

Scenario: 5% Real Cap, Collar on price changes

Pricing Volatility - Model based on percentages

Wales & West					
K based on actual price increases plus estimate for 2012/13					
Formula Year	2008/09	2009/10	2010/11	2011/12	2012/13
Actual Price change:					
April		-9.3%	3.8%	15.1%	7.8%
October					
	£m	£m	£m	£m	£m
Allowed Revenue before K	285.9	309.2	312.2	333.2	354.2
K	3.1	-8.1	-3.0	5.1	-0.5
Final Allowed Revenue	289.0	301.1	309.3	338.3	353.7
Collected Revenue	296.9	304.1	304.2	338.8	353.7
Under/Over Recovery	7.9	2.9	-5.0	0.4	0.0
Under/Over Recovery as % of Allowed		1.0%	-1.6%	0.1%	0.0%

Limits on Price Changes	RPI	3.8%	-0.4%	4.7%	5.0%
Maximum real change	5%	8.8%	4.6%	9.7%	10.0%
Minimum real change	-5%	-1.2%	-5.4%	-0.3%	0.0%

Wales & West					
K based on max 5% real Price increases / decreases					
Formula Year	2008/09	2009/10	2010/11	2011/12	2012/13
Price change needed for zero K		-10.2%	-11.9%	6.8%	17.2%
Price change with +/-5% limit (real) %		-1.2%	-5.4%	6.8%	10.0%
		collared	collared	collared	collared
	£m	£m	£m	£m	£m
Allowed Revenue before K	285.9	309.2	312.2	333.2	354.2
K	3.1	-8.1	-30.8	-21.1	0.0
Final Allowed Revenue	289.0	301.1	281.5	312.1	354.2
Revised Collected	296.9	331.3	302.2	312.1	332.4
Under/Over Recovery	7.9	30.2	20.7	0.0	-21.8
Under/Over Recovery as % of Allowed		10.0%	7.3%	0.0%	-6.2%