

## Allowed revenue adjustment - years 2-5 of a regulatory period

Allowed revenue is revised upward with the investments completed in the previous year multiplied with RoR plus related depreciation charge. The regulated income is adjusted also with the differences between realized revenue and allowed revenue in the previous year multiplied with ROR, the differences between estimated and realized pass-through costs and other unforeseen expenses.

$$VT_i^t = (VRT_i^t + CS_i^t) + CE_{i-1}^t + \Delta CS_{i-1}^t + \Delta VRT_{i-1}^t + \Delta INV_{i-1}^t,$$

$VT_i^t$  - total revenue in year "i";

$VRT_i^t$  allowed regulated revenue "i" :

$$VRT_i^t = VRT_{i-1}^t \times (1 + RI + X^t)$$

RI - forecast inflation for year "i";

$X^t$  - efficiency factor, estimated by ANRE at the beginning of the regulatory period;

$CS_i^t$  - estimated pass-through costs in year "i";

$CE_{i-1}^t$  - unforeseen expenses in year "i-1":

$$CE_{i-1}^t = (1 + RoR) \times CE_{i-1}^t$$

$\Delta CS_{i-1}^t$  - difference between estimated and realized pass-through costs in year "i-1":

$$\Delta CS_{i-1}^t = (1 + RoR) \times (CS_{i-1}^t - CS_{realizat})$$

$\Delta VRT_{i-1}^t$  difference between estimated and realized revenue in year "i-1":

$$\Delta VRT_{i-1}^t = (1 + RoR) \times (VRT_{i-1}^t - V_{realizat})$$

$\Delta INV_{i-1}^t$  - correction of the capital investid in year "i-1":

$$\Delta INV_{i-1}^t = INV_{i-1}^t \times RoR + \frac{INV_{i-1}^t}{n}$$

$INV_{i-1}^t$  - commissioned investments in year "i-1";

RoR - required rate of return of the regularory period;

n - depreciation years regulated by the Authority.

### **Allowed revenue calculation – 1<sup>st</sup> year of a regulatory period**

Total allowed revenue (VT) includes the allowed regulated revenue (VB) and the estimated pass-through costs (CS).

$$\mathbf{VT = VB_0 + CS}$$

The allowed regulated revenue formula:

$$VB_0 = OPEX_0 + R_0R \times RAB_0 + AR_0$$

$OPEX_0$  = forecast calculation of operating costs;

$R_0R$  = required rate of return applied to the regulated asset base;

$RAB_0$  = net regulated asset base. RAB includes only assets used by the company for the purpose of performing the regulated services and has to be agreed by ANRE;

$AR_0$  = depreciation of the regulated asset base, the depreciation method used is linear and depreciation years have been regulated by the Authority;