Financeability and Financial Resilience - Centrus Assurance

August 2024



TREASURY & DERIVATIVES | CAPITAL RAISING | FINANCIAL PLANNING & STRATEGY | ASSET MANAGEMENT

London | Dublin

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Executive Summary

Board Assurance | Key Assumptions

Centrus have been engaged to assess the financial resilience of Portsmouth Water's (the Actual Company, PWL) business plan overlaid with the Draft Determination outcomes prescribed by Ofwat

Financial Resiliency Assessment Criteria

- Centrus assess Financial Resilience of the actual company (PWL) currently rated Baa2 stable. Financial Resilience test is based on whether the company can maintain a credit rating of at least Baa3 Moody's under prescribed downside scenarios
- In assessing key ratios, we take an average of the first 3 years and an overall AMP8 average to compare against credit rating thresholds
- Additionally, Centrus have assessed the financial resilience of PWL through assessing compliance with debt covenants under the prescribed downside scenarios

Information Centrus has Assessed

- Ancala's valuation model with Ofwat's Draft Determination (DD) outcomes overlaid on Portsmouth Water's PR24 Business Plan submission
- The Ancala model includes base case & prescribed downside scenarios for the Actual Company
- Projected Moody's credit rating metrics provided for AMP8

Representations

- We were presented with two Representation scenarios where we did a shadow credit analysis but have not tested the plans for Financial Resilience. The two scenarios received are:
  - PW DD Rep: PW response to the DD plan which include additional totex allowance, using the Ofwat's DD WACC to be conservative.
  - PW DD Rep + Alignment Works: PW response to the DD plan + scope of the reservoir is increased to include alignment works using the Ofwat's DD WACC

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Board Assurance | Financial Resilience - Actual Company

Centrus assesses the Actual company financially resilient under all the scenarios tested

Question	Centrus Assessment
Are the DD scenarios and the Response to the DD scenarios Baa2?	▪ Both our DD Business Plan and the responses we've reviewed align with a Baa2 rating using Moody's methodology. Assessment of credit ratings has also been informed by recent repeat of RAS process to assess the impact of increased scope. Moody's has assigned a credit rating of Baa2 under all scenarios examined. However, we are aware of a potentially negative revision in Moody's industry outlook. Should this revision materialise, the DD Business has enough headroom to retain the credit rating of Baa2. ▪ However, under the response to the DD, where we are assuming that the reservoir scope is increased to include alignment works there is **a risk that this structure could be downgraded to Baa3**, particularly if Ofwat does not grant appropriate allowances where PW can recover allowed revenue within AMP8. ▪ We understand that PW considers the structure where alignment works take place in AMP8 to be their central case. To eliminate uncertainty and enable PW to accurately project its equity requirements for AMP8, we recommend that PW conduct an additional Rating Assessment Service (RAS) under this scenario where Moody's are asked to assume that their proposed changes are implemented
Is the DD scenario financially resilient?	**Moody's Baa3 Rating** – Under all sensitivities tested, the actual company is financially resilient. This rating is compliant with the license agreement but would result in full drawdown of Holdco facilities under all sensitivities ▪ **Covenant compliance:** Under all sensitivities, the actual company remains compliant with both the ICR and gearing lock-up and default levels ▪ **Moody's ratios:** Moody's ratios remain compliant with a Baa3 rating guidance – the rating level which is our threshold test of financial resilience ▪ **Levers:** PW has many levers to mitigate or manage any downside scenarios. Three obvious levers to manage issues are (a) to draw upon the Holdco facility, (b) to withhold dividends or © to inject more equity. Under many sensitivities, we have assumed that the current Holdco facility would be utilised to manage and solve the issue. No sensitivity tested required the additional withholding of dividends or an additional equity injection to rectify the financial issue. These levers remain in reserve.

Portsmouth Water

Certified B Corporation

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Credit Ratings | Actual Company (PWL) – Base Case

Actual Company | Capital Structure and Gearing Assumptions

The actual company has an average gearing (opco + Holdco) of 61% in AMP8 and pays out a 4% dividend[1] yield in line with Ofwat's guidance

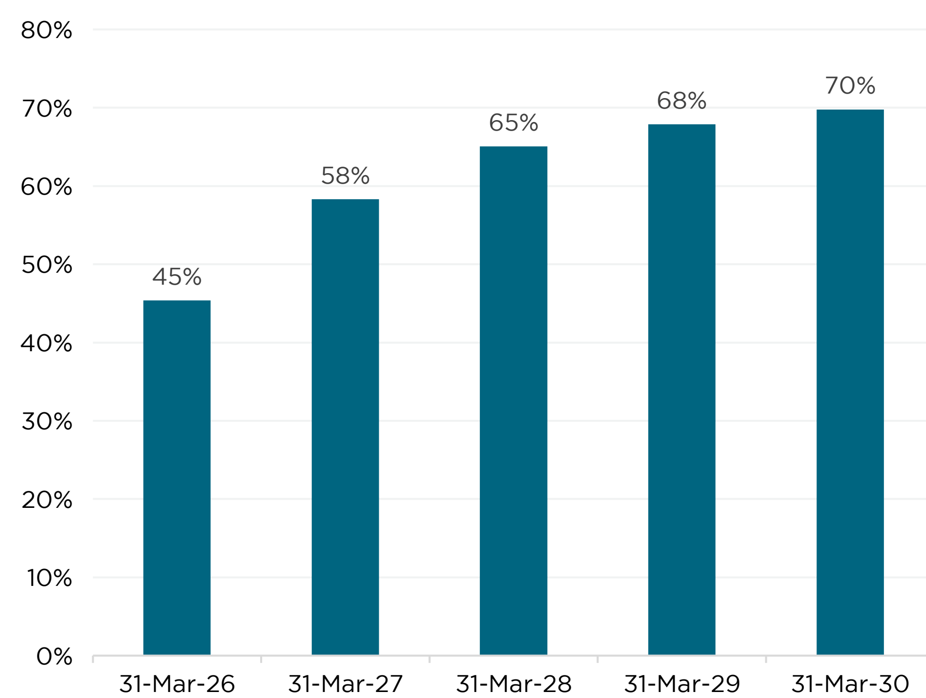
- The actual company has an opening gearing (Opco + Holdco) of 45% which is below the notional company's gearing of 55%. The gearing in AMP8 is forecast to slowly increase and reach a peak of 70% by the end of AMP8 which is our cap

- There is no assumed equity injection in AMP8, but the reader will be aware that shareholders committed to an equity investment profile totaling £170m during AMP7 to support the construction of Havant Thicket and other RCV growth. The profile of the equity injections is shown in the table below:

FY	2020/21	2021/22	2022/23	2023/24	2024/25	AMP 7 Total
£'m	-	-	20.0	50.0	100.0	170.0

- It is also very likely that in AMP8, the scope of the reservoir will increase to include Alignment Works. This is one of the representation scenarios we are examining. Under that scenario there would be an additional equity or quasi equity requirement of c.£85m

Ofwat Gearing (Opco + Holdco) (%)



1: we understand dividend yield has been reduced to 2% in line with DD such that gearing remains below 70% threshold as outlined in Ofwat's Draft Determination

Actual Company | Base Case Moody's Scorecard

The actual company estimated rating score is Baa2. Due to the Havant Thicket Reservoir, Moody's has a ceiling of Baa2 on PW's credit rating, irrespective of ratios performance, to reflect relative levels of construction risk being undertaking

		Moody's Scorecard		Centrus Assessment		
		Weighting	Moody's Guidance	Sub-Factor Outcome Detail		Scorecard-Indicated Outcome
REGULATORY ENVIRONMENT AND ASSET OWNERSHIP MODEL	Stability and Predictability of Regulatory Regime	15.0%	As per the latest Moody's report on PWL dated 29th July 2024	*Assumed that these ratings will remain unchanged through-out AMP8. However, we are notice that Moody's are considering downgrading the Stability and Predictability of the Regulatory Regime and the Cost and Investment Recovery*	-->	Aa
	Asset Ownership Model	5.0%			-->	Aa
	Cost and Investment Recovery (Ability and Timeliness)	15.0%			-->	A
	Revenue Risk	5.0%			-->	Aa
SCALE AND COMPLEXITY OF CAPITAL PROGRAM	Scale and Complexity of Capital Program	10.0%	Baa: total annual capex 8%-12% of RCV Ba: total annual capex 12%-20% of RCV B: total annual capex 20%-30% of RCV CAA: total annual capex >30% of RCV		-->	Caa
FINANCIAL POLICY	Financial Policy	10.0%	As per the latest Moody's report on PWL dated 29th July 2024	*Assumed this will remain unchanged. The additional equity to ensure a low level of gearing is credit positive*	-->	Baa
LEVERAGE AND COVERAGE	Adjusted Interest Coverage Ratio (AMP8 average)	12.5%	Baa: 1.5-2.5x Ba: 1.2 -1.5x	*2.50x*	-->	Baa
	Net Debt / RCV (AMP8 average)	10.0%	A: 40-55% Baa: 55%-70%	*56.7%*	-->	Baa
	FFO / Net Debt (AMP8 average)	12.5%	Baa: 10-15% Ba: 6-10%	*6.8%*	-->	Ba
	RCF / Net Debt (AMP8 average)	5.0%	Baa: 6-10% Ba: 4-6%	*3.7%*	-->	B
	Scorecard-Indicated Outcome Before Notch Lift					Ba2

Notch lift		1.5
Scorecard- Indicated Outcome		Ba1
Additional 2-notch adjustment		2
Actual rating assigned		Baa2

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Portsmouth Water

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Actual Company | Moody's Scorecard Post Potential Changes

If Moody's go ahead with the negative changes on the industry view, our rating under the Draft Determination scenario has enough headroom to sustain a 1-notch downgrade and retain a Baa2 rating. However, there is a greater risk of a downgrade if there are delays or cost overruns.

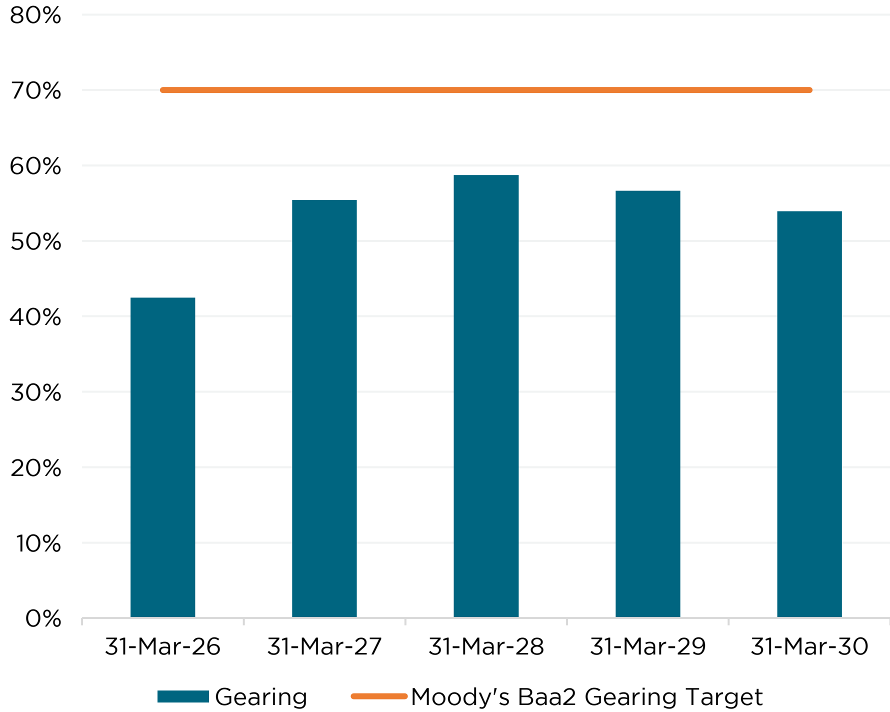
		Moody's Scorecard		Centrus Assessment		
		Weighting	Moody's Guidance	Sub-Factor Outcome Detail		Scorecard-Indicated Outcome
REGULATORY ENVIRONMENT AND ASSET OWNERSHIP MODEL	Stability and Predictability of Regulatory Regime	15.0%	As per the latest Moody's report on PWL dated 29th July 2024	*Assumed that these ratings will remain unchanged through-out AMP8. However, we are notice that Moody's are considering downgrading the Stability and Predictability of the Regulatory Regime and the Cost and Investment Recovery*	-->	A
	Asset Ownership Model	5.0%			-->	Aa
	Cost and Investment Recovery (Ability and Timeliness)	15.0%			-->	Baa
	Revenue Risk	5.0%			-->	Aa
SCALE AND COMPLEXITY OF CAPITAL PROGRAM	Scale and Complexity of Capital Program	10.0%	Baa: total annual capex 8%-12% of RCV Ba: total annual capex 12%-20% of RCV B: total annual capex 20%-30% of RCV CAA: total annual capex >30% of RCV		-->	Caa
FINANCIAL POLICY	Financial Policy	10.0%	As per the latest Moody's report on PWL dated 29th July 2024	*Assumed this will remain unchanged. The additional equity to ensure a low level of gearing is credit positive*	-->	Baa
LEVERAGE AND COVERAGE	Adjusted Interest Coverage Ratio (AMP8 average)	12.5%	Baa: 1.5-2.5x Ba: 1.2 -1.5x	*2.50x*	-->	Baa
	Net Debt / RCV (AMP8 average)	10.0%	A: 40-55% Baa: 55%-70%	*56.7%*	-->	Baa
	FFO / Net Debt (AMP8 average)	12.5%	Baa: 10-15% Ba: 6-10%	*6.8%*	-->	Ba
	RCF / Net Debt (AMP8 average)	5.0%	Baa: 6-10% Ba: 4-6%	*3.7%*	-->	B
	Scorecard-Indicated Outcome Before Notch Lift					Ba2

Notch lift		1.0
Scorecard- Indicated Outcome		Ba1
Additional 2-notch adjustment		2
Actual rating assigned		Baa2

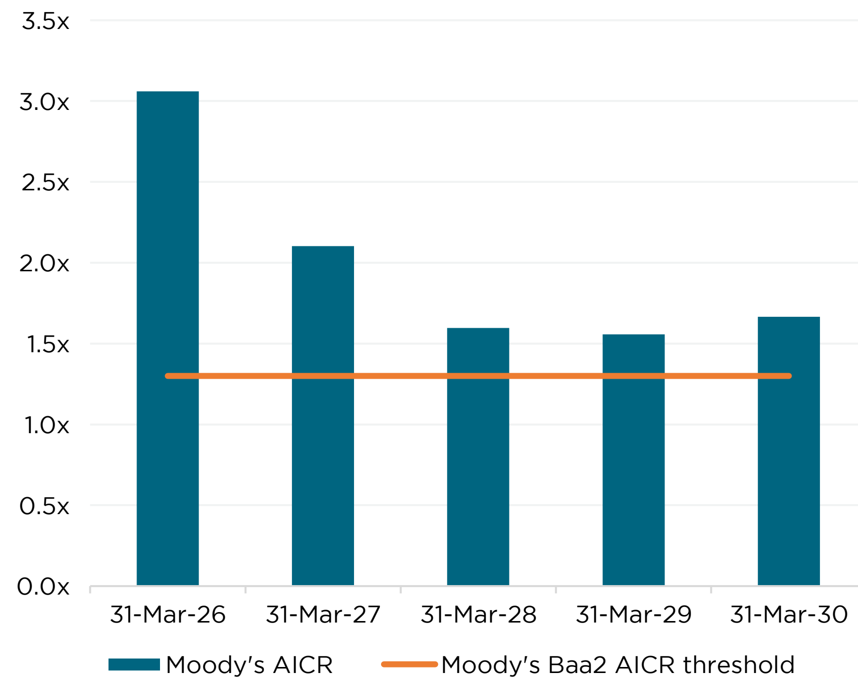
Actual Company | Rating Metrics

Gearing levels rise through the AMP while AICR performance falls, however, the credit ratio outputs are in line with both the current actual rating guidance of Baa2 and a Baa1 credit rating guidance where no ceiling is applied.

Gearing (%)



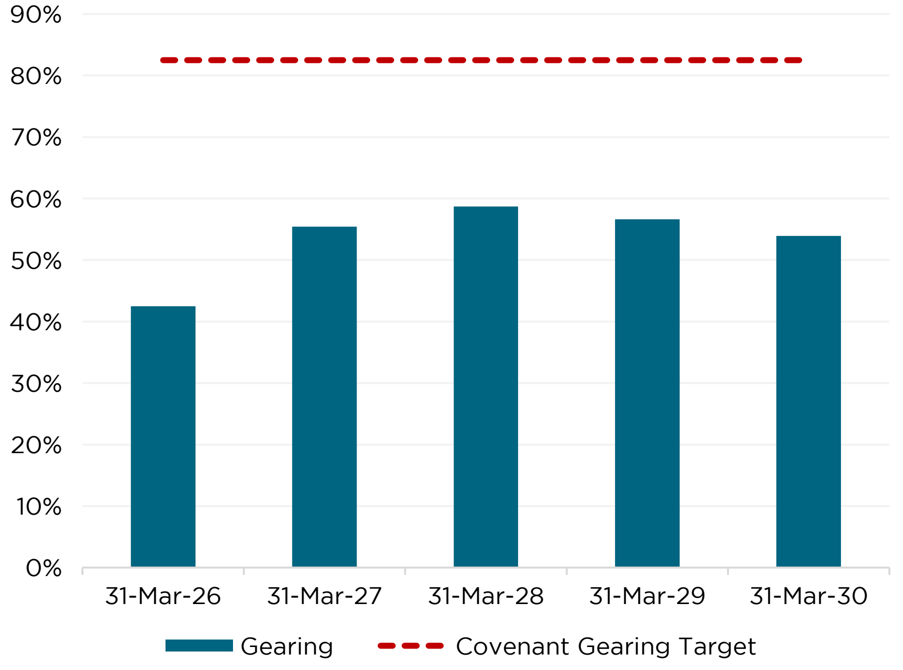
Moody's AICR



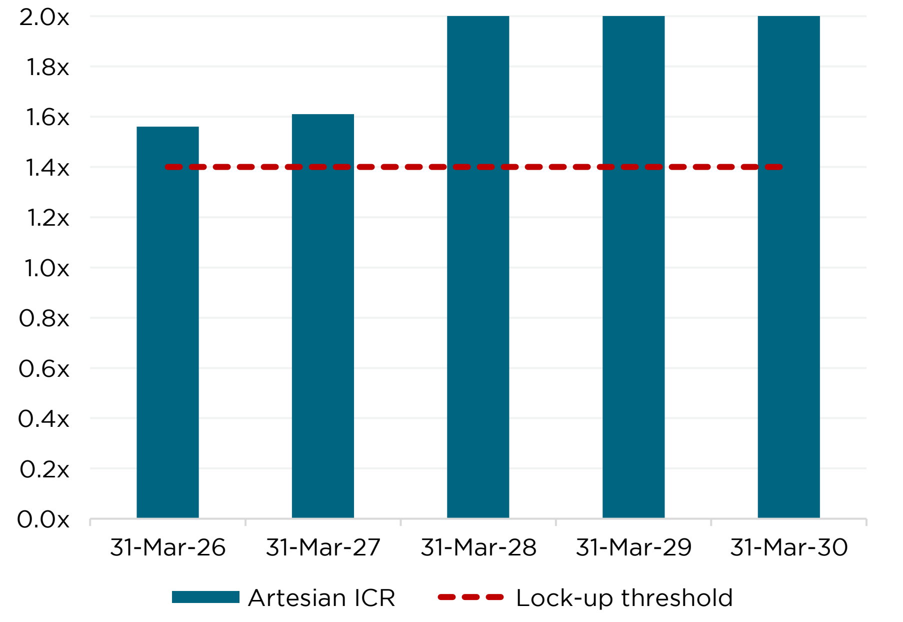
Actual Company | Covenant Metrics

The actual company has a healthy and adequate headroom on its covenanted lock-up levels

Opco Covenant Gearing



Artesian ICR



Any volatility in the Artesian ICR only reflects the timing of investing activities. The Moody's ICR is a better measure of cash generation to interest coverage

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Financial Resilience | PWL (Actual Company)

Board Assurance | Financial Resilience during AMP8

Is the Portsmouth Water actual company level financially resilient under the assumptions used and the scenarios tested?

Question		Answer
Covenant Resilience	●	▪ Under all downside scenarios, PWL is able to maintain covenant levels above its lock-up trigger levels and with significant headroom against covenanted default levels ▪ The ICR ratio is the most constrained ratio during the AMP although it can be managed using the undrawn Holdco facility or through withholding dividends at the BHL level and later reinvesting equity into PWL ▪ Additional equity was not required at the Opco level under any of the downside scenarios
Moody's Baa3 rating	●	▪ The actual company is financially resilient under all downside scenarios performed, with metrics remaining consistent with current requirements for a credit rating at or above Baa3 ▪ Under all the scenarios, the Holdco facility is assumed to be drawn to provide additional liquidity to the Opco and the assumption remains that Moody's methodology continues to be not to consolidate HoldCo debt for the purposes of their family rating

Actual Company | Financial Covenant & Ratio Tests Summary

Under all scenarios, PW maintains covenant thresholds and credit metrics in line with a Baa2 rating hence above Baa3 guidance of financial resilience

A cross indicates financial resilience concern (<Baa3 or a covenant breach)

	Covenants	Gearing		AICR	
		AMP8 Avg.	3 Year Avg.	AMP8 Avg.	3 Year Avg.
Base Case	✔	✔	✔	✔	✔
Totex underperformance (10% of totex) over 5 years.	✔	✔	✔	✔	✔
ODI underperformance payment (3% RoRE) in one year (Yr2)	✔	✔	✔	✔	✔
Inflation 2% below the base case in the business plan in each year of the price review	✔	✔	✔	✔	✔
Deflation of -1% for 2 years, followed by a return to the long term inflation target.	✔	✔	✔	✔	✔
10% spike in inflation with a 2% increase in wedge between RPI and CPIH, followed by two years at 5% and a 1% increase in wedge.	✔	✔	✔	✔	✔
Increase in the level of bad debt (20%) over current bad debt levels.	✔	✔	✔	✔	✔
Debt refinanced as it matures, with new debt financed at 2% above the forward projections.	✔	✔	✔	✔	✔
Financial penalty – equivalent to 6% of one year of Appointee turnover	✔	✔	✔	✔	✔
Capex overspend	✔	✔	✔	✔	✔
Capex overspend + ODI penalty	✔	✔	✔	✔	✔

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Credit Ratings | Representations

Actual Company | Moody's Scorecard

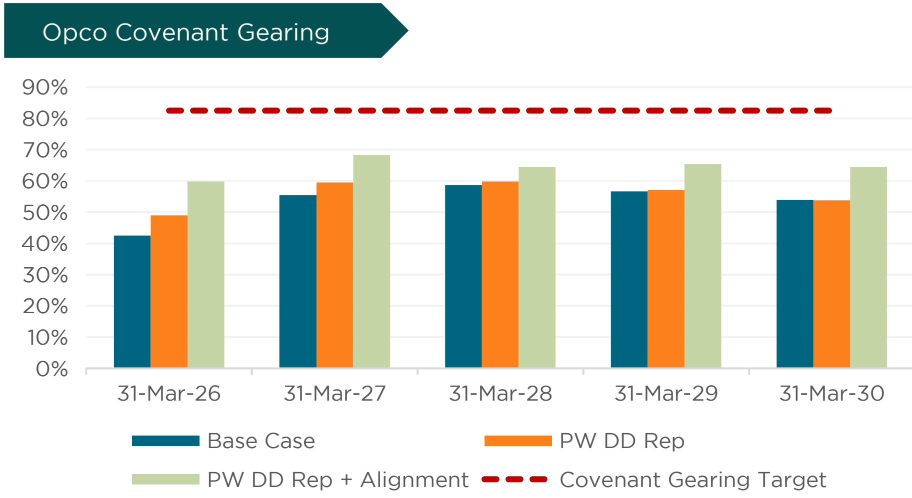
Under the representations, PW maintains its current Baa2 rating, subject to no change in Moody's industry view

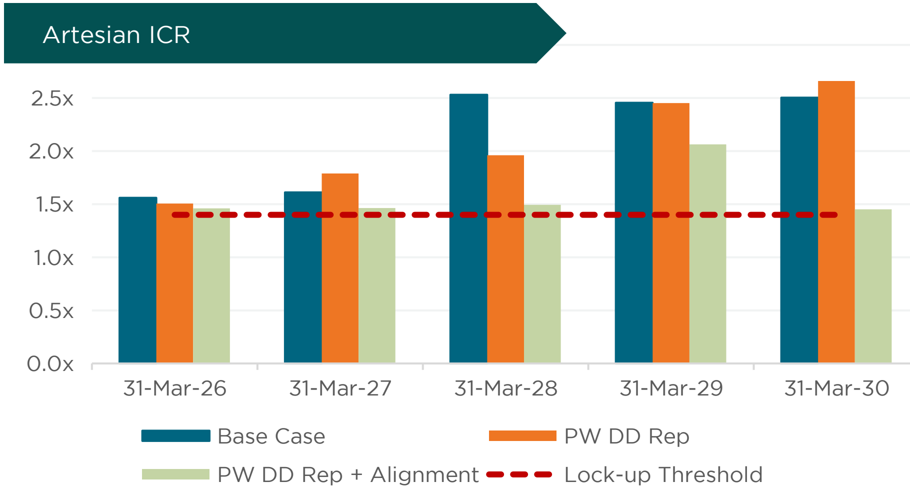
		Moody's Scorecard		Centrus Assessment		
		Weighting	Moody's Guidance	Sub-Factor Outcome Detail		Scorecard-Indicated Outcome
REGULATORY ENVIRONMENT AND ASSET OWNERSHIP MODEL	Stability and Predictability of Regulatory Regime	15.00%	As per the latest Moody's report on PWL dated 29th July 2024	*Assumed that these ratings will remain unchanged through-out AMP8. However, Moody's have indicated that they are considering updating their view on the sector subject to a materially improved FD*	-->	Aa
	Asset Ownership Model	5.00%			-->	Aa
	Cost and Investment Recovery (Ability and Timeliness)	15.00%			-->	A
	Revenue Risk	5.00%			-->	Aa
SCALE AND COMPLEXITY OF CAPITAL PROGRAM	Scale and Complexity of Capital Program	10.00%	Baa: total annual capex 8%-12% of RCV Ba: total annual capex 12%-20% of RCV B: total annual capex 20%-30% of RCV CAA: total annual capex >30% of RCV		-->	Caa
FINANCIAL POLICY	Financial Policy	10.00%	As per the latest Moody's report on PWL dated 29th July 2024	*Assumed this will remain unchanged. The additional equity to remain a low level of gearing is credit positive*	-->	Baa

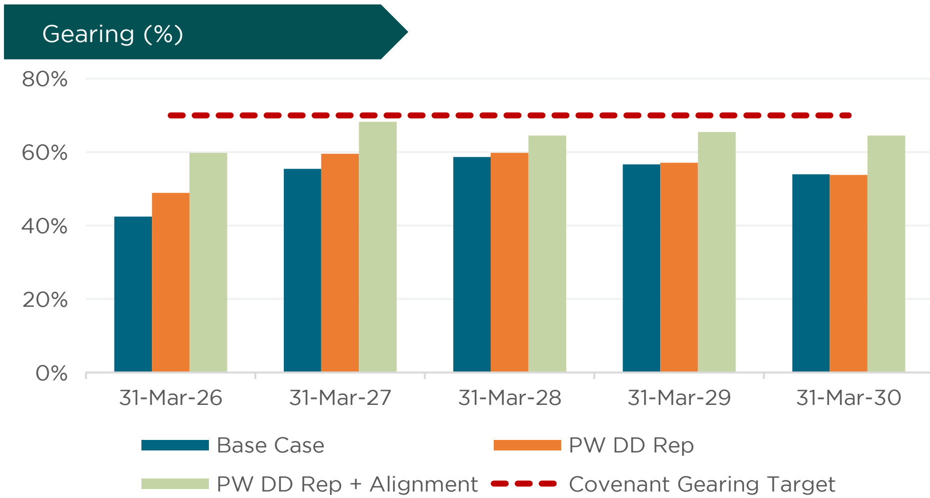
				Base Case			*PW DD Rep*			*PW DD Rep + Aligment*		
LEVERAGE AND COVERAGE	Adjusted Interest Coverage Ratio (AMP8 average)	12.50%	Baa: 1.5-2.5x Ba: 1.2 -1.5x	*2.50x*	-->	Baa	*1.83x*	-->	Baa	*1.52x*	-->	Baa
	Net Debt / RCV (AMP8 average)	10.00%	A: 40-55% Baa: 55%-70%	*56.4%*	-->	Baa	*56.1%*	-->	Baa	*64.2%*	-->	Baa
	FFO / Net Debt (AMP8 average)	12.50%	Baa: 10-15% Ba: 6-10%	*6.72%*	-->	B	*5.27%*	-->	B	*4.57%*	-->	B
	RCF / Net Debt (AMP8 average)	5.00%	Baa: 6-10% Ba: 4-6%	*3.74%*	-->	B	*2.52%*	-->	B	*3.28%*	-->	B
	Scorecard-Indicated Outcome Before Notch Lift					Ba2			Ba2			Ba2
	Notch Lift:					+1.5 notches			+1.5 notches			+1.5 notches
	Scorecard-Indicated Outcome					Ba1			Ba1			Ba1
	Additional 2-notch adjustment					+2 notch			+2 notch			+2 notch
	Acutal Rating Assigned					Baa2			Baa2			Baa2

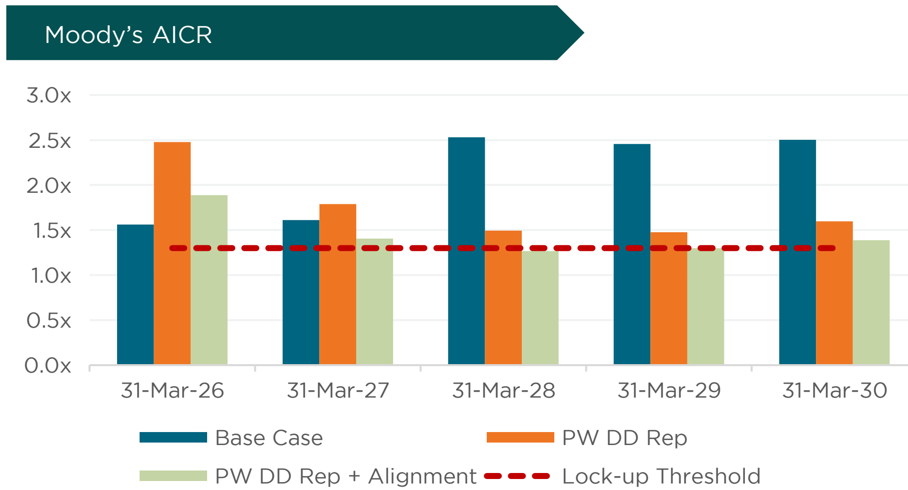
Actual Company | Base Case & Representation Metrics

The Base Case and PW DD Representation pass all covenants and Moody's rating metrics in all years, though we note that under the Alignment Works the Moody's AICR is more constrained









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Financing Plan | PWL (Actual Company)

Forecast Evolution of the PW Capital Structure

Under our current base case (Alignment Works scenario), an additional investment of £85m in equity and £195m in new debt financing is required

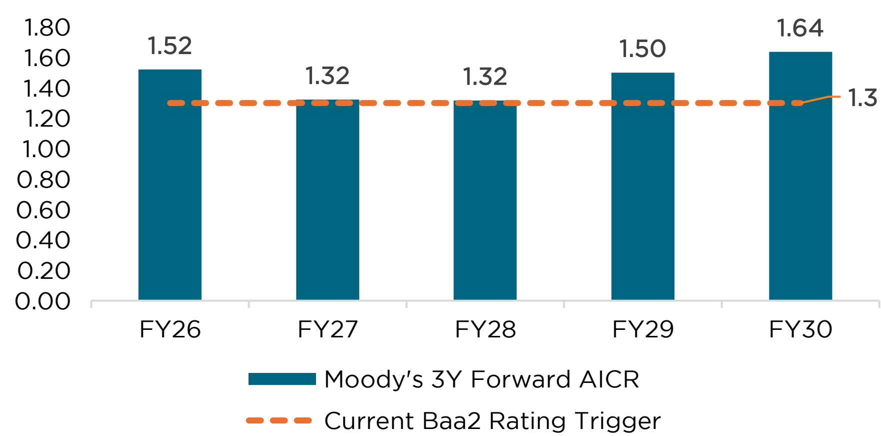
Additional Funding Requirement

Under the scenario where we undertake Alignment Works in AMP8, we anticipate the need for an additional £195 million in new debt facilities by 2027 and an equity or quasi equity requirement of £85m with Opco gearing at the end of the AMP at 65%. The equity portion is calibrated to maintain our current Moody's Baa2 rating threshold with an AICR of at least 1.3x. However, we are on notice to a potentially significant negative revision in Moody's industry outlook, which would raise our downgrade threshold to 1.4x. This adjustment would require securing additional equity to preserve our Baa2 rating. We plan to conduct a further RAS scenario to assess the potential impact of Moody's anticipated changes on our current rating.

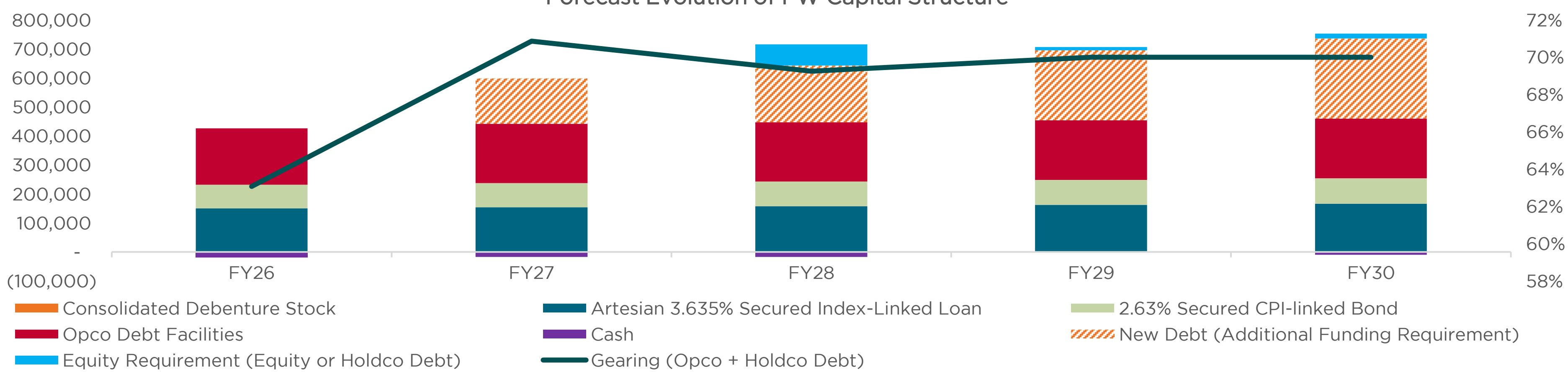
Equity or Quasi Equity Requirement

We have assumed an equity requirement of c.£50m with the rest coming from the existing and new Holdco Financings, targeting a Holdco Gearing of c.70% consolidated net debt to RCV and Opco gearing at 65%.

Base Case Moody's AICR



Forecast Evolution of PW Capital Structure

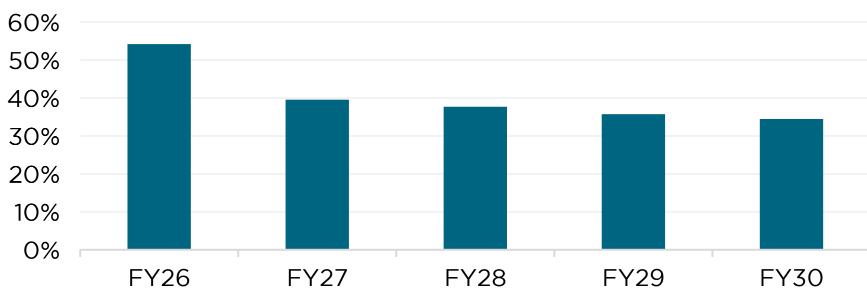


Financing Plan

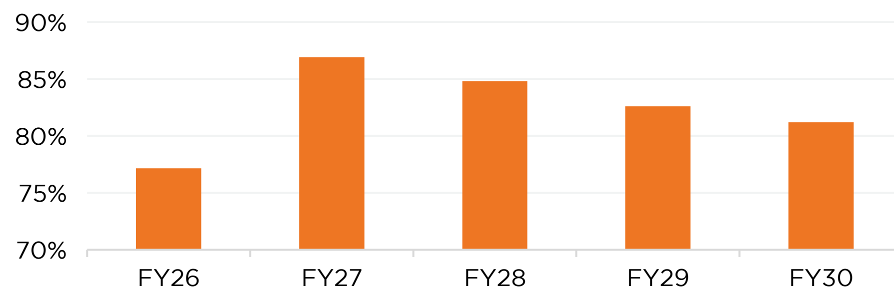
Our financing plan aims to align our actual company capital structure with the notional company

- Under our Alignment Works scenario, we estimate an additional funding requirement ahead of the current RCF refinancing of £195m. Additionally, PW has to refinance in the current AMP the Opco Bank RCF (£205m) as well as prepare for the Artesian maturity in 2032
- There are several financing solutions available to PW as to how this refinancing risk should be managed. The first requirement is to raise the additional funds for the reservoir projects. Our recommendation would be to:
    - Finance the drawn amounts of the RCF through a longer-term public / private capital markets facility. The current RCF is 50% hedged at the point of refinance, we will need to restructure the interest rate hedge.
    - It is worth noting that, the hedges currently in place are very effective. In April 2024, there was a reprofile of the in-the-money interest rate hedge to the actual capex plan and benefitted from a lower coupon. The inflows from the wedge rate have exceeded expectations in 2023 as the wedge has been very high between CPI and RPI.
    - Fund the additional requirement of £195m through existing relationship banks including UKIB to maintain adequate levels of liquidity and flexibility to cover the significant forecast capex requirement. This should also help to manage the ICR covenant which deducts capex in the numerator but adds back any drawn debt used to fund capex
    - Given the significant amount of Index-Linked (IL) debt PW has in AMP8, we propose that the new funding requirement as well as the financing raised to repay the drawn amount of the current Opco RCF should be in nominal fixed or floating rate format to ensure a balanced portfolio of liabilities and that the long-term inflation-linkage of PW's debt trends to that of the Ofwat's notional company (33% index-linked)
    - Fixed to floating component: To maintain a fixed to floating ratio of minimum 80% we propose that 50% of the RCFs raised to be hedged in line with the forecasted capex plan.
- The Holdco financing matures in FY28 and will need refinancing. We are assuming this facility is refinanced with new additional borrowing such that Opco & Holdco gearing is no more than 70% of RCV.
- Due to the Artesian Refinancing in 2032, we propose that PW puts a forward starting facility in 2030 to align with AMP9 CoD and remove refinancing risk during AMP9

Portion of Index-Linked debt



% of Fixed Rate Debt



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Appendix I | Actual Company

Actual Company (Opco) | Covenant Gearing

	01-Apr-25 31-Mar-26	01-Apr-26 31-Mar-27	01-Apr-27 31-Mar-28	01-Apr-28 31-Mar-29	01-Apr-29 31-Mar-30	AMP8 Average	3 year Average
OpCo Gearing Trigger	78%	78%	78%	78%	78%	78%	78%
Default level	90%	90%	90%	90%	90%	90%	90%
Base Case	42.5%	55.4%	58.7%	56.6%	53.9%	53.4%	52.2%
Totex underperformance (10% of totex) over 5 years.	43.5%	56.4%	62.0%	63.9%	64.2%	58.0%	53.9%
ODI underperformance payment (3% RoRE) in one year (Yr2)	42.5%	57.5%	62.7%	64.2%	65.1%	58.4%	54.2%
Inflation 2% below the base case in the business plan in each year of the price review	41.8%	53.1%	57.5%	59.8%	61.0%	54.7%	50.8%
Deflation of -1% for 2 years, followed by a return to the long term inflation target.	42.4%	54.5%	57.1%	60.1%	62.1%	55.2%	51.3%
10% spike in inflation with a 2% increase in wedge between RPI and CPIH, followed by two years at 5% and a 1% increase in wedge.	43.7%	58.2%	63.1%	65.6%	67.2%	59.6%	55.0%
Increase in the level of bad debt (20%) over current bad debt levels.	43.2%	56.8%	63.0%	64.7%	61.1%	57.8%	54.3%
Debt refinanced as it matures, with new debt financed at 2% above the forward projections.	42.5%	55.3%	60.1%	62.2%	60.6%	56.1%	52.6%
Financial penalty – equivalent to 6% of one year of Appointee turnover	42.5%	56.6%	60.1%	62.3%	59.7%	56.2%	53.1%
Capex overspend	45.3%	60.2%	63.5%	65.5%	63.3%	59.6%	56.3%
Capex overspend + ODI penalty	45.2%	58.3%	66.2%	68.1%	66.4%	60.8%	56.5%

Actual Company (Holdco) | Covenant Holdco Gearing

	01-Apr-25 31-Mar-26	01-Apr-26 31-Mar-27	01-Apr-27 31-Mar-28	01-Apr-28 31-Mar-29	01-Apr-29 31-Mar-30	AMP8 Average	3 year Average
HoldCo Gearing Trigger	90%	90%	90%	90%	90%	90%	90%
Default level	95%	95%	95%	95%	95%	95%	95%
Base Case	45.4%	58.4%	65.1%	67.9%	69.8%	81.7%	56.3%
Totex underperformance (10% of totex) over 5 years.	45.5%	59.6%	67.2%	70.2%	70.3%	62.6%	57.5%
ODI underperformance payment (3% RoRE) in one year (Yr2)	45.4%	59.7%	66.9%	69.9%	70.9%	62.6%	57.3%
Inflation 2% below the base case in the business plan in each year of the price review	44.8%	57.1%	63.8%	69.1%	69.3%	60.8%	55.2%
Deflation of -1% for 2 years, followed by a return to the long term inflation target.	45.3%	57.4%	63.4%	69.4%	70.5%	61.2%	55.4%
10% spike in inflation with a 2% increase in wedge between RPI and CPIH, followed by two years at 5% and a 1% increase in wedge.	46.6%	61.0%	68.3%	71.9%	73.6%	64.3%	58.6%
Increase in the level of bad debt (20%) over current bad debt levels.	46.0%	60.5%	69.3%	74.9%	76.9%	65.5%	58.6%
Debt refinanced as it matures, with new debt financed at 2% above the forward projections.	45.6%	58.5%	66.5%	73.8%	76.4%	64.1%	56.8%
Financial penalty – equivalent to 6% of one year of Appointee turnover	45.4%	58.6%	66.4%	73.6%	75.6%	63.9%	56.8%
Capex overspend	48.7%	62.3%	69.9%	74.8%	78.2%	66.8%	60.3%
Capex overspend + ODI penalty	48.5%	65.1%	72.5%	74.9%	75.0%	67.2%	62.0%

Actual Company | Artesian ICR

	01-Apr-25 31-Mar-26	01-Apr-26 31-Mar-27	01-Apr-27 31-Mar-28	01-Apr-28 31-Mar-29	01-Apr-29 31-Mar-30	AMP8 Average	3 year Average
AICR Trigger	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Default Level	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Base Case	1.56	1.61	2.53	2.46	2.50	2.13	1.90
Totex underperformance (10% of totex) over 5 years.	1.49	1.52	1.46	2.22	1.48	1.63	1.49
ODI underperformance payment (3% RoRE) in one year (Yr2)	1.56	1.48	1.63	2.40	1.47	1.71	1.56
Inflation 2% below the base case in the business plan in each year of the price review	1.91	2.45	2.05	2.47	1.68	2.11	2.14
Deflation of -1% for 2 years, followed by a return to the long term inflation target.	1.86	1.98	2.45	2.38	1.58	2.05	2.09
10% spike in inflation with a 2% increase in wedge between RPI and CPIH, followed by two years at 5% and a 1% increase in wedge.	1.45	1.46	1.50	2.39	1.66	1.69	1.47
Increase in the level of bad debt (20%) over current bad debt levels.	1.50	1.55	1.67	2.31	2.42	1.89	1.57
Debt refinanced as it matures, with new debt financed at 2% above the forward projections.	1.56	1.69	1.85	2.01	1.89	1.80	1.70
Financial penalty – equivalent to 6% of one year of Appointee turnover	1.56	1.48	2.17	2.44	2.43	2.02	1.74
Capex overspend	1.46	1.46	1.47	2.32	1.65	1.67	1.46
Capex overspend + ODI penalty	1.53	1.48	1.48	2.22	2.11	1.76	1.50

Actual Company | Moody's AICR

	01-Apr-25 31-Mar-26	01-Apr-26 31-Mar-27	01-Apr-27 31-Mar-28	01-Apr-28 31-Mar-29	01-Apr-29 31-Mar-30	AMP8 Average	First 3 year Average	Last 3 years Average
Moody's AICR Assumed Threshold	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Base Case	3.06	2.10	1.60	1.56	1.67	2.00	2.25	1.61
Totex underperformance (10% of totex) over 5 years.	2.64	1.80	1.39	1.33	1.37	1.71	1.94	1.36
ODI underperformance payment (3% RoRE) in one year (Yr2)	3.06	1.19	1.53	1.51	1.53	1.76	1.93	1.52
Inflation 2% below the base case in the business plan in each year of the price review	3.07	2.11	1.62	1.57	1.61	2.00	2.27	1.60
Deflation of -1% for 2 years, followed by a return to the long term inflation target.	2.95	2.02	1.53	1.49	1.51	1.90	2.17	1.51
10% spike in inflation with a 2% increase in wedge between RPI and CPIH, followed by two years at 5% and a 1% increase in wedge.	2.90	1.90	1.48	1.49	1.45	1.84	2.09	1.47
Increase in the level of bad debt (20%) over current bad debt levels.	2.93	1.35	1.01	1.42	1.48	1.64	1.76	1.30
Debt refinanced as it matures, with new debt financed at 2% above the forward projections.	3.06	2.12	1.35	1.27	1.30	1.82	2.18	1.31
Financial penalty – equivalent to 6% of one year of Appointee turnover	3.06	1.62	1.58	1.54	1.59	1.88	2.09	1.57
Capex overspend	2.90	1.93	1.52	1.45	1.47	1.86	2.12	1.48
Capex overspend + ODI penalty	2.87	1.13	1.49	1.40	1.40	1.66	1.83	1.43

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