

Appendix 1: Making principal statement entries

About this document

This appendix provides guidance to companies on how to make entries in their principal statement. It includes:

- entering unmeasured charges (A1);
- entering measured charges (A2); and
- checking consistency between the principal statement and regulatory accounts revenue information (A3).

In all of the instructions:

- year 0 is the prior year;
- year 1 is the charging year; and
- year 2 and 3 are the subsequent charging years.

The illustrative diagrams and instructions relate to previous year's principal statement information capture system. But the methods discussed are relevant for the current principal statement.

A1. Unmeasured charges

A1.1 Entering new unmeasured charges

The example below describes the method for entering a new unmeasured charge that becomes effective in the charging year (year 1 in the example).

Year 0 (see figure A1 below)

- A. The existing charges were shown in the main section in the prior year principal statement.

Figure A1 Year 0 – existing charges

Year 0 (2008-09)

Description	Charges (£.p)			Charge Multiplier		Revenue "As if..."		Chargeable Supplies	
	prior year 2007-08	charging year 2008-09	% Change	at 1-12-06	at 1-12-07	prior year 2007-08	charging year 2008-09	at 1-12-06	at 1-12-07
Standing charges									
General 1	10.00	11.00	10.0%	100	100	1,000	1,100	100	100
General 2	15.00	16.50	10.0%	20	20	300	330	20	20
Other charges									
TOTALS	-	-	-	-	-	1,300.00	1,430.00	120.00	120.00
Average charge per chargeable supply						10.83	11.92		
Ratio of average charges per chargeable supply					1.1000000				

A1.1.1 If the new charge is a refinement of an existing charge

Year 1 (see figure A2 below)

- B. Enter a description for each new charge on one line in the ‘other charges’ section.
- C. Enter zero as the numeric value of the new charge in the prior year charge column.
- D. Enter the proposed numeric value of the new charge in the charging year charge column.
- E. Enter zero in the charge multiplier 1-12-07 column.
- F. Enter the charge multiplier that would have been subject to the new charge on 1 December 2008 if the new charge had existed at that time. In this example 30 customers would have been subject to the new charge on that date.
- G. Ensure that the charge multiplier(s) for the existing charge(s) excludes those customers moving to the new charge. In this example, 20 customers will be moving from the ‘General1’ charge, and 10 customers from the ‘General2’ charge.
- H. Enter zero in the prior year chargeable supplies column.
- I. Enter the number of chargeable supplies that would have been subject to the new charge at 1 December 2008.
- J. Ensure that the number of chargeable supplies for the existing charge(s) excludes those customers moving to the new charge.

Figure A2 Year 1

Year 1 (2009-10)

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies	
	prior year 2008-09	charging year 2009-10	% Change	at 1-12-07	at 1-12-08	prior year 2008-09	charging year 2009-10	at 1-12-07	at 1-12-08
Standing charges									
General 1	11.00	12.10	10.0%	100	80	1,100	968	100	80
General 2	16.50	18.15	10.0%	20	10	330	182	20	10
Other charges									
New charge	0.00	14.00	#DIV/0!	0	30	0	420	0	30
TOTALS	-	-	-	-	-	1,430.00	1,569.50	120.00	120.00
Average charge per chargeable supply						11.92	13.08		
Ratio of average charges per chargeable supply						1.0975524			

Year 2 (see figure A3 below)

- K. A code will be allocated to the new charge and it will be moved from the 'Other charges' section to the main section.
- L. The approved numeric value of the new charge in 2009-10 will show in the prior year charge column.
- M. Enter the proposed numeric value of the new charge for 2010-11 in the charging year charge column.
- N. The charge multiplier that would have been subject to the new charge at 1 December 2008 will be shown here.
- O. Enter the charge multiplier that was subject to the new charge at 1 December 2009.
- P. The number of chargeable supplies that would have been subject to the new charge at 1 December 2008 will be shown here.
- Q. Enter the number of chargeable supplies that were subject to the new charge at 1 December 2009.

Figure A3 Year 2

Year 2 (2010-11)

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies	
	prior year 2009-10	charging year 2010-11	% Change	at 1-12-08	at 1-12-09	prior year 2009-10	charging year 2010-11	at 1-12-08	at 1-12-09
Standing charges									
General 1	12.10	13.31	10.0%	80	80	968	1,065	80	80
General 2	18.15	19.97	10.0%	10	10	182	200	10	10
New charge	14.00	15.40	10.0%	30	30	420	462	30	30
Other charges									
TOTALS	-	-	-	-	-	1,569.50	1,726.50	120.00	120.00
Average charge per chargeable supply						13.08	14.39		
Ratio of average charges per chargeable supply						1.1000319			

A1.1.2 If the new charge is not a refinement of an existing charge

This applies to supplies that were not previously charged but which are not made to new customers.

Year 1 (see figure 4 below)

- B. Enter a description for each new charge on one line in the 'other charges' section.
- C. Enter zero as the numeric value of the new charge in the prior year charge column.
- D. Enter the proposed numeric value for the new charge in the charging year charge column.
- E. Enter zero in the charge multiplier 1-12-07 column.
- F. Enter the charge multiplier that would have been subject to the charge on 1 December 2008 if the new charge had existed at that time. In this example 30 customers would have been subject to the new charge on that date.
- G. Ensure that the charge multiplier(s) for the existing charge(s) excludes those customers moving to the new charge. In this example, 20 customers will be moving from the 'General1' charge, and 10 customers from the 'General2' charge.
- H. Enter the number of chargeable supplies that would have been subject to the new charge at 1 December 2007.
- I. Enter the number of chargeable supplies that would have been subject to the new charge at 1 December 2008.
- J. Ensure that the number of chargeable supplies for the existing charge(s) excludes those customers moving to the new charge.

Figure A4 Year 1

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies		
	prior year 2008-09	charging year 2009-10	% Change	at 1-12-07	at 1-12-08	prior year 2008-09	charging year 2009-10	at 1-12-07	at 1-12-08	
Standing charges										
General 1	11.00	12.10	10.0%	100	80	1,100	968	100	80	
General 2	16.50	18.15	10.0%	20	10	330	182	20	10	
Other charges										
New charge	0.00	14.00	#DIV/0!	0	30	0	420	30	30	
TOTALS	-	-	-	-	-	1,430.00	1,569.50	150.00	120.00	
Average charge per chargeable supply						9.53	13.08			
Ratio of average charges per chargeable supply						1.3719406				

Year 2 (see figure A5 below)

- K. A code will be allocated to the new charge and it will be moved from the 'Other charges' section to the main section.
- L. The approved numeric value of the new charge in 2009-10 will show here.
- M. Enter the proposed numeric value of the new charge for 2010-11 here.
- N. The charge multiplier that would have been subject to the new charge at 1 December 2008 will show here.
- O. Enter the charge multiplier that was subject to the new charge at 1 December 2009 here.
- P. The number of chargeable supplies that would have been subject to the new charge at 1 December 2008 will show here.
- Q. Enter the number of chargeable supplies that were subject to the new charge at 1 December 2009 here.

Figure A5 Year 2

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies		
	prior year 2009-10	charging year 2010-11	% Change	at 1-12-08	at 1-12-09	prior year 2009-10	charging year 2010-11	at 1-12-08	at 1-12-09	
Standing charges										
General 1	12.10	13.31	10.0%	80	80	968	1,065	80	80	
General 2	18.15	19.97	10.0%	10	10	182	200	10	10	
New charge	14.00	15.40	10.0%	30	30	420	462	30	30	
Other charges										
TOTALS	-	-	-	-	-	1,569.50	1,726.50	120.00	120.00	
Average charge per chargeable supply						13.08	14.39			
Ratio of average charges per chargeable supply						1.1000319				

A1.1.3 If the new charge is for new customers including new appointments and variations (previously called ‘insets’)

This applies to new customers that are subject to new charges. Customers brought in on existing charges are incorporated by including the relevant multipliers from the new customers within the multipliers for the existing charges.

The method for new charges is described below as if the new customers were charged for the first time in the charging year 2009-10. You must enter zeros in the corresponding charge multiplier columns until actual data is available for the dates specified.

Year 1 (see figure A6 below)

- Enter one line for each new charge in the “Other charges” section of the relevant basket item.
- Enter zero as the numeric value of the new charge in the prior year charge column.
- Enter the proposed numeric value for the new charge in the charging year charge column.
- Enter zero in the charge multiplier 1-12-07 column.
- Enter zero in the charge multiplier 1-12-08 column.
- Enter zero in the chargeable supplies 1-12-07 column.
- Enter zero in the chargeable supplies 1-12-08 column.

Figure A6 Year 1

Year 1 (2009-10)									
Description	Charges (£.p)			Charge Multiplier		Revenue "As if..."		Chargeable Supplies	
	prior year 2008-09	charging year 2009-10	% Change	at 1-12-07	at 1-12-08	prior year 2008-09	charging year 2009-10	at 1-12-07	at 1-12-08
Standing charges									
General 1	11.00	12.10	10.0%	100	80	1,100	968	100	80
General 2	16.50	18.15	10.0%	20	10	330	182	20	10
Other charges									
Inset	0.00	12.00	#DIV/0!	0	0	0	0	0	0
TOTALS	-	-	-	-	-	1,430.00	1,149.50	120.00	90.00
Average charge per chargeable supply						11.92	12.77		
Ratio of average charges per chargeable supply						1.0717949			

Year 2 (see figure A7 below)

- H. A code will be allocated to the new charge and it will be moved from the 'Other charges' section to the main section.
- I. The approved numeric value of the new charge for 2009-10 will show in the prior year charge column.
- J. Enter the proposed numeric value of the new charge for 2010-11 in the charging year charge column.
- K. Enter zero in the 1-12-08 charge multiplier column.
- L. Enter the charge multiplier for 1 December 2009.
- M. Enter zero in the 1-12-08 chargeable supplies column.
- N. Enter the number of chargeable supplies that was subject to the charge at 1 December 2009.

Figure A7 Year 2

Year 2 (2010-11)

Description	Charges(£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies		
	prior year 2009-10	charging year 2010-11	% Change	at 1-12-08	at 1-12-09	prior year 2009-10	charging year 2010-11	at 1-12-08	at 1-12-09	
Standing charges										
General 1	12.10	13.31	10.0%	80	80	968	1,065	80	80	
General 2	18.15	19.97	10.0%	10	10	182	200	10	10	
Inset	12.00	13.20	10.0%	0	20	0	264	0	20	
Other charges										
TOTALS	-	-	-	-	-	1,149.50	1,528.50	90.00	110.00	
Average charge per chargeable supply						12.77	13.90			
Ratio of average charges per chargeable supply						1.0879434				

Year 3 (see figure A8 below)

- O. The approved numeric value of the charge for 2010-11 will show in the prior year charge column.
- P. Enter the proposed numeric value of the new charge for 2011-12 in the charging year charge column.
- Q. The 1-12-09 charge multiplier will show in this column.
- R. Enter the charge multiplier for 1-12-10 in this cell.
- S. The 1-12-09 chargeable supplies will show in the prior year chargeable supplies column.
- T. Enter the number of chargeable supplies that were subject to the charge at 1 December 2010.

Figure A8 Year 3

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies	
	prior year 2010-11	charging year 2011-12	% Change	at 1-12-09	at 1-12-10	prior year 2010-11	charging year 2011-12	at 1-12-09	at 1-12-10
Standing charges									
General 1	12.10	13.31	10.0%	80	80	968	1,065	80	80
General 2	18.15	19.97	10.0%	10	10	182	200	10	10
Inset	13.20	14.52	10.0%	20	20	264	290	20	20
Other charges									
TOTALS	-	-	-	-	-	1,413.50	1,554.90	110.00	110.00
Average charge per chargeable supply						12.85	14.14		
Ratio of average charges per chargeable supply						1.1000354			

A1.2 Abolishing an existing unmeasured charge

A1.2.1 If the supplies are to be transferred on to another tariff

Year 0 (see figure A9 below)

- A. The existing charges were shown in the main section of the 2008-09 principal statement.

Figure A9 Year 0 – existing charges

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies	
	prior year 2007-08	charging year 2008-09	% Change	at 1-12-06	at 1-12-07	prior year 2007-08	charging year 2008-09	at 1-12-06	at 1-12-07
Standing charges									
General 1	10.00	11.00	10.0%	80	80	800	880	80	80
General 2	15.00	16.50	10.0%	10	10	150	165	10	10
General 3	13.00	14.30	10.0%	30	30	390	429	30	30
Other charges									
TOTALS	-	-	-	-	-	1,340.00	1,474.00	120.00	120.00
Average charge per chargeable supply						11.17	12.28		
Ratio of average charges per chargeable supply						1.1000000			

Year 1 (see figure A10 below)

- B. The approved numeric value of the charge in the prior year will show here.
C. Enter zero as the numeric value of the charge in the charging year here.
D. The 1-12-07 charge multiplier will show here.
E. Enter zero as the 1-12-08 charge multiplier here.

- F. Ensure that the charge multiplier(s) for the existing charge(s) includes those customers moving from the abolished charge. In this example, 20 customers will be moving to the General1 charge, and 10 customers to the General2 charge.
- G. The 1-12-07 chargeable supplies will show here.
- H. Enter zero as the 1-12-08 chargeable supplies here.
- I. Ensure that the chargeable supplies for the existing charge(s) includes those customers moving from the abolished charge.

Figure A10 Year 1

Year 1 (2009-10)

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies	
	prior year 2008-09	charging year 2009-10	% Change	at 1-12-07	at 1-12-08	prior year 2008-09	charging year 2009-10	at 1-12-07	at 1-12-08
Standing charges									
General 1	11.00	12.10	10.0%	80	100	880	1,210	80	100
General 2	16.50	18.15	10.0%	10	20	165	363	10	20
General 3	14.30	0.00	-100.0%	30	0	429	0	30	0
Other charges									
TOTALS	-	-	-	-	-	1,474.00	1,573.00	120.00	120.00
Average charge per chargeable supply						12.28	13.11		
Ratio of average charges per chargeable supply					1.0671642				

Year 2 and subsequent years

You should set the charge, charge multiplier and the chargeable supplies to zero.

A1.2.2 If the supplies are not to be transferred on to another tariff

This applies where the supplies will not be charged once the charge is abolished.

Year 0 (see figure A11 below)

- A. The existing charges were shown in the main section.

Figure A11 Year 0 – existing charges

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies	
	prior year 2007-08	charging year 2008-09	% Change	at 1-12-06	at 1-12-07	prior year 2007-08	charging year 2008-09	at 1-12-06	at 1-12-07
Standing charges									
General 1	10.00	11.00	10.0%	100	100	1,000	1,100	100	100
General 2	12.00	13.20	10.0%	20	20	240	264	20	20
Other charges									
TOTALS									
	-	-	-	-	-	1,240.00	1,364.00	120.00	120.00
Average charge per chargeable supply						10.33	11.37		
Ratio of average charges per chargeable supply						1.1000000			

Year 1 (see figure A12 below)

- B. The approved numeric value of the charge in the prior year will show here.
- C. Enter zero as the numeric value of the charge in the charging year here.
- D. The 1-12-07 charge multiplier will show here.
- E. Enter zero as the 1-12-08 charge multiplier here.
- F. The 1-12-07 chargeable supplies will show here. **You should overwrite this as zero.**
- G. Enter zero as the 1-12-08 chargeable supplies here.

Figure A12 Year 1

Description	Charges (£.p)			Charge Multiplier		Revenue "As If..."		Chargeable Supplies	
	prior year 2008-09	charging year 2009-10	% Change	at 1-12-07	at 1-12-08	prior year 2008-09	charging year 2009-10	at 1-12-07	at 1-12-08
Standing charges									
General 1	11.00	12.10	10.0%	100	100	1,100	1,210	100	100
General 2	13.20	0.00	-100.0%	20	0	264	0	0	0
Other charges									
TOTALS									
	-	-	-	-	-	1,364.00	1,210.00	100.00	100.00
Average charge per chargeable supply						13.64	12.10		
Ratio of average charges per chargeable supply						0.8870968			

Year 2 and subsequent years

You should set the charge, charge multiplier and the chargeable supplies to zero.

A1.2.3 Retaining an unmeasured charge that is not currently in use for future years

When you stop using the tariff, you should follow the procedure outlined in section A1.2 above for abolishing an unmeasured charge.

When you reintroduce the tariff, you should follow the procedure outlined in section A1.1 above for introducing a new unmeasured charge.

A2. Measured charges

A2.1 Charge multipliers

You must enter charge multipliers that would enable your weighting year revenues to be calculated in accordance with licence condition B.

We have outlined below some guidance on how to calculate the charge multipliers.

There may be a particular reason why you may be unable to follow this guidance. **If this is the case, you must include in your submission:**

- **an explanation of why this was not possible; and**
- **the method that you have used to calculate the charge multiplier.**

Your auditor must confirm in its report that your chosen method of calculation is appropriate.

A2.1.1 Charge multipliers for volumetric charges

One difficulty in calculating charge multipliers for volumetric charges is that not all meters are read on 31 March each year. Companies have different ways of addressing this.

- Some companies estimate the amount of water used in each year for billing purposes. Those companies must use the same basis to calculate the charge multiplier.
- Other companies bill all the water for each billing period at the same rate. So, some water delivered in a particular charging year will be billed at the prior year rate. Those companies must either:

- calculate the charge multiplier on the amount of water billed at the weighting year charge; or
- estimate the amount of water delivered in the weighting year.

We expect companies to be consistent and use the same method each year.

A further complication is that companies may adjust customers' bills for reasons such as leakage allowances. When companies calculate charge multipliers under such circumstances, they should use, as a guide, the same method that they used for their revenue analysis of turnover for their regulatory accounts. If their analysis took into account adjustments that they made to customers' bills, then they must also take account of those adjustments when calculating the charge multiplier.

A2.1.2 Charge multipliers for non-volumetric charges

The number of measured customers is increasing. New measured customers start to pay measured charges the moment they start to receive services, which may not be at the beginning of the charging year. It is unlikely that the rate of customers starting to pay measured charges will be constant throughout the year. However, for the sake of simplicity, we assume that the rate is constant.

You need to take account of the changing number of measured customers when calculating the weighting year revenue for each non-volumetric charge. For each non-volumetric charge the charge multiplier must be calculated as either:

- the average of the number of units that could be billed under the charge at the start and end of the weighting year; or
- the number of units that could be billed under the charge at the midpoint of the weighting year.

These two options will give the same answer if there is a constant increase in the number of measured customers.

A2.1.3 Charge multipliers for WaterSure tariff

If you did not forecast in your business plan that any additional customers would successfully apply for this tariff but wish to do so now in your principal statement, then the charge multiplier that you enter must relate to the weighting year. You may also enter a forecast of the number of customers that you expect to successfully apply for the tariff by 31 March 2009. This is explained in further detail in section A2.1.4 below.

If you forecast additional uptake of this tariff in your business plan, or if you did not forecast additional uptake in the business plan and do not wish to forecast additional uptake in the principal statement, then you must enter multipliers from the weighting year. The charge multiplier must be either:

- the number of customers on the tariff at 31 December in the weighting year; or
- the weighted average of the number of customers on the tariff at the beginning of the weighting year (weighted at 25%) and the number of customers on the tariff at the end of the weighting year (weighted at 75%).

A2.1.4 Charge multipliers for large users (excluded charges)

For the purposes of the principal statement, large users are currently customers that use more than 50 million litres a year (MI/year) in England – or 250 MI/year if your company is wholly or mainly in Wales. You must not enter details, including charge multipliers, of any large users in the principal statement.

However, it is possible that an existing large user could have used less than 50 MI in the weighting year. In this case, we would expect to see that customer's details (volumes and the applicable charges) in the principal statement.

A2.2 Entering charge multipliers for existing optional tariffs

A2.2.1 If you do not wish to forecast additional uptake in your principal statement

This section is applicable whether you forecast additional uptake of the tariff in your business plan or not.

Year 1 (see figure A13 below)

- A. The charge multiplier should be the actual weighting year multiplier for the tariff.
- B. You must not enter adjustment lines or forecast further uptake of the tariff in your principal statement.

Figure A13 Year 1

Measured Water

Line	Description	Charges (£.p)		% Change	Charge Multiplier	Weighting Year Revenue		2007-08	
		prior year 2008-09	charging year 2009-10			prior year 2008-09	charging year 2009-10	Charges 2007-08	Revenue 2007-08
Standing Charges									
MWSC01	Existing	11.00	12.10	10.0%	975	10,725.00	11,797.50	22.80	22,230.00
MWSC02	Optional	20.00	22.00	10.0%	25	500.00	550.00	22.80	570.00
Volumetric Charges									
MWVOL01	Existing	0.8800	0.9680	10.0%	195,000	171,600.00	188,760.00	1.4170	276315.0000
MWVOL02	Optional	0.6000	0.6600	10.0%	5,000	3,000.00	3,300.00	1.2128	6064.0000
Other Charges } 									
TOTALS		-	-	-	-	185,825.00	204,407.50		305,179
								REVENUE SECTION 0	10,807,000
								DIFFERENCE	-10,501,821
RATIO OF WEIGHTING YEAR REVENUES					1.1000000				

A2.2.2 If you wish to forecast additional uptake in your principal statement

This section is applicable whether or not you forecast additional uptake of the tariff in your business plan.

Year 0 (see figure A14 below)

- The charge multiplier is equal to the number of customers on the tariff by 31 March 2008.
- The entries in this part of the principal statement reflected your forecast of further uptake of the optional tariff in 2008-09.
- In this example you thought that 120 customers would opt for the optional tariff in 2008-09.

Figure A14

Year 0 (2008-09)

Line	Description	Charges (£.p)		% Change	Charge Multiplier	Weighting Year prior year 2007-08	Revenue charging year 2008-09	2006-07	
		prior year 2007-08	charging year 2008-09					Charges 2006-07	Revenue 2006-07
Standing Charges									
MWSC01	Existing	20.00	22.00	10.0%	10,000	200,000.00	220,000.00	19.00	190,000.00
Volumetric Charges									
MWVOL01	Existing	0.6000	0.6600	10.0%	1,000,000	600,000.00	660,000.00	0.5500	550,000.0000
Vulnerable Group Tariff									
MWVGT01	General	80.00	88.00	10.0%	900	72,000.00	79,200.00	95.00	85,500.00
Other Charges									
VGT Forecast		0.00	88.00	#DIV/0!	120	0	10560		
VGT Forecast - standing charge		20.00	0.00	-100.0%	120	2400	0		
VGT Forecast - volumetric charge		0.6000	0.0000	-100.0%	120,000	72000	0		
TOTALS		-	-	-	-	946,400.00	969,760.00		825,500
								REVENUE SECTION 0	10,807,000
								DIFFERENCE	-9,981,500
RATIO OF WEIGHTING YEAR REVENUES					1.0246830				

With these entries, you expected that by 31 March 2009 there would be 1,020 (A + C) customers on the optional tariff.

A2.2.2.1 Over-forecasting uptake of the optional tariff

If you over-forecast the 2008-09 uptake of the optional tariff (that is, if the number of customers you estimate to be on the tariff by 31 March 2009, is less than the sum of your charge multiplier and the forecast uptake in your 2008-09 principal statement), then you should follow the following instructions.

Year 1 (see figure A15 below)

- D. With the information you have available you think that 940 customers would be on the tariff by 31 March 2009. Enter this number as the charge multiplier. This number is less than the number (1,020) you forecasted in your 2008-09 principal statement by 80.
- E. You make entries here to correct for over-forecasting the uptake of the optional tariff. Enter 80 and the amount of water supplied to these 80 customers as charge multipliers.

F. If you think that the uptake of the optional tariff will increase further in 2009-10 you can make entries to reflect this here. In this example you think that 100 more customers will opt for the optional tariff in 2009-10. Enter this number as well as the associated quantity of water in this section. In subsequent years you will be able to enter adjustments if you consider that this forecast was too low or too high. Again in subsequent years, if you consider that uptake of the optional tariff will increase further then you will be able to enter further forecasts.

Figure A15 Year 1

Year 1 (2009-10)		Charges(£.p)			Charge	Weighting	Year Revenue	2007-08		
Line	Description	prior year 2008-09	charging year 2009-10	% Change	Multiplier 2007-08	prior year 2008-09	charging year 2009-10	Charges 2007-08	Revenue 2007-08	
Standing Charges										
MWSC01	Existing	22.00	24.20	10.0%	9,960	219,120.00	241,032.00	20.00	199,200.00	
Volumetric Charges										
MWVOL01	Existing	0.6600	0.7260	10.0%	996,000	657,360.00	723,096.00	0.6000	597600.0000	
Vulnerable Group Tariff										
MWVGT01	General	88.00	96.80	10.0%	940	82,720.00	90,992.00	100.00	94,000.00	
Other Charges										
	VGT Adjustment	88.00	0.00	-100.0%	80	7,040.00	0.00			
	VGT Adjustment - standing charge	0.00	24.20	#DIV/0!	80	0.00	1,936.00			
	VGT Adjustment - volumetric charge	0.0000	0.7260	#DIV/0!	8,000	0.00	5,808.00			
	VGT Forecast	0.00	96.80	#DIV/0!	100	0.00	9,680.00			
	VGT Forecast - standing charge	22.00	0.00	-100.0%	100	2,200.00	0.00			
	VGT Forecast - volumetric charge	0.6600	0.0000	-100.0%	10,000	6,600.00	0.00			
TOTALS		-	-	-	-	975,040.00	1,072,544.00	890,800	0	
								REVENUE SECTION 0	0	
								DIFFERENCE	890,800	
RATIO OF WEIGHTING YEAR REVENUES								1.100000		

With these entries, you expected that by March 31 2010 there would be 1,040 (940 + 100) customers on the optional tariff.

A2.2.2.2 Under-forecasting uptake of the optional tariff

If you under-forecast the 2008-09 uptake of the optional tariff (that is, if the number of customers you estimate to be on the tariff by 31 March 2009, is more than the sum of your charge multiplier and the forecast uptake in your 2008-09 principal statement), then:

Year 1 (see figure A16 below)

- D. With the information you have available you think that 1,120 customers would be on the tariff by 31 March 2009. This number is more than the number (1,020) you forecasted in your 2008-09 principal statement by 100. Enter the 2008-09 forecast number as the charge multiplier.
- E. You make entries here to correct for under-forecasting the uptake of the optional tariff. Enter 100 and the amount of water supplied to these customers as charge multipliers.
- F. If you think that the uptake of the optional tariff will increase further in 2009-10 you can make entries to reflect this here. In this example you think that 100 more customers will opt for the optional tariff in 2009-10. Enter this number as well as the associated volume of water in this section. In subsequent years you will be able to enter adjustments if you consider that this forecast was too low or too high. Again in subsequent years if you consider that uptake of the optional tariff will increase further then you will be able to enter further forecasts.

Figure A16

Year 1 (2009-10)		Charges(£.p)		% Change	Charge Multiplier	Weighting Year Revenue		2007-08	
Line	Description	prior year 2008-09	charging year 2009-10			prior year 2008-09	charging year 2009-10	Charges 2007-08	Revenue 2007-08
Standing Charges									
MWSC01	Existing	22.00	24.20	10.0%	9,960	219,120.00	241,032.00	20.00	199,200.00
Volumetric Charges									
MWVOL01	Existing	0.6600	0.7260	10.0%	996,000	657,360.00	723,096.00	0.6000	597600.0000
Vulnerable Group Tariff									
MWVGT01	General	88.00	96.80	10.0%	1,020	89,760.00	98,736.00	100.00	102,000.00
Other Charges									
	VGT Adjustment	0.00	96.80	#DIV/0!	100	0.00	9,680.00		
	VGT Adjustment - standing charge	22.00	0.00	-100.0%	100	2,200.00	0.00		
	VGT Adjustment - volumetric charge	0.6600	0.0000	-100.0%	10,000	6,600.00	0.00		
	VGT Forecast	0.00	96.80	#DIV/0!	100	0.00	9,680.00		
	VGT Forecast - standing charge	22.00	0.00	-100.0%	100	2,200.00	0.00		
	VGT Forecast - volumetric charge	0.6600	0.0000	-100.0%	10,000	6,600.00	0.00		
TOTALS		-	-	-	-	983,840.00	1,082,224.00		898,800
								REVENUE SECTION 0	0
								DIFFERENCE	898,800
RATIO OF WEIGHTING YEAR REVENUES					1.1000000				

With these entries, you expected that by March 31 2010 there would be 1,220 (1,020 + 100 + 100) customers on the optional tariff.

A2.3 Introducing new measured charges

A2.3.1 New customers on new tariffs

This section applies to new customers – such as new appointments and variations (previously known as ‘insets’) – that are charged new charges. Customers brought in on existing charges are incorporated by including the relevant multipliers from the new customers within the multipliers for the existing charges.

The method for adding new customers on new tariffs is described below as if the tariffs were effective from the charging year 2009-10. You must enter zeros in the corresponding charge multiplier columns until actual data are available for the dates specified.

Year 1 (see figure 17 below)

- Enter one line for each new charge in the other charges section.
- Enter zero as the numeric value for each new charge in the prior year here.
- Enter the proposed numeric value for each new charge for 2009-10, the charging year, here.
- Enter zero in the multiplier column.

Figure A17 Year 1

Year 1 (2009-10)		Charges(£.p)		% Change	Charge Multiplier	Weighting Year Revenue		2007-08	
Line	Description	prior year 2008-09	charging year 2009-10			prior year 2008-09	charging year 2009-10	Charges 2007-08	Revenue 2007-08
Standing Charges									
MWSC01	General	11.00	12.10	10.0%	100	1,100.00	1,210.00	10.00	1,000.00
Volumetric Charges									
MWVOL01	General	0.8800	0.9680	10.0%	20,000	17,600.00	19,360.00	0.8000	16000.0000
Other Charges									
	New standing charge	0.00	20.00	#DIV/0!	0	0.00	0.00		
	New volumetric charge	0.0000	0.5500	#DIV/0!	0	0.00	0.00		
TOTALS		-	-	-	-	18,700.00	20,570.00		17,000
								REVENUE SECTION 0	10,807,000
								DIFFERENCE	-10,790,000
RATIO OF WEIGHTING YEAR REVENUES					1.1000000				

Year 2 (see figure A18 below)

- Codes will be allocated to the new charges, and they will be moved from the ‘Other charges’ section to the main section.

- F. The approved numeric values for each charge for 2009-10, the prior year, will show here.
- G. Enter the proposed numeric value for each new charge for 2010-11, the charging year, here.
- H. Enter zero in the charge multiplier column.

Figure A18

Year 2 (2010-11)

Line	Description	Charges (£.p)		% Change	Charge Multiplier	Weighting Year Revenue		2008-09	
		prior year 2009-10	charging year 2010-11			prior year 2009-10	charging year 2010-11	Charges 2008-09	Revenue 2008-09

Standing Charges

MWSC01	General	12.10	13.31	10.0%	100	1,210.00	1,331.00	11.00	1,100.00
MWSC02	New charge	20.00	22.00	10.0%	0	0.00	0.00	0.00	0.00

Volumetric Charges

MWVOL01	General	0.9680	1.0648	10.0%	20,000	19,360.00	21,296.00	0.8800	17600.0000
MWVOL02	New charge	0.5500	0.6050	10.0%	0	0.00	0.00	0.0000	0.0000

Other Charges

TOTALS		-	-	-	-	20,570.00	22,627.00		18,700
							REVENUE SECTION 0		0
							DIFFERENCE		18,700
RATIO OF WEIGHTING YEAR REVENUES					1.1000000				

Year 3 (see figure A19 below)

- I. The approved numeric value for each new charge for 2010-11, the prior year, will show here.
- J. Enter the proposed numeric value for each charge for 2011-12, the charging year, here.
- K. Enter the charge multipliers in this column.

Figure A19 Year 3

Year 3 (2011-12)									
Line	Description	Charges(£.p)			Charge Multiplier	Weighting Year Revenue		2009-10	
		prior year 2010-11	charging year 2011-12	% Change		prior year 2010-11	charging year 2011-12	Charges 2009-10	Revenue 2009-10
Standing Charges									
MWSC01	General	13.31	14.64	10.0%	100	1,331.00	1,464.00	12.10	1,210.00
MWSC02	New charge	22.00	24.20	10.0%	10	220.00	242.00	20.00	200.00
Volumetric Charges									
MWVOL01	General	1.0648	1.1713	10.0%	20,000	21,296.00	23,426.00	0.9680	19360.0000
MWVOL02	New charge	0.6050	0.6655	10.0%	4,000	2,420.00	2,662.00	0.5500	2200.0000
Other Charges									
TOTALS		-	-	-	-	25,267.00	27,794.00		22,970
								REVENUE SECTION 0	0
								DIFFERENCE	22,970
RATIO OF WEIGHTING YEAR REVENUES					1.1000119				

A2.3.1 Existing customers on new tariffs

This section applies to where the new tariff is a refinement or development of an existing tariff.

How you enter the new tariff depends on whether it is compulsory or optional. A tariff is compulsory if customers cannot opt out of it. Both methods are described below with an example of each.

A2.3.1.1 Introducing new compulsory tariffs

When you introduce a new compulsory tariff you must enter charge multipliers for the tariff from the weighting year for those customers that would have been put on the tariff if it had been introduced in that year. The method is described below as if the new charge were effective from the charging year 2009-10 (the charge becomes effective in year 1 of the example).

Year 0 (see figure A20 below)

- A. The existing charge was shown in the main section for 2008-09.

Figure A20 Year 0

Year 0 (2008-09)

Line	Description	Charges (£.p)			Charge Multiplier	Weighting Year Revenue		2006-07	
		prior year 2007-08	charging year 2008-09	% Change		prior year 2007-08	charging year 2008-09	Charges 2006-07	Revenue 2006-07
Standing Charges									
MWSC01	General	10.00	11.00	10.0%	100	1,000.00	1,100.00	9.09	909.00
Other Charges									
		TOTALS		-	-	-	1,000.00	1,100.00	909
								REVENUE SECTION 0	10,807,000
								DIFFERENCE	-10,806,091
		RATIO OF WEIGHTING YEAR REVENUES		1.1000000					

Year 1 (see figure A21 below)

- B. Enter one line for each new charge in the 'Other charges' section. In this example the new charges will replace the existing charge for 25 customers. The remaining 75 customers will remain on the old charge.
- C. Enter the numeric value of the existing charge that these customers would have faced in the prior year. If the new charge encompasses more than one existing charge, show these on separate lines. Alternatively, you can enter an average of the numeric values of these charges on one line, as long as you **fully explain how you have calculated the average charge in your submission.**
- D. Enter the numeric value of the new charge for the charging year here.
- E. Enter the number of customers (or quantity of water, etc) to which this charge would have applied if it had existed in the weighting year.
- F. Ensure that the charge multiplier for the existing charge excludes those customers moving to the new charge.

Figure A21 Year 1

Year 1 (2009-10)									
Line	Description	Charges (£.p)			Charge Multiplier	Weighting Year Revenue		2007-08	
		prior year 2008-09	charging year 2009-10	% Change		prior year 2008-09	charging year 2009-10	Charges 2007-08	Revenue 2007-08
Standing Charges									
MWSC01	General	11.00	12.10	10.0%	75	825.00	907.50	11.00	825.00
Other Charges									
	New charge 1	11.00	22.00	100.0%	15	165.00	330.00		
	New charge 2	11.00	16.50	50.0%	10	110.00	165.00		
TOTALS		-	-	-	-	1,100.00	1,402.50		825
							REVENUE SECTION 0		0
							DIFFERENCE		825
RATIO OF WEIGHTING YEAR REVENUES					1.2750000				

A2.3.1.2 Introducing seasonal tariffs

When introducing a seasonal tariff you must follow the procedure for entering new compulsory tariffs shown in section 2.3.1.1 above. You must base the charge multiplier on customers' actual consumption in the weighting year. So, the charge multiplier you enter for peak and off peak volumes must reflect actual consumption for the relevant period of the weighting year. For example, if consumption is more heavily weighted towards the summer months (peak) you must reflect this in the charge multiplier for this charge. The sum of the charge multipliers for the peak and off peak volumes must equal the customers' actual consumption in the weighting year. The method is described below as if the new charge were effective from the charging year 2009-10.

Year 0 (see figure A22 below)

- A. The existing charge was shown in the main section for 2008-09.

Figure A22 Year 0

Year 0 (2008-09)									
Line	Description	Charges (£.p)			Charge Multiplier	Weighting Year Revenue		2006-07	
		prior year 2007-08	charging year 2008-09	% Change		2006-07	prior year 2007-08	charging year 2008-09	Charges 2006-07
Volumetric Charges									
MWVOL01	Existing	0.6000	0.6600	10.0%	1.000000	600,000.00	660,000.00	0.5500	550000.0000
Other Charges									
TOTALS		-	-	-	-	600,000.00	660,000.00		550,000
							REVENUE SECTION 0		10,807,000
							DIFFERENCE		-10,257,000
RATIO OF WEIGHTING YEAR REVENUES					1.1000000				

Year 1 (see figure A23 below)

- B. Enter one line for each new charge in the 'other charges' section. In this example, the new charges will replace the existing charge for all customers.
- C. Enter the numeric value of the existing charge that these customers would have faced in the prior year. If the new charge encompasses more than one existing charge, you should show these on separate lines. Alternatively, you can enter an average of the numeric values of these charges on one line, as long as you fully explain how you have calculated the average charge in your submission.
- D. Enter the numeric value of the new charge for the charging year here.
- E. Enter the number of customers (or quantity of water, etc) to which this charge would have applied if the charge had existed in the weighting year.
- F. Ensure that the charge multiplier for the existing charge excludes those customers moving to the new charge. In this example, the charge multiplier is entered as zero since all customers will switch to the new tariff.

Figure A23 Year 1

Year 1 (2009-10)							2007-08		
Line	Description	Charges (£.p)			Charge Multiplier	Weighting Year Revenue charging		Charges 2007-08	Revenue 2007-08
		prior year 2008-09	charging year 2009-10	% Change		prior year 2008-09	year 2009-10		
Volumetric Charges									
MWVOL01	Existing	0.6600	0.0000	-100.0%	0	0.00	0.00	0.6000	0.0000
Other Charges									
	New charge peak	0.6600	0.9900	50.0%	15,000	9,900.00	14,850.00		
	New charge off-peak	0.6600	0.4950	-25.0%	5,000	3,300.00	2,475.00		
TOTALS		-	-	-	-	13,200.00	17,325.00		0
								REVENUE SECTION 0	0
								DIFFERENCE	0
RATIO OF WEIGHTING YEAR REVENUES					1.3125000				

A2.3.1.3 Introducing new optional tariffs

When you introduce a new optional tariff you should forecast the number of customers that will take up the tariff in the charging year and use this as the charge multiplier. For other charging elements that these customers will pay, such as volumetric charges, you must use charge multipliers for these customers from the charging year.

The approach set out below is intended to protect companies from revenue losses as a result of introducing measured optional tariffs. The method is described below as if any new tariff was effective from the charging year 2009-10.

Year 0 (see figure A24 below)

A. The existing charges were shown in the main section for 2008-09

Figure A24 Year 0

Year 0 (2008-09)

Line	Description	Charges (£.p)			Charge Multiplier	Weighting Year Revenue		2006-07	
		prior year 2007-08	charging year 2008-09	% Change		prior year 2007-08	charging year 2008-09	Charges 2006-07	Revenue 2006-07
Standing Charges									
MWSC01	Existing	10.00	11.00	10.0%	1,000	10,000.00	11,000.00	9.09	9,090.00
Volumetric Charges									
MWVOL01	Existing	0.8000	0.8800	10.0%	200,000	160,000.00	176,000.00	0.7300	146,000.0000
Other Charges									
TOTALS									
						170,000.00	187,000.00		155,090
						REVENUE SECTION 0			10,807,000
						DIFFERENCE			-10,651,910
RATIO OF WEIGHTING YEAR REVENUES					1.1000000				

Year 1 (see figure A25 below)

- Enter one line for each new charge in the other charges section. In this example the new charges are forecast to replace the existing charge for 25 customers, with a combined consumption of 5000 cubic metres (m³). The other 975 customers will remain on the old charge.
- Enter the numeric value of the existing charge that these customers would have faced in the prior year. If the new tariff encompasses more than one existing charge, show these on separate lines. Alternatively, you can enter an average of the numeric values of these charges on one line, as long as you fully explain how you have calculated the average charge in your submission.
- Enter the numeric value of the new charge in the charging year charge column.
- Enter the number of customers that you forecast will take up this charge in the charging year. In the case of volumetric charges, enter the quantity of water that these customers consumed in the weighting year. In this example, we assume that the average consumption of customers opting for the new tariff is 200m³ a year – so the multiplier is 200x25 = 5000.
- Ensure that the charge multipliers for the existing charge exclude those for the customers forecast to move to the new charge.

Figure A25 Year 1

Year 1 (2009-10)		Charges (£.p)			Charge	Weighting Year Revenue		2007-08	
Line	Description	prior year 2008-09	charging year 2009-10	% Change	Multiplier 2007-08	prior year 2008-09	charging year 2009-10	Charges 2007-08	Revenue 2007-08
Standing Charges									
MWSC01	Existing	11.00	12.10	10.0%	975	10,725.00	11,797.50	10.00	9,750.00
Volumetric Charges									
MWVOL01	Existing	0.8800	0.9680	10.0%	195,000	171,600.00	188,760.00	0.8000	156,000.0000
Other Charges									
	New standing charge	11.00	22.00	100.0%	25	275.00	550.00		
	New volumetric charge	0.8800	0.6600	-25.0%	5,000	4,400.00	3,300.00		
TOTALS		-	-	-	-	187,000.00	204,407.50		165,750
								REVENUE SECTION 0	0
								DIFFERENCE	165,750
RATIO OF WEIGHTING YEAR REVENUES					1.0930882				

In subsequent years you will be able to enter adjustments if you consider your original forecast of first year uptake was too low or too high. If in subsequent years you consider that uptake of the tariff will increase further then you will be able to enter further forecasts.

A2.4 Abolishing an existing measured charge

Year 0 (see figure A26 below)

A. The existing charges were shown in the main section for 2008-09.

Figure A26 Year 0

Year 0 (2008-09)		Charges (£.p)			Charge	Weighting Year Revenue		2006-07	
Line	Description	prior year 2007-08	charging year 2008-09	% Change	Multiplier 2006-07	prior year 2007-08	charging year 2008-09	Charges 2006-07	Revenue 2006-07
Standing Charges									
MWSC01	Existing	10.00	11.00	10.0%	100	1,000.00	1,100.00	9.09	909.00
MWSC02	Existing	20.00	22.00	10.0%	50	1,000.00	1,100.00	18.18	909.00
MWSC03	Existing	15.00	16.50	10.0%	30	450.00	495.00	13.64	409.20
Other Charges									
TOTALS		-	-	-	-	2,450.00	2,695.00		2,227
								REVENUE SECTION 0	10,807,000
								DIFFERENCE	-10,804,773
RATIO OF WEIGHTING YEAR REVENUES					1.1000000				

A2.4.1 If the customers on the abolished charge are to transfer to another existing tariff

Year 1 (see figure A27 below)

- B. In this example we are abolishing the charge MWSC03. The numeric value of the abolished charge will show in the prior year charge column.
- C. Enter zero as the numeric value of the abolished charge for the charging year here.
- D. Enter zero in the charge multiplier column.
- E. Enter an adjustment line in the other charges section. If the customers that were previously charged the abolished charge will move to more than one charge, enter a separate adjustment line for each charge that the customers will move to. In this example 10 of the customers will move to MWSC01 and 20 will move to MWSC02.
- F. Enter the numeric value of the abolished charge for the prior year here.
- G. Enter the numeric value of the charge that these customers will now be charged in the charging year here.
- H. Enter the number of customers (or quantity of water, etc) which will transfer to each charge.

Figure A27 Year 1

Year 1 (2009-10)		Charges (£.p)			Charge	Weighting Year Revenue		2007-08	
Line	Description	prior year 2008-09	charging year 2009-10	% Change	Multiplier 2007-08	prior year 2008-09	charging year 2009-10	Charges 2007-08	Revenue 2007-08
Standing Charges									
MWSC01	Existing	11.00	12.10	10.0%	100	1,100.00	1,210.00	10.00	1,000.00
MWSC02	Existing	22.00	24.20	10.0%	50	1,100.00	1,210.00	20.00	1,000.00
MWSC03	Existing	16.50	0.00	100.0%	0	0.00	0.00	15.00	0.00
Other Charges									
Adj to MWSC01		16.50	12.10	-26.7%	10	165.00	121.00		
Adj to MWSC02		16.50	24.20	46.7%	20	330.00	484.00		
TOTALS		-	-	-	-	2,695.00	3,025.00		2,000
								REVENUE SECTION 0	0
								DIFFERENCE	2,000
RATIO OF WEIGHTING YEAR REVENUES					1.1224490				

Year 2 (see figure A28 below)

- I. Include within the charge multiplier(s) the customers that have moved from the abolished charge.
- J. For the abolished charge you should set the numeric value and charge multiplier to zero.

Figure A28 Year 2

Year 2 (2010-11)

Line	Description	Charges (£.p)			% Change	Charge Multiplier	Weighting Year Revenue		2008-09	
		prior year 2009-10	charging year 2010-11				prior year 2009-10	charging year 2010-11	Charges 2008-09	Revenue 2008-09
Standing Charges										
MWSC01	Existing	12.10	13.31	10.0%	110	1,331.00	1,464.10	11.00	1,210.00	
MWSC02	Existing	24.20	26.62	10.0%	70	1,694.00	1,863.40	22.00	1,540.00	
MWSC03	Existing	0.00	0.00	#DIV/0!	0	0.00	0.00	16.50	0.00	
Other Charges										
		TOTALS		-	-	-	3,025.00	3,327.50		2,750
								REVENUE SECTION 0		0
								DIFFERENCE		2,750
		RATIO OF WEIGHTING YEAR REVENUES					1.1000000			

2.4.2 If the customers on the abolished charge will not be charged

An example of this is where the customers leave through an inset.

Year 1 (see figure A29 below)

- B. Enter the prior year and charging year numeric values of the charges as normal.
- C. Enter zero as the charge multiplier.

Figure A29 Year 1

Year 1 (2009-10)

Line	Description	Charges (£.p)			% Change	Charge Multiplier	Weighting Year Revenue		2007-08	
		prior year 2008-09	charging year 2009-10				prior year 2008-09	charging year 2009-10	Charges 2007-08	Revenue 2007-08
Standing Charges										
MWSC01	Existing	11.00	12.10	10.0%	100	1,100.00	1,210.00	10.00	1,000.00	
MWSC02	Existing	22.00	24.20	10.0%	50	1,100.00	1,210.00	20.00	1,000.00	
MWSC03	Existing	16.50	18.15	10.0%	0	0.00	0.00	15.00	0.00	
Other Charges										
		TOTALS		-	-	-	2,200.00	2,420.00		2,000
								REVENUE SECTION 0		0
								DIFFERENCE		2,000
		RATIO OF WEIGHTING YEAR REVENUES					1.1000000			

A2.5 Retaining a measured charge that is not currently in use for future years

Use the method in A2.4.2 above for the first year the charge is not in use. In subsequent years enter zero as the numeric values of the charge for the prior and charging years. Set the charge multiplier to zero. When you re-introduce the charge enter the charge as you would a new measured charge.

A3. Checking for consistency between the principal statement and regulatory accounts revenue information

It is important that all revenue information submitted by companies in their regulatory accounts and principal statement is consistent. If it is not it may lead to problems when we assess companies' performance or determine price limits.

In this section we explain the checks that companies should make – and we will make – in making sure revenue information is consistent.

A3.1 Consistency checks for revenue

In condition B of all companies' licences, 'weighting year revenue' is defined as:

“The revenue (exclusive of VAT) which would have accrued to the Appointee in the Weighting Year in respect of the specified Measured Basket Item, if all Standard Charges other than Excluded Charges (including any Non-volumetric Charge) made or to be made in respect of that Measured Basket Item in the Charging Year or, as the case may be, the Prior Year had applied.”

In each of the measured baskets, weighting year revenues for the prior and charging years are derived by multiplying the weighting year charge multipliers by the numeric values of the prior and charging year charges respectively.

If we extend this concept further, we can derive the weighting year revenue for the weighting year by calculating the sum of the products of the numeric values of:

- the weighting year charges; and
- the corresponding weighting year charge multipliers.

We expect the result of this calculation to be equivalent to the measured revenue that companies report in their regulatory accounts. If this is not the case and there is no valid explanation, then it implies that a company has not prepared their principal statement in accordance with Condition B.

Some of the valid reasons why the two figures could differ include the following.

- Inaccuracies in the accrual (covered below).
- Specific errors on individual customer accounts.
- Back billing in the report year – for years earlier than the weighting year – being excluded from the principal statement.

The accuracy to which the weighting year revenue for the weighting year in the principal statement should be calculated is not clear in condition B. But we think that it is reasonable to set some level of materiality.

So, the difference between the weighting year revenue for the weighting year in the principal statement and the corresponding figure reported in the regulatory accounts should not exceed 0.1% of service turnover. We have chosen this level of materiality because price limits are set to this degree of accuracy.

For a few smaller companies this level of accuracy may imply very small levels of revenue. So we will not require an explanation from them if the difference is less than £20,000.