

Title: Review of Incentive Regulation

Date: 2009

Client: IPART (Independent Pricing and Regulatory Tribunal of NSW)

Country/Region: New South Wales, Australia

CEPA staff have been working with IPART on a project to compare and evaluate IPART's current approach to incentive based regulation with best practice and approaches used both elsewhere in Australia and internationally. CEPA's review takes into account a number of sectors regulated by IPART including transport, water and retail electricity. IPART is particularly interested in the lessons it can learn in relation to:

- Approaches to assessing the appropriate level of operating and capital expenditure;
- The role of incentives to affect company behaviour;
- The scope to introduce output or performance measures;
- The use of re-openers and pass-through mechanisms; and
- The use of general inflation indices or industry specific indices as part of price control determinations.

The approach used in this project involves developing a number of case studies from NSW, Australia and internationally to look in detail at determinations made by regulators and to compare the approaches used. In order to deliver the project effectively, CEPA staff have been working in close collaboration with IPART to develop the case studies. In particular, IPART developed case studies for its regulatory decisions in NSW and drew on information provided by colleagues working in other Australian regulators. CEPA put together the international case studies, drawing on its detailed knowledge and experience of regulation in the UK, Europe, New Zealand and the US. CEPA staff are currently in the process of synthesising this information to draw out some key lessons and innovative approaches for IPART.

Links:

- IPART
- CEPA Report – Review of IPART's approach to incentive based regulation