



PRICE CAP PLAN 2016

COMPLIANCE RULES AND PROCEDURES

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PART 1 – INTERPRETATION

1. Interpretation

“Actual Price Index” (API) – The index capturing the average changes in prices for a service basket, which should not exceed the Price Cap Index. Also see Rule 8.3.

“Bundle Offerings” - Either a combination of regulated services or a combination of regulated and unregulated services.

“Cable & Wireless (Barbados) Limited” - The regulated service provider of domestic and international telecommunications services, pursuant to Utilities Regulation Order S.I. 2014 No. 65 and the Barbados subsidiary of Cable & Wireless Communications Plc.

“Columbus Telecommunications” – Columbus Telecommunications (Barbados) Ltd. and the Barbados subsidiary of Columbus International Inc.

“Commission” - The Fair Trading Commission;

“(the) Company” - The company in existence as a result of the merger between Cable & Wireless Communications Plc and Columbus International Inc.

“Exogenous factor (Z-Factor)” - A correction factor included in the price cap formula to adjust the PCI in response to an unforeseen event outside the control of the Company that negatively affects its income.

“Inflation Factor” (I-Factor) – The percentage change in the average retail price index (RPI) between two periods, as given by the Barbados Statistical Service.

“Period” - A period during the Price Cap Plan 2016, as set out in Rule 4.1.

“Price Cap Index” (PCI) – The constraint that specifies the maximum level of aggregate price change for a service basket. Also see Rule 8.4.

“Prices” – This may also be referred to as “Rates”, based on the meaning assigned in Section 2 of the Utilities Regulation Act CAP 282.

2. These Compliance Rules and Procedures (“Rules”) apply to the implementation and operation of the Price Cap Plan 2016 (PCP 2016), which are in turn applicable to the Company. For the avoidance of doubt, the PCP 2016 will apply to all customers of the Company, including those secured as part of the acquisition of Columbus Telecommunications.
3. Where these Rules are silent on any matter of procedure in relation to Price Cap proceedings before the Commission, the procedure to be applied shall be determined by the Commission. The Commission may consult with the Company on such procedures to ensure that there are no conflicts with these Rules or the Utilities Regulation (Procedural) Rules 2003 and the Regulation (Procedural Amendment) Rules 2009.

PART II - THE PRICE CAP PLAN

4. General

4.1. There shall be established a Price Cap Plan 2016 (PCP 2016), which shall be applied by the Commission for a term of three (3) years in the regulation of retail telecommunications services provided by the Company and which are deemed to be regulated services, subject to the Telecommunications (Regulated Services) Order 2008. The periods of the PCP 2016 are:

Period 1: April 1, 2016 through March 31, 2017

Period 2: April 1, 2017 through March 31, 2018

Period 3: April 1, 2018 through March 31, 2019

4.2. The PCP 2016 can be extended, at the discretion of the Commission, for up to one (1) additional year.¹ Upon a decision to extend the PCP 2016, the Commission will give advanced notice to both the Company and the public.

4.3. Changes in the prices for a regulated telecommunications retail service subject to the PCP 2016 will be deemed to be approved where the proposed change complies with the PCP 2016.

4.4. It is not intended that the PCP 2016 be amended. However, in exceptional circumstances where there is a need to amend the PCP 2016, this shall be done pursuant to Rule 16 which sets out procedures for consultation between the Commission, the Company and other interested parties, including the general public.

4.5. Going-In rates for the PCP 2016 shall be the prices existing at the end of the Review of Price Cap Plan 2012 (PCP 2012). The procedures for effecting and notifying price changes are set out in these Rules.

¹ This would cover the period April 1, 2019 through March 31, 2020.

5. Services Subject to Price Regulation under the PCP 2016

5.1. The services to be regulated under the PCP 2016 will include only those retail services specified as being subject to regulation in the Statutory Instrument (S.I.) No. 5 - Telecommunications (Regulated Services) Order 2006 namely:

- (a) International telecommunications services;
- (b) Domestic voice telecommunications services; and
- (c) Leased circuits.

5.2 Subject to revision of the above referenced Telecommunications (Regulated Services) Order, the following categories of services will be regulated under the PCP 2016:

- (a) Residential fixed line access rental service;
- (b) Non-residential fixed line access rental service;
- (c) Non-residential and residential fixed line installation;
- (d) Domestic payphone service;
- (e) Value Added Services;
- (f) Residential and Business International Telephone Service;
- (g) International cards;
- (h) International toll-free;
- (i) International Private Leased Circuits;
- (j) Domestic private leased circuits;
- (k) Call centre international calls;
- (l) Operator assistance;
- (m) Voicemail;
- (n) Business voice network service e.g. Centrex, and
- (o) Emergency.

5.3 The Minister responsible for telecommunications may conduct market reviews and determine that a particular service should no longer be regulated.

- 5.4 The list of categories of services set out at Rule 5.2 shall be revised by the Commission on publication of a revised Telecommunications (Regulated Services) Order by the Minister. Where the Minister makes a determination that a telecommunications service included in PCP 2016 is an unregulated service, the Commission shall remove that telecommunications service from the PCP 2016 and shall no longer require the service to be included in the Annual Compliance Filing for the next price cap period and the calculation of the API will exclude the service.
- 5.5 The following services shall **not** be subject to price-cap regulation:
- (a) wholesale telecommunications services (including):
 - (i) charges in respect of interconnection charges;
 - (ii) international simple resale.
 - (b) particular bundled services as noted in Rule 11.1 (iv)
 - (c) other retail services that are not identified as regulated in the *Telecommunications (Regulated Services) Order, 2006* or any revised Telecommunications Regulated Services Order that may be issued by the Minister responsible for telecommunications.

PART III – BASKET STRUCTURE AND PRICING CONSTRAINTS

6 Basket structure

6.1 The PCP 2016 shall be based on two service baskets which represent ‘competitive’ and ‘non-competitive’ services. In addition there will be a sub-cap on residential access services, being a subset of the ‘non-competitive’ services. A detailed list of services and basket assignments is provided in Schedule 1. An example of the assignment of some service categories is set out below:

Basket 1: This basket includes all regulated services for which the level of competition is sufficient to prevent excessive pricing by the Company. These services include international private leased circuits (“IPLCs”), international call services, and domestic and international operator assistance services.

Basket 2: This basket will include all remaining regulated services, including residential access, business access, voicemail, call waiting, other value-added services, and domestic private leased circuits (“DPLCs”). This includes access and call services previously offered by Columbus Telecommunications.

7 Price controls applied

7.1 In each Period of the PCP 2016, different price controls are applied to each basket, reflecting the degree of competitive constraint on the Company’s pricing behaviour:

Basket 1: Services in Basket 1 will not be subject to a price cap control.

Basket 2: Average prices across services in this basket are allowed to increase annually in line with the Inflation Factor, or 3% where the Inflation Factor exceeds 3%. In the case of the Inflation Factor being negative in any given year, the allowable price increase will be set at zero for that year.

- 7.2 The Company will be permitted to increase prices on Basket 2 services no more than once in any one Period of the PCP 2016.
- 7.3 Residential access services, which are a subset of services included in Basket 2, will be subject to an additional pricing constraint. In all Periods of PCP 2016, the prices for these services are constrained in the same way as for the whole of Basket 2. That is, the prices on these services cannot be increased, on average, by more than the Inflation Factor, up to a maximum of 3% per annum; in the case of the Inflation Factor being negative in any given year, the allowable price increase will be set to zero for that year.
- 7.4 Residential access services include all fixed-line access and installation services provided by the Company to residential customers.

PART IV - THE PRICE CAP FORMULA

8 The Price Cap Formula

8.1 The price cap formula is applicable to the regulation of regulated retail services provided by the Company which are contained in Basket 2 of the PCP 2016.

8.2 The price cap formula specifies that the Actual Price Index (API), which represents average changes in prices charged by the Company for the services contained in Basket 2 over a particular period (t), must be less than or equal to the Price Cap Index (PCI).

$$API_t \leq PCI_t$$

8.3 The API for Basket 2 is calculated as follows:

$$API_t = API_{t-1} \alpha$$

and alpha α is defined as follows:

$$\alpha = \left[\sum_{i=1}^n \left(\frac{\overline{p}_t^i}{\overline{p}_{t-1}^i} \right) \frac{r_{t-1}^i}{R_{t-1}} \right]$$

Where:

API_{t-1} is the Actual Price Index for Basket 2 during time period t-1;

$\left[\sum_{i=1}^n \right]$ represents the sum of all (n) services in Basket 2;

\overline{p}_t^i is the average price for service i during the current period t (i.e., the average of the prices as of the first day of each month during the current period);

\underline{p}_{t-1}^i is the average price of service i during time period $t-1$ (i.e., the average of the prices in each month during that period);

r_{t-1}^i is the revenue for service i (i.e. the price of i times the quantity of i) during time period $t-1$; and

R_{t-1} is the total revenue for Basket 2 (i.e., the sum of prices times quantities for all (n) services in Basket 2) during time period $t-1$.

In line with Rule 11.1, the API calculations will take into account quantities from all services contained in Basket 2, including those from stand-alone and bundled services.

8.4 The PCI for Basket 2 is calculated as follows:

$$PCI_t = \begin{cases} PCI_{t-1} \pm Z_t & \text{if } I_t < 0\% \\ PCI_{t-1}(1 + I_t) \pm Z_t & \text{if } 0\% \leq I_t \leq 3\% \\ PCI_{t-1}(1 + 0.03) \pm Z_t & \text{if } I_t > 3\% \end{cases}$$

Where:

I denotes the Inflation Factor as described in paragraph 9.2 below; and

Z denotes the Exogenous Factor described in paragraph 9.3.

8.5 The X factor is not explicitly stated in the formula above as the X factor for Basket 2 services is set at zero (0) for the PCP 2016. The formula is therefore consistent with a conventional RPI-X price control.

9 Components of the Price Cap Formula

9.1 The PCI is composed of two components. These are the Inflation Factor (I), and the Exogenous Factor (Z).

I - Factor

9.2 The annualised inflation rate for Barbados published by the Barbados Statistical

Service shall be used as the I-Factor in calculating the PCI. This inflation rate is derived from the monthly Retail Price Index (RPI) for Barbados. When filing updates to the PCI, the Commission shall use the most recently published, annualised inflation rate (i.e., the change in RPI over the latest twelve (12) months available at the time of filing). To ensure consistency in compliance monitoring, this annualised rate shall also be applied by the Company when filing its Annual Compliance Filing and Rate Increase Filing during that year, as set out in Rule 12.

Z - Factor

- 9.3 The Company, in response to an unforeseen event which the Company considers may negatively affect its income, may apply to the Commission for an Exogenous Z-factor to be included within the Price Cap Formula. The Commission may allow this but only after conducting a public consultation on the issue.
- 9.4 The Commission will consider filings by the Company during the period only for wholly exogenous factors, such as regulatory actions by the Commission or the government of Barbados, or other unforeseen circumstances which materially affect the Company's profitability.
- 9.5 Without limiting the generality of 9.3 and 9.4, the Commission has determined that a Z-factor adjustment shall be considered for inclusion in the PCI where any one of the following conditions are satisfied:
- a) The event is a legislative, judicial or administrative action which is beyond the control of the Company; or
 - b) The event relates specifically to the telecommunications industry; or
 - c) The event has a material impact on the regulated segment of the Company which is subject to the PCP 2016.
- 9.6 The Z-Factor shall be set at zero for the calculation of the PCI until and unless a Z-Factor adjustment is proposed to the Commission and accepted by the Commission in accordance with filing Rules 12.13 to 12.15 contained herein.

10 Sub-cap formula for Residential Access Services

10.1 Residential access services are subject to an additional pricing constraint set out in Rule 7.3. Compliance towards this additional pricing constraint will be measured based on the following formula:

$$API_t^{RA} \leq PCI_t^{RA}$$

Where:

API_t^{RA} represents the price index of residential access services in period t ; and

PCI_t^{RA} is equal to API_{t-1}^{RA} uplifted by the allowable price change of residential access services in period t , as follows:

$$PCI_t^{RA} = \begin{cases} API_{t-1}^{RA} & \text{if } I_t < 0\% \\ API_{t-1}^{RA} (1 + I_t) & \text{if } 0\% \leq I_t \leq 3\% \\ API_{t-1}^{RA} (1 + 0.03) & \text{if } I_t > 3\% \end{cases}$$

10.2 The API_t^{RA} is calculated based on the following formula:

$$\left[\sum_{i=1}^n \left(\frac{\overline{p}_t^i}{\overline{p}_{t-1}^i} \right) \frac{r_{t-1}^i}{R_{t-1}^{RA}} \right]$$

Where:

$\left[\sum_{i=1}^n \right]$ represents the sum of all (n) residential access services;

\overline{p}_t^i is the average price for residential access service i during the current period t (i.e., the average of the prices of these services as of the first day of each month during each month during the current period);

\underline{P}_i^{t-1} is the average price of residential access service i during time period $t-1$ (i.e., the average of the prices of these services as of the first day of each month during that period);

R_i^{t-1} is the revenue for residential access service i (i.e. the price of i times quantity of i) during time period $t-1$; and

R_{t-1} is the total revenue for residential access services (i.e., the sum of prices times quantities for all (n) residential access services) during time period $t-1$.

In line with Rule 11.1, the API calculations will take into account quantities from all residential access services, including those from bundled services and stand-alone services.

11 Treatment of particular services

11.1 The treatment of particular services under the PCP 2016 is set out below.

- i. **Services currently not charged** - In order to establish a price for a regulated service which is currently provided without any charge, the Company shall give justification for the proposed application of a tariff to this service. The notice of establishment of a charge must be submitted to the Commission twenty (20) business days before the proposed effective date. The Commission shall review the information submitted and may require the Company to modify its proposal in the event that the Commission considers that the price or associated terms are not fair or reasonable.
- ii. **New services** - Where a new retail service not previously supplied to the public by the Company is introduced during the price cap term, that service shall not be included in the PCP 2016 unless deemed by the Minister

responsible for telecommunications to be a regulated service in accordance with the Telecommunications (Regulated Services) Order.

Where the new service is deemed to be regulated, it shall be included in Basket 1.

- iii. **Promotions** - Promotional prices, including promotional discounts for services subject to the PCP 2016, may not be included in the calculation of the API for compliance purposes, except where such discounts are offered to all customers who qualify for that service.

- iv. **Bundled Services** – For bundled offers existing at the start of PCP 2016 which include at least one service in Basket 2, the individual price for each Basket 2 service, as provided on a stand-alone basis, will count towards the calculation of the API. The volumes relating to these bundled offers will also be considered in the calculation of the API. In practice, this means that for each bundle containing Basket 2 services, one will be added to the volume of the stand-alone volumes for these Basket 2 services in the calculation of the API.

For “new” bundled offerings including at least one Basket 2 service (i.e. those introduced after the start of PCP 2016), the volumes and price elements, again as provided on a stand-alone basis, will also be considered in the calculation of the API. However, this is only in relation to existing Basket 2 services within the bundle, i.e. those already offered by the Company at the start of PCP 2016 - the volumes and price elements relating to any new services within the bundle (i.e. those not on offer at the start of PCP 2016) will not be considered, consistent with Rule 11.1 (ii).

PART V - FILING AND REPORTING REQUIREMENTS

12 Compliance Filing

Annual compliance filing

- 12.1 On March 1 of each period of the PCP 2016, that is, one month before the start of each new period, the Company shall file with the Commission the Annual Compliance Filing (ACF). For the avoidance of doubt, the ACF is due on March 1, 2017 for period 1, March 1, 2018 for period 2, and March 1, 2019 for period 3. In the case of an extension for an additional year, the date would be March 1, 2020.
- 12.2 The ACF allows the Commission to measure the degree of compliance by the Company in each Period of the PCP 2016 – that is whether the API for Basket 2 is equal to or less than the PCI for that period, as well as whether any price changes for residential access services are in line with Rule 10.
- 12.3 The compliance checks for a given Period of the PCP 2016 will be performed in two stages:
- (i) **Stage 1: Check whether prices have been increased on any Basket 2 service during the given Period.** If no such price changes are observed, then compliance with both the price cap on the overall basket, and the sub-cap on residential access services, is confirmed and the compliance check is complete. If price increases on any Basket 2 service are observed in the Period, then Stage 2 is required.
 - (ii) **Stage 2: Check whether the average increase in prices in the Period is at or below the allowable price change under the price cap.** This is performed separately for the overall price cap on Basket 2 services, and the sub-cap on residential access services, in line with Rule 8 to Rule 10.
- 12.4 Given Rule 12.3, the data to be provided as part of the ACF in each Period of the PCP 2016 will depend on whether price increases are made by the Company on

Basket 2 services during the period in question:

- (i) **Price increase on any Basket 2 service during the period.** If any of the prices of Basket 2 services have increased within the Period, the ACF for that Period must contain the information required to calculate the API for Basket 2 for that period, and for the sub-set of residential access services. This means that the ACF must contain:
 - a) the average price for each Basket 2 service during the current period t (i.e., the average of the prices as of the first day of each month during the current period);
 - b) the average price of each Basket 2 service during time period t-1 (i.e., the average of the prices in each month during that period); and
 - c) the monthly volumes of each Basket 2 service during time period t-1.

- (ii) **No price changes or only price decreases on Basket 2 services during the period.** In these situations, the ACF must contain **at least** the average price for each Basket 2 service during the current period and the previous period. This requirement is equivalent to Rule 12.4 (i), excluding the requirement to provide monthly service volumes for the previous period.

12.5 The required format of the ACF under Rule 12.3 and Rule 12.4 is set out in Schedule 2. The ACF shall be provided by the Company in the format set out in Schedule 2.

12.6 If the price of any Basket 2 service is increased during any period of the PCP 2016, then an ACF containing the information set out in Rule 12.3 (i) must be submitted for all preceding periods of the PCP 2016, unless ACFs containing this information have already been submitted by the Company for these periods. This is to allow the assessment of any carry over allowance which may have occurred.

12.7 The Commission will use the annual filing to determine the extent to which the

Company has accumulated head room for Basket 2 services in each year of the PCP 2016. This is illustrated in Schedule 2. There will be no carry over allowance for the additional control on residential access services.

Rate Increase Compliance Filing

- 12.8 The Company may increase its prices for Basket 2 services based on the following procedure.
- 12.9 The Company is permitted to increase each tariffed service within Basket 2 once in each Period of the PCP 2016. For any price increase, the Company must file a Rate Increase Compliance Filing (RICF) with the Commission.
- 12.10 An RICF must contain the proposed price changes, a recalculation of the Basket's API reflecting any proposed price changes and a demonstration that the new API is less than or equal to the corresponding PCI.
- 12.11 Supporting documentation for API calculations in an RICF shall include all service price elements and the associated revenues established in the most recent ACF. The Company must also provide documentation for price changes involving special treatment, including, but not limited to, the introduction of volume or contract term discounts
- 12.12 The RICF shall be in the same format as the ACF under Rule 12.34(ii), as set out in Schedule 2.

Exogenous Factor Filing

- 12.13 Should the Company consider that an exogenous event has occurred consistent with Rule 9.5, the Company shall file the proposed Z-factor adjustment to the PCI. Using actual data, the Company shall demonstrate the financial impact of the event and provide evidence to prove that the event was outside of its control. At the time of filing, the Company shall propose the value of the Z-factor necessary to mitigate the impact of the exogenous event.
- 12.14 The exogenous factor filing shall be submitted at least two months before the end

of any period.

12.15 The Commission will consider the filing and if accepted, the proposed Z-factor will be included in the calculation of the PCI for the following period.

13 Notifications

13.1 *Price Decreases* - The Company shall not be required to seek prior approval from the Commission for any proposed decrease in prices for any regulated service subject to the PCP 2016 (i.e. those contained in both Basket 1 and Basket 2). However, the Company shall notify the Commission in writing of any proposed price decreases for regulated services subject to the PCP 2016, no later than three (3) business days before the price decrease takes effect. The public shall be notified no later than the same business day the price decrease takes effect.

13.2 *Price Increases* - With the exception of services referred to in the Rule 11.1 (i), the Company shall not be required to seek prior approval from the Commission for any proposed increase in prices for any regulated service subject to the PCP 2016². The Company shall, however, notify the Commission of any proposed increase in price for any regulated service subject to the PCP 2016 no later than 25 business days before such price increase takes effect. With such a proposed increase, the Company must file an RICF with the Commission, consistent with the filing and reporting requirements set out at Rules 12.8 to 12.11.

13.3 The Commission requires that for every price increase, the Company shall advise the public by way of advertisement published in at least two editions of the daily newspapers, no later than 20 business days before the date of the expected price increase.

14 Regulatory Reporting

14.1 For the duration of the PCP 2016, the Company will be required to provide:

- (a) Annual Audited Statutory Financial Statements.

² This again covers services in both Basket 1 and Basket 2.

- (b) Annual Regulatory Financial Statements in summary form showing revenues, expenses, net investment, price base, capital structure and rate of return on mean capital employed (MCE) for the periods ending March 31, 2017 and March 31, 2018. This should include a reconciliation to the Audited Statutory Financial Statements.
- (c) Annual updated versions of the Enhanced Allocation Model (EAM) and the associated EAM Manual or any other costing model used by the Company and approved by the Commission for the periods ending March 31, 2017 and March 31, 2018.

14.2 All of the filings set out in Rule 14.1, including the updated versions of the EAM, should cover the merged entity resulting from the merger between Cable & Wireless Communications Plc and Columbus International Inc.

14.3 The regulatory statements and accompanying reconciliation may be subject to a Regulatory Compliance Review which will ensure that:

- (i) the Company's prices for services regulated under the PCP 2016 are set in accordance with these Rules and the PCP 2016 Decision;
- (ii) the Regulatory Financial Statements reconcile to the Audited Statutory Financial Statements;
- (iii) the Regulatory Financial Statements were prepared in accordance with the Commission's guidelines where applicable; and
- (iv) the Company acts in accordance with the PCP 2016 Decision, the PCP 2016 Compliance Rules and Procedures, the Fair Trading Commission Act, Utilities Regulation Act and Telecommunications Act.

14.4 **Filing of statements** - The Commission will require that the Company file statutory and regulatory statements as follows:

- i) Audited Statutory Financial Statements for period April 1 - March 31, by July 15 of each year.
- ii) Reconciled Regulatory Statements for period April 1 - March 31, by

September 15 of each year.

iii) The EAM should be submitted by September 15 of each year.

Each filing must be accompanied by a statement signed by the relevant person of authority, confirming that the filing(s) are in accordance with Rule 14.3.

15 Review of submitted statements

15.1 These filings will be reviewed by the Commission. As part of this review process, the Commission may require the Company to commission and submit its own review of the filings during the PCP 2016 period.

15.2 The requirements for these reviews will be determined by the Commission. The Commission will inform the Company of these requirements at the appropriate time during the PCP 2016. The Commission may consult with the Company on such requirements to ensure that there are no conflicts with these Rules or the Utilities Regulation (Procedural) Rules 2003 and the Regulation (Procedural Amendment) Rules 2009.

16 Proceedings conducted during the Price Cap Plan

16.1 Where any matter in these Rules is required to be determined by the Commission, it shall be determined by consultation on the basis of written documentation filed by the parties, and in accordance with the procedures set out in this Rule 16.

16.2 Except as set out in Rule 12, the conduct of any review under these Rules, whether on application from the Company or upon initiation by the Commission, shall be by consultation. The Commission shall notify the public of receipt of an application or initiation of a review. It shall issue a public notice inviting the public to collect the application or consultation paper

from the offices of the Commission if they wish to comment. Information submitted by the Company or any other interested party with a claim for confidentiality, and which the Commission rules to be confidential information, will not be made available to the public or to other parties.

16.3 Persons participating in the consultation, in accordance with Rule 16.2, shall submit comments in respect of the consultation, in writing, to the Commission.

16.4 The Company may be provided with copies of the comments submitted by interested persons under Rule 16.3 and the Company may be permitted to reply to the comments, subject to claims for confidentiality as set out at Rule 16.2.

16.5 The Commission shall consider the application, responses to the consultation paper and replies to such responses. The Commission may convene a conference of the parties to clarify the application or any comments submitted by the parties.

16.6 The Commission may convene a conference in the absence of the public or other interested parties to hear the Company on any commercially sensitive matter related to the application or consultation. Where the Company requests that any information submitted in the application or consultation should be treated as confidential, the Commission shall not disclose it. Claims for confidentiality should be made in accordance with the Utilities Regulation (Procedural) Rules 2003.

16.7 The Commission shall publish its Decision in writing, giving reasons for the decision.

17 PART VI - END OF TERM PRICE CAP REVIEW

17.1 Prior to the expiry of the PCP 2016, the Commission shall conduct a review of the PCP 2016. This review will include, amongst other things:

- (a) an assessment of the Company's operational and financial Performance under the PCP 2016; and
- (b) a public consultation.

17.2 The Commission, in its review, will take into consideration the perceived level of competition in the industry and will determine whether there is a need to:

- a) modify the principles, indices or rules of the price cap regime; or
- b) consider alternative forms of incentive regulation.

17.3 The Commission will be guided by any revision of policy issued by the Ministry responsible for Telecommunications, with respect to the services to be regulated.

Assessment of the Company's regulatory and financial performance

17.4 Nine (9) months prior to the scheduled end of the PCP 2016, the Company shall file a report outlining the extent to which specific competition-related, general economic and social developments in the industry have had an impact on its performance during the price cap period and are likely to continue to do so. The report shall include quantifiable data, disaggregated into separate services and, where applicable, compare measures of the above factors for the PCP 2016 to the equivalent figures for the PCP 2012.

17.5 By November 15, 2018, the Company shall file Unaudited Financial results in summary form, showing revenues, expenses, net investment, price base, capital structure, and rate of return on mean capital employed (MCE) for the period of this price cap plan, ending September 30, 2018.

Public Consultation

- 17.6 Following the end of this PCP 2016 term, if the Commission is of the view that the price cap regime should continue as the appropriate form of incentive-based, price-setting mechanism, the Commission will issue a public consultation document inviting persons to submit comments on any proposed revisions to the structure and operation of the PCP 2016 regime, in accordance with Section 4 of the Fair Trading Commission Act, CAP. 326B.
- 17.7 Where the Commission is of the view that a price cap regime is not the appropriate form of regulation, the Commission shall consult with the Company and other interested parties regarding the appropriate form of regulation that should be used for subsequent price adjustments. The Commission shall thereafter determine the type of incentive-based, price-setting mechanism that should be applied and give notice of such. The current PCP 2016 shall continue until a new form of incentive regulation is established and implemented.
- 17.8 The Commission shall conduct a further consultation with the Company and interested persons on structure and operation of the chosen form of incentive regulation.

18 Filing of Documents

- 18.1 All documents should, wherever possible, also be submitted to the Commission in electronic format.

SCHEDULE 1 - LIST OF SERVICES

Table 1. Basket 1 - Competitive services

| Price Cap Service Name | Detailed Description | Rate Element (if applicable) |
|--|---|------------------------------|
| Fixed outgoing international | Residential and Business Fixed Line International Direct Dial (IDD) Call Revenue | Day |
| | | Evening |
| | | Weekend |
| Fixed outgoing international | Inmarsat | Day |
| | | Evening |
| | | Weekend |
| Fixed outgoing international | IDD 1010335 | Day |
| | | Evening |
| | | Weekend |
| Fixed outgoing international | International Direct Dial (IDD) Credit Card | Set-up |
| | | 3 Minute Min. |
| | | Add. Min.,Day |
| | | Add. Min., Evening |
| | | Add. Min., Weekend |
| Fixed outgoing international | International Prepaid Card | |
| Fixed outgoing international | Payphone International-Standard Rates | |
| Fixed outgoing international | IDD Smart Choice Residence Discount | |
| Fixed outgoing international | IDD Talkaway discounts | |
| Fixed outgoing international | Call Centre IDD | |
| Fixed outgoing international | International 1-800 | |
| Fixed outgoing international | Corporate Choice | |
| Fixed outgoing international | PSTN International Station to Station & Person to Person | |
| Fixed outgoing international | International Operator Assistance | |
| International Private Leased Lines | International Private Leased Circuits | |
| Operator Assistance-Domestic Voice Calling | Operator Service | |
| Emergency-Domestic Voice Calling | Emergency Service | |
| Business internal voice network service | Comnet Band 1 | |
| Business internal voice network service | Comnet Band 2 | |
| Business internal voice network service | Comnet Band 3 | |
| Business internal voice network service | Comnet Band 4 | |
| Business internal voice network service | Line - Comnet Band 1 Stepping | |
| Business internal voice network service | Line - Comnet Band 2 Stepping | |
| Business internal voice network service | Line - Comnet Band 3 Stepping | |
| Business internal voice network service | Line - Comnet Band 4 Stepping | |
| Business internal voice network service | Centrex | |
| Business internal voice network service | Pabx Trunk Line via T1 | |

| | |
|---|-------------------------------------|
| Business internal voice network service | Pabx Ext - Via T1 |
| Business internal voice network service | DID PABX Ext |
| Business internal voice network service | Line - Key System Stepping via T1 |
| Business internal voice network service | Sub-Owned Trunk Lines |
| Business internal voice network service | Pabx Trunk Line |
| Business internal voice network service | Direct Inward Dialling Trunk (PBX) |
| Business internal voice network service | Business Exchange Line Conn to Pabx |
| Non-residential fixed-line access | Install Authorisation Code |

Table 2. Basket 2 - Uncompetitive services

| Price Cap Service Name | Detailed Description | Rate Element (if applicable) |
|-----------------------------------|---|------------------------------|
| Residential fixed-line access | Line - Residence Exchange (Home Phone Basic) | MRC NRC |
| Non-residential fixed-line access | Line - Residence Exchange Only | MRC NRC |
| Non-residential fixed-line access | Line - Residence Stepping | MRC NRC |
| Non-residential fixed-line access | Line - Staff/Pensioner Exchange | MRC NRC |
| Non-residential fixed-line access | C&W Business Exchange Line | MRC NRC |
| Non-residential fixed-line access | C&W Business Exchange. Only | MRC NRC |
| Non-residential fixed-line access | C&W Business Exchange. Stepping | MRC NRC |
| Non-residential fixed-line access | C&W Business Exchange Line with Stepping | MRC NRC |
| Non-residential fixed-line access | DEL Line (Direct Exchange Line) (Residence) | MRC NRC |
| Non-residential fixed-line access | DEL Line (Direct Exchange Line) (Business) | MRC NRC |
| Non-residential fixed-line access | PBX/Key Systems Line | MRC NRC |
| Non-residential fixed-line access | Business Automatic Universal Line | MRC |
| Non-residential fixed-line access | 112 Emergency Lines | MRC NRC |
| Non-residential fixed-line access | Smart Ring Line Only-Business | MRC NRC |
| Non-residential fixed-line access | Smart Ring Line Only-Residence | MRC NRC |
| Non-residential fixed-line access | 800 Service Line | MRC NRC |
| Non-residential fixed-line access | 800 Service Pilot | MRC NRC |
| Non-residential fixed-line access | 800 Service Stepping | MRC NRC |
| Non-residential fixed-line access | Charity Exchange Line | MRC NRC |
| Non-residential fixed-line access | Directory Number Hunt Exchange Line | MRC NRC |
| Non-residential fixed-line access | Direct Inward Dialling Channel via T1 | MRC NRC |
| Non-residential fixed-line access | Voice Channel Stepping via T1 | MRC NRC |
| Non-residential fixed-line access | Voice Channel via T1 | MRC |

| | | |
|-----------------------------------|---|------------|
| | | NRC |
| Non-residential fixed-line access | Public Pay Station (Sub-owned) | MRC |
| Non-residential fixed-line access | Business Extension | MRC |
| | | NRC |
| Non-residential fixed-line access | DEL Company | MRC |
| Non-residential fixed-line access | Facsimile Line | MRC |
| | | NRC |
| Non-residential fixed-line access | Facsimile Line Stepping | MRC |
| | | NRC |
| Non-residential fixed-line access | Other Telecoms -Reconnection | NRC |
| Non-residential fixed-line access | Temporary Disconnection | MRC |
| Value Added Services | Change Number Advisory (Business) | MRC |
| | | NRC |
| Value Added Services | Change Number Advisory (Residence) | MRC |
| | | NRC |
| Value Added Services | Additional Directory Listing | MRC |
| Value Added Services | Change of Address | MRC |
| | | NRC |
| Value Added Services | Unlisted Number | MRC |
| Value Added Services | Fixed Call forwarding (Business) | MRC |
| | | NRC |
| Value Added Services | Fixed Call forwarding (Residence) | MRC |
| | | NRC |
| Value Added Services | Change Unlisted to Listed | NRC |
| Value Added Services | Callback Service Overseas per Line | MRC |
| | | NRC |
| Value Added Services | Debar Overseas Calls per Line | MRC |
| Value Added Services | Tracing Nuisance Calls | MRC |
| | | NRC |
| Domestic payphone | Coin Phone Calls | Per 5 min. |
| Domestic payphone | Pay and Card Phones Calls | Per 5 min. |
| Value Added Services | Micro Telex (Business) | MRC |
| | | NRC |
| Value Added Services | Micro Telex (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Name, Number (Business) | MRC |
| | | NRC |
| Value Added Services | Call Name, Number (Residence) | MRC |
| | | NRC |
| Value Added Services | Magic Touch Silver Max (Business/Residence) | MRC |
| | | NRC |
| Value Added Services | Magic Touch Platinum Max (Business/Residence) | MRC |
| | | NRC |
| Value Added Services | Magic Touch Gold Max (Business/ Residence) | MRC |
| | | NRC |
| Value Added Services | Anonymous Call Rejection (Business) | MRC |
| | | NRC |
| Value Added Services | Anonymous Call Rejection (Residence) | MRC |
| | | NRC |
| Value Added Services | Distinctive Ring Call Waiting (Business) | MRC |
| | | NRC |
| Value Added Services | Distinctive Ring Call Waiting (Residential) | MRC |
| | | NRC |
| Value Added Services | Selective Call Acceptance (Business) | MRC |
| | | NRC |
| Value Added Services | Selective Call Acceptance (Residence) | MRC |
| | | NRC |
| Value Added Services | Selective Call Rejection (Business) | MRC |
| | | NRC |
| Value Added Services | Selective Call Rejection (Residence) | MRC |
| | | NRC |
| Value Added Services | Auto Busy Call Back (Business) | MRC |
| | | NRC |
| Value Added Services | Auto Busy Call Back (Residence) | MRC |
| | | NRC |
| Value Added Services | Auto Recall (Business) | MRC |
| | | NRC |

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|----------------------|--|-----|
| Value Added Services | Auto Recall (Residence) | MRC |
| | | NRC |
| Value Added Services | Selective Call Forwarding (Business) | MRC |
| | | NRC |
| Value Added Services | Selective Call Forwarding (Residential) | MRC |
| | | NRC |
| Value Added Services | Vanity Name (Business) | MRC |
| | | NRC |
| Value Added Services | Vanity Name (Residential) | MRC |
| | | NRC |
| Value Added Services | Call Wait,Forward,3way,Speed,3Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait,Forward,3way,Speed,2Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait,Forward,3way,Speed,1Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait,Forward,3way,Speed,3Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait,Forward,3way,Speed,2Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait,Forward,3way,Speed,1Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3-Way, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3-Way, 2 smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3-Way, 1 smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3-Way, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3-Way, 2 smart Ring(Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3-Way, 1 smart Ring(Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Speed Call, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Speed Call, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Speed Call, 1 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Speed Call, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Speed Call, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Speed Call, 1 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward 1 smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward 1 smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, 1 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, 3 Smart Ring (Residence) | MRC |
| | | NRC |

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| Value Added Services | Call Wait, 3-Way, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, 1 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, Speed, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, Speed, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, Speed, 1 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, Speed, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, Speed, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, Speed, 1 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 3 Way, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 3 Way, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 3 Way, 1 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 3 Way, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 3 Way, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 3 Way, 1 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 1 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward, 1 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, 1 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, 1 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, Speed Call, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, Speed Call, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, Speed Call, 1 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, Speed Call, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, Speed Call, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, Speed Call, 1 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling, Speed, Forward, 3 Smart Ring (Business) | MRC |
| | | NRC |

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| Value Added Services | 3-Way Calling, Speed , Forward, 2 Smart Ring (Business) | MRC NRC |
| Value Added Services | 3-Way Calling, Speed , Forward, 1 Smart Ring (Business) | MRC NRC |
| Value Added Services | 3-Way Calling, Speed, Forward, 3 Smart Ring (Residence) | MRC NRC |
| Value Added Services | 3-Way Calling, Speed , Forward, 2 Smart Ring (Residence) | MRC NRC |
| Value Added Services | 3-Way Calling, Speed , Forward, 1 Smart Ring (Residence) | MRC NRC |
| Value Added Services | 3-Way Calling, S/Call, 3 Smart Ring (Business) | MRC NRC |
| Value Added Services | 3-Way Calling, S/Call, 2 Smart Ring (Business) | MRC NRC |
| Value Added Services | 3-Way Calling, S/Call, 1 Smart Ring (Business) | MRC NRC |
| Value Added Services | 3-Way Calling, S/Call, 3 Smart Ring (Residence) | MRC NRC |
| Value Added Services | 3-Way Calling, S/Call, 2 Smart Ring (Residence) | MRC NRC |
| Value Added Services | 3-Way Calling, S/Call, 1 Smart Ring (Residence) | MRC NRC |
| Value Added Services | 3-Way Calling, Forward, 3 Smart Ring (Business) | MRC NRC |
| Value Added Services | 3-Way Calling, Forward, 2 Smart Ring (Business) | MRC NRC |
| Value Added Services | 3-Way Calling, Forward, 1 Smart Ring (Business) | MRC NRC |
| Value Added Services | 3-Way Calling, Forward, 3 Smart Ring (Residence) | MRC NRC |
| Value Added Services | 3-Way Calling, Forward, 2 Smart Ring (Residence) | MRC NRC |
| Value Added Services | 3-Way Calling, Forward, 1 Smart Ring (Residence) | MRC NRC |
| Value Added Services | Call Wait, 3 Smart Ring (Business) | MRC NRC |
| Value Added Services | Call Wait, 2 Smart Ring (Business) | MRC NRC |
| Value Added Services | Call Wait, 1 Smart Ring (Business) | MRC NRC |
| Value Added Services | Call Wait, 3 Smart Ring (Residence) | MRC NRC |
| Value Added Services | Call Wait, 2 Smart Ring (Residence) | MRC NRC |
| Value Added Services | Call Wait, 1 Smart Ring (Residence) | MRC NRC |
| Value Added Services | Smart Ring 3 (Business) | MRC NRC |
| Value Added Services | Smart Ring 2 (Business) | MRC NRC |
| Value Added Services | Smart Ring (Business) | MRC NRC |
| Value Added Services | Smart Ring 3 (Residence) | MRC NRC |
| Value Added Services | Smart Ring 2 (Residence) | MRC NRC |
| Value Added Services | Smart Ring (Residence) | MRC NRC |
| Value Added Services | Call Wait, Forward, Speed, 3 Smart Rings (Business) | MRC NRC |
| Value Added Services | Call Wait, Forward, Speed, 2 Smart Rings (Business) | MRC NRC |

| | | |
|----------------------|--|-----|
| Value Added Services | Call Wait, Forward, Speed, 1 Smart Rings (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, Speed, 3 Smart Rings (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, Speed, 2 Smart Rings (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, Speed, 1 Smart Rings (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, Speed, 3 Smart Rings (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, Speed, 2 Smart Rings (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, Speed, 1 Smart Rings (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, Speed, 3 Smart Rings (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, Speed, 2 Smart Rings (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way, Speed, 1 Smart Rings (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3-Way, Speed Call (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Forward, 3-Way, Speed Call (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Call Forwarding (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Call Forwarding (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Speed Calling (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, Speed Calling (Residence) | MRC |
| | | NRC |
| Value Added Services | Speed Call, 3 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Speed Call, 2 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Speed Call, 1 Smart Ring (Business) | MRC |
| | | NRC |
| Value Added Services | Speed Call, 3 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Speed Call, 2 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Speed Call, 1 Smart Ring (Residence) | MRC |
| | | NRC |
| Value Added Services | Speed Call (Business) | MRC |
| | | NRC |
| Value Added Services | Speed Call (Residence) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling (Business) | MRC |
| | | NRC |
| Value Added Services | 3-Way Calling (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Forward (Business) | MRC |
| | | NRC |
| Value Added Services | Call Forward (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Waiting (Business) | MRC |
| | | NRC |
| Value Added Services | Call Waiting (Residence) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way Calling (Business) | MRC |
| | | NRC |
| Value Added Services | Call Wait, 3-Way Calling (Residence) | MRC |
| | | NRC |
| Value Added Services | Cancel Call Waiting (Business) | MRC |
| | | NRC |

| | | |
|----------------------------------|---|-----|
| Value Added Services | Cancel Call Waiting (Residence) | MRC |
| | | NRC |
| Value Added Services | SmartChoice Plan A | MRC |
| | | NRC |
| Value Added Services | SmartChoice Plan B | MRC |
| | | NRC |
| Value Added Services | SmartChoice Plan C | MRC |
| | | NRC |
| Value Added Services | Home Phone Essential | MRC |
| | | NRC |
| Value Added Services | Home Phone Plus | MRC |
| | | NRC |
| Value Added Services | Home Phone Max | MRC |
| | | NRC |
| Value Added Services | One Voice Basic | MRC |
| | | NRC |
| Value Added Services | One Voice Plus | MRC |
| | | NRC |
| Value Added Services | One Voice Optimum | MRC |
| | | NRC |
| Voicemail | Customer Mail Box | MRC |
| | | NRC |
| Voicemail | Voice mail, CFDA with number (Business) | MRC |
| | | NRC |
| Voicemail | Voice mail, CFDA with number (Residential) | MRC |
| | | NRC |
| Voicemail | Voice mail, CFDA without number (Business) | MRC |
| | | NRC |
| Voicemail | Voice mail, CFDA without number (Residential) | MRC |
| | | NRC |
| Voicemail | Voicemail Access Directory Number | MRC |
| | | NRC |
| Voicemail | Voicemail Express Message (Residence) | MRC |
| | | NRC |
| Voicemail | Voicemail Express Message (Business) | MRC |
| | | NRC |
| Voicemail | Voice call | MRC |
| | | NRC |
| Voicemail | Voice Call Forward Busy (Business) | MRC |
| | | NRC |
| Voicemail | Voice Call Forward Busy (Residential) | MRC |
| | | NRC |
| Voicemail | Voice Menu | MRC |
| | | NRC |
| Voicemail | Voice Announcement | MRC |
| | | NRC |
| Voicemail | Voice Call Forwarding Don't Answer | MRC |
| | | NRC |
| Domestic private leased circuits | National Leased Circuit- 64kbps | MRC |
| | | NRC |
| Domestic private leased circuits | National Leased Circuit- 128kbps | MRC |
| | | NRC |
| Domestic private leased circuits | National Leased Circuit- 256kbps | MRC |
| | | NRC |
| Domestic private leased circuits | National Leased Circuit- 512kbps | MRC |
| | | NRC |
| Domestic private leased circuits | National Leased Circuit- 1544kbps | MRC |
| | | NRC |

Schedule 2 - EXPLANATION OF THE PRICE CAP FORMULAE

Under the PCP 2016, the price cap formulae only apply to Basket 2 (i.e., all 'non-competitive' services). This applies to all years of the PCP 2016.

The main price cap compliance calculation for Basket 2 aims to ensure that in any given year, the weighted average actual prices changes within Basket 2 (measured by the Actual Price Index, API) is equal or less than the allowable price changes in that basket (measured by the Price Cap Index, PCI).

Price Cap Index (PCI)

Unless an exogenous (Z) Factor applies, the PCI is last period's PCI adjusted for the retail price index of inflation (RPI), up to a maximum of 3% per annum (if RPI exceeds 3%), and with a minimum of 0% (if RPI falls below zero). The allowable price change will vary year-on-year, as the RPI will vary from one year to the next.

$$PCI_t = PCI_{t-1} \quad \text{if } RPI_t < 0\%$$

$$PCI_t = PCI_{t-1} (1 + RPI_t) \quad \text{if } 0\% \leq RPI_t \leq 3\%$$

$$PCI_t = PCI_{t-1} (1 + 3\%) \quad \text{if } RPI_t > 3\%$$

For example, in the second year of the PCP 2016, the PCI will equal: $PCI_2 = PCI_1 (1 + 2.5\%)$, if $RPI_t = 2.5\%$.

The PCI_{t-1} term (i.e., the PCI value for the previous year) represents the carry-over provision for these services from the previous years of the PCP 2016 (i.e., the PCI in Period 3 will take into account the allowable price increases over both Period 1 and 2). For example, if the API in Period 2 is less than the PCI in that period, then this headroom will be carried over into Period 3.

Actual Price Index (API)

The API measures the weighted average change in prices of Basket 2 services between two periods. The index compares average prices in both Periods (i.e. the average of the prices in each month during the relevant Period) and takes into account the relative demand for each service (i.e. by applying a revenue weighting to individual price changes to derive the weighted average price change across Basket 2).

$API_t = API_{t-1} [\Sigma [(\underline{p}^i_t / \underline{p}^i_{t-1}) (q^{i_{t-1}} \underline{p}^i_{t-1}) / \Sigma (q^{i_{t-1}} \underline{p}^i_{t-1})]]$; where:

$(\underline{p}^i_t / \underline{p}^i_{t-1})$ represents the change in average prices of a particular service between the two periods under consideration

$(q^{i_{t-1}} \underline{p}^i_{t-1})$ represents the revenue of a particular service during the last period

$\Sigma (q^{i_{t-1}} \underline{p}^i_{t-1})$ represents the total revenue of all services in Basket 2 during the last period

Sub-cap on residential access services

In each Period of PCP 2016, residential access services (a sub-set of Basket 2 services) face the same price constraints as the overall Basket. That is, the price of residential access services are allowed to increase, on average, in line with inflation (i.e. RPI), up to a maximum of 3% per annum, and with a minimum of 0%. No carry over provision will be applied to these services (i.e., if, in Period 2, the Company decides to increase the average prices of these services by less than the allowable amount, this will not be taken into account in the allowable price changes in Period 3).

Stage of compliance monitoring process:

The compliance checks for a given Period of the PCP 2016 will be performed in two stages:

- **Stage 1: Check whether prices have been increased on any Basket 2 service during the given Period.** If no such price changes are observed, then compliance with both the price cap on the overall basket, and the sub-cap on residential access services, is confirmed. If price increases on any Basket 2 service are observed in the Period, then Stage 2 is required.
- **Stage 2: Check whether the average increase in prices in the Period is at or below the allowable price change under the price cap ($API \leq PCI$).** This is performed separately for the overall price cap on Basket 2 services, and the sub-cap on residential access services.

Annual Compliance Filing (ACF) data requirements

The filing requirements as part of the ACF will differ depending on whether any prices of services in Basket 2 have been increased in the Period in question.

- If the price of any Basket 2 service is increased during a given Period, then the ACF for that period must contain the information required to calculate the API for Basket 2 for that period, and for the sub-set of residential access services. This requires the provision of the average price for each Basket 2 service in the current Period (i.e. period t) and in the previous Period (period t-1), as well as the monthly service volumes for each Basket 2 service in the previous Period (period t-1).
- In all other situations regarding price changes on Basket 2 services during a given Period, the ACF for that period must contain **at least** the average price for each Basket 2 service in the current and previous Period. That is, the requirement is equivalent to that under price increases, excluding the requirement to provide monthly service volumes for the previous Period.

The Company is required to input the relevant data into an ACF template, which will be provided by the Commission. An illustrative example of the ACF template for Stage 2 of the compliance monitoring process is provided below, separate for Basket 2 and the sub-set of residential access services.

Illustrative example of the Annual Compliance Filing template – Stage 2 – Basket 2

| | | | | | | | | |
|---|-----|--|-----------|---|---------------------------------------|-------------------------------------|--|--|
| Annual Compliance Check - Stage 2 - Basket 2 | | Previous reporting period 1 April 2015 - 31 March 2016 | | Current reporting period 1 April 2016 - 31 March 2017 | | | | |
| | | API _{t-1} | 1.000 | I-Factor | 1.00% | Alpha (α _t) | | 1.000 |
| | | PCI _{t-1} | 1.000 | Z-Factor | 0.00% | | | |
| | | | | Ceiling | 3.00% | | | |
| | | | | PCI _t | 1.010 | API _t | 1.000 | |
| | | | | Compliance check API _t ≤ PCI _t | | OK | | |
| | | | | TRUE | | | | |
| Regulated retail service | | Rate element | | Quantities (Q _{t-1}) | Average price (p _{t-1}) | Average price (p _t) | Price ratio (p _t) / (p _{t-1}) | Revenue share (r _{t-1}) / (R _{t-1}) |
| Line - Residence Exchange | MRC | 1 | \$ 35.93 | \$ 35.83 | 1.00 | 0.2% | | |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 0.7% | | |
| Line - Residence Exchange Only | MRC | 1 | \$ 17.92 | \$ 17.92 | 1.00 | 0.1% | | |
| | NRC | 1 | \$ 40.00 | \$ 40.00 | 1.00 | 0.3% | | |
| Line - Residence Stepping | MRC | 1 | \$ 58.21 | \$ 58.21 | 1.00 | 0.4% | | |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 0.7% | | |
| Line - Staff/Pensioner Exchange | MRC | 1 | \$ 17.92 | \$ 17.92 | 1.00 | 0.1% | | |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 0.7% | | |
| Business Exch. Line | MRC | 1 | \$ 80.00 | \$ 80.00 | 1.00 | 0.6% | | |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 0.7% | | |
| Business Exch. Only | MRC | 1 | \$ 40.87 | \$ 40.87 | 1.00 | 0.3% | | |
| | NRC | 1 | \$ 40.00 | \$ 40.00 | 1.00 | 0.3% | | |
| Business Exch. Stepping | MRC | 1 | \$ 100.00 | \$ 100.00 | 1.00 | 0.7% | | |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 0.7% | | |
| DEL Line (Direct Exchange Line) (Business) | MRC | 1 | \$ 91.30 | \$ 91.30 | 1.00 | 0.6% | | |
| Business Automatic Universal Line | MRC | 1 | \$ 80.00 | \$ 80.00 | 1.00 | 0.6% | | |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 0.7% | | |
| 112 Emergency Lines | MRC | 1 | \$ 80.00 | \$ 80.00 | 1.00 | 0.6% | | |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 0.7% | | |
| Smart Ring Line Only-Business | MRC | 1 | \$ 16.75 | \$ 16.75 | 1.00 | 0.1% | | |
| | NRC | 1 | \$ 10.00 | \$ 10.00 | 1.00 | 0.1% | | |
| Smart Ring Line Only-Residence | MRC | 1 | \$ 9.00 | \$ 9.00 | 1.00 | 0.1% | | |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 0.7% | | |

Illustrative example of the Annual Compliance Filing template – Stage 2 – Residential Access Services

| Annual Compliance Check - Stage 2 - Residential Access Services | | Current reporting period 1 April 2016 - 31 March 2017 | | | | |
|---|--------------|--|--------------------------------|----------------------------|--|---|
| | | I-Factor Ceiling | 1.00% 3.00% | | | |
| | | Allowable price increase | 1.00% | | | |
| | | Actual price increase | 0.00% | | | |
| | | Compliance check | OK | | | |
| Regulated retail service | Rate element | Quantities (Q_t) | Average price (p_{t-1}) | Average price (p_t) | Price ratio (p_t) / (p_{t-1}) | Revenue share <i>TRUE</i> (R_t) / (R_{t-1}) |
| Line - Residence Exchange | MRC | 1 | \$ 35.83 | \$ 35.83 | 1.00 | 7.7% |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 21.1% |
| Line - Residence Exchange Only | MRC | 1 | \$ 17.92 | \$ 17.92 | 1.00 | 3.9% |
| | NRC | 1 | \$ 40.00 | \$ 40.00 | 1.00 | 8.6% |
| Line - Residence Stepping | MRC | 1 | \$ 58.21 | \$ 58.21 | 1.00 | 12.5% |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 21.1% |
| Line - Staff/Pensioner Exchange | MRC | 1 | \$ 17.92 | \$ 17.92 | 1.00 | 3.9% |
| | NRC | 1 | \$ 98.00 | \$ 98.00 | 1.00 | 21.1% |

19. Issuance of Rules

19.1 These Compliance Rules and Procedures are issued under the provisions of Section 39(1) of the Utilities Regulation Act, Cap. 282 and are supplemental to the PCP 2016 issued on the 4th day of April 2016.

Dated this 16th day of June 2016.

.....
Jefferson Cumberbatch
Chairman

.....
Andrew Downes
Deputy Chairman

.....
Monique Taitt
Commissioner

.....
Kendrid Sargeant
Commissioner

.....
Donley Carrington
Commissioner