

RECOMMENDED PRICE CAPS PLAN
for the
REGULATION OF PRICE CAPPED RETAIL SERVICES
PROVIDED BY LIME

RECOMMENDED PRICE CAPS PLAN

INTRODUCTION

This document establishes the rules, procedures, and obligations constituting a recommended price cap plan (the “Recommended PCP” or “2015 PCP”) applicable to Cable & Wireless/LIME (“LIME”) [ECTEL Member State], a company duly licensed in [ECTEL Member State] and having its registered office situated at the [ECTEL Member State].

This Recommended PCP replaces the price cap plan approved and adopted by the NTRC of [ECTEL Member State] in [Month], 2010 (the “2010 PCP”). That is, the 2010 PCP will cease to have legal effect on the day the 2015 PCP takes effect.

RULE 1 – DURATION AND TERM OF PCP

1.1 Effective Date:

The 2015 PCP takes effect on January 15, 2015.

1.2 Duration and Periods:

The duration of the 2015 PCP is 3 years and 2.5 months and shall expire on March 31, 2018.

The 2015 PCP consists of the following time periods:

- a) Bridge Period: January 15, 2015 to March 31, 2015
- b) First Annual Period: April 1, 2015 to March 31, 2016
- c) Second Annual Period: April 1, 2016 to March 31, 2017
- d) Third Annual Period: April 1, 2017 to March 31, 2018

1.3 Review of PCP by ECTEL:

ECTEL may decide to undertake a review of the 2015 PCP not later than October 1, 2017 (i.e., at least 6 months prior to the 2015 PCP's expiry). The purpose of the review would be to determine whether ECTEL would recommend that the 2015 PCP should continue without change, be modified or eliminated altogether.

1.4 Automatic Renewal of PCP:

Absent an announced review of the 2015 PCP by ECTEL, the 2015 PCP will automatically renew for an additional 1 year (that is, through to March 31, 2019) unless opposed by LIME, the NTRC, or ECTEL within 90 days of the expiry of the 2015 PCP. Any party opposed to the renewal of the 2015 PCP must give notice to every other party at least 90 days before the expiry of the 2015 PCP. Automatic renewal of the 2015 PCP will not occur if any party opposes the renewal.

RULE 2 – FREE MONTHLY RESIDENTIAL FTF MINUTES

2.1 Free Residential FTF Minutes Provisions:

LIME shall provide a minimum of 100 free minutes per month of FTF on-network calling on Night and Weekend calling periods with each metered Residential access line through at least the duration of the 2015 PCP, based on following time period definitions:

- a) “Day” is the periods from 8:00 a.m. to 5:59 p.m. Monday through Friday
- b) “Night” is the periods from 6:00 p.m. to 7:59 a.m. Monday through Friday
- c) “Weekend” is the period from 11:59 p.m. Friday to 11:59 p.m. Sunday

RULE 3 – PRICE HARMONIZATION

3.1 Price Harmonization Provisions:

LIME shall comply with the following price harmonization conditions:

- a) **Residential:** The lowest monthly standard rate for a metered Residence access line must be equal to or more than 77% percent of the highest monthly standard rate for a metered Residence access line in any other ECTEL Member State.
- b) **Business:** The lowest monthly standard rate for a metered Business access line must be equal to or more than 90% percent of the highest monthly standard rate for a metered Business access line in any other ECTEL Member State.
- c) **Fixed-to-Fixed (“FTF”):** The lowest FTF Day/Evening/Night standard rate respectively must be equal to or more than 90% percent of the highest FTF Day/Evening/Night standard rate respectively in any other ECTEL Member State.
- d) **Fixed-to-Mobile (“FTM”):** The lowest FTM Day/Evening/Night standard rate respectively must be equal to or more than 90% percent of the highest FTM Day/Evening/Night standard rate respectively in any other ECTEL Member State.
- e) **Fixed International:** The lowest fixed international direct dial (“IDD”) Day/Evening/Night standard rate for each country destination rate respectively must be equal to or more than 90% percent of the highest Fixed IDD Day/Evening/Night standard rate for each country destination respectively in any other ECTEL Member State

3.2 Exemptions from Harmonization Provisions:

LIME may submit a request to the Commission and ECTEL seeking an approval for an exemption to one or more of the above-noted price harmonization provisions. Any such submission must include the rationale for the requested exemption along with supporting relevant market data and information.

RULE 4 – PCP BASKETS

4.1 Baskets:

All the services included in the 2015 PCP shall be grouped in one of the following two baskets (each of which is described further below):

- a) Basket 1: Residential and Business Access and domestic FTF and FTM calling
- b) Basket 2: DPLC, Data Services and Other Services

RULE 5 - PRICE CAP INDEX AND ACTUAL PRICE INDEX

5.1 General Price Cap Formula:

Where applicable, the price cap formula specifies that the Actual Price Index (API), which represents changes in prices charged by the LIME for a specific basket of services (j) over a specific period/time (t), must always be less than or equal to the Price Cap Index (PCI):

$$API_j \leq PCI_j \quad \text{for each Basket } j.$$

5.2 Actual Price Index and Formula:

Where applicable, the API tracks LIME's actual price changes within a specific basket. Each time new prices are approved for LIME, the API shall be calculated for each applicable basket to show that the price changes do not exceed the PCI. The API is the revenue-weighted average level of aggregate prices implemented by LIME. The PCP uses the following general formula to calculate the API:

$$API_{j,t} = API_{j,t-1} * (1 + API \text{ adjustment}_{j,t})$$

Whereas:
j = Basket;
t = time; and

API adjustment_{j,t} = revenue-weighted average percent change in prices for all rate elements, k, for time t, in Basket j:

$$\frac{\sum_{k,t} \left[Revenue_{k,t} * \left[\frac{Price_{k,t}}{Price_{k,t-1}} - 1 \right] \right]}{\sum_{k,y} Revenue_{k,t}}$$

Whereas k is the relevant rate element; and

Revenue_{k,t} is the revenue included in Basket j, for element k, for the time period t.

5.3 Price Cap Index and Formula:

Where applicable, the aggregate level of actual prices for all service rate elements in any given service Basket, j, is subject to a PCI. The PCI changes annually subject to the price cap formula for each applicable basket. The PCI is allowed to change in each subsequent period according to the values of inflation (I), productivity (X), exogenous event (Z), any other applicable provisions of a specific basket, or any other provisions set forth in this PCP. The PCI for each applicable basket is generally calculated as follows:

$$PCI_{j,y} = PCI_{j,y-1} * (1 + I_y - X_j +/- Z_y)$$

Whereas j = Basket
 y = Price Cap year

The inflation factor for each ECTEL member state is calculated as the percentage change in the average Consumer Price Index (CPI) between the two periods “y” and period “y-1” per the formula:

$$I_y = ((CPI_y / CPI_{y-1}) - 1),$$

Whereas for CPI:

- a) The CPI_y is the CPI for [ECTEL Member State] as published by the Eastern Caribbean Central Bank for year y.
- b) The time period for the CPI data is the same time period as Revenues used in any PCP formulas for applicable baskets so that there is a proper matching of CPI and related Revenues.

X_j = Productivity offset for basket j as set forth for each specific basket.

Z_y = Exogenous cost changes for year y as set forth for each specific basket.

RULE 6 – EXOGENOUS EVENTS AND CONDITIONS (Z FACTOR)

6.1 Exogenous Event Description:

The exogenous factor (Z factor) results from events or conditions that result in increases or decreases in the day-to-day operating costs of LIME.

6.2 Exogenous Event Criteria:

To qualify as an exogenous event (and related cost impact), an event must:

- 1) be outside of LIME's control;
- 2) not result from a transaction with a LIME affiliate, parent company, or related party, and must otherwise be caused by an independent or third-party event or condition and
- 3) be material in magnitude, so that any related exogenous event/condition must be at least equal to or greater than 1.5% of the regulated service(s) revenues affected by the exogenous event/condition for the most recent twelve-month period available.

An exogenous event/condition may be proposed by LIME, the NTRC, or ECTEL and will be considered on a case-by-case basis. The financial effect of any proposed exogenous cost change shall be quantified and explained in detail in the accompanying supporting documentation by the party proposing the adjustment. All documentation supporting proposed exogenous cost changes must include a proposed recovery mechanism, including a rationale for the proposed recovery mechanism. The recovery of any exogenous cost changes shall, to the extent possible, be recovered proportionally from the regulated service(s) affected by the exogenous cost change.

RULE 7 – BASKET 1

7.1 Basket 1 Services:

Basket 1 consists of the following services:

- a) Residential access / connection / reconnection
- b) Business access / connection / reconnection
- c) Government access / connection / reconnection
- d) Domestic Fixed to Fixed calls ("FTF") (day, night and weekend)
- e) Domestic Fixed to Mobile calls ("FTM") (day, night and weekend)

7.2 Basket 1 Pricing Formula:

Each rate element in the basket is subject to a PCI formula of $I - X$, where $X = 0$. This PCI shall apply on a partial year (2.5 months) basis in the case of the Bridge Period.

RULE 8 – BASKET 2

8.1 Basket 2 Summary of Services:

Basket 2 includes of the following services:

- a) Domestic/National Private Leased Circuits (“DPLC”)
- b) Data Services (such as X.25, Frame Relay, Ethernet)
- c) Other Services (such as VSAT)

A list of services included in this basket is provided in the Appendix to this Annex 2.

8.2 Basket 2 Pricing Formula:

Services included in Basket 2 are subject to a general PCI of $I - X$, where $X = I$. This PCI shall apply on a partial year (2.5 months) basis in the case of the Bridge Period.

RULE 9 – OTHER PRICING PROVISIONS

9.1 Maximum Price Increases:

Price increases for any individual service rate element in Baskets 1 or 2 shall not exceed 10% for any year of the PCP. This rate element constraint shall apply on a partial year (2.5 months) basis in the case of the Bridge Period.

RULE 10 – BUNDLING PROVISIONS

10.1 Categorization of Bundles including Regulated Services:

Any service bundle including one or more regulated services subject to the 2015 PCP is considered to be a regulated service bundle. For the avoidance of doubt, any such regulated service bundle would not be assigned to any one of the two defined PCP service baskets and nor would it be subject to price cap constraints.

10.2 Further Conditional Information Requirements:

When filing an application requesting approval to (i) change the price of an existing regulated service bundle or (ii) introduce a new regulated service bundle, LIME should provide supporting rationale for and information demonstrating that the proposed price and/or other terms and conditions of the regulated service bundle are not anti-competitive. Should such concerns arise with respect to any such application, the Commission or ECTEL may request that LIME also file an imputation test to demonstrate that the price of the regulated service bundle is above cost.

RULE 11 – NEW SERVICES AND DISCONTINUED SERVICES

11.1 New Services:

For any new service(s) that is determined to be a regulated service subject to the PCP by the NTRC pursuant to the RTR, the new regulated service, including the corresponding rate elements and associated revenues, shall be assigned to the applicable PCP Basket on the first day of the month after the coming into effect of the corresponding NTRC determination. For the avoidance of doubt, new services that are considered to be regulated service bundles under rule 10.1 are not subject to this rule.

11.2 Discontinued Services:

For a service(s) included in the 2015 PCP for which LIME is granted approval to discontinue by the NTRC pursuant to the provisions of the RTR, the service(s) shall be removed from the 2015 PCP on the first day of the month after the coming into effect of the corresponding NTRC determination.

RULE 12 - PROMOTIONS

12.1 Market Trials and Promotions Excluded from API:

Market Trials and Short Term Promotions, as defined in the RTR, are excluded from the calculation of the API.

RULE 13 - RCCF AND ACF REQUIREMENTS

13.1 LIME's Compliance with RCCF and ACF Requirements:

Subject to the above-noted PCP Rules, LIME may propose increases or decreases to the service rates covered by the PCP at any time during the term of the PCP. When it does so, it must submit a Rate Change Compliance Filing (RCCF) with the NTRC and ECTEL. In addition, it must also submit an Annual Compliance Filing (ACF) with the NTRC and ECTEL.

13.2 Rate Change Compliance Filing:

For any application for a price change during the term of the PCP, other than a price change in an ACF, LIME must file an RCCF with the NTRC and ECTEL. An RCCF must be compliant with established PCP Rules, and must contain a description of the proposed rate changes, a recalculation of each Basket's API reflecting any proposed rate changes, and a demonstration that each new API_j is less than or equal to its respective PCI_j established during the most recent ACF.

Information filed with the RCCF must include all data and information that allows the NTRC and ECTEL to verify LIME's API and PCI calculations, including a working EXCEL file that incorporates all regulated services, rate elements and rate changes. Specifically, supporting

documentation for all API calculations in an RCCF must include all service price elements by Basket and the associated revenues established in the most recent ACF. In addition, as may be applicable, LIME must also provide documentation in an RCCF for pricing changes involving special treatment, including, but not limited to, the introduction of volume or contract term discounts.

13.3 Annual Compliance Filing Deadlines:

For every full-year period during the term of the PCP, LIME shall file an ACF with the NTRC and ECTEL not later than March 1st of each year (or the first business day following any weekend or holiday that falls on March 1st).

In the case of the Bridge Period, LIME shall file an ACF with the NTRC and ECTEL not later than January 15, 2015.

13.4 Annual Compliance Filing Information:

The following is a list of ACF information that LIME must provide for all full-year periods during the term of the PCP:

- a) Updated API and PCI calculations, including related CPI/Inflation and productivity data, for each related Basket. This information must include all regulated services and rate elements for each established Basket, and must also be provided in a working EXCEL file format that allows the NTRC and ECTEL to verify LIME's calculations.
- b) If the ACF includes rate changes to an existing regulated service(s), consistent with RCCF requirements, the ACF must also include the calculation of the new API(s) reflecting any such changes along with a description and proposed rate changes.
- c) If the ACF includes a proposed exogenous cost change, the ACF must also include all required supporting documentation as set out in the exogenous events Rule.
- d) A written summary of any regulated service price changes, new regulated service introductions and related pricing, promotions, and any other relevant matters impacting prices, terms or conditions of LIME's regulated services implemented during the preceding PCP period.

For avoidance of doubt, this Rule does not require any additional ACF requirements beyond those established under the preceding 2010 PCP.

For the Bridge Period, the ACF information that LIME must provide is limited to items (a), (b) and (c) above. In this specific case, the applicable PCI, CPI/Inflation and productivity factors are to be adjusted to reflect that abbreviated length of the Bridge Period (i.e., 2.5 rather than 12 months in the case of the full year PCP Periods).

RULE 14 – OTHER COMPLIANCE REPORTING REQUIREMENTS

14.1 Audited Statutory Financial Statement Filings:

LIME must submit audited statutory annual financial statements (for fiscal year-end March 31st period) to the NTRC and ECTEL not later than July 1st of each year (or the first business day following any weekend or holiday that falls on July 1st).

LIME's financial statements in this respect shall include: i) an Income Statement or Profit/Loss Statement showing revenues, operating expenses, depreciation, taxes and non-operating amounts; ii) a Balance Sheet showing assets and liabilities, and capital accounts (retained earnings, common and preferred stock, and other); iii) other applicable statements commonly provided with the audited financials, such as Cash Flow, Retained Earnings, and other data; and iv) all notes and explanations provided with the financial statements.

14.2 Enhanced Allocation Model (EAM) Filings:

During the term of the PCP, LIME shall submit two updated EAMs to the NTRC and ECTEL as follows:

- a) The first EAM shall be provided not later than October 1, 2015 using data for the fiscal period ending March 31, 2015.
- b) The second EAM shall be provided by October 1, 2017 using data for the fiscal year ending March 31, 2017.

These two EAMs will be used to assist in the review and evaluation of the PCP prior end of the fourth PCP Period in 2019.

Consistent with historical practice, LIME's EAM's should be provided in working EXCEL file format, and should include all supporting methodological documents, assumptions, and explanations. Any changes in methodology or assumptions relative to earlier EAMs filed with the NTRC and ECTEL (e.g., the fiscal year 2012-13 EAM) should also be identified and explained. It should be noted that receipt of an EAM filing does not constitute agreement with amounts or assumptions within any such EAM; discretion is reserved by the NTRC and ECTEL for contesting specific results and assumptions as may be appropriate.

For avoidance of doubt, this Rule does not preclude the NTRC and ECTEL from requiring LIME to provide EAMs for additional fiscal year periods should such a need arise in the context of PCP-related or other matters.

RULE 15 – GENERAL COMPLIANCE AND EXTENSIONS

15.1 Non-Compliance with Provisions of the PCP:

In the case of non-compliance by LIME with the provisions of the PCP, the NTRC and ECTEL may select from one or more of the following mechanisms to address same, depending on the type of non-compliance the circumstances and other considerations:

- a) Request LIME for an explanation of the non-compliance and request LIME to prepare a plan of action to comply with the relevant provisions.
- b) Reject or refuse to consider any or all of LIME's current or pending price increases and decreases, exogenous cost increases, promotions or market trials, and any other substantive matters addressed in this PCP.
- c) Escalate the issue of non-compliance pursuant to Regulation [[XX]] in the [[2004 RTR or the 2012 RTR, as the case may be]].

LIME may seek a waiver or extension when it expects to be in non-compliance, by submitting a written request of an extension of time and any other remedies it seeks, including supporting justification, with the NTRC and ECTEL at least 30 days before such action or information is required.

RULE 16 – PRECEDENCE OF THE RETAIL TARIFF REGULATIONS

16.1 Relationship between the 2015 PCP and the Retail Tariff Regulations:

[[For Dominica]]: The 2015 PCP was developed pursuant to the relevant provisions included the Telecommunication Act No. [XX] of 2001 (the "Act") and corresponding regulations, in particular the Telecommunications (Retail Tariff) Regulations No.[XX] (the "2012 RTR"). For the avoidance of doubt, as may be applicable, the provisions of the Act and the 2012 RTR, including any amendments thereto, take precedence over the 2015 PCP.

[[For Grenada, St. Lucia, St. Kitts and Nevis and St. Vincent & Grenadines]]: The 2015 PCP was developed pursuant to the relevant provisions included the Telecommunication Act No. [XX] of 2001 (the "Act") and corresponding regulations, in particular the Telecommunications (Retail Tariff) Regulations No.[XX] (the "2004 RTR"). For the avoidance of doubt, as may be applicable, the provisions of the Act and the 2004 RTR, including any amendments thereto, take precedence over the 2015 PCP.

- a) In this respect, pursuant to ECTEL recommendation [[Month Year]], [ECTEL Member State] is committed to adopting new regulations that are substantially identical to those adopted by Dominica in [[Month]] 2012 (the "2012 RTR").
- b) Similarly, as may be applicable, the provisions of the Act and the 2012 RTR, once adopted and including any amendments thereto, take precedence over the proposed 2015 PCP.

Appendix: List of Services and Rate Elements included in 2015 PCP

Basket	Service(s)	Rate Element(s)
1	Residential fixed line access	1: Connection 2: Reconnection 3: Metered monthly rental 4: Unlimited monthly rental
1	Business fixed line access	5: Connection 6: Reconnection 7: Metered monthly rental 8: Unlimited monthly rental
1	Government fixed line access	9: Connection 10: Reconnection 11: Monthly rental
1	On-net Fixed To Fixed Calling	12: FTF (Day) 13: FTF (Evening) 14: FTF (Night)
1	Off-net Fixed To Fixed Calling	15: FTF (Day) 16: FTF (Evening) 17: FTF (Night)
1	Fixed To Mobile Calling	18: FTM (Day) 19: FTM Evening) 20: FTM (Night)
2	Domestic Leased Circuit	21: DPLC 64 Kbps Installation 22: DPLC 128 Kbps Installation 23: DPLC 192 Kbps Installation 24: DPLC 256 Kbps Installation 25: DPLC 384 Kbps Installation 26: DPLC 320 Kbps Installation 27: DPLC 448 Kbps Installation 28: DPLC 512 Kbps Installation 29: DPLC 768 Kbps Installation 30: DPLC 1024 Kbps Installation 31: DPLC 1544 Kbps Installation 32: DPLC 2048 Kbps Installation 33: DPLC 64 Kbps Monthly 34: DPLC 128 Kbps Monthly 35: DPLC 192 Kbps Monthly 36: DPLC 256 Kbps Monthly 37: DPLC 384 Kbps Monthly 38: DPLC 320 Kbps Monthly 39: DPLC 448 Kbps Monthly 40: DPLC 512 Kbps Monthly 41: DPLC 768 Kbps Monthly 42: DPLC 1024 Kbps Monthly

Basket	Service(s)	Rate Element(s)
		43: DPLC 1544 Kbps Monthly 44: DPLC 2048 Kbps Monthly 45: [DPLC – all alternative speeds]
2	Frame Relay	46: Frame Relay Port 56 Kbps Monthly 47: Frame Relay Port 64 Kbps Monthly 48: Frame Relay Port 128 Kbps Monthly 49: Frame Relay Port 192 Kbps Monthly 50: Frame Relay Port 256 Kbps Monthly 51: Frame Relay Port 384 Kbps Monthly 52: Frame Relay Port 512 Kbps Monthly 53: Frame Relay Port 768 Kbps Monthly 54: Frame Relay Port 1024 Kbps Monthly 55: Frame Relay Port 1544 Kbps Monthly 56: Frame Relay Port 2048 Kbps Monthly 57: Frame Relay Port 56 Kbps Installation 58: Frame Relay Port 64 Kbps Installation 59: Frame Relay Port 128 Kbps Installation 60: Frame Relay Port 192 Kbps Installation 61: Frame Relay Port 256 Kbps Installation 62: Frame Relay Port 384 Kbps Installation 63: Frame Relay Port 512 Kbps Installation 64: Frame Relay Port 768 Kbps Installation 65: Frame Relay Port 1024 Kbps Installation 66: Frame Relay Port 1544 Kbps Installation 67: Frame Relay Port 2048 Kbps Installation 68: Frame Relay CIR 1024 Kbps Monthly 69: Frame Relay CIR 348 Kbps Monthly 70: Frame Relay CIR 512 Kbps Monthly 71: Frame Relay CIR 768 Kbps Monthly 72: [Frame Relay – all alternative speeds]
2	X.25	73: X.25 Installation 74: X.25 Monthly
2	Ethernet	75: [Ethernet – all alternative speeds]