Oaseirys Çhellinsh
Communications Commission

Publication Number 03/19

Commission Response to Consultation: Information Notice on Cost Orientation Assessments

11 June 2019

Response to Consultation: Information Notice on Cost Orientation Assessments (publication number 03/18)

1 Introduction and General Comments

1.1. On 19th October 2018 the Communications Commission (the Commission) published an Information Notice (publication number 03/18) on Cost Orientation Assessments (the Information Notice) on its website and welcomed comments from its stakeholders by 16th November 2018.

1.2. The purpose of this Information Notice is to provide clarity as to how the Commission will assess the extent to which wholesale prices are cost orientated. It will act as a guide to assist the incumbent, Manx Telecom, in providing sufficient information to demonstrate that its wholesale prices are orientated towards its costs.

1.3. Comments were submitted by one respondent, Sure (Isle of Man) Ltd (see section 5), and the following is the Commission's response to that submission. No other comments were received.

1.4. The Commission notes Sure's belief that there are inconsistencies between the Information Notice on Margin Squeeze information previously published[1] and also the comments on the broader Separated Accounts process. It should be noted that regulation is an ongoing process and as a result guidelines and other similar documentation need to be reviewed and revised over time.

1.5. The Margin Squeeze Guidelines are subject to review and the publication of the 2019 Market Reviews and subsequent final Decision Notices are likely to be a suitable point to revisit these guidelines and seek views from interested parties.

1.6. The Separated Accounts are produced by Manx Telecom to assist in demonstrating compliance with the remedies under the Market Reviews and subsequent Decision Notice[2]. This is an ongoing process that is subject to review and evaluation. It should be noted that in line with the Commission's directions, Manx Telecom has published further explanatory information on the

[1] www.iomcc.im/media/1218/guidelines-on-assessment-of-margin-squeeze.pdf
[2] https://www.iomcc.im/media/1060/notification-of-market-power-determination-wholesale-fixed-markets-decision-notice-2012-02.pdf

production of the Separated Accounts to accompany the publication of the 2017 Separated Accounts[3].

1.7. The Commission notes that many of the observations from Sure are concerned with the production and analysis of the Separated Accounts. Sure claims that the Cost Orientation Information Notice is "*rather high level*" and "*omits clarity or certainty to stakeholders on how the regulatory accounts must be prepared by the incumbent*". The Commission feels it is important to note at this point that the requirement to prepare Separated Accounts is not the only regulatory obligation imposed on Manx Telecom, and that Manx Telecom also use the BU-LRAIC+ network cost models, which were developed with the assistance of TERA consultants, to demonstrate compliance with its regulatory obligations. With this in mind the Commission is of the view that it is appropriate and sufficient to provide high-level guidance as to its expectations in relation to accounting separation, bearing in mind that the responsibility to demonstrate compliance with the obligations rest with Manx Telecom, not the Commission. It is the Commission's role to assess the evidence provided and satisfy itself that the obligations are being discharged, and to initiate actions where appropriate.

1.8. The Commission, as Sure recognises on page 3, must adopt tests and an approach that are proportionate to the Isle of Man and the resources available, and that are also appropriate to the stage that the Commission has reached in implementing the 2012 Market Reviews. The Information Notice does state that the test for cost orientation is a preliminary test and emphasises the need for reasonableness and materiality.

[3] https://www.manxtelecom.com/about/corporate-responsibility/regu-atory-responsibility

2 Definitions

Cost Orientation

2.1. The Information Notice defines Cost Orientation as the ability to demonstrate that wholesale prices are set at a level that is appropriate of costs incurred, including reasonable assignment of common costs, plus a reasonable rate of return.

2.2. Sure's response suggests it is not clear what is meant by the term "*wholesale prices are set at a level that is appropriate of costs incurred*" and that greater clarity is needed in the definition of Cost Orientation. Sure also expressed the view that the definition of Cost Orientation may be too rigid.

2.3. Furthermore, Sure also contends that there is no "*recognition that these costs should only be allowed if they have been efficiently incurred by Manx Telecom*", and without such Manx Telecom have "*no incentive in ensuring that its operational and capital expenditure is appropriately constrained*".

2.4. **CC Response**: The definition of Cost Orientation in the Information Notice confirms that the wholesale price shall include the costs incurred (linked back to the Bottom-up Cost Model, as defined under 'Costs Incurred'), a reasonable proportion of common costs, and a reasonable rate of return (currently 8.9% as per the agreement between the Commission and Manx Telecom, and defined under 'Reasonable Rate of Return').

2.5. In relation to costs being efficiently incurred, the Commission was of the view that this was implicit in the principles of Cost Orientation, particularly given that the use of a Bottom-up Cost Model implies a modern efficient network, but accepts that this should be explicitly stated. The updated definition of Cost Orientation in the Information Notice reflects this.

2.6. In any event it should be noted that the Commission reviews the accounts published by Manx Telecom and any further information provided; part of these reviews is to determine if costs have been reasonably incurred. The Commission has also spent considerable time and effort assessing the cost models developed by Manx Telecom.

2.7. Finally, in relation to the suggestion that the definition of Cost Orientation is too rigid, the Commission does not agree with this assertion. While noting Sure's point that there can be "*small differences between prices and costs*" from year to year, this overlooks the fact that costs are set proactively in the Bottom-up Cost Models and that the assessment is first considered at the product portfolio level. As such the costs used to determine a particular wholesale product price are not retrospectively based on the costs incurred in previous years, as outlined by Sure. The models also consider how demand and costs are expected to evolve during the period covered by the price control. For clarity the costs in the Bottom-up Cost Models are based on Long Run Incremental Cost.

2.8. The Commission does not intend to make any changes to the definition of Cost Orientation at this time; there is sufficient flexibility within the guidelines, for example permitting portfolio pricing. Where costs incurred do not necessarily link back to the Bottom-up Cost Models the Commission expects this to be explained and justified. For example, a new wholesale service may be supplied using technologies or processes that have not previously been used by Manx Telecom and it may not be possible to undertake a rigorous update of the Bottom-up Cost Models to reflect these developments without introducing unacceptable delays to the price approval process. In these circumstances the Commission recognises the need to be flexible when granting approval for prices of such services. Ultimately, the Commission is concerned with being able to objectively justify any deviation from its guidelines rather than rigidly enforcing them.

Wholesale Prices

2.9. To ensure that the adopted approach is consistent with the Margin Squeeze process, the Commission specifies that the wholesale price be assessed at the product portfolio level. The portfolio should be cost oriented overall however individual products or circuits within a portfolio do not necessarily need to be cost oriented. This is also subject to a reasonableness test; specifically the Commission expects that deviations are not material and that Manx Telecom should be able to objectively justify pricing in such a way.

2.10. Sure suggests that the term "*product portfolio*" needs to be better defined. Sure states that it is unclear whether the Commission intends a 'product portfolio' to mean all products in a specific market such as leased lines or broadband services. Furthermore Sure believes the "*assessment of cost orientation of related wholesale inputs will also need to be at the individual product level*" to prevent cross subsidy between wholesale products. Sure also urges the Commission to define 'reasonableness test' and 'material' in relation to the definition of Wholesale Prices.

2.11. **CC Response**: The Commission agrees that it did not specifically define what it understands a 'Product Portfolio' to be and has updated the Information Notice accordingly. Sure questioned whether the Commission took a Product Portfolio to mean all of the products within a given market; for clarity this is not what the Commission understands a product portfolio to be.

2.12. It is the Commission's view that a Product Portfolio is all of the optional products that fall within a given market offering as opposed to a given market. For example, within the market for wholesale on-Island leased lines there are, at present, three market offerings – Wavelength, Megaline, and Ethernet. Typically within each market offering there are a number of products that differ somewhat from each other, for example technology, bandwidth, contract duration, service level, etc. In this instance the assessment of Margin Squeeze for leased lines would consider the product portfolio to be Wavelength, Megaline or Ethernet.

2.13. In relation to Sure's assertion that "*the assessment of wholesale prices at the product portfolio level*" is not "*consistent with the margin squeeze process*", the Commission has already outlined in paragraph 1.5 above that it envisages the Margin Squeeze Guidelines will likely be updated in the short term. In relation to any inconsistencies that may exist the Commission notes that regulation is an ongoing, evolutionary process and as such endeavours to keep all guidelines up-to-date with current thinking and best practice. However it is important to remember that ultimately such documents are guidelines and the Commission will still continue to assess each compliance matter on its own merits.

2.14. It should be understood that there is a difference between the level of information that is submitted to the Commission to demonstrate cost orientation, and the level at which the test is applied. Manx Telecom is required to submit information that is significantly more granular than the portfolio level applied in the test. This is to ensure visibility of any possible distortions within the portfolio. A similar methodology is applied to the assessment of Margin Squeeze.

2.15. Latterly, Sure submit that the 'reasonableness test' and 'material' need to be defined as these terms "*have significant influence on how the definition could be interpreted*". The Commission remains of the view that these are widely used terms and does not feel that clarity would be aided in these circumstances by further definition.

Common Costs

2.16. The Commission defines a Common Cost as one that is shared between multiple markets, portfolios, or products. As such a reasonable proportion of Common Costs should be allocated to the portfolio or product as part of the cost orientation assessment, and the Commission expects the incumbent to demonstrate its rationale for the proportion of Common Costs applied. These Common Costs should link back to the Bottom-up Cost Models or Separated Accounts. Additionally, any variation in Common Cost allocation from the same product or portfolio which was assessed previously should be noted by the incumbent and objectively justified.

2.17. Sure have noted that there is considerable flexibility in the allocation of Common Costs to products, resulting in a high degree of freedom. It is held that this would "*allow an operator to define and implement common cost allocation schemes which favour particular markets or products/portfolios*". However, no detail is provided on the potential harm that Sure feels may arise from this.

2.18. **CC Response**: The principles of cost causality; objectivity; consistency; and transparency must underpin any allocation. Indeed, as outlined in paragraph 2.6 above, the issue of Common Costs is dealt with up-front and is a key input to the Bottom-up Cost Models. As such, there is not the freedom to strategically assign Common Costs as suggested in Sure's response, and it is the view of the Commission that no amendment to the definition of Common Costs is required at this juncture.

3 Format and Scope of the Accounts Section

Market Categories

3.1. The Commission believes that Manx Telecom should be required to provide information on non-regulated markets and other business areas where this supports the demonstration of compliance with Significant Market Power obligations in regulated markets. This is in addition to preparing Separated Accounts.

3.2. In addition to the four retail and six wholesale markets identified in the 2012 market review[4], and the further retail fixed and mobile markets identified by Manx Telecom, a further two categories have now been identified. These are Common Costs which gather costs common to all other markets and then allocates using the Equi-Proportional Mark Up (EPMU) approach and an "out of scope" category which groups all miscellaneous revenues and costs which are irrelevant to all other markets.

3.3. Sure submit that they have concerns over the inaccuracies and inappropriate influence that the use of an Equi-Proportional Mark Up (EPMU) mechanism may have on the apportionment of Common Costs.

3.4. **CC Response**: EPMU is only used to attribute common costs between markets and products where no other basis for allocating them is deemed appropriate. For example, the costs of the General Manager's office would be allocated on the basis of EPMU but duct costs, which can be considered as a joint cost that is common to more than one market or product, are allocated based on the analysis undertaken in the Bottom-up Cost Models. The use of other models could add complexity to a system and could also have the unintended consequence of reducing objectivity in allocating costs. The EPMU mechanism is objective and relatively easy to understand, and as such the Commission feels it is appropriate at this time.

3.5. The Commission considers that there is sufficient detail provided in the accounts and the Bottom-up Cost Models to allow for a reasonable assessment of the type and level of costs that are being categorised as common and "out of scope". However, much of this detail is confidential and cannot be shared with the wider industry.

Cost Allocation Principles

3.6. The Commission submitted that each item of revenue and costs, and of assets and liabilities, and capital employed, must be attributed to the products and services provided by Manx Telecom. However, some degree of revenue analysis may be required to allocate the revenues from

[4] The Commission acknowledges that there is potential for changes to the Regulated Markets based on the outcome of the current round of Market Reviews, however it should be noted that the Commission expects that any changes would be reflected in the BU Models and the Separated Accounts as a matter of course.

bundled offerings to the relevant markets. Attribution should be based on the principles of Cost Causality, Objectivity, Consistency, and Transparency.

3.7. Sure's response suggests there is a need to establish an order of priority for the principles, Cost Causality being the highest priority. However there is no evidence provided to support the assertion that Cost Causality should be afforded the highest priority.

3.8. Furthermore, to illustrate why it believes there should be an hierarchy applied to the principles, Sure states "*the document requires that transfer charges are set using prices rather than costs (which prioritises objectivity above cost causality), but it is likely that in other areas of cost modelling, cost causality would be the pre-eminent principle*".

3.9. Sure also commented that the principles of "*completeness*", "*materiality*" and "*accuracy*" are missing, and states that the "*definition of cost allocation principles would be more robust and comprehensive if they were included*". However, no evidence has been provided to support this view.

3.10. Lastly, the Information Notice states "*There must be consistency over time in the approach to the preparation of the separated accounts. Where there are material changes to the basis and method of revenue and/or cost attributions year on year, MT should restate those parts of the previous year's separated accounts affected by the changes, to the extent that prior period financial and non-financial data is available*". Sure holds the view that rather than a partial restatement the entire accounts should be restated as "*such changes tend to have an impact on all markets*" and will continue to reconcile with the Statutory Accounts.

3.11. **CC Response**: At this stage the Commission does not consider that there is a requirement to establish an order of priority for the principles, or that further definition is required. It is not clear how adopting such an approach at this point would further the primary goal of accounting separation – to determine compliance with regulatory obligations, including those in relation to price controls and cost accounting.

3.12. In relation to the points made around transfer charges the Commission disagrees with Sure's assessment. The Information Notice makes clear that the transfer charges are derived from the Bottom-up Cost Models used by Manx Telecom. It states that "*Where cost oriented wholesale tariffs are derived in the BU cost models and are agreed by the Commission and employed in the wholesale market, they are then used for transfer pricing purposes*". While there is a provision that allows for a retail-minus methodology to be used, in practice this is only intended to ensure non-discrimination is maintained in regulated products that are not covered by the Bottom-up Cost Models. Where possible, the transfer charges are based on the relevant wholesale charges, many of which are derived from cost orientation.

3.13. The Commission notes Sure's views in relation to additional cost allocation principles but does not see that there would be any material benefit in including them at this point in time. The Commission is in fact satisfied that the cost allocation principles included in the Information Notice are sufficient to allow Manx Telecom to demonstrate that costs are assigned in an appropriate manner. The Commission is also of the view that cost allocation is an area that can be inherently complex and believes that maintaining simplicity in its principles would be of more benefit at present.

3.14. The final issue raised by Sure in relation to the Cost Allocation Principles is that of whether Separated Accounts need to be partially or fully restated should there be a material change to revenue or cost attributions. Sure argues that the accounts should be fully restated on the basis that there could be knock-on effects related to such changes in a given area or market. The Commission agrees with this assessment and has updated the Information Notice accordingly.

The Cost Orientation Test

3.15. The Commission confirm that the preliminary test for cost orientation will be:

Wholesale price = Costs incurred + reasonable allocation of common cots + 8.9% WACC

a. If the wholesale price is too low to allow a return of 8.9% the price would be deemed "not cost oriented" as it would be below cost.

b. If the wholesale price is allowing for a return higher than 8.9% and it cannot be justified on the grounds of longer term investment incentives, the price would be deemed "not cost oriented"

3.16. Sure submit that the cost orientation test is not practical to enforce and have further commented that there is no definition of the reasonableness test. Sure notes that "*The cost orientation test requires that prices must be exactly equal to fully allocated costs plus rate of return. We believe that is a very rigid requirement, and quite unusual. Such a test is not practical to enforce*".

3.17. **CC Response:** The Commission has considered this and holds that this is a preliminary test and provides a framework for the cost orientation process. The core of the argument seems to be that the test is too rigid; this has been discussed in paragraphs 2.6 and 2.8 above. The portfolio approach does mean that the Commission may assess certain products and make allowance for prices to be set within the portfolio. The Commission also notes that Sure advocates for a price range to be defined that can be used to assess prices against. However, in line with the Commission's views on the purpose of the Information Notice, and Accounting Separation itself (see paragraph 1.7), it does not see any benefit to developing a more complex test at this point. Furthermore, the adoption of price ranges LRIC and SAC, as suggested by Sure, would only likely add further complexity to the process.

4 Conclusion

4.1. The Commission would like to thank Sure for its response. Sure's comments would appear to be mainly concerned with the Separated Accounts process. The Commission will be undertaking further work over the next 12 to 18 months to implement the Decisions of the 2019 Market Reviews and to further specify the obligations that will fall on operators who are found to have Significant Market Power under those Decisions.

4.2. In the meantime the final version of the Information Notice, reflecting the issues discussed in this document, will be published on the Commission's website. If any changes would be required on foot of the 2019 Market Reviews these would be consulted on in an open and transparent manner.

4.3. In closing, the Commission considers regulation to be an ongoing, evolutionary process and as such intends to periodically review and update, as appropriate, the regulatory instruments on which it relies. The Information Notice is no different in this regard.

5 Sure's Response to Draft Information Notice 03/18

Sure's response to the Communication Commission's Information Notice re Cost Orientation Assessments (document 03/18)

Sure (Isle of Man) Limited ("Sure") is submitting this paper to the Isle of Man Communications Commission ("the Commission") in response to the Information Notice "Cost Orientation Assessments", which was published on the 19th October 2018, as Commission document 03/18.

This version of our response is being submitted on a non-confidential basis and we are happy for the Commission to publish it on its website.

In general, we believe that the Information Notice considers cost orientation at a rather high level and, as a consequence, it omits clarity or certainty to stakeholders on how the regulatory accounts must be prepared by the incumbent, Manx Telecom ("MT"), although we assume that the Commission's intention is that its cost orientation assessments are intended to complement the existing commitments placed on MT in relation to accounting separation. We have also noted that the proposed requirements are not fully consistent with the margin squeeze guidelines[1] already published by the Commission.

We note that, while the Information Notice concerns the assessment of cost orientation, there are many other aspects of regulatory accounting which fall outside the scope of that definition (which are not covered in the Notice) and for which MT should be required to provide information. Our comments here do not address these wider matters, but Sure encourages the Commission to publish its latest full scope for what regulatory accounting data MT must supply and which parts of that data will be published.

We also note that in order to assess margin squeeze, it is necessary that detailed information on the incumbent's retail costs is provided. The scope of this Information Notice is restricted to wholesale cost orientation, and the information needed to support that, but, as the margin squeeze remedy is imposed in the wholesale fixed markets decision[2], Sure considers that the provision of the appropriate retail costing data is also pertinent to the testing for wholesale price cost orientation. We therefore suggest that the Commission should also define the requirements for retail cost information needed to support margin squeeze assessment as part of this Information Notice.

Our comments below are organised around the sections of the Information Notice to which they relate.

Definitions Section

Definition of Cost Orientation

It is not clear what is meant by the term "wholesale prices are set at a level that is appropriate of costs incurred". We would generally expect to see cost orientation defined in general terms as prices which are reflective of costs incurred, but we note that the section "The Cost Orientation Test" defines cost orientation as meaning that prices should exactly match costs incurred (including common costs and a rate of return). We believe that greater clarity is needed in the definition of Cost Orientation and we comment further below on the practicality of defining this in such a rigid manner.

[1] www.iomcc.im/media/1218/guidelines-on-assessment-of-margin-squeeze.pdf

[2] Notification of market power determination: wholesale fixed markets, Decision Notice 2012/02.

In addition, whilst the Commission's focus here is on cost orientation, there seems to be an absence of recognition that these costs should only be allowed if they have been efficiently incurred by MT. Without such consideration, MT has no incentive in ensuring that its operational and capital expenditure is appropriately constrained. Clearly, there would be a detrimental outcome for local wholesale service takers and ultimately the island's fixed telecommunications end users, were MT able to benefit through any recompense for unnecessarily incurred costs.

Definition of Wholesale Prices

Within this definition, the term "product portfolio" is used but not defined. We assume that the Commission intends this term to mean specific groups of products such as "leased lines" or "broadband services", but a clearer and more precise definition is needed. For example, does the Commission intend product portfolio to mean all products in a specific relevant market? It is Sure's view that the scope of product portfolio needs to be as narrow a group of products as possible in order for the accounts to be meaningful.

It is stated that the assessment of wholesale prices at the product portfolio level is consistent with the margin squeeze process; however, we do not agree. In Section 2.2 of the margin squeeze guidelines[3], it is made clear that the assessment of margin squeeze is to be made at the level of individual retail products, rather than across a portfolio of related products. We believe that the requirement to assess margin squeeze at the level of the individual retail product is an important requirement, as it ensures that the incumbent is not able to cross-subsidise from one segment of a portfolio to another – something that could be enticing for an operator, were it allowed to do so. Such a practice could restrict the ability of new entrants to enter the market (if margins are assessed only at the portfolio level or higher, new entrants cannot be sure of achieving a margin unless they replicate the product mix of the incumbent, and achieve the same take-up mix as the incumbent). The Commission notes that the margin squeeze approach is consistent with EU Case Law, and with guidance to regulators provided by the EC[4] and BEREC[5].

As the assessment of margin squeeze is, rightly, to be made at the individual product level, it follows that the assessment of cost orientation of related wholesale inputs will also need to be at the individual product level, otherwise cross subsidy would be possible between the wholesale products.

We also note that the "reasonableness test" is not defined and neither is the use of the term "material". These terms have a significant influence on how the definition could be interpreted and Sure urges the Commission to add more clarity through the explicit definition of those terms.

Definition of Common Costs

While the cost orientation test appears to be quite rigid in its definition, we note that there is considerable flexibility in the allocation of common costs to products. This means that, despite the rigid final test for cost orientation, there is a high degree of freedom which would allow an operator to define and implement common cost allocation schemes which favour particular markets or products/portfolios. Sure encourages the Commission to develop a clearer and more transparent definition of Common Costs.

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[3] "Guidelines on assessment of margin squeeze", 8 October 2015.

[4] COMMISSION RECOMMENDATION of 11.9.2013 on consistent non-discrimination obligations and costing methodologies to promote competition and enhance the broadband investment environment, C(2013) 5761 final.

[5] BEREC Guidance on the regulatory accounting approach to the economic replicability test (i.e. *ex-ante*/sector specific margin squeeze tests), BoR (14) 123.

Format and Scope of the Accounts Section

Market Categories

We strongly agree with the proposed obligation to provide information on unregulated markets, which is essential to enable the Commission to analyse potential anti-competitive pricing such as margin squeeze and cross-subsidisation. We are, however, concerned at the potentially material inaccuracies and inappropriate influence that the use of an Equi-Proportional Mark Up (EPMU) mechanism may have on the apportionment of common costs. External stakeholders, such as Sure, currently have no visibility of the level of materiality or breadth of cost types included in this category, but EPMU could be an inaccurate proxy in place of the more detailed analysis that should be undertake to ensure a fair and reasonable recognition of non-specific costs within MT's business. EPMU should be seen as almost a last resort methodology, not a uniformly accepted approach. We would urge the Commission to scrutinise this common cost category and seek to require MT to minimise the value driven using that technique within its costing model.

Cost Allocation Principles

In our experience, regulators often define an order of priority of the principles, which is used to determine which order to apply them in in the case of a clash. For example, the document requires that transfer charges are set using prices rather than costs (which prioritises objectivity above cost causality), but it is likely that in other areas of cost modelling, cost causality would be the pre-eminent principle. Establishing an order of priority for the principles would therefore be helpful, with departures from this order (such as transfer charges) noted by exception. Sure recommends that Cost Causality be the highest priority of the principles (with the caveat relating to transfer charges as set out above).

There are also some commonly used principles which are missing, including "completeness", "materiality" and "accuracy". We believe that the definition of cost allocation principles would be more robust and comprehensive if they were included.

We agree that where changes in methodology result in material changes to prior year numbers, these should be restated. However, as such changes tend to have an impact on all markets (that is, material changes to one market are likely to result in smaller changes in other markets due, for example, to common cost allocations), we believe that the entire accounts should be restated. This will ensure that the restated accounts remain self-consistent, and that they continue to reconcile with the statutory accounts.

The Cost Orientation Test

The cost orientation test requires that prices must be *exactly* equal to fully allocated costs plus rate of return. We believe that is a very rigid requirement, and quite unusual. Such a test is not practical to enforce, as it is inevitable that, even in a cost-oriented environment, there will be small differences between prices and costs. For example, unit prices have to be set in advance of the completion of a financial year and are typically based on the costs of a prior year; changes in costs and volumes from one year to the next are inevitable.

We also note that there is no definition of the reasonableness test which is referred to within the Wholesale Prices paragraph of the Definitions section. This makes the cost orientation test very difficult to assess, as there is only a single reference point with which to compare prices. Many cost orientation tests use a price floor and a ceiling (for example, stand-alone costs as a ceiling and long-run incremental costs as a floor), rather than an exact price level as proposed here. Whilst we appreciate that such methods may involve extra cost analysis which may not be appropriate or proportionate for the Isle of Man, we do suggest that consideration should be given to defining some form of price range in order to assess the degree of cost orientation. Sure would be pleased to offer suggestions for how this could be achieved.

Submitted by:
Sure (Isle of Man) Limited
23rd November 2018