



Fair Trading Commission

DETERMINATION NOTICE

Interim Mechanism - Rate Setting Principles

Document No. FTC 02/03

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1. BACKGROUND

1.1 Memorandum of Understanding

1. On October 16th, 2001, the Government of Barbados and Cable & Wireless BARTEL Limited and Cable & Wireless BET Limited¹ signed a Memorandum of Understanding which, among other things, heralded the start of liberalisation of the local telecommunications market.

2. The Government of Barbados wishes to achieve full liberalisation of the telecommunications market on August 1st, 2003, or as soon as possible thereafter and has set out certain activities which should be performed prior to liberalisation. A set of principles must be established to deliver price movement in the various telecommunications services from existing levels to cost oriented prices.

3. The Memorandum of Understanding made provision for a Pricing Principles Group². The findings of this group were submitted to the Commission and a review of these findings formed part of this Determination.

4. The Interim Mechanism principles will be used for any rate adjustment during the transition period, or such other period as the Commission may by order direct.

¹ The Cable & Wireless Companies have since amalgamated to form Cable & Wireless (Barbados) Limited.

² Schedule 6 of the Memorandum (MOU) states:

“The interim mechanism will be developed by a Pricing Principles Group (“the Group”) chaired by a member of the Fair Trading Commission. The Group will have representatives from the Fair Trading Commission, (“the Commission”) the Ministry responsible for Telecommunications, the Ministry responsible for Utilities Regulation and Cable & Wireless Companies or Cable & Wireless (Barbados) Limited as the case may be.”

1.2 Legislative Background

6. The telecommunications sector is regulated by the Commission as well as the Minister responsible for Telecommunications.

7. The Commission is responsible for establishing rate-setting principles, approving and monitoring rates and conducting periodic reviews of the rates utilised by service providers by virtue of the Fair Trading Commission Act 2000-31 and Utilities Regulation Act 2000-30.

8. Section 3(1) of the Utilities Regulation Act³ states:

The functions of the Commission under this Act are, in relation to service providers, to:

- (a) establish principles for arriving at the rates to be charged;*
- (b) set the maximum rates to be charged;*
- (c) monitor the rates charged to ensure compliance;*
- (d) determine the standards of service applicable;*
- (e) monitor the standards of service supplied to ensure compliance;
and*
- (f) carry out periodic reviews of the rates and principles for setting rates and standards of service.*

9. When establishing the principles to regulate a service, the Commission must in accordance with section 3(2) have regard to:

- (a) the promotion of efficiency on the part of service providers;*
- (b) ensuring that an efficient service provider will be able to finance its functions by earning a reasonable return on capital;
and*
- (c) such other matters as the Commission may consider appropriate.*

10. The Commission must also seek to:

³ Reference may also be made to Section 4(3) of the Fair Trading Commission Act.

protect the interests of consumers by ensuring that service providers supply to the public, service that is safe, adequate, efficient and reasonable⁴

11. As regulator, the Commission has responsibility for establishing the rate-setting principles that form the Interim Mechanism.

1.3 Consultation Process

12. On August 26, 2002 the Commission issued to the public its Consultation Paper, Document No. FTC/02/01, entitled “Consultation Paper - The Interim Mechanism - Rate Setting Principles”.

13. Comments were received from interested parties on this paper. The comments were reviewed by the Commission and the substance of those comments was re-communicated to all respondents, requesting any clarification and further comment. These additional comments were also taken into consideration and where appropriate, the Commission sought to incorporate them by way of amendments into the final Determination.

14. The “Determination Notice, Interim Mechanism - Rate Setting Principles”, presented here represents the output from this consultative process.

15. The Commission wishes to thank all those persons who responded to the consultation document.

⁴ Section 3(3) Utilities Regulation Act.

2. OBJECTIVES OF THE INTERIM MECHANISM

16. The Memorandum of Understanding at Schedule 6, under the heading Pricing Principles, mandates that there be established:

“Principles for pricing movements prior to the application of incentive based regulation and during the transition to cost oriented pricing (“Interim Mechanism”).”

17. The primary objective of the Interim Mechanism is to establish rate-setting principles to:

- (a) move towards cost-oriented pricing⁵,
- (b) review the cross subsidy⁶ between domestic and international services, and
- (c) permit the service provider some degree of pricing flexibility⁷.

⁵ Schedule 6 of the MOU states:

“Accordingly, during the transition to liberalisation of telecommunications services, there needs to be a mechanism (“the interim mechanism”) that is not fully dependent on the development of the incentive based pricing scheme and which delivers price movement from existing levels to cost oriented rates.”

⁶ Schedule 6 of the MOU states:

“The explicit objective of the interim mechanism and a requirement for Regulator’s approval of the rate application for phased price changes will be the removal of the cross subsidy between international and domestic telephone services.”

⁷ Schedule 6 of the MOU states:

“Pricing flexibility should be facilitated, particularly with regard to the enhanced services which are subject to the customer’s discretionary take-up, and rate of return should not apply.”

3. THE INTERIM MECHANISM

18. The following three (3) principles will govern any application for a change of rates or rate structure during the transition period.

3.1 Principle 1 - Moving towards cost-oriented pricing

19. The aim of this principle is to align prices for individual telecommunications services more closely to their cost. In addition to being based on the actual cost of providing the service, cost oriented pricing also takes into consideration a reasonable profit on used capital.

20. In its examination of costs, the Commission will give consideration to the economy and efficiency of operations of the company. The Commission will look at all costs (both the direct and indirect costs) relevant to the provision of a particular service.

21. Direct costs will be those costs which can be unambiguously attributed to a particular activity. These may include inter alia, acquisition and installation of equipment to produce and deliver the service, operation, repair, and maintenance associated with same equipment.

22. Indirect costs will include all other costs not classified as direct costs. These will include, inter alia, expenses associated with power equipment, network management systems, transmission equipment etc. where proportions used to deliver different services are identifiable. For the purpose of this mechanism, also included here will be administration, management and accounting systems, research and development, and taxes not included in direct costs.

23. To facilitate the transition to cost-oriented pricing the following information for the financial period April 1, 2000 - March 31, 2002 must be presented to the

Commission by the service provider with an application for a change in rates or rate structure:

- (i) the cost of providing the international service;
- (ii) the cost of providing the basic residential service;
- (iii) the cost of providing the basic business service.

3.2 Principle 2 - Review of Cross Subsidy

24. The Commission will require that the existence of and removal of any cross subsidy between the international service and domestic service be established to its satisfaction. To the extent the existence of one is established, on application for a change in rates, the Commission will examine the cross subsidy, with a view to reducing it, as appropriate.

25. At a minimum, the following information, for the financial period April 1, 2000 - March 31, 2002, must be presented to the Commission by the service provider with the application for a change in rates or rate structure:

- (i) the amount of any subsidy between the domestic service and international service;
- (ii) the criteria for determining the amount of the subsidy;
- (iii) the revenue earned from the domestic service, excluding any subsidy;
- (iv) the revenue earned from the international service;
- (v) the detailed cost of providing the domestic service;
- (vi) the detailed cost of providing the international service.

3.3 Principle 3 - Permitting Pricing Flexibility

26. Telecommunication Services⁸ will be placed into baskets and regulated to allow for pricing flexibility and the commensurate level of regulatory oversight of the various services.

27. The following five (5) Baskets will be created:

- **Basket 1** - Basic Residential Service, Basic Business Service, Usage Based Plans
- **Basket 2** - International Services
- **Basket 3** - Other Domestic Telecommunications Services (excluding Customer Premises Equipment (CPE), mobile and those services captured in Basket 1)
- **Basket 4** - Large CPE - 30 extensions/ports and over
- **Basket 5** - Small CPE less than 30 extensions/ports

3.3.1 Basket 1: Basic Residential Services, Basic Business Services, Usage Based Plans

28. Price/Rate adjustments in this basket will be subject to the regulator's approval through a rate application by the service provider. The application must include the information identified in Principle 1 and Principle 2.

3.3.2 Basket 2: International Services

29. Price/Rate adjustments in this basket should be subject to the regulator's approval through a rate application by the service provider. The application must include the information identified in Principle 1 and Principle 2.

⁸ Mobile Services are currently regulated by the Ministry of Economic Development. Accordingly a mechanism to regulate these services should be established by this Ministry.

3.3.3 Basket 3: Other Domestic Telecommunications Services (excluding CPE, mobile and those services captured in Basket 1).

30. This basket will be regulated using a price index methodology that affords the service provider streamlined processing of proposed rate changes and pricing flexibility with the appropriate degree of regulatory review. Pricing flexibility should be permitted as:

- (1) these services are optional consumer services; and
- (2) existing rates were granted by the relevant regulator.

31. The following equation will be used to calculate the Actual Price Index (API) using the quantity weighting approach.

$$API_t = \frac{\sum_i q_0^i p_t^i}{\sum_i q_0^i p_0^i}$$

where:

API_t = actual price index at time t ;

t = new period;

i = rate element;

q_0^i = the quantity corresponding to rate element i at the base date;

p_t^i = the value of rate element i at time t ; and

p_0^i = the value of rate element i at the base date.

Base date is the effective date of the Interim Mechanism.

32. A spreadsheet containing **all** the elements that make up the API should be presented to the Commission by the service provider who intends to make changes to the prices in the Basket. These elements are:

- (a) Types of services
- (b) Quantity of services provided for the base date
- (c) Prices for the base date
- (d) Base date value (quantity x price)
- (e) Proposed prices for new period
- (f) New value (quantity x proposed prices)
- (g) Index

(a) *Price/Rate changes which do not result in an increase in the API*

33. Where increase(s) in individual rates is paired with decrease(s) and the combined effect of those price changes does not lead to an increase in the API of Basket 3, then the service provider shall file the necessary spreadsheet for the Commission’s review 15 days prior to the rates taking effect, excluding the day of application.

34. The following table shows how a new set of proposed prices (some raised, some lowered) in the new period (Time *t*) are simply multiplied through to show that the API in the new period (*t*) remains below unity, at 0.92. The API should not exceed unity.

Service	Qty (FY00-01)	Price (FY00-01)	Value (FY00-01)	Price (Time t)	Value (Time t)	Index
	[1]	[2]	[3] = [1] * [2]	[4]	[5] = [1] * [4]	[6] = [5]/[3]
a	5	4	20	5	25	
b	5	5	25	5	25	
c	4	6	24	5	20	
d	6	3	18	2	12	
e	2	3	6	2	4	
Sum			93		86	0.92

(b) *Price/Rate changes that result in an increase in API*

35. Price/Rate changes which result in an increase in the API will be subject to the regulator's approval through the process of a rate application by the service provider.

(c) *Price/Rate changes that only involve a decrease in rates*

36. Regulatory approval is not required for the service provider to decrease the price/rate of an individual service in this Basket. The service provider will however be required to notify the Commission of such decreases in prices/rates at least 15 business days, excluding the day of application, prior to their coming into effect.

3.3.4 Basket 4: Large CPE (30 ports/extensions and over)

37. The proposed level of regulation for the services in this Basket reflect the fact that the services in this Basket will be open to competition from December 2002⁹, and will therefore be subject to regulation for a short period.

38. The process set out below should be followed by the service provider where a change in prices/rates is requested during this period:

1. An application must be filed with the Commission providing the following details:
 - (a) current prices/rates
 - (b) proposed prices/rates
 - (c) quantity of subscribers affected by proposed change
 - (d) terms and conditions of standard form contract
2. On receipt of a complete application the Commission will use its best efforts to determine the application within 15 business days
3. Regulatory approval is not required for price decreases.

⁹ Schedule 2 MOU

3.3.5 Basket 5: Small CPE (less than 30 ports/extensions)

39. The MOU envisaged that this service will be opened to competition at the commencement of Phase 1. In the interim, the Commission will regulate this Basket using the process proposed for the regulation of Basket 4.

3.3.6 List of services allocated to each basket

40. A detailed list of the groups of services to be found in each basket is presented in Annex 1.

4. NEW SERVICES

41. The Commission will consider a new service to be one, for which prices/rates were not previously set by a regulator. The service provider will be required to seek the Commission's approval of the prices/rates for a new service, prior to it being offered to consumers.

42. Submission of an application for approval of the prices/rates for a new service must be accompanied with supporting data.

5. RATE APPLICATION

43. The Commission's Utilities Regulation Act Procedural Rules will govern all rate applications under the Interim Mechanism.

Dated this 8th day of November 2002.

Annex I

Table 1

Service

BASKET 1

Line - Residence Exchange
Line - Business Exchange
Line - Business / Residence Exchange
Usage Based Plans

BASKET 2

International Direct Dialed
Inmarsat
Credit Card
Operator Assisted Calls
Direct Dialed Cellular
Direct Dialed Data
Enhanced Fax
Toll Free
Telemarketing
Telex
Telegraph
International Leased circuits
Maintenance Contracts
Frame Relay
GDMS
GDMS Frame Relay

BASKET 3

Line – FAX
Line – Comnet
Stepping Options
Private Wire
Leased Circuits
Call waiting
Smart Ring
Call Forwarding
3-Way Calling
MAX
Vanity Name
Change Number Advisory
Frame Relay- Domestic
Calling Name And Number
Selective Call Acceptance
Selective Call Rejection

Unlisted Number
Debar
Extension
Speed Call
ISDN

BASKET 4

Large CPE (30 ports/extensions and over)

BASKET 5

Small CPE (Less than 30 ports/extensions)

This list is not exhaustive. All regulated services will be captured in one of the five designated baskets.

Annex II

FAIR TRADING COMMISSION

SUMMARY OF COMMENTS RECEIVED ON

CONSULTATION PAPER

THE INTERIM MECHANISM - RATE SETTING PRINCIPLES

INTRODUCTION

On August 26, 2002, the Fair Trading Commission "Commission" issued its Consultation Paper, Document No. FTC/02/01 entitled "Consultation Paper - The Interim Mechanism - Rate Setting Principles."

Interested persons were invited, by placement of Public Notices in the two national newspapers the Barbados Advocate and the Nation/Sunday Sun, to collect copies of the Consultation Paper and submit comments to the Commission by September 27, 2002.

Written comments were received from six (6) interested parties.

The range of respondents were representative of the business and civil societies of Barbados and included the incumbent telephony provider, business interests, consumer interests, public legal counsel, a potential competitor to the incumbent, and the Ministry of Economic Development.

The Commission has expressed its thanks to each respondent by dispatch of faxed letters on October 08, 2002, and by letter dispatched on October 09, 2002. Each letter also took the opportunity to apprise respondents to the process, which the Commission will employ in order to establish the rate setting principles to be utilized during the transition period to full liberalisation as follows:

The Commission will:

- consider and analyse comments from all respondents;
- revise the Interim Mechanism where the output from our analysis indicates that adjustments are required;
- issue a final Interim Mechanism Determination Notice to all stakeholders in the telecommunications sector, setting out the principles to be used and the reasons for their adoption.

RECAP OF THE OBJECTIVE OF THE INTERIM MECHANISM

The Consultation Paper outlined the objective of the Interim Mechanism as follows:

“The primary objective of the interim mechanism is to establish rate-setting principles, which will be employed during the transition period to full liberalisation of the Telecommunications Sector, and which will:

- a) move the sector towards cost-oriented pricing;*
- b) review any cross subsidy between the domestic service and the international service;*
and
- c) permit the service provider some degree of pricing flexibility.”*

Written comments and responses to the following questions were invited:

Q. 1. What other types of costs might the Commission consider in setting prices for specified services? Why?

Q. 2. What criteria should the Fair Trading Commission consider to determine whether or not a cross-subsidy should be permitted? Why?

Q. 3. Views are invited on the suitability of regulating the listed services individually.

Q. 4. Should the contents of each or any basket be altered? Please give reasons.

Q. 5. Are there other factors the Commission should consider in formulating the pricing principles to be used during this period?

Q. 6. Does this Interim Mechanism fulfill the stated objectives in Section 6 of this Consultation Paper? Please elaborate.

SUMMARY OF COMMENTS AND ANALYSIS OF THE RESPONSES TO THE CONSULTATION PAPER ON THE INTERIM MECHANISM

The Commission has reviewed and analysed the responses received. The following explains the basis and reasons for any modification that has now been incorporated into the Mechanism. Where the Commission disagreed with major responses or points that were commonly made this section will also explain its reasons for doing so.

Principle 1 - Moving towards cost-oriented pricing

The aim of this principle is to align prices for individual telecommunications services more closely to their cost. In addition to being based on the actual cost of providing the service, cost oriented pricing also takes into consideration a reasonable profit on used capital. The Commission will look specifically at operating costs, which include, inter alia, the costs of installing, maintaining, marketing and billing of the relevant service(s).

To facilitate the transition to cost-oriented pricing the following information for the financial period 2000-2001 must be presented to the Commission by the service provider with an application for a change in rates or rate structure:

- (i) the cost of providing the international service;
- (ii) the cost of providing the basic residential service;
- (iii) the cost of providing the basic business service.

Q1. What other types of costs might the Commission consider in setting prices for specified services? Why?

Comments Received

Relevant comments received stated that the Commission should have regard to other costs (fixed, variable, regulatory, and indirect) not specifically identified in Pricing Principle 1 of the Interim Mechanism and that there is a need to recover the direct¹⁰ and indirect¹¹ costs, which are incurred in providing the service.

Commission Response

Under Principle 1, the Interim Mechanism indicated that “*the Commission will look specifically at operating costs*”, listing specific examples such as installing, maintaining, marketing and billing of the relevant service. We acknowledge that all relevant and reasonable costs should be considered in the process of cost oriented pricing, including indirect as well as direct costs. We have therefore amended the text of Principle 1 to address this concern and to capture all relevant costs. In addition, the Commission will also take into consideration how efficient the company is in its operation

The Interim Mechanism originally stated that information for the financial period 2000-2001 should be presented. In consideration of the recent merger of the Cable & Wireless companies the Commission has extended this financial period to April 1, 2000 - March 31, 2002.

¹⁰ expenses specifically traceable to a costing unit, e.g. Direct materials, direct labour, sales promotion

¹¹ an expense which is not specifically traceable to a costing unit, these might be general admin costs and advertising

Principle 2 - Review of Cross Subsidy

The Commission will require that the existence of and removal of any cross subsidy between the international service and domestic service be established to its satisfaction. To the extent the existence of one is established, on application for a change in rates, the Commission will examine the cross subsidy, with a view to reducing it, as appropriate.

The following information, for the financial period 2000-2001, must therefore be presented to the Commission by the service provider with the application for a change in rates or rate structure:

- (i) the amount of subsidy between the domestic service and international service;
- (ii) the criteria for determining the amount of the subsidy;
- (iii) the revenue earned from the domestic service, excluding any subsidy;
- (iv) the revenue earned from the international service;
- (v) the cost of providing the domestic service;
- (vi) the cost of providing the international service.

Q2. What criteria should the Fair Trading Commission consider to determine whether or not a cross-subsidy should be permitted? Why?

Comments Received

Respondents were generally of the view that there should not be any cross subsidisation between services. However, concern was expressed with reference to the effect that any removal of the subsidy between international and domestic would have on the consumers. Of particular concern was any additional burden on consumers due to increases in domestic rates that may result from the reduction in the subsidy. The Commission should carefully consider the time frame for the implementation of any increases.

Commission Response

We expect that any reduction of the cross-subsidy would be carefully managed to take this into consideration.

Comments Received

It was noted that with respect to the cross subsidy, respondents made reference to subsidisation not only between international and domestic services, but also between:

- i) Residential and Business
- ii) Various Services
- iii) Different Business units of Cable & Wireless

Commission Response

One of the objectives of the Interim Mechanism was to establish rate setting principles to *'review the cross subsidy between domestic and international services'*, hence the Interim Mechanism focused on this objective. However with regard to cross-subsidisation in other areas, the Commission intends to address those issues outside of this mechanism through account separation and cost studies.

Principle 3 - Permitting Pricing Flexibility

Telecommunication Services¹² will be placed into baskets and regulated to allow for pricing flexibility and the commensurate level of regulatory oversight of the various services.

The following five (5) Baskets will be created:

Basket 1 - Basic Residential Service, Basic Business Service, Usage Based Plans

Basket 2 - International Services

Basket 3 - Other Domestic Telecommunications Services (excluding Customer Premises Equipment (CPE), mobile and those services captured in Basket 1)

Basket 4 - Large CPE - 30 extensions/ports and over

Basket 5 - Small CPE less than 30 extensions/ports

Q3. Views are invited on the suitability of regulating the listed services individually.

Comments Received

A proposal was made that a basket termed *Exempt Services Basket* which would include services such as those required by Informatics and Call Centre Operators should be established. It was felt that as these services are directly affected by international market forces and not by consumers in Barbados, it was suggested that this basket would feature very limited or no regulatory intrusion and greater flexibility.

¹² Mobile Services are currently regulated by the Ministry of Economic Development. Accordingly a mechanism to regulate these services should be established by this Ministry.

Commission Response

The Commission acknowledges that, as these services would be in Basket 2, this would not necessarily permit the degree of flexibility suggested. However these services have been retained in this basket during this interim period in order to maintain the necessary level of regulatory oversight. This arrangement will be monitored during the period, and should the need arise, consideration may be given to providing a different level of oversight to these services.

Comments Received

It was also proposed that to facilitate rebalancing, the basic domestic and international service should be regulated in a single basket subject to an API constraint.

Commission Response

It was not considered that this was necessary to achieve the objective of rebalancing. Regulating these services in different baskets allows the appropriate rebalancing according to the Mechanism objectives. Any application to move rates will have to be supported by information that confirms the rate changes being requested address the rebalancing issue.

Comments Received

It was highlighted with respect to Basket 3 that the Mechanism did not identify which services are included in the basket.

Commission Response

The Interim Mechanism only referred to these services generally as '*Other Domestic telecommunications Services (excluding CPE, mobile and those services captured in Basket 1).*' The Commission has now amended the Mechanism to include a list of the

categories of services. Annex 1 outlines the categories of services included in Baskets 1, 2 and 3.

It must be emphasised that all of the regulated services will be assigned to one of the baskets.

Q4. Should the contents of each or any basket be altered? Please give reasons for answers.

Question 4 focused on the contents of the baskets and respondents were asked to comment on the contents. Fifty percent (50%) respondents considered that the allocation of the services into the basket was appropriate. The other comments received were also relevant to the Question 3.

Comments Received

It was proposed that the current structure of the baskets would not facilitate pricing flexibility and would slow down the process toward rebalancing.

Commission Response

The Commission is cognisant of the need to rebalance and the time frame within which this must be completed. The Commission has structured the Baskets in such a way as to rebalance as the Commission deems appropriate on a full investigation. Domestic services and international services have been put in different baskets and Principles 1 and 2 have been structured in such a manner as to allow for the move toward prices based on cost. This principle would give the Commission control over the level of price changes and ensure that rebalancing is conducted at the rate the Commission deems appropriate.

Q5. Are there other factors the Commission should consider in formulating the pricing principles to be used during this period?

Comments Received

Respondents spoke of the need to develop an Interim Mechanism that allowed for the successful liberalisation of the market without the incumbent's competitive position being made stronger and that consideration be given to the financial, efficiency and equity objectives of price regulation.

Commission Response

The essence of these comments appears to be imbedded within the legislation that govern the Commission. Therefore the comments are noted but do not appear to require an amendment to the Interim Mechanism.

Comments Received

Another issue raised was the need for referral to other jurisdictions in the region to see what prices are being charged, and utilise best practices, especially given the size and limited resources of the Commission.

Commission Response

The Commission found merit in this proposal, but the process of comparing similar and relevant prices from other jurisdictions even in our region is fraught with complications associated with varied objectives and conditions.

Q6. Does this Interim Mechanism fulfill the stated objectives in Section 6 of this Consultation Paper? Please elaborate.

Comments Received

There was varied responses in answer to this question. In some instances respondents questioned;

- The Mechanism's lack of guidance with respect to the timeframes and procedures for treating particular rate applications coming before it and
- The Mechanism's lack of specific rules to ensure the objectives set out in the MOU are met during the transitional period.

Commission Response

With regard to establishing time frames and procedures the Interim Mechanism states that the Utility Regulations Act (URA) Procedural Rules "Rules" will govern all rate applications under the Interim Mechanism and the Rules makes provision for abridging any time limit¹³.

The Interim Mechanism also specifies clear time frames of 15 business days for notification particular rate changes for services in baskets 3, 4, and 5. For baskets 1 and 2 as a public hearing is required for rate changes in the services found in these baskets a specific time could not be set.

Embodied in the Rules is an option of using an expedited process - written hearings¹⁴. The service provider on making the appropriate rate application can request the type of hearing they would prefer applied in the particular case.

¹³ URA Procedural Rules – Rule 7

¹⁴ URA Procedural Rules – Rule 33

The Commission must however in all circumstances, be cognisant of URA section 15 (4) and (5) which entitles an interested party or consumer to appear in person at any rate review hearing if they so desire.

Comments Received

It was noted that the Interim Mechanism should be structured to ensure that the incumbent cannot manipulate the Mechanism in an anti-competitive way.

Commission Response

The structure of the baskets as set out in the Interim Mechanism has been designed to enhance the regulatory scrutiny that can be applied to the various services thereby reducing the potential for anti-competitive practices.

New Services

Commission Response

The Commission on review has decided to specify that submission of an application for approval of the prices/rates for a new service must be accompanied by supporting data.

CONCLUSION

The recommendations as outlined in the above discussion have been incorporated in the document entitled "**Determination Notice - Interim Mechanism**".