

R-304 Tariff Rate Strategies and Cost Recovery Requirements



Course Description

For developing economies, adequate utility services continue to be a key factor in economic growth. To ensure delivery of these services now and in the future, utilities require effective techniques to manage their business operations, including interaction with regulatory authorities.

This course not only discusses the traditional approaches to tariffs but also presents tariffs as a tool of regulation, allowing the participants to acquire skills to work within the regulatory environment, i.e., refining price modeling and monitoring strategies, and implementing consumer protection programs.

This training on tariff-setting and strategies will provide the participants with a clear understanding of the role tariffs play in regulated utilities.

The course addresses the link between the regulatory approach and how tariffs become the tool that allows the authority to implement that regulatory framework. Participants will consider cost recovery requirements, quality of service issues, and tariff rate strategies in various markets and sectors, namely, electricity, oil and gas, and non-energy utilities.

Who Will Benefit

- Officials from PPP units or investment agencies responsible for infrastructure development, particularly from regulated utilities
- Bilateral and international development organizations
- Commissioners, directors and key staff of regulatory authorities, agencies, and commissions
- Directors and lead managers of publicly- and privately-regulated utilities

Learning Objectives

Through successful completion of this course, participants will be able to:

- Explain how to set a revenue requirement and translate it into a tariff design
- Identify the role of a cost of service study in translating a revenue requirement into a rate design
- Describe the role of the regulator in the tariff-setting process, methodologies, and relationships with service providers
- Describe the role of the service provider in collecting and analyzing data to reduce costs and improve service
- Compare case study experiences on how to (and how not to) determine and adjust prices and the implications
- Demonstrate how to decouple tariff policies from social and political objectives
- Illustrate how to calculate, analyze, and adjust tariff structures

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Course Offering

Dates October 4-15, 2021

Location Washington, DC Metro Area

Reg. Code R304-211004-I1

CEUs 6.0 | **Tuition** \$5,500

Course Contents



Economic Fundamentals of Public Utilities

- Natural monopolies
- The basics of pricing
- Cost allocation and tariff structure design
- Market power and competition
- Financial economics aspects needed for an effective regulation (cost of capital)
- Industrial and regulatory aspects of non-energy utility markets
- Industrial and regulatory aspects of energy markets

Conceptual Aspects of Regulation

- Fundamentals of utility regulation
- Regulatory objectives, frameworks and overview of the tariff approval process
- Elements for a sound regulatory accounting system
- Regulatory decision-making
- Quality of service and rates

The Problem of Pricing: Setting Tariffs

- Tariff-setting objectives
- Tariff-setting methodologies
- Alternative rate-making mechanisms
- Cross subsidies, de-coupling, and multi-part tariffs
- Establishing revenue requirement (RR) and rate design (RD)
- Rate-setting techniques

Current Trends in Public Utility Regulation

- Consumer protection: communicating pricing and regulatory issues to consumers and utilities
- International best practices in regulation (agency independency, climate change and infrastructure, environmental regulation)

Legal Aspects of Utility Regulation

- Regulation as a Result of the Legal Foundation
- Regulation and the Institutional Foundation
- Institutional versus Contract Regulation



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IP3's Regulation and Utility Management Specialist Certification programs provide core bodies of knowledge in regulation and utility management, creating a world-class standard in regulation and utility management.

Certification requirements include 24 CEUs and successful completion of a PPP Specialist exam.

IP3 is an accredited provider of Continuing Education Units (CEUs) as sponsored by the International Association for Continuing Education and Training (IACET).



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