

OFFICIAL

Tideway updated Revised Revenue Statement 2021

Allowed Revenue for Charging Year 2022/23

2340-TDWAY-TTTUN-990-ZZ-ED-700092

Updated Revised Revenue Statement - 2022/23 Allowed Revenue

Submitted to Ofwat on 21 December 2021

	Year preceding Prior Charging Year 2019/20	Prior Charging Year 2020/21	Current Charging Year 2021/22	Forthcoming Charging Year 2022/23
<i>£, nominal</i>				
Allowed Revenue	63,431,062	76,465,429	87,029,095	86,316,446
Amounts received from TWUL	57,610,001	68,887,910		

RPI Updated IP Charge Notification - 2022/23

Submitted to Thames Water on 21 December 2021

IP Charge for 2022/23 (£)

86,316,446

November 2021 RPI

314.3

Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 15 December, Office of National Statistics

Statement of calculation

Introduction

The following section sets out how Tideway's Allowed Revenue calculation has been made for the charging year 2022/23 (Eighth Charging Year). The Licence has been written to provide the basis of a revenue submission in a typical year. A number of detailed modelling assumptions have been made in interpreting Appendix 1 of the Project Licence to ensure the mechanics of the calculation are in line with the spirit of the licence. These modelling assumptions are set out in the table below. This model, including these assumptions, as set out in the table below, has been sent to Ofwat. In an email dated 07/10/2021, Ofwat noted it is content with the resolutions described.

Sheet	Issue	Resolution
BBRA Inputs 2018, BBRA Inputs 2019, BBRA Inputs 2020, Inputs 2021	The 2014/15 RPI Adjustment Factor refers to "the percentage movement in the RPI (All Items) index as published by ONS for the period April to September in the calendar year..." However, if the index values for April and September are taken, this only picks up 5 months of inflation. Together with the other elements of the formula, this results in an underestimate of inflation for the Charging Year.	Interpret the movement for the period April to September as the movement between the March and September index values, which ensures April inflation is also picked up.
BBRA Calculation 2018, BBRA Calculation 2019, BBRA Calculation 2020, Calculation 2021	Annual Actual Project Spend for the current Charging Year (Yt-1) feeds into the calculation of RCV, which is required for the calculation of the Return on Capital and Liquidity building blocks. The licence specifies that Annual Actual Project Spend should be deflated by the Applicable Change in Cost RPI for a Charging Year, rather than the 2014/15 RPI Adjustment Factor. However, the Applicable Change in Cost RPI can only be calculated following the publication of RPI for each month of the relevant Charging Year. This information is not available for the current Charging Year at the time the Revenue Statement is prepared.	Use the 2014/15 RPI Adjustment Factor to deflate the Annual Actual Project Spend in the current Charging Year. This will be trued up in next year's Revenue Statement as part of the building block reconciliation adjustment.
BBRA Calculation 2018, BBRA Calculation 2019, BBRA Calculation 2020	In order to reconcile Allowed Revenue calculated in prior years for updated inflation, it is not appropriate to use the 2014/15 RPI Adjustment Factor defined in Tideway's licence as more up to date information is available (i.e. a further year of actual inflation data which can be used to replace the forecast).	Use approach consistent with definition of 2014/15 RPI Adjustment Factor but with actual inflation used up to September of Yt. This is equivalent to applying the 2014/15 RPI Adjustment Factor values as calculated for the Eighth Charging Year Allowed Revenue calculation, and ensures the latest actual RPI data is taken into account.
Calculation 2021	One of the terms in the formula for the under/over recovered revenue adjustment (as set out in Appendix 1, Part A 7 of Tideway's licence) is "the amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Charging Year t-2". However, the licence does not specify the time period to which this element of the calculation should relate.	Interpret "the amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Charging Year t-2" as the amount that has been paid by Thames Water to Tideway and received in Tideway's bank account prior to the end of September of Charging Year t-1.
		Apply a net present value adjustment in nominal terms by using (1+BWACC) as the real discount factor and adjusting for inflation using RPI.
		To reconcile amounts not yet received in respect of Charging Year t-2, this involves multiplying the unadjusted reconciliation amount by (1+BWACC) ² and the ratio between the Applicable Change in Revenue RPI of the two charging years (to account for the two year delay in revenue receipts).
Calculation 2021	Appendix 1, Part A 7 of Tideway's licence requires that the under/over recovered revenue adjustment is calculated on a net present value neutral basis using the BWACC, but it does not specify the adjustment formulaically or specify the means of adjusting for inflation.	A separate one-year NPV adjustment is applied to the further amounts received in respect of any Charging Year falling prior to Charging Year t-2 that have not been included in a previous revenue adjustment calculation. This is to account for the one-year delay between the collection of the original amounts and their incorporation into this revenue adjustment calculation for the forthcoming Charging Year. The adjustment involves multiplying the unadjusted reconciliation amount by (1+BWACC) and the ratio between the Applicable Change in Revenue RPI of the current and forthcoming Charging Years.
Calculation 2021	Appendix 1, Part A 8 of Tideway's licence requires a reconciliation adjustment of a number of building blocks for updated values. The licence requires that the adjustment is calculated on a net present value neutral basis using the BWACC, but it does not specify the adjustment formulaically or specify the means of adjusting for inflation.	Apply a net present value adjustment in nominal terms by using (1+BWACC) as the real discount factor and adjusting for inflation using RPI, taking into account the number of years since the Allowed Revenue for a given year was first calculated. This involves multiplying the reconciliation amount by (1+BWACC) raised to the power of the number of years since the Allowed Revenue for the relevant year was first calculated, and the ratio between the Applicable Change in Revenue RPI of the two Charging Years. The reconciliation amount is calculated relative to the value calculated in the prior year. The formulae used to perform this reconciliation are as set out in this statement of calculation.
BBRA Calculation 2018, BBRA Calculation 2019, BBRA Calculation 2020, Calculation 2021	Additional Return on Capital and Additional Liquidity Building Blocks may never become relevant (i.e. these building blocks may only become relevant if Tideway applies for an increase in Allowed Revenue (IAR))	Exclude calculations for Additional Return on Capital and Additional Liquidity until there is a non-negligible probability that these will be required.

Key to Charging Years

Year	Charging Year	Full description
2015/16	Y1	First Charging Year
2016/17	Y2	Second Charging Year
2017/18	Y3	Third Charging Year
2018/19	Y4	Fourth Charging Year
2019/20	Y5	Fifth Charging Year
2020/21	Y6	Sixth Charging Year
2021/22	Y7	Seventh Charging Year
2022/23	Y8	Eighth Charging Year
2023/24	Y9	Ninth Charging Year

Summary

Below is a high-level breakdown of the Allowed Revenue for the Eighth Charging Year, with respect to each of the building blocks involved in the calculation.

Tideway Allowed Revenue (I) =		Return on capital	+ Liquidity	+ Operating expenditure	- Financing cost adjustment	+ Tax	+ Revenue adjustment	+ Building block for reconciliation adjustment	+ Additional return on capital	+ Additional liquidity
Tideway Allowed Revenue (Eighth Charging Year)	=	95.0	+ 9	+ 0	-18.4	+ 0	+ 4.9	-4.2	0	0
	=	86.3	(£m)							

The calculation of each of these elements is described below.

Inputs

The inputs to this calculation, and the sources of these inputs, are set out on the "Inputs 2021" "BBRA Inputs 2020" "BBRA Inputs 2019", and "BBRA Inputs 2018" sheets of this workbook. The "BBRA Inputs 2018" sheet isolates the inputs required to reconcile Allowed Revenue first calculated in 2018 (for the fifth charging year), "BBRA Inputs 2019" sheet isolates the inputs required to reconcile Allowed Revenue first calculated in 2019 and the "BBRA Inputs 2020" sheet isolates the inputs required to reconcile Allowed Revenue first calculated in 2020.

All the reconciliations are for updated cost and inflation data and the inputs are consistent with those set out on "Inputs 2021".

In line with Appendix 1 A8 of Tideway's licence, the Expenditure Forecast is that most recently verified by the Independent Technical Assessor (verified 17th September 2021).

It represents the company's latest verified forecast of cash expenditure over 2021/22, 2022/23 and 2023/24.

Return on Capital

The Return on Capital building block allows Tideway to earn a return on capital in relation to the forecast average RCV in the Charging Year in question.

Average RCV is calculated using annual actual, estimated and forecast allowable project spend, as shown in the table below.

£m, 2014/15 prices	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Y9
Opening RCV	0.0	148.7	148.7	478.5	962.3	1,490.3	2,024.5	2,497.6	2,926.3	3,284.3
Allowable Project Spend	148.7	329.8	483.8	483.8	528.0	534.2	473.1	428.7	358.1	231.6
Closing RCV	148.7	478.5	478.5	962.3	1,490.3	2,024.5	2,497.6	2,926.3	3,284.3	3,516.0
Average RCV	74.4	313.6	313.6	720.4	1,226.3	1,757.4	2,261.0	2,711.9	3,105.3	3,400.2

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

Return on Capital =	Average RCV in Y8	*	Bid WACC	*	Applicable Change in Revenue RPI for the Eighth Charging Year
=	3,105.3	*	2.497%	*	$\frac{314.3}{256.7}$
=	95.0	(£m)			

Liquidity

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

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

Liquidity =	(Forecast average RCV in year 9 - Average RCV in year 8) * Bid WACC * Applicable Change in Revenue RPI for the Eighth Charging Year
=	294.9 * 2.497% * $\frac{314.3}{256.7}$
=	9.0 (£m)

Operating Expenditure (opex)

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

Financing Cost Adjustment

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

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

$$\text{Financing Cost Adjustment (t)} = (\text{Net Debt (t-2)} - \text{Net Debt (t-3)}) * \text{Market Cost of Debt Adjustment Factor (t)} * (1 + \text{BWACC})^2 * \frac{\text{Applicable Change in Revenue RPI (t)}}{\text{Applicable Change in Revenue RPI (t-2)}}$$

where

Market Cost of Debt Adjustment Factor (t) =

i) if the difference between the BRP and the ARP on any ARP Calculation Date is +/- 50 bps, the market cost of debt adjustment will be 0
 ii) if the difference between the BRP and the ARP is between +/- 51 bps and 100 bps, the market cost of debt adjustment factor will be equal to 50% of the amount by which such difference exceeds 50bps
 iii) if the difference between the BRP and the ARP is greater than +/- 100 bps, the market cost of debt adjustment factor will be equal to the amount by which such difference exceeds 75 bps
 The Market Cost of Debt Adjustment Factor shall be expressed as a positive 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 = $(1 + \text{iBoxx BBB UK non-financials with 10+ year maturity})^{(1 + \text{spot implied inflation rates for 10 year maturity published by the Bank of England})}$

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 or Second Charging Years, as in both cases, Tideway did not exist in Charging Year t-2 and t-3, and so did not hold any Net Debt at this time.

The Financing Cost Adjustment building block was zero in the Third Charging Year as the difference between the BRP and ARP was less than 50 bps, and therefore the Market Cost of Debt Adjustment Factor was zero.

The Financing Cost Adjustment for the Eighth charging year includes an adjustment agreed with Ofwat to correct for an error in the published net debt figure within the regulatory accounts. Prior year net debt figures were restated through the Reconciliation Adjustment and it was agreed that a one off adjustment to correct the FCA would be applied, so that customers and Tideway are in a position as if the error had never occurred.

	Charging Year								
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	
Revenue Statement	2015	2016	2016	2017	2018	2019	2020	2021	
Base Reference Point	1.30%	1.30%	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%	-0.47%	-0.88%	
Market Cost of Debt Adjustment Factor	0.00%	0.00%	0.00%	-0.22%	-0.54%	-0.32%	-1.01%	-1.43%	
Change in Net Debt	0.0	0.0	-130.4	-185.5	243.8	615.2	613.8	532.5	
Adjustment agreed with Ofwat in the 2022/23 Revenue Statement								0.2	
Financing Cost Adjustment	0.00	0.00	0.00	0.5	-1.5	-2.2	-6.7	-8.4	
Financing Cost Adjustment building block (cumulative)	0.00	0.00	0.00	0.5	-1.0	-3.2	-9.9	-18.4	

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

$$\text{Financing Cost Adjustment (year 8)} = (\text{Net Debt (year 6)} - \text{Net Debt (year 5)}) * \text{Market Cost of Debt Adjustment Factor (year 8)} * (1 + \text{BWACC})^2 * \frac{\text{Applicable Change in Revenue RPI (year 8)} + \text{Adjustment agreed with Ofwat to correct for net debt error within the regulatory accounts}}{\text{Applicable Change in Revenue RPI (year 6)}}$$

$$= (1689.5 - 1156.97) * -1.43\% * (1 + 0.02497)^2 * \frac{1.22}{1.13} = -8.4 \text{ (€m)}$$

Where the Market Cost of Debt Adjustment Factor (year 8) results from the difference between the BRP and the ARP:

$$\text{BRP} - \text{ARP} = 1.30\% - 0.88\% = 2.18\%, \text{ a difference of 218 basis points, which falls in the greater than 100 bps band.}$$

This leads to a Market Cost of Debt Adjustment Factor (year 8) of the amount by which this difference exceeds 75bps, or $(2.18\% - 0.75\%) = -1.43\%$
 (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)

$$\text{Financing Cost Adjustment building block} = \text{Financing Cost Adjustment (year 1)} + \text{Financing Cost Adjustment (year 2)} + \text{Financing Cost Adjustment (year 3)} + \text{Financing Cost Adjustment (year 4)} + \text{Financing Cost Adjustment (year 5)} + \text{Financing Cost Adjustment (year 6)} + \text{Financing Cost Adjustment (year 7)} + \text{Financing Cost Adjustment (year 8)}$$

$$= 0 + 0 + 0 + 0.5 + -1.5 + -2.2 + -6.7 + -8.4 = -18.4 \text{ (€m)}$$

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 Yt = Allowed Revenue for Charging Year t-2 - (the amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Charging Year t-2 + the amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of any Charging Year falling prior to Charging Year t-2 that has not been included in any previous RA calculation)

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 Eighth Charging Year is based on recovery of revenue for the Second, Third, Fourth, Fifth and Sixth Charging Years. The Sixth Charging Year is being reconciled for the first time and the Second, Third, Fourth and Fifth Charging Years are being reconciled to remove amounts that have been reconciled previously but have subsequently been recovered from Thames Water.

The table below sets out the amount in respect of the IP Charge recovered by Tideway in respect of the Sixth Charging Year at the time this Revenue Statement is being prepared. This is split between 2020/21 (as reported in our 2020/21 Annual Report) and the period April to September 2021 (consistent with the assumptions set out in the table at the beginning of this statement).

Charging Year	€m	Payment received from Thames Water in period												Total	
		2016/17		2017/18		2018/19		2019/20		2020/21		2021/22			
	Allowed revenue	Apr-Sep	Oct-Mar	Apr-Sep	Oct-Mar	Apr-Sep	Oct-Mar	Apr-Sep	Oct-Mar	Apr-Sep	Oct-Mar	Apr-Sep	Oct-Mar	Apr-Sep	
2015/16	11.2	12.1	14.6	4.3	0.8	0.3	0.2								32.1
2016/17	22.4														0.0
2017/18	28.5	n/a	n/a	9.3	12.4	2.4	0.4	0.4	-1.1						0.3
2018/19	49.2	n/a	n/a	n/a	n/a	16.3	18.7	10.7	-0.5	0.2	2.0				1.3
2019/20	63.4	n/a	n/a	n/a	n/a	n/a	n/a	20.1	24.3						0.1
2020/21	76.5	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	11					0.0
										15.4					1.8
															0.5
															60.5
															64.2

Note: The table data to the end of 2020/21 is extracted from Tideway's 2020/21 Annual Report.

Reconciliation amounts in respect of Sixth Charging Year (before NPV adjustment)	= Allowed Revenue for Sixth Charging Year - Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Sixth Charging Year (to end of September 2021)	= 76.5 - 64.2 = 12.3 (€m)
Reconciliation amounts in respect of Fifth Charging Year not previously included (before NPV adjustment)	= Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of the Fifth Charging Year (to end of September 2021) - Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Fifth Charging Year (to end of September 2020)	= 60.5 - 55.5 = 5.0 (€m)
Reconciliation amounts in respect of Fourth Charging Year not previously included (before NPV adjustment)	= Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of the Fourth Charging Year (to end of September 2021) - Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Fourth Charging Year (to end of September 2020)	= 47.8 - 46.2 = 1.6 (€m)
Reconciliation amounts in respect of Third Charging Year not previously included (before NPV adjustment)	= Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of the Third Charging Year (to end of September 2021) - Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Third Charging Year (to end of September 2020)	= 28.1 - 26.7 = 1.4 (€m)
Reconciliation amounts in respect of Second Charging Year not previously included (before NPV adjustment)	= Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of the Second Charging Year (to end of September 2021) - Amount in respect of the IP Charge recovered by the Infrastructure Provider in respect of Second Charging Year (to end of September 2020)	= 32.1 - 31.7 = 0.3 (€m)

As required by Appendix 1 A7 of the licence, the reconciliation amounts are subject to a net present value (NPV) adjustment, which is set out below. The NPV adjustments are made consistent with the assumptions set out in the table at the beginning of this statement.

Reconciliation amounts in respect of Sixth Charging Year (after NPV adjustment)	= Reconciliation amounts in respect of Sixth Charging Year (before NPV adjustment) * ((1+BWACC)^2) * $\frac{\text{Applicable Change in Revenue RPI (year 8)}}{\text{Applicable Change in Revenue RPI (year 6)}}$	= 12.3 * ((1 + 0.02497)^2) * $\frac{1.22}{1.13}$ = 14.0 (€m)
Reconciliation amounts in respect of Fifth Charging Year not previously included (after NPV adjustment)	= Reconciliation amounts in respect of Fifth Charging Year (before NPV adjustment) * ((1+BWACC))^3 * $\frac{\text{Applicable Change in Revenue RPI (year 8)}}{\text{Applicable Change in Revenue RPI (year 7)}}$	= -5.0 * ((1 + 0.02497)^2) * $\frac{1.22}{1.14}$ = -5.5 (€m)
Reconciliation amounts in respect of Fourth Charging Year not previously included (after NPV adjustment)	= Reconciliation amounts in respect of Fourth Charging Year (before NPV adjustment) * ((1+BWACC))^4 * $\frac{\text{Applicable Change in Revenue RPI (year 8)}}{\text{Applicable Change in Revenue RPI (year 7)}}$	= -1.6 * ((1 + 0.02497)^2) * $\frac{1.22}{1.14}$ = -1.8 (€m)

Reconciliation amounts in respect of Third Charging Year not previously included (after NPV adjustment)	=	Reconciliation amounts in respect of Third Charging Year not previously included (before NPV adjustment)	*	(1+BWACC)	*	<u>Applicable Change in Revenue RPI (year 8)</u> Applicable Change in Revenue RPI (year 7)
	=	-1.4	*	(1 + 0.02497)	*	<u>1.22</u> 1.14
	=	-1.5 (€m)				
Reconciliation amounts in respect of Second Charging Year not previously included (after NPV adjustment)	=	Reconciliation amounts in respect of Second Charging Year not previously included (before NPV adjustment)	*	(1+BWACC)	*	<u>Applicable Change in Revenue RPI (year 8)</u> Applicable Change in Revenue RPI (year 7)
	=	-0.3	*	(1 + 0.02497)	*	<u>1.22</u> 1.14
	=	-0.4 (€m)				
Revenue Adjustment (Eighth Charging Year) (after NPV adjustment)	=	Reconciliation amounts in respect of Sixth Charging Year (after NPV adjustment) + Reconciliation amounts in respect of Fifth Charging Year not previously included(after NPV adjustment) + Reconciliation amounts in respect of Fourth Charging Year not previously included (after NPV adjustment) + Reconciliation amounts in respect of Third Charging Year not previously included (after NPV adjustment) + Reconciliation amounts in respect of Second Charging Year not previously included (after NPV adjustment)				
	=	14.0	-5.5	-1.8	-1.5	-0.4
	=	4.9 (€m)				

Building Block Reconciliation Adjustment (BBRA)

A reconciliation adjustment applies for the Return on Capital, Liquidity, Opex, Financing Cost Adjustment, Tax, Additional Return on Capital and Additional Liquidity building blocks. The reconciliation is calculated on a net present value neutral basis, using the Bid WACC as the discount factor. It reconciles for actual values realised since the previous calculation of the Allowed Revenue for a particular year, and updated forecasts. In practice, this means reconciling for updated expenditure and inflation. In the 2021 Revenue Statement, the building block reconciles 2021/22 Allowed Revenue for the first time and includes a further reconciliation of 2019/20 and 2020/21 Allowed Revenue. The 2019/20 Allowed Revenue is being reconciled for the first time in this 2021 Revenue Statement. This is because actual values have now been realised for all inputs to this calculation, with no forecasts that would require further reconciliation. The 2015/16, 2016/17, 2017/18 and 2018/19 Allowed Revenues have been fully reconciled in previous years.

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Allowed Revenue - as calculated for 2015 Revenue Statement	11.2	22.4					
Allowed Revenue - as calculated for 2016 Revenue Statement	8.7	19.8	34.0				
Allowed Revenue - as calculated for 2017 Revenue Statement	8.1	18.6	32.9	49.5			
Allowed Revenue - as calculated for 2018 Revenue Statement		18.2	31.9	48.4	62.5		
Allowed Revenue - as calculated for 2019 Revenue Statement			31.7	47.7	62.6	74.7	
Allowed Revenue - as calculated for 2020 Revenue Statement				47.6	62.0	74.9	80.4
Allowed Revenue - as calculated for 2021 Revenue Statement					61.6	73.5	78.5

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

Building block reconciliation adjustment = (Eighth Charging Year)	=	(2019/20 Allowed Revenue [2021 calculation] - 2019/20 Allowed Revenue [2020 calculation]) * ((1 + Bid WACC)^3) * <u>Applicable Change in Revenue RPI (year 8)</u> Applicable Change in Revenue RPI (year 5)	+	(2020/21 Allowed Revenue [2021 calculation] - 2020/21 Allowed Revenue [2020 calculation]) * ((1 + Bid WACC)^2) * <u>Applicable Change in Revenue RPI (year 8)</u> Applicable Change in Revenue RPI (year 6)	+	(2021/22 Allowed Revenue [2021 calculation] - 2021/22 Allowed Revenue [2020 calculation]) * ((1 + Bid WACC)^1) * <u>Applicable Change in Revenue RPI (year 8)</u> Applicable Change in Revenue RPI (year 7)
	=	(61.6 - 82) * ((1 + 0.02497)^3) * <u>1.22</u> 1.11	+	(73.5 - 74.9) * ((1 + 0.02497)^2) * <u>1.22</u> 1.13	+	(78.5 - 80.4) * ((1 + 0.02497)^1) * <u>1.22</u> 1.14
	=	-0.5 + -1.6 + -2.1				
	=	-4.2 (€m)				

The sections below set out the recalculation of the 2019/20, 2020/21 and 2021/22 Allowed Revenue.

Return on Capital

Return on Capital = Average RCV in Fifth Charging Year * Bid WACC * Applicable Change in Revenue RPI for the Fifth Charging Year	=	1,757.4	*2.497%	* <u>284.6</u> 256.7	=	48.7 (€m)
Return on Capital = Average RCV in Sixth Charging Year * Bid WACC * Applicable Change in Revenue RPI for the Sixth Charging Year	=	2,261.0	*2.497%	* <u>291.0</u> 256.7	=	64.0 (€m)
Return on Capital = Average RCV in Seventh Charging Year * Bid WACC * Applicable Change in Revenue RPI for the Seventh Charging Year	=	2,711.9	*2.497%	* <u>293.5</u> 256.7	=	77.4 (€m)

Liquidity

Liquidity = (Forecast average RCV in year 6 - Average RCV in year 5) * Bid WACC * Applicable Change in Revenue RPI for the Fifth Charging Year	=	503.6	*2.497%	* <u>284.6</u> 256.7	=	13.9 (€m)
Liquidity = (Forecast average RCV in year 7 - Average RCV in year 6) * Bid WACC * Applicable Change in Revenue RPI for the Sixth Charging Year	=	450.9	*2.497%	* <u>291.0</u> 256.7	=	12.8 (€m)
Liquidity = (Forecast average RCV in year 8 - Average RCV in year 7) * Bid WACC * Applicable Change in Revenue RPI for the Seventh Charging Year	=	393.4	*2.497%	* <u>293.5</u> 256.7	=	11.2 (€m)

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

Financing Cost Adjustment

The Financing Cost Adjustment does not rely on any forecast inputs and therefore a reconciliation for actuals and updated forecasts is not required. However, if any actuals are restated for prior years, for any reason, the FCA will need to be reconciled. Tideway restated its reported net debt figures back to the regulatory accounts for the year ending 2017/18, impacting on three Charging Years back to 2019/20 (the Fifth Charging Year) for use in the FCA, therefore a reconciliation is required for the three Charging Years impacted.

Financing Cost Adjustment (year 5)	=	(Restated Net Debt (year 3) - Net Debt (year 2)) * Market Cost of Debt Adjustment Factor (year 5) * (1 + BWACC)^2 * <u>Applicable Change in Revenue RPI (year 5)</u> Applicable Change in Revenue RPI (year 3)
	=	(-67.05 - -315.87) * -0.54% * (1+ 0.02497)^2 * <u>1.11</u> 1.03
	=	-1.5 (€m)

Financing Cost Adjustment building block	=	Financing Cost Adjustment(year 1) + Financing Cost Adjustment(year 2) + Financing Cost Adjustment(year 3) + Financing Cost Adjustment(year 4) + Financing Cost Adjustment(year 5)
	=	0 + 0 + 0 + 0.5 -1.5
	=	-1.0 (€m)

Financing Cost Adjustment (year 6)	=	(Restated Net Debt (year 4) - Restated Net Debt (year 3)) * Market Cost of Debt Adjustment Factor (year 6) * (1 + BWACC)^2 * <u>Applicable Change in Revenue RPI (year 6)</u> Applicable Change in Revenue RPI (year 4)
	=	(556.63 - -67.05) * -0.32% * (1+ 0.02497)^2 * <u>1.13</u> 1.07
	=	-2.2 (€m)

Financing Cost Adjustment building block	=	Financing Cost Adjustment(year 1) + Financing Cost Adjustment(year 2) + Financing Cost Adjustment(year 3) + Financing Cost Adjustment(year 4) + Financing Cost Adjustment(year 5) + Financing Cost Adjustment(year 6)
	=	0 + 0 + 0 + 0.5 -1.5 -2.2
	=	-3.3 (€m)

Financing Cost Adjustment (year 7)	=	(Restated Net Debt (year 5) - Restated Net Debt (year 4)) * Market Cost of Debt Adjustment Factor (year 7) * (1 + BWACC)^2 * <u>Applicable Change in Revenue RPI (year 7)</u> Applicable Change in Revenue RPI (year 5)
	=	(1182 - 556.63) * -1.01% * (1+ 0.02497)^2 * <u>1.14</u> 1.11
	=	-6.9 (€m)

Financing Cost Adjustment building block	=	Financing Cost Adjustment(year 1) + Financing Cost Adjustment(year 2) + Financing Cost Adjustment(year 3) + Financing Cost Adjustment(year 4) + Financing Cost Adjustment(year 5) + Financing Cost Adjustment(year 6) + Financing Cost Adjustment (year 7)
	=	0 + 0 + 0 + 0.5 -1.5 -2.2 -6.9
	=	-10.1 (€m)

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

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

Recalculated Allowed Revenue

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

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

The calculation of these building blocks is as described above. This results in the following recalculated Allowed Revenue for 2019/20, 2020/21 and 2021/22:

Tideway Allowed Revenue (Fifth Charging Year)	=	48.7	+ 13.9	+ 0	-1.0	+ 0	+ 0	+ 0
	=	61.5	(£m)					
Tideway Allowed Revenue (Sixth Charging Year)	=	64.0	+ 12.8	+ 0	-3.3	+ 0	+ 0	+ 0
	=	73.6	(£m)					
Tideway Allowed Revenue (Seventh Charging Year)	=	77.4	+ 11.2	+ 0	-10.1	+ 0	+ 0	+ 0
	=	78.5	(£m)					

Additional Return on Capital

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

Additional Liquidity

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

Inputs 2021

Unit	Source/notes	2012/13	2013/14	2014/15	First Charging Year	Second charging year	Third Charging Year	Fourth Charging Year	Fifth Charging Year	Sixth Charging Year	Seventh Charging Year	Eighth Charging Year	Ninth Charging Year	Tenth Charging Year
					2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Year starts					01/04/2015	01/04/2016	01/04/2017	01/04/2018	01/04/2019	01/04/2020	01/04/2021	01/04/2022	01/04/2023	01/04/2024
Year ends					31/03/2016	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023	31/03/2024	31/03/2025
Year t-2					2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Year t-1					2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Year t					2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Year t+1					2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
Year t+2					2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
1.1 2014/15 RPI Adjustment Factor														
Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences	%										3.2%	4.1%	3.5%	3.2%
Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends	%									3.2%	4.1%	3.5%	3.2%	3.0%
RPI, September of Charging Year					257.6	259.6	264.9	275.1	284.1	291.0	294.3	308.6		
RPI, March of Charging Year		254.8	257.1	261.1	269.3	278.3	285.1	292.6	296.9					
Applicable Change in Revenue RPI														
RPI (RPI for November in Charging Year Yt-1)		245.6	252.1	259.8	259.8	265.5	275.8	284.6	291.0	293.5	314.3			
Year average RPI					256.7	259.4	265.0	274.9	283.3	290.6	294.2		7.1%	
A.3. Return on Capital and A.4 Liquidity														
Water Services Regulation Authority Stated RCV (2014/15 Prices) at 31 March	2014/15 prices, £	0	0	148,741,346	478,533,658	962,316,426	1,490,337,315	2,024,487,477	2,497,553,061					
Allowable Project Spend (actual and forecast) - as at October 2021														
Annual Actual Project Spend	Outturn prices, £	0	150,344,662	340,489,147	518,165,900	582,828,772	604,855,688	542,182,309	264,008,258					
Estimated Allowable Project Spend	Outturn prices, £	0	0	0	0	0	0	0	0					
Forecast Allowable Project Spend	Outturn prices, £	0	0	0	0	0	0	0	255,671,645	451,202,055	301,882,333			
Excluded Project Spend	Outturn prices, £			64,394,743	87,615,825	108,108,556	80,287,259	66,925,849	30,837,611	11,061,492				
Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project Spend and therefore is excluded from the Allowable spend metrics set out above	Outturn prices, £	0	0	0	0	0	0	0	0	0	0	0	0	0
BWACC	%				2.497%									
A.5. Opex														
Opex forecast as at October 2021	Outturn prices, £	0	0	0	0	0	0	0	0	0	0	0	0	0
A.6. Financing Cost Adjustment														
Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March	%				1.30%	1.43%	0.35%	0.01%	0.23%	-0.47%	-0.88%			
Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March	Current prices at 31 March of Charging Year	-	-	-	151,310,515	502,087,458	1,043,425,953	1,655,435,722	2,307,915,724	2,889,052,612				
Net Debt at 31 March	Current prices at 31 March of Charging Year	-	-	-	130,376,913	315,869,558	72,091,186	543,155,000	1,156,967,223	1,689,497,869				
Notional Debt to RCV ratio	%				62.5%									
Adjustment agreed with Ofwat to correct for net debt error within the accounts	E, current prices												218,424	
A.1.4. Tax														
Tax as at October 2021	Outturn prices, £	0	0	0	0	0	0	0	0	0	0	0	0	0
A.7. Under/Over Recovered Revenue Adjustment - as at October 2021														
Allowed Revenue (including building block reconciliation)	£				33,603,285	28,559,132	49,235,940	63,431,062	76,465,429	87,029,095				
Amount recovered in respect of 2016/17, 2017/18, 2018/19, 2019/20 and 2020/21 Allowed Revenue (to end of September 2021)	Outturn prices, £				32,063,717	28,068,726	47,817,813	60,505,439	64,155,114					
Amount recovered in respect of 2016/17, 2017/18, 2018/19 and 2019/20 Allowed Revenue (to end of September 2021)	Outturn prices, £				31,725,932	26,717,565	46,217,727	55,528,169						
Years of NPV adjustment					1	1	1	1	2					
Amounts received from TWUL in Charging Year (all years of Allowed Revenue)	Outturn prices, £				26,747,386	26,791,391	38,387,688	57,610,001	68,887,910					
A.8. Reconciliation adjustment														
Time since original calculation	Years				6	6	5	4	3	2	1	0		
Reconcile this year?					0	0	0	0	1	1	1	0		
Allowed Revenue as per most recently submitted Revenue Statement (excluding building block reconciliation and under/over recovered revenue adjustment)	£								61,978,697	74,919,422	80,423,967			
A.11. Additional Return on Capital Building Block														
Additional Allowable Project Spend														

BBRA Inputs 2020

	Unit	Source/notes	2012/13	2013/14	2014/15	First Charging Year 2015/16	Second charging year 2016/17	Third Charging Year 2017/18	Fourth Charging Year 2018/19	Fifth Charging Year 2019/20	Sixth Charging Year 2020/21	Seventh Charging Year 2021/22	Eighth Charging Year 2022/23	Ninth Charging Year 2023/24	Tenth Charging Year 2024/25	
						01/04/2015 31/03/2016	01/04/2016 31/03/2017	01/04/2017 31/03/2018	01/04/2018 31/03/2019	01/04/2019 31/03/2020	01/04/2020 31/03/2021	01/04/2021 31/03/2022	01/04/2022 31/03/2023	01/04/2023 31/03/2024	01/04/2024 31/03/2025	
Year starts																
Year ends																
Year t-2																
Year t-1																
Year t																
Year t+1																
Year t+2																
1.1 2014/15 RPI Adjustment Factor																
Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences	%	UPDATED FOR RECONCILIATION Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of independent forecasts", HM Treasury, August 2021 Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii)										3.2%	4.1%	3.5%	3.2%	
Forecast RPI Adjustment Factor for the calendar year in which Charging Year ends	%	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 2021 Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii)									3.2%	4.1%	3.5%	3.2%	3.0%	
RPI, September of Charging Year		UPDATED FOR RECONCILIATION Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 20 October 2021, Office for National Statistics. Required by Project Licence Appendix 1, 1.1 (ii)			257.6	259.6	264.9	275.1	284.1	291.0	294.3	308.6				
RPI, March of Charging Year		UPDATED FOR RECONCILIATION Source: RPI (All Items) index, Consumer Price Inflation Tables, Table 36, 20 October 2021, Office for National Statistics. Required by Project Licence Appendix 1, 1.1 (iii)	254.8	257.1	261.1	269.3	278.3	285.1	292.6	296.9						
Applicable Change in Revenue RPI																
RPI (RPI for November in Charging Year Yt-1)		Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 20 October 2021, Office for National Statistics. Note: for both First and Second Charging years, stated RPI is for November 2015, as Allowed Revenue for both these years is being calculated together UPDATED FOR RECONCILIATION Source: Calculated from RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 20 October 2021 Office for National Statistics Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.1 (iv)	245.6	252.1	259.8	259.8	265.5	275.8	284.6	291.0	293.5					
Year average RPI				256.7	259.4	265.0	274.9	283.3	290.6	294.2						
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: "Copy-of-RCV-Bazalgette-2020-publ.xlsx", https://www.ofwat.gov.uk/publication/regulatory-capital-values-bazalgette-tunnel-limited-tideway-2/ Zero prior to licence award Required by Project Licence Appendix 1, Part A 3	-	-	148,741,346	478,533,658	962,316,426	1,490,337,315	2,024,487,477							
Allowable Project Spend (actual and forecast) - as at October 2021																
Annual Actual Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "Allowable Project Spend Verification No. 52", Mott MacDonald: Thames Tideway ITA Required by Project Licence Appendix 1, Part A 3	-	-	150,344,662	340,489,147	518,165,900	582,828,772	604,855,688	542,182,309	264,008,258					
Estimated Allowable Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "Regulation Reporting Sep 21 - updated 121021 for LC reporting" Required by Project Licence Appendix 1, Part A 3	-	-	-	-	-	-	-	-	-					
Forecast Allowable Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "2021 Revenue Statement - ITA Q1 2021-22 Expenditure Forecast Review - Rev 001 - Issued" for full-year 2021/22, 2022/23 and 2023/24 forecasts. The 2021/22 figure is net of expenditure already realised (April to September) Required by Project Licence Appendix 1, Part A 3, 4	-	-	-	-	-	-	-	-	-	255,671,645	451,202,055			
Excluded Project Spend	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".														
Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project Spend and therefore is excluded from the Allowable spend metrics set out above	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".														
BWACC	%	Source: Project Licence, Appendix 1, 1.18 Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8				2.497%										
A.5. Opex																
Opex forecast as at October 2021	Outturn prices, £	Note: In line with the Project Licence, zero as all expenditure treated as capex. Required by Project Licence Appendix 1, Part A 5				-	-	-	-	-	-	-	-	-	-	-
A.6. Financing Cost Adjustment																
Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March	%	Source: "FCA yield calculator.xlsx" Calculated with reference to iBoxx BBB data from Lloyds Bank and spot implied inflation rates for 10 year maturity from Bank of England Required by Project Licence Appendix 1, Part A 6			1.3%	1.4%	0.4%	0.0%	0.2%	-0.5%						
Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March	Current prices at 31 March of Charging Year	Source: "Copy-of-RCV-Bazalgette-2020-publ.xlsx", https://www.ofwat.gov.uk/publication/regulatory-capital-values-bazalgette-tunnel-limited-tideway-2/ Zero prior to licence award Required by Project Licence Appendix 1, Part A 3	-	-	-	151,310,515	502,087,458	1,043,425,953	1,655,435,722	2,307,915,724						
Net Debt at 31 March	Current prices at 31 March of Charging Year	Source: Prior year Tideway financial statements and Net debt revised.xlsx Required by Project Licence Appendix 1, Part A 6	-	-	-	130,376,913	315,869,558	67,048,664	556,634,438	1,181,999,087						
Notional Debt to RCV ratio	%	Source: Project Licence Appendix 1, 1.42 Required by Project Licence Appendix 1, Part A 6			62.5%											
A 1.4. Tax																
Tax as at October 2021	Outturn prices, £	In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax. See Project Licence Appendix 1, Part A 1.4				-	-	-	-	-	-	-	-	-	-	-
A.7. Under/Over Recovered Revenue Adjustment - as at October 2021																
Allowed Revenue	£	Data removed as not required for reconciliation purposes. See "Inputs 2021".														
Amount recovered in respect of 2016/17, 2017/18 and 2018/19 Allowed Revenue (to end of September 2019)	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".														
Amount recovered in respect of Allowed Revenue (to end of September 2018)	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".														
Years of NPV adjustment		Data removed as not required for reconciliation purposes. See "Inputs 2021".														
Amounts received from TWUL in Charging Year (all years of Allowed Revenue)	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".														
A.8. Reconciliation adjustment																
Time since original calculation	Years	See Project Licence, Appendix 1, Part A 8														
Reconcile this year?		Data removed as not required for reconciliation purposes. See "Inputs 2021".														
Allowed Revenue as per most recently submitted Revenue Statement (excluding building block reconciliation and under/over recovered revenue adjustment)	£	Data removed as not required for reconciliation purposes. See "Inputs 2021".														
A.11. Additional Return on Capital Building Block																
Additional Allowable Project Spend		Not applicable at present. Inputs to be added if this building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11														
A 1.6.4. Net Present Value Adjustment																
End of first charging year		Last day of the First Charging Year				31/03/2016										
Licence Award		Date of Licence award				24/08/2015										

BBRA Inputs 2019

	Unit	Source/notes	2012/13	2013/14	2014/15	First Charging Year 2015/16	Second charging year 2016/17	Third Charging Year 2017/18	Fourth Charging Year 2018/19	Fifth Charging Year 2019/20	Sixth Charging Year 2020/21	Seventh Charging Year 2021/22	Eighth Charging Year 2022/23	Ninth Charging Year 2023/24
						01/04/2015 31/03/2016	01/04/2016 31/03/2017	01/04/2017 31/03/2018	01/04/2018 31/03/2019	01/04/2019 31/03/2020	01/04/2020 31/03/2021	01/04/2021 31/03/2022	01/04/2022 31/03/2023	01/04/2023 31/03/2024
Year starts														
Year ends														
Year t-2														
Year t-1														
Year t														
Year t+1														
Year t+2														
1.1 2014/15 RPI Adjustment Factor														
Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences	%	Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of independent forecasts", HM Treasury, Aug 2021 Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii)										3.2%	4.1%	3.5%
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 independent forecasts", HM Treasury, Aug 2021 Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii)										4.1%	3.5%	3.2%
RPI, September of Charging Year		Source: RPI (All Items) index, Consumer Price Inflation Tables, Table 36, 20 October 2021, Office for National Statistics.			257.6	259.6	264.9	275.1	284.1	291.0	294.3	308.6		
RPI, March of Charging Year		Source: RPI (All Items) index, Consumer Price Inflation Tables, Table 36, 20 October 2021, Office for National Statistics. Required by Project Licence Appendix 1, 1.1 (iii)	254.8	257.1	261.1	269.3	278.3	285.1	292.6	296.9				
Applicable Change in Revenue RPI														
RPI (RPI for November in Charging Year Yt-1)		Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 20 October 2021, Office for National Statistics. Estimated for November 2021 based on September 2021 RPI and Forecast RPI Adjustment Factor for 2021 Required by Project Licence Appendix 1, Part A 3, 4 and 6 Note: for both First and Second Charging years, stated RPI is for November 2015, as Allowed Revenue for both these years is being calculated together	245.6	252.1	259.8	259.8	265.5	275.8	284.6	291.0				
Year average RPI		Source: Calculated from RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 20 October 2021 Office for National Statistics Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.1 (iv)		256.7	259.4	265.0	274.9	283.3	290.6	294.2				
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: "Copy-of-RCV-Bazalgette-2020-publ.xlsx", https://www.ofwat.gov.uk/publication/regulatory-capital-values-bazalgette-tunnel-limited-tideway-2/ Zero prior to licence award Required by Project Licence Appendix 1, Part A 3	-	-	148,741,346	478,533,658	962,316,426	1,490,337,315						
Allowable Project Spend (actual and forecast) - as at October 2021														
Annual Actual Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "Allowable Project Spend Verification No. 52", Mott MacDonald: Thames Tideway ITA Required by Project Licence Appendix 1, Part A 3	-	150,344,662	340,489,147	518,165,900	582,828,772	604,855,688	542,182,309	264,008,258				
Estimated Allowable Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "Regulation Reporting Sep 21 - updated 121021 for LC reporting" Required by Project Licence Appendix 1, Part A 3	-	-	-	-	-	-	-	-				
Forecast Allowable Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "2021 Revenue Statement - ITA Q1 2021-22 Expenditure Forecast Review - Rev 001 - Issued" for full-year 2021/22, 2022/23 and 2023/24 forecasts. The 2021/22 figure is net of expenditure already realised (April to September) Required by Project Licence Appendix 1, Part A 3, 4	-	-	-	-	-	-	-	-	255,671,645			
Excluded Project Spend	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2020".												
Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project Spend and therefore is excluded from the Allowable spend metrics set out above	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2020".												
BWACC	%	Source: Project Licence, Appendix 1, 1.18 Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8				2.497%								
A.5. Opex														
Opex forecast as at October 2021	Outturn prices, £	Note: In line with the Project Licence, zero as all expenditure treated as capex. Required by Project Licence Appendix 1, Part A 5												
A.6. Financing Cost Adjustment														
Financing Cost Adjustment Index Yield - 12 months trailing average at 31 March	%	Source: "FCA yield calculator.xlsx" Calculated with reference to iBoxx BBB data from Lloyds Bank and spot implied inflation rates for 10 year maturity from Bank of England Required by Project Licence Appendix 1, Part A 6		1.3%	1.4%	0.4%	0.0%	0.2%						
Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March	Current prices at 31 March of Charging Year	Source: "Copy-of-RCV-Bazalgette-2020-publ.xlsx", https://www.ofwat.gov.uk/publication/regulatory-capital-values-bazalgette-tunnel-limited-tideway-2/ Zero prior to licence award Required by Project Licence Appendix 1, Part A 3	-	-	-	151,310,515	502,087,458	1,043,425,953	1,655,435,722					
Net Debt at 31 March	Current prices at 31 March of Charging Year	Source: Prior year Tideway financial statements and Net debt revised.xlsx Required by Project Licence Appendix 1, Part A 6	-	-	-	130,376,913	315,869,558	67,048,664	556,634,438					
Notional Debt to RCV ratio	%	Source: Project Licence Appendix 1, 1.42 Required by Project Licence Appendix 1, Part A 6			62.5%									
A 1.4. Tax														
Tax as at October 2021	Outturn prices, £	In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax. See Project Licence Appendix 1, Part A 1.4												
A.7. Under/Over Recovered Revenue Adjustment														
Allowed Revenue	£	See Project Licence, Appendix 1, Part A 7												
Amount recovered in respect of 2016/17, 2017/18 and 2018/19 Allowed Revenue (to end of September 2019)	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".												
Amount recovered in respect of Allowed Revenue (to end of September 2018)	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".												
Years of NPV adjustment		Data removed as not required for reconciliation purposes. See "Inputs 2021".												
Amounts received from TWUL in Charging Year (all years of Allowed Revenue)	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".												
A.8. Reconciliation adjustment														
Time since original calculation	Years	See Project Licence, Appendix 1, Part A 8												
Reconcile this year?		Data removed as not required for reconciliation purposes. See "Inputs 2021".												
Allowed Revenue as per most recently submitted Revenue Statement (excluding building block reconciliation and under/over recovered revenue adjustment)	£	Data removed as not required for reconciliation purposes. See "Inputs 2021".												
A.11. Additional Return on Capital Building Block														
Additional Allowable Project Spend		Not applicable at present. Inputs to be added if this building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11												
A 1.6.4. Net Present Value Adjustment														
End of first charging year		Last day of the First Charging Year				31/03/2016								
Licence Award		Date of Licence award				24/08/2015								

BBRA Inputs 2018

	Unit	Source/notes	2012/13	2013/14	2014/15	First Charging Year	Second charging year	Third Charging Year	Fourth Charging Year	Fifth Charging Year	Sixth Charging Year	Seventh Charging Year	Eighth Charging Year
						2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Year starts						01/04/2015	01/04/2016	01/04/2017	01/04/2018	01/04/2019	01/04/2020	01/04/2021	01/04/2022
Year ends						31/03/2016	31/03/2017	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023
Year t-2						2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Year t-1						2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Year t						2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Year t+1						2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Year t+2						2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
1.1 2014/15 RPI Adjustment Factor													
Forecast RPI Adjustment Factor for the calendar year in which Charging Year commences	%	Source: Average independent new forecasts for RPI, Table M3, "Forecasts for the UK economy: a comparison of independent forecasts", HM Treasury, Aug 2021 Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii)										3.2%	4.1%
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 independent forecasts", HM Treasury, Aug 2021 Required by Project Licence Appendix 1, 1.1 (i), (ii), (iii)										4.1%	3.5%
RPI, September of Charging Year		Source: RPI (All Items) index, Consumer Price Inflation Tables, Table 36, 20 October 2021, Office for National Statistics			257.6	259.6	264.9	275.1	284.1	291.0	294.3	308.6	
RPI, March of Charging Year		Source: RPI (All Items) index, Consumer Price Inflation Tables, Table 36, 20 October 2021, Office for National Statistics Required by Project Licence Appendix 1, 1.1 (iii)	254.8	257.1	261.1	269.3	278.3	285.1	292.6	296.9			
Applicable Change in Revenue RPI													
RPI (RPI for November in Charging Year Yt-1)		Source: RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 20 October 2021, Office for National Statistics. Estimated for November 2021 based on September 2021 RPI and Forecast RPI Adjustment Factor for 2021 Required by Project Licence Appendix 1, Part A 3, 4 and 6 Note: for both First and Second Charging years, stated RPI is for November 2015, as Allowed Revenue for both these years is being calculated together	245.6	252.1	259.8	259.8	265.5	275.8	284.6				
Year average RPI		Source: Calculated from RPI (All Items) index, Consumer Price Inflation Reference Tables, Table 36, 20 October 2021, Office for National Statistics Required by Project Licence Appendix 1, Part A 3, 4 and 6 and Appendix 1, 1.1 (iv)		256.7	259.4	265.0	274.9	283.3	290.6	294.2			
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: "Copy-of-RCV-Bazalgette-2020-publ.xlsx", https://www.ofwat.gov.uk/publication/regulatory-capital-values-bazalgette-tunnel-limited-tideway-2/ Zero prior to licence award Required by Project Licence Appendix 1, Part A 3	0	0	148,741,346	478,533,658	962,316,426						
Allowable Project Spend (actual and forecast) - as at October 2021													
Annual Actual Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "Allowable Project Spend Verification No. 52", Mott MacDonald: Thames Tideway ITA Required by Project Licence Appendix 1, Part A 3	0	150,344,662	340,489,147	518,165,900	582,828,772	604,855,688	542,182,309				
Estimated Allowable Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "Regulation Reporting Sep 21 - updated 121021 for LC reporting" Required by Project Licence Appendix 1, Part A 3	0	0	0	0	0	0	0				
Forecast Allowable Project Spend	Outturn prices, £	UPDATED FOR RECONCILIATION Source: "2021 Revenue Statement - ITA Q1 2021-22 Expenditure Forecast Review - Rev 001 - Issued" for full-year 2021/22, 2022/23 and 2023/24 forecasts. The 2021/22 figure is net of expenditure already realised (April to September) Required by Project Licence Appendix 1, Part A 3, 4	0	0	0	0	0	0	0				
Excluded Project Spend	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".											
Alliance Agreement receipts - expenditure funded by these receipts is treated as Excluded Project Spend and therefore is excluded from the Allowable spend metrics set out above	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".											
BWACC	%	Source: Project Licence, Appendix 1, 1.18 Required by Project Licence Appendix 1, Part A 3, 4, 6, 7, 8				2.497%							
A.5. Opex													
Opex forecast as at October 2020	Outturn prices, £	Note: In line with the Project Licence, zero as all expenditure treated as capex. Required by Project Licence Appendix 1, Part A 5	0	0	0	0	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" Calculated with reference to iBoxx BBB data from Lloyds Bank and spot implied inflation rates for 10 year maturity from Bank of England Required by Project Licence Appendix 1, Part A 6	1.30%	1.43%	0.35%	0.01%							
Water Services Regulation Authority Adjusted RCV (Current Prices) at 31 March	Current prices at 31 March of Charging Year	Source: Regulatory Capital Values - Bazalgette Tunnel Limited (Tideway), 1 August 2018 Required by Project Licence Appendix 1, Part A 3	0	0	0	151,310,515	502,087,458	1,043,425,953					
Net Debt at 31 March	Current prices at 31 March of Charging Year	Source: Prior year Tideway financial statements and Net debt revised.xlsx Required by Project Licence Appendix 1, Part A 6	-	-	-	130,376,913	315,869,558	67,048,664					
Notional Debt to RCV ratio	%	Source: Project Licence Appendix 1, 1.42 Required by Project Licence Appendix 1, Part A 6			62.5%								
A 1.4. Tax													
Tax as at October 2021	Outturn prices, £	In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax. See Project Licence Appendix 1, Part A 1.4	0	0	0	0	0	0	0				
A.7. Under/Over Recovered Revenue Adjustment													
Allowed Revenue	£	See Project Licence, Appendix 1, Part A 7											
Amount recovered in respect of Allowed Revenue (to end of September 2018)	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".											
Years of NPV adjustment		Data removed as not required for reconciliation purposes. See "Inputs 2021".											
Amounts received from TWUL in Charging Year (all years of Allowed Revenue)	Outturn prices, £	Data removed as not required for reconciliation purposes. See "Inputs 2021".											
A.8. Reconciliation adjustment													
Time since original calculation	Years	See Project Licence, Appendix 1, Part A 8											
Reconcile this year?		Data removed as not required for reconciliation purposes. See "Inputs 2021".											
Allowed Revenue as per most recently submitted Revenue Statement (excluding building block reconciliation)	£	Data removed as not required for reconciliation purposes. See "Inputs 2021".											
A.11. Additional Return on Capital Building Block													
Additional Allowable Project Spend		Not applicable at present. Inputs to be added if this building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11											
A 1.6.4. Net Present Value Adjustment													
End of first charging year		Last day of the First Charging Year				31/03/2016							
Licence Award		Date of Licence award				24/08/2015							

BBRA Calculation 2018

Building Block	Unit	Notes/description	2013/14	2014/15	First Charging Year	Second Charging Year	Third Charging Year	Fourth Charging Year	Fifth Charging Year
					2015/16	2016/17	2017/18	2018/19	2019/20
Year starts					01/04/2015	01/04/2016	01/04/2017	01/04/2018	01/04/2019
Year ends					31/03/2016	31/03/2017	31/03/2018	31/03/2019	31/03/2020
Year t-2					2013/14	2014/15	2015/16	2016/17	2017/18
Year t-1					2014/15	2015/16	2016/17	2017/18	2018/19
Year t					2015/16	2016/17	2017/18	2018/19	2019/20
Year t+1					2016/17	2017/18	2018/19	2019/20	2020/21
Year t+2					2017/18	2018/19	2019/20	2020/21	2021/22
1.1 2014/15 RPI Adjustment Factor		A factor calculated for each Charging Year to express costs associated with that year in a 2014/15 price base. See Project Licence, Appendix 1, 1.1							
(a) for the purposes of calculating Forecast Allowable Project Spend for Charging Year Yt+1, estimated Allowable Project Spend for the said Charging Year shall be deflated from a price base in Charging Year Yt+1 to the Base RPI Index year (2014/15), using an adjustment factor derived from multiplying the factors set out in (i), (ii), (iii) or (iv)	%	NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source							
Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt+1 commences	%	NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of 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 source							
Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt commences	%	NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source							
Forecast RPI Adjustment Factor for the calendar year in which Charging Year Yt ends	%	NOT USED FOR RECONCILIATION Forecast RPI - see input sheet for description of source							
Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in the calendar year in which Charging Year Yt-1 commenced	%	NOT USED FOR RECONCILIATION Calculated with reference to the index values for March and September to capture April to September inflation (see detailed modelling assumptions in "Statement of calculation 2020")							
Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in the calendar year in which Charging Year Yt commenced	%	NOT USED FOR RECONCILIATION Calculated with reference to the index values for March and September to capture April to September inflation (see "Statement of Calculation 2020")							
Percentage movement in the RPI (All Items) index as published by Office for National Statistics for the period April to September in the calendar year in which Charging Year Yt+1 commenced	%	NOT USED FOR RECONCILIATION Calculated with reference to the index values for March and September to capture April to September inflation (see "Statement of calculation 2019")							
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 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 source							
Base RPI		Year average RPI for 2014/15, used as base year RPI							256.7
Charging 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)							274.9
Charging Year Yt-1		NEW ROW ADDED FOR RECONCILIATION Year average RPI for Charging Year T-1							293.3
Charging Year Yt		NEW ROW ADDED FOR RECONCILIATION Year average RPI for Charging Year T							290.6
Charging Year Yt+1									294.2
1.1 (i)		CALCULATION ALTERED FOR RECONCILIATION Factor used to adjust prices from Charging Year T-1 to Charging Year T							1.01
1.1 (ii)		CALCULATION ALTERED FOR RECONCILIATION Factor used to adjust prices from Charging Year T to Charging Year T-1							1.03
1.1 (iii)		CALCULATION ALTERED FOR RECONCILIATION Factor used to adjust prices from Charging Year T-1 to Charging Year T-2							1.03
1.1 (iv)		Factor used to adjust prices from Charging Year T-2 to Base RPI Index year							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.							1.16
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.							1.13
RPI Adjustment Factor Charging Year T-1		Combines factors (iii) and (iv) above to calculate factor used to adjust prices from Charging Year T-1 to 2014/15 price base.							1.10
RPI Adjustment Factor Charging Year T-2		Equal to factor (iv) above - used to adjust prices from Charging Year T-2 to 2014/15 price base.							1.07
Applicable Change in Revenue RPI		RPI in November of previous Charging Year relative to 2014/15 base year	0.96	0.98	1.01	1.01	1.03	1.07	1.11
RPIt		RPI in November of Charging Year T-1	245.6	252.1	259.8	259.8	265.5	275.8	284.6
RPIbase (Base RPI Index)		Average RPI for 2014/15	256.7	256.7	256.7	256.7	256.7	256.7	256.7
A.1. Allowed Revenue	£	Total Allowed Revenue calculated as the total of the building blocks below, in accordance with Project Licence, Appendix 1, 1.4. See Statement of calculation 2020 for further detail.							61,554,558
A.3. Return on Capital	£	The Return on Capital building block allows the IP to earn a return on capital in relation to the forecast average RCV in the Charging Year in question. See Project Licence, Appendix 1, Part A 3							48,658,381
Ofwat Stated RCV for Yt-2	£, 2014/15 prices	RCV at the end of Charging Year T-2 as published by Ofwat by 1 September following the end of the Charging Year							962,316,426
OPRCV Yt-1	£, 2014/15 prices	Opening RCV for Charging Year T-1.							962,316,426
2014/15 RPI Adjustment Factor Yt-1	£, 2014/15 prices	Scalar to adjust forecast costs for Charging Year T-1 to 2014/15 price base							1.10
Annual Actual Project Spend Yt-1	£, 2014/15 prices	Allowable Project Spend (verified by the ITA) incurred in Charging Year T-1							528,020,889
Estimated Allowable Project Spend Yt-1	£, 2014/15 prices	Allowable Project Spend (not verified by the ITA) incurred in Charging Year T-1							0
Forecast Allowable Project Spend Yt-1	£, 2014/15 prices	Allowable Project Spend forecast to be incurred in Charging Year T-1							0
OPRCV Yt	£, 2014/15 prices	Opening RCV for Charging Year T - the sum of opening RCV for Charging Year T-1 and all Allowable Project Spend in that year							1,490,337,315
2014/15 RPI Adjustment Factor Yt	£, 2014/15 prices	Scalar to adjust forecast costs for Charging Year T to 2014/15 price base							1.13
Annual Actual Project Spend Yt	£, 2014/15 prices	Allowable Project Spend (verified by the ITA) incurred in Charging Year T							534,160,162
Estimated Allowable Project Spend Yt	£, 2014/15 prices	Allowable Project Spend (not verified by the ITA) incurred in Charging Year T							0
Forecast Allowable Project Spend Yt	£, 2014/15 prices	Allowable Project Spend forecast to be incurred in Charging Year T							0
CPRCV Yt	£, 2014/15 prices	Closing RCV for Charging Year T - the sum of opening RCV for Charging Year T and all Allowable Project Spend in that year							2,024,487,477
YARCV Yt	£, 2014/15 prices	Year average RCV for Charging Year T							1,757,412,398
A.4. Liquidity	£	The Liquidity building block allows the IP a liquidity allowance (return on capital) in relation to the incremental average RCV in the year following the Charging Year in question. See Project Licence, Appendix 1, Part A 4							13,943,650
OPRCV Yt+1	£, 2014/15 prices	Opening RCV for Charging Year T+1							2,024,487,477
2014/15 RPI Adjustment Factor Yt+1	£, 2014/15 prices	Scalar to adjust forecast costs for Charging Year T+1 to 2014/15 price base							1.15
Annual Actual Project Spend for year Yt+1	£, 2014/15 prices	NEW ROW ADDED FOR RECONCILIATION Allowable Project Spend (verified by the ITA) incurred in Charging Year T+1							473,065,584.06
Estimated Allowable Project Spend for year Yt+1	£, 2014/15 prices	NEW ROW ADDED FOR RECONCILIATION Allowable Project Spend (not verified by the ITA) incurred in Charging Year T+1							0.00
Forecast Allowable Project Spend for year T+1	£, 2014/15 prices	Allowable Project Spend forecast to be incurred in Charging Year T+1							0
CPRCV Yt+1	£, 2014/15 prices	Closing RCV for Charging Year T+1							2,497,553,061
FYARCV Yt+1	£, 2014/15 prices	Average RCV for Charging Year T+1							2,261,020,269
A.5. Opex		In line with the Project Licence, the Opex building block is zero as all costs are accounted for as capital expenditure. See Project Licence, Appendix 1, Part A 5							0
A.6. Financing Cost Adjustment building block		The Financing Cost Adjustment building block is intended to protect against movements in the market cost of debt, by comparing a measure of financing costs at an annual reference point to a base reference point of March 2015. See Project Licence, Appendix 1, Part A 6					0	461,614	-1,047,473
Financing Cost Adjustment Yt					0	0	0	461,614	-1,509,088
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 at 31 March 2015	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%
Annual Reference Point (ARP)	%	The historic 12 months' trailing average of the Financing Cost Adjustment Index Yield as at 31 March of Charging Year Yt-2	1.30%	1.30%	1.43%	0.35%	0.01%		
BRP-ARP	%	Difference between BRP and ARP	0.0%	0.0%	-1.1%	0.9%	-1.3%		
Market Cost of Debt Adjustment Factor (absolute)	%	See Project Licence Appendix 1 Part A 6.7	0.0%	0.0%	0.0%	0.22%	0.54%		
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	£, current prices (March of Charging Year T-2)	Net Debt at the end of Charging Year T-2 as defined in Project Licence Appendix 1, 1.41	0	0	-130,376,913	-315,869,558	-67,048,664		
Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-2	£, current prices (March of 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	1,043,425,953		
Notional Debt to RCV Ratio	%	As defined in Project Licence Appendix 1, 1.42	62.5%	62.5%	62.5%	62.5%	62.5%		
Notional Net Debt in Charging Year Yt-2	£, current prices (March of Charging Year T-2)	RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A 6.9	0	0	94,569,072	313,804,661	652,141,221		
Net Debt in Charging Year Yt-3	£, current prices (March of Charging Year T-3)	Net Debt at the end of Charging Year T-3 as defined in Project Licence Appendix 1, 1.41	0	0	0	-130,376,913	-315,869,558		
Water Services Regulation Authority Adjusted RCV (Current Prices) in Charging Year Yt-3	£, current prices (March of Charging Year T-3)	RCV at the end of Charging Year T-3 in then current prices	0	0	0	151,310,515	502,087,458		
Notional Debt to RCV Ratio	%	As defined in Project Licence Appendix 1, 1.42	62.5%	62.5%	62.5%	62.5%	62.5%		
Notional Net Debt in Charging Year Yt-3	£, current prices (March of Charging Year T-3)	RCV multiplied by Notional Debt to RCV ratio. See Project Licence Appendix 1 Part A 6.9	0	0	0	94,569,072	313,804,661		
Applicable Change in Revenue RPI for Charging Year Yt			1.01	1.01	1.01	1.03	1.07	1.11	
Applicable Change in Revenue RPI for Charging Year Yt-2			0.96	0.98	1.01	1.01	1.01	1.01	1.03
A.1.4. Tax	£	In line with the Project Licence, zero as the IP is not required to pay corporation tax or any other income-based tax See Project Licence Appendix 1, Part A 1.4							0
A.7. Under/Over Recovered Revenue Adjustment	£	REMOVED FROM THIS RECONCILIATION SHEET AS RECONCILED SEPARATELY, AS UNDER/OVER RECOVERED REVENUE IN RELATION TO ALL APPLICABLE CHARGING YEARS IS RECONCILED IN CALCULATION 2020. The revenue adjustment building block is to reconcile for under/over recovered Allowed Revenue in previous Charging Years. See Project Licence, Appendix 1, Part A 7							
Allowed Revenue		Allowed Revenue as submitted in 2016 updated revised Revenue Statement							
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 2017/18 Allowed Revenue, prior to the end of September 2018.							
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 Allowed Revenue, prior to the end of September 2017.							
Applicable Change in Revenue RPI		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 Year being reconciled for the first time, and one year to reconcile further amounts received in respect of Charging Years already reconciled. See "Statement of Calculation 2018"							
Amounts in respect of prior Charging Years not yet reconciled (unadjusted)		Further amounts received in respect of Charging Years that have already been reconciled.							
Reconciliation amounts - Charging Year T-2 (unadjusted)		Difference between Allowed Revenue for a Charging Year and the amount collected by Thames Water and received by Tideway in respect of that Allowed Revenue.							
Reconciliation amounts (NPV-adjusted)		Reconciliation amount as calculated above, NPV-adjusted for the delay between the original Charging Year and the year of reconciliation using the BWACC and Applicable Change in Revenue RPI.							
Allowed Revenue		Allowed Revenue as submitted in 2016 updated revised Revenue Statement							
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 2017/18 Allowed Revenue, prior to the end of September 2018.							
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 Allowed Revenue, prior to the end of September 2017.							
Applicable Change in Revenue RPI		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 Year being reconciled for the first time, and one year to reconcile further amounts received in respect of Charging Years already reconciled. See "Statement of Calculation 2018"							
Amounts in respect of prior Charging Years not yet reconciled (unadjusted)		Further amounts received in respect of Charging Years that have already been reconciled.							
Reconciliation amounts - Charging Year T-2 (unadjusted)		Difference between Allowed Revenue for a Charging Year and the amount collected by Thames Water and received by Tideway in respect of that Allowed Revenue.							
Reconciliation amounts (NPV-adjusted)		Reconciliation amount as calculated above, NPV-adjusted for the delay between the original Charging Year and the year of reconciliation using the BWACC and Applicable Change in Revenue RPI.							
A.8. Reconciliation adjustment	£	REMOVED FROM THIS RECONCILIATION SHEET AS RECONCILED SEPARATELY IN BBRA CALCULATION 2016 Reconciliation for updated expenditure and inflation data to reflect realised actuals and updated forecasts. See Project Licence, Appendix 1, Part A 8							

Reconcile this year?	n/a	Revenue for a given Charging Year is subject to building block reconciliation adjustment where estimated or forecast expenditure or inflation inputs were used the last time that year's revenue was calculated. Defined as follows: 1 = yes, 0 = no
Time since original calculation	years	Represents the number of years since revenue was first calculated to feed into the NPV adjustment of the reconciliation adjustment.
Allowed Revenue (as at October 2018)	£	Allowed Revenue recalculated using updated expenditure and inflation data. Excludes the under/over recovered revenue adjustment and the reconciliation adjustment building blocks, as these building blocks are not subject to reconciliation. See BBRA Calculation 2018, BBRA Calculation 2019 and BBRA Calculation 2020.
Allowed Revenue (as at October 2017)	£	Allowed Revenue as submitted in 2017 updated revised Revenue Statement. Excludes the under/over recovered revenue adjustment and the reconciliation adjustment building blocks, as these building blocks are not subject to reconciliation.
Applicable Change in Revenue RPI (year in which original calculation was made)		
Applicable Change in Revenue RPI (current year)		
Reconciliation amounts (unadjusted)	£	Adjustment calculated as difference between updated calculation and previous year's calculation, prior to NPV adjustment.
Reconciliation amounts (NPV-adjusted)	£	Adjustment calculated as difference between updated calculation and previous year's calculation, post NPV-adjustment using BWACC and Applicable Change in Revenue RPI.
A.11. Additional Return on Capital Building Block	£	Not applicable. To be added to calculation if building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11
A.11. Additional Liquidity Building Block	£	Not applicable. To be added to calculation if building block becomes relevant (i.e. if Tideway makes an IAR Overrun Application to increase Allowable Project Spend above the Threshold Outturn). See Project Licence, Appendix 1, Part A 11