

Positive thinking for generous monopoly network charges
Don't be a Scrooge — The Hector Rules

Privatise costs, socialise benefits.

Never attempt to socialise costs!

Privatising costs is hard work, but you are clever.

Steps to privatising costs:

1. Define some worthwhile services that you are providing.
2. Imagine good ways of getting these services without you.
3. Cost to be privatised is that of the cheapest alternative.

All attempts at padding costs up to recover allowed revenue will be met with a severe punishment.

Benefits to be socialised
= Sum of privatised costs
– Maximum allowed revenue

If that's a negative number, then your business is dying or you are rubbish at privatising costs. Either way, might be time to sell up.

Steps to socialising benefits:

1. Find system users with inelastic demand.
2. Charge them lower prices.
3. This could be anti-competitive: get Hector's permission.

It's not allowed revenue.
It's maximum allowed revenue.

Give thanks to the Lord (and to Hector) for each day you manage to recover it in full.

*Don't give me bullshit about your sunk costs.
If it was cheaper to build something new than carry on talking to you, you'd be out of the door.*

Health and safety
Incremental cost concepts are for entertainment purposes only.



I'm not your friend.
I'm your regulator.