

Annual Price Adjustments – Are they a necessary feature of Incentive Regulation

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Some concerns have been raised with respect to the need for annual adjustments under incentive regulation and a preference has been expressed for adjustments to take place every other year. This is a summary of the RIC's views on this issue.

Summary
Document

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Some concerns have been raised with respect to the need for annual adjustments under the new methodology and a preference has been expressed for adjustments to take place every other year.



Regulators utilizing incentive regulatory frameworks try to ensure that service providers operating have an incentive to reduce costs so that prices are not adjusted every time input prices change. At the same time customers are also better able to manage the impact of annual changes to their budgets.

Why Annual Adjustments?

Incentive regulation seeks to imitate a competitive market.

In a competitive market prices are likely to change more frequently.

Provides an incentive for the service provider to manage its costs during the regulatory period because it must wait at least a year for a price adjustment.



Allows the regulator to cushion the impact of price increases to customers.

The RIC is required to balance the interests of the service provider and customer.

Two important advantages of Annual Price Adjustments





The RIC welcomes views on the need for annual price adjustments.

Responding to this Document

All persons wishing to comment on the main document are invited to submit their comments by post, fax or e-mail to:

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All responses will normally be published on the RIC's website unless there are good reasons why they must remain confidential. Any requests for confidentiality must be indicated. A copy of this document is available from the RIC's website at **www.ric.org.tt**.