (RPU edgeme) A.11. Additional Return on Capital Building Block

Adjusteer calculated as offenson between under Calculation and menious verint calculation often II/IV valigusteer and Adjusteer calculated as offenson between updated calculation and previous years calculation, part/IV-valigusteer and Balanci versi and valid to calculate in Palading block becomes alreaded in al. If Toleways makes as ARD events Arguing Parter applicable. To be added to calculation in Palading block becomes alreaded in al. If Toleways and as a 44 D events Arguing and the parter aller alreaded in the added of the added block becomes alreaded becomes for added in all to be added to added and a set of the parter aller added in the added to added the added to added the added them. To be being added to added the added to added the added them in the behavior and added the set of the parter added them in the behavior and added the set of the parter added them in the behavior and added the set of the parter added the added them in the behavior and added the set of the parter added them in the behavior added the set of the parter added them in the behavior added the added the parter added them in the behavior added them in the behavior added the added the parter added them in the behavior added them in the

Nor applicable. To be added to calculation if building block becomes relevant (i.e. if Trideway makes an IAR Overum Application to Jonanna Alimatha Desard Sound strong the Theoretical Custom: Sou Desard Custom Locandis 4 Dark 4 4

2 2

A 11 Additional Liquidity Building Black

Revenue Statement automization 18 12 2019 FNAL - WEB