

Annex 2 - Charge Restriction Conditions
RP5 Final Determination Appendix K - Annex 2 Table 2 - Tax Entitlement

Tax Entitlement (Per Licence Formula) (nominal prices)

Regulatory period	RP5	RP5	RP5	RP5	RP5
Start Period	Jan 2013	Oct 2013	Oct 2014	Oct 2015	Oct 2016
End Period	Sep 2013	Sep 2014	Sep 2015	Sep 2016	Sep 2017
Number of months in period	9.0	12.0	12.0	12.0	12.0
	£m	£m	£m	£m	£m
Vanilla Return on RAB (Nominal)	41.3	55.2	56.7	60.2	64.0
Non Network Capex	1.7	2.3	2.4	2.5	2.6
Financeability Revenue	0.5	1.1	2.2	3.4	4.1
RAB depreciation	57.8	79.0	70.6	77.6	79.2
less interest (nominal) (notional)	- 27.7	- 37.7	- 40.0	- 42.8	- 45.8
less capital allowances (nominal)	- 27.7	- 40.7	- 44.6	- 48.7	- 53.4
	45.9	59.1	47.3	52.1	50.8
Tax entitlement	14.0	17.2	13.3	14.7	14.3

Tax computation (Alternative method) (nominal prices)

Total regulated revenues (nominal)	173.9	233.3	224.9	240.2	249.2
<i>adjust for;</i>					
Pension Deficit (RP5 onwards)	- 10.5	- 14.3	- 14.8	- 15.4	- 16.1
Soni Pension Deficit repair	- 1.6	- 1.7	- 0.6	-	-
Pension - Current costs	- 1.9	- 2.6	- 2.5	- 2.6	- 2.6
Pension holiday adjustment	2.7	3.6	3.7	3.9	4.1
Controllable opex allowance	- 32.0	- 42.9	- 44.0	- 45.5	- 47.2
less Un-Cont opex allowance (nominal)	- 15.3	- 20.8	- 21.4	- 22.2	- 23.1
less interest (nominal) (notional)	- 27.7	- 37.7	- 40.0	- 42.8	- 45.8
less capital allowances (nominal)	- 27.7	- 40.7	- 44.6	- 48.7	- 53.4
Taxable profits	<u>59.9</u>	<u>76.3</u>	<u>60.6</u>	<u>66.8</u>	<u>65.1</u>
Tax entitlement	14.0	17.2	13.3	14.7	14.3

Interest calculation (Per Licence Formula) (nominal prices)

Average RAB nominal prices	1112.3	1134.6	1204.4	1287.1	1378.7
Gearing %	50.0%	50.0%	50.0%	50.0%	50.0%
Nominal Cost of Debt	6.647%	6.647%	6.647%	6.647%	6.647%
Interest	27.7	37.7	40.0	42.8	45.8