

Power Pricing Framework

(Approved by the Government in January 2004)

Pricing Principles

The following principles are proposed to begin codifying the process and principles of tariff adjustment and to phase out prevailing distortions in tariff structure:

- ↪ The average end-user electricity tariff for each customer class will be set to fully cover reasonable costs of supplying electricity to that customer class (including cost of generation, system services, transmission, and distribution), and generate a surplus to expand coverage and supply, and improve the quality of service.
- ↪ Should the Government decide to subsidize the capital or operating costs to serve certain customer classes, it should do so directly from the budget.
- ↪ Tariffs will incorporate incentives to improve technical and commercial efficiency and generation costs will be "passed through" to end-user tariffs.
- ↪ Tariffs will be reviewed at least quarterly and adjusted annually to reflect changes in fuel prices, generation mix, exchange rates and inflation. Should the quarterly review indicate a variation in the recognized costs in excess of 10%, the tariffs would be adjusted at that time.
- ↪ Differentiated rates will be maintained for peak and off-peak consumption, and a two-part tariff introduced for BPDB's generation plants, with one part covering fixed (capacity) costs and the second part covering variable (energy) costs.
- ↪ The proposed power price adjustments will be implemented on September 1, 2003.