



## **PRESS RELEASE**

### **FCCC Releases Methodology Used in EFL Tariff Review**

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The Fijian Competition and Consumer Commission (FCCC) has published the methodology used to calculate the changes in electricity tariff rates. These calculations will now be done every 4 years.

Here are some points from the methodology:

Having considered EFL's capital expenditure program, including its financials, operating expenditure and its future plans for generation and network expansion to meet the growth in demand for electricity services, FCCC is of the view that the electricity industry will continue to grow as demand growth increases.

FCCC has independently reviewed the data and submissions provided by EFL and have incorporated these into the modelling of the forward-looking price path for EFL's electricity services.

Under the regulatory principles, FCCC has used the Building Block Approach in developing the revenue requirements for EFL. EFL's operating expenditure, capital expenditure plans were made subject to the assessment of prudence and efficiency and adjustments to the required revenue.

The building-block model is a form of public utility regulation utilised in the regulation of electricity transmission and distribution, gas transmission and distribution, railways, postal services, urban water and sewerage services, irrigation infrastructure, and port access.

The building block model is so-called because the allowed revenue of the regulated firm is equal to the sum of underlying components or building blocks consisting of the

return on capital, the return of capital (also known as depreciation), the operating expenditure, and various other components such as taxes and incentive mechanisms.

The objective of the building block approach is to estimate the total revenue that the service provider will require each year of the regulatory period to provide its investors with a reasonable rate of return and to allow the service provider to meet the appropriate costs incurred in providing the regulated services. This is in line with the FCCC's Strategic Plan 2018 – 2023 under Strategic Goal No. 3 to ensure price regulated entities is economically justified and applied in an efficient manner.

Furthermore, the methodology balances tariff objectives in ensuring efficiency, environmental sustainability and consumer interests.

The review of the EFL electricity tariff rates would be subject to the following conditions:

- i. A four-year comprehensive regulatory cycle will be applicable;
- ii. Annual review of cost-indices to account for uncontrollable costs; and
- iii. Ad-hoc review for extra-ordinary events through tariff adjustments to address natural disasters such as cyclones and droughts.

For more information/details on this please contact the FCCC on [www.fccc.gov.fj](http://www.fccc.gov.fj) or call 8921991.