

REGULATION >> INCENTIVE REGULATION (INCLUDING PRICE CAPS) AND TOTAL FACTOR PRODUCTIVITY

Most jurisdictions have chosen to move away from traditional rate-of-return (cost-based) regulation, in favor of incentive-based regulation. In addition to identifying services initially targeted for incentive-based regulation, ERCC often recommends appropriate strategy for price regulation. For example, ERCC can define service baskets for price cap measurement purposes. In addition, ERCC recommends supporting measures for implementing price cap price control regulation such as:

- ✓ Oversight for suspicious, low prices
- ✓ Regulatory reporting
- ✓ Accounting separation
- ✓ Defining markets and SMP