



REGULATORY AUTHORITY

PROPOSED WORK PLAN CONSULTATION

(ELECTRONIC COMMUNICATIONS AND ELECTRICITY)

2020-21 FISCAL YEAR

DATE: 30 SEPTEMBER 2019
RESPONSES DUE: 31 OCTOBER 2019

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1 EXECUTIVE SUMMARY

1.1 Introduction

The purpose of this Consultation Document is to comply with Section 43(2) of the Regulatory Authority Act 2011 (“RAA”) which requires the Regulatory Authority (“RA”) to conduct a public consultation regarding its work plan for the 2020-21 financial year (which will run from 1, April 2020 through 31, March 2021), including its proposed budget. During this period, the RA’s costs are to be funded through the payment of general regulatory fees by holders of Integrated Communications Operating Licences (“ICOLs”) and holders of Electricity Licences.

The RA proposes to the Minister of Home Affairs to set the Regulatory Authority fees as follows:

- a) The Electronic Communications Regulatory Authority fee, relating to the general regulatory fees, increase by 0.15%, from 1.75% to 1.90%;
- b) The general regulatory fees under paragraph 1 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2018, payable by the Transmission, Distribution and Retail (“TD&R”) Service Provider remain at \$0.00475; and
- c) The general regulatory fees under paragraphs 2 to 6 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2018, payable by the Bulk Electricity Generation Providers increase:
 - i. Utility Scale Electricity Generation provider (greater than 25 MegaWatts of installed electricity generation capacity) - increase of \$5,500, from \$1,000 to \$6,500 per MegaWatt;
 - ii. Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) - increase of \$5,000, from \$1,500 to \$6,500 per MegaWatt;
 - iii. Waste-to-Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) and – increase of \$500, from \$1,500 to \$2,000 per MegaWatt;
 - iv. Renewable Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) – increase of \$500, from \$1,500 to \$2,000 per MegaWatt;
 - v. Distributed Generation Standard Contract fee - \$2 per kiloWatt of installed capacity;
 - vi. Self-supply Generation License provider (greater than 0.5 MegaWatts of installed electricity generation capacity) - \$6,500 per MegaWatt.

The RA proposes that the Minister of Home Affairs makes a regulation to establish the recommended service fees per section 9 of this document.

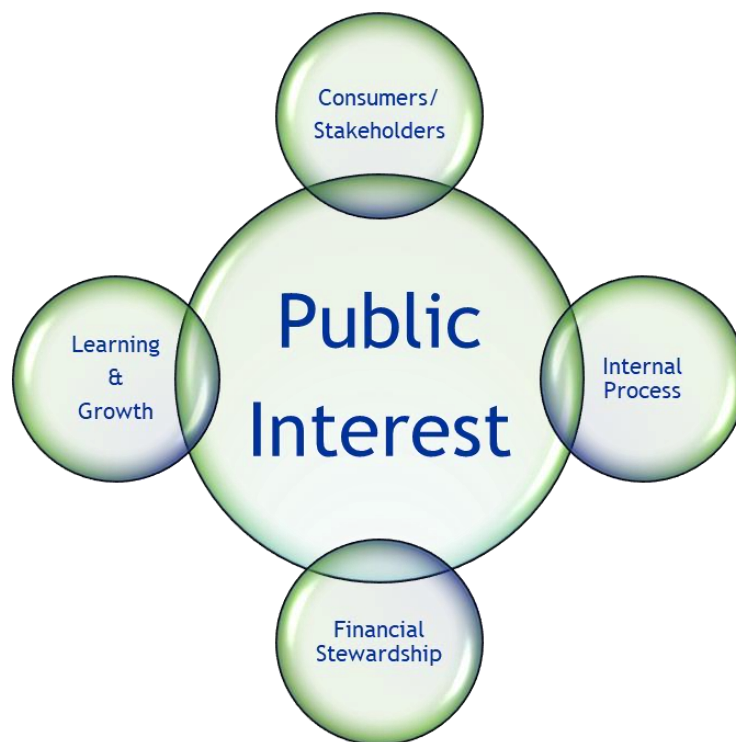
The RA, as an independent regulator, is funded from sectoral fees. Therefore, it is important that the relevant fees are set at the necessary levels to meet its planned expenditure. Further, the RA has attempted to set fees according to the cost-drivers of such fees.

The RA also recommends to the Minister of Home Affairs that there be no increase in the current level of Government authorization fees imposed on the Electronic Communications and Electricity industries under the Government Fees Act 1965, until the RA has completed a taxation review.

The RA hereby submits the Work Plan 2020-21 Consultation document in support of its request that the Minister of Finance approve the RA's proposed budget of \$7,514,000 for the fiscal year 2020-21 and its request that the Minister of Home Affairs make a regulation establishing that \$3,760,000 of the Regulatory Authority fees be paid by Integrated Communications Operating Licence ("ICOL") holders (providers of electronic communications services) and the remaining \$3,754,000 of the Regulatory Authority fees be paid by electricity sectoral participants.

1.2 Strategic Objectives

The RA's Vision, Mission and Values ensure public interest is the core focus of the regulated sectors.



The RA will strive to achieve these objectives through the balanced focus on four priorities:

- **1- Consumer/Stakeholder** focus will ensure that RA directly works to bring value to the community and its stakeholders.
- **2- Internal Process** focus will ensure that the RA delivers consistently and pursues continual improvement.
- **3- Innovation, Learning and Growth** focus will ensure that the RA develops the internal capacity to execute its mandate.
- **4-Financial/Stewardship** focus will ensure that the RA is operating with the financial wherewithal appropriate to a not-for-profit body corporate body.

The RA will continue building capabilities to operate across multiple regulated sectors with the long-term goal of a gradual reduction of the reliance on external advisors and consultants.

1.3 Proposed Budgets and Fees

The revenue budget is focused on aligning the fees with the costs drivers in the relevant sectors when practical.

Electronic Communications

- An increase to the expenditure budget for the 2020-21 fiscal year is proposed for the Electronic Communications sector. A budget of \$3,760,000 is proposed, an increase of \$274,000 (8%) when compared to the 2019-20 approved budget. An increase to the Electronic Communications Regulatory Authority fee by 0.15%, from 1.75% to 1.90% is recommended, which will be applied to ICOL's Relevant Turnover.

Electricity

- The RA proposes an increase in the Electricity expenditure budget for 2020-21 of \$888,000 (31%) when compared to the approved budget of 2019-20. The following increases to the electricity licences are proposed:
 - i. Utility Scale Electricity Generation provider (greater than 25 MegaWatts of installed electricity generation capacity) - increase of \$5,500, from \$1,000 to \$6,500;
 - ii. Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) - increase of \$5,000, from \$1,500 to \$6,500;
 - iii. Waste-to-Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) – increase of \$500, from \$1,500 to \$2,000;
 - iv. Renewable Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) – increase of \$500, from \$1,500 to \$2,000.

2 STRUCTURE OF WORK PLAN DOCUMENT

This document sets out the RA's Work Plan for the period 1 April 2020 to 31 March 2021. It includes the RA's current mandate, strategic goals and the major activities it anticipates undertaking. The Work Plan also details the Proposed Budget and Projected Revenues which support the planned activities.

For this fiscal year, the RA will be responsible for regulating the Electronic Communications and Electricity sectors. The proposed Work Plan reflects the RA's assessment of the ongoing and projected trends in the regulated sectors that the RA regulates, namely:

- Electronic Communications, including radio communications, radio spectrum management;
- Electricity, including electricity generation, transmission, distribution and retail; and
- Consumer Protection relating to regulated sectors.

The proposed Work Plan does not include any specific work that may be required in any other sectors which may become regulated in the future.

3 CONSULTATION PROCEDURE

This consultation is being undertaken in accordance with sections 69 to 73 of the RAA.

Written comments should be submitted before 11:59 PM (Bermuda time) on 31 October 2019.

The RA invites comments from members of the public, operators of electronic communications networks, providers of electronic communications services, power utilities, electricity suppliers, and other interested parties. The RA requests that parties should in any response reference the numbers of the relevant questions, as set forth in this consultation document. A complete list of questions presented by this consultation document appears in Appendix A – Consultation Questions.

- i. Responses to this consultation document should be filed electronically in MS Word format (which is unprotected). Parties filing comments should go to the RA's website, www.ra.bm, follow the link to the Consultations and Response page, and click the "Click here to submit a response" icon which appears at the top of the page. All comments should be clearly marked "Response to Consultation Document Matter: WP: Comments on Regulatory Authority Proposed Work Plan 2020-21 Fiscal Year" and should otherwise comply with Rules 18 and 30 of the RA's Interim Administrative Rules, which are posted on the RA's website.
- ii. The RA intends to make responses to this consultation available on its website. If a commenting party's response contains any information that is confidential in nature, a clearly marked "Non-Confidential Version," redacted to delete the confidential information, should be provided together with a complete version that is clearly marked as the "Confidential Version." Redactions should be strictly limited to "confidential information," meaning a trade secret, information whose commercial value would be diminished or destroyed by public disclosure, information whose disclosure would have an adverse effect on the commercial interests of the commenting party or information that is legally subject to confidential treatment. The "Confidential Version" should highlight the information that has been redacted. Any person claiming confidentiality in respect of the information submitted must provide a full justification for the claim. Requests for confidentiality will be treated in the manner provided for in Rule 30 of the RA's Interim Administrative Rules.
- iii. Jozelle Opoku is the principal point of contact at the RA for interested persons during this consultation and can be contacted by email at consultation@ra.bm or by mail at:

Jozelle Opoku, Head of Regulation
Regulatory Authority
1st Floor Craig Appin House
8 Wesley Street, Hamilton, HM11
Bermuda

In this document, except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them by the RAA, the Electronic Communications Act of 2011 ("ECA"), the Electricity Act 2016 ("EA"), and Interpretation Act 1951.

This consultation document is not a binding legal document and does not contain legal, commercial, financial, technical or other advice. The RA is not bound by the consultation document, nor does it necessarily set out the RA's final or definitive position on particular matters. To the extent that there might be any inconsistency between the contents of this document and the due exercise by the RA of its functions and powers, and the carrying out of its duties and the

achievement of relevant objectives under law, such contents are without prejudice to the legal position of the RA.

4 LEGISLATIVE CONTEXT

The RA is an independent regulator established under the RAA. In accordance with section 12 of the RAA, the principal functions of the RA are as follows:

- i. to promote and preserve competition;
- ii. to promote the interests of the residents and consumers of Bermuda;
- iii. to promote the development of the Bermudian economy, Bermudian employment and Bermudian ownership;
- iv. to promote innovation; and
- v. to fulfil any additional functions specified by sectoral legislation.

To date, the RA has been assigned the responsibility to regulate the Electronic Communications and Electricity sectors. In accordance with section 5 of the ECA, the purposes of the ECA shall be:

- i. to ensure that the people of Bermuda are provided with reliable and affordable access to quality electronic communications services;
- ii. to enhance Bermuda's competitiveness in the area of electronic communications so that Bermuda is well-positioned to compete in the international business and global tourism markets;
- iii. to encourage the development of an electronic communications sector that is responsive to the requirements of users (both individuals and businesses) and provides them with choice, innovation, efficiency and affordability;
- iv. to encourage the development and rapid migration of innovative electronic communications technologies to Bermuda;
- v. to promote the orderly development of Bermuda's electronic communications sector;
- vi. to encourage sustainable competition and create an invigorated electronic communications sector that will lay the groundwork for the further development of communications-reliant industries;
- vii. to encourage the development and maintenance of resilient and fault-tolerant communications infrastructures;
- viii. to promote investment in the Electronic Communications sector and in communications-reliant industries, thereby stimulating the economy and employment; and
- ix. to promote Bermudian ownership and Bermudian employment at all levels of the Electronic Communications sector.

In accordance with section 6 of the EA, the purposes of this Act include the following:

- i. to ensure the adequacy, safety, sustainability and reliability of electricity supply in Bermuda so that Bermuda continues to be well positioned to compete in the international business and global tourism markets;
- ii. to encourage electricity conservation and the efficient use of electricity;
- iii. to promote the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources;
- iv. to provide sectoral participants and end-users with non-discriminatory interconnection to transmission and distribution systems;
- v. to protect the interests of end-users with respect to prices and affordability, and the adequacy, reliability and quality of electricity service; and
- vi. to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity.

Section 43(2) of the RAA requires the RA to conduct a public consultation regarding its work plan for the 2020-21 fiscal year (1, April 2020 through 31, March 2021), including its proposed expenditure budget. During this year, the RA's costs are to be funded through the payment of general regulatory fees and service fees pursuant to the RAA Section 44 by ICOL holders, Electricity Licence holders or providers and sectoral participants.

5 BASIS, ROLES AND RESPONSIBILITIES OF THE RA

5.1 Statutory basis of the RA and funding

The RA is an independent regulator established under the RAA. It receives no Government funding and operates via the collection of Regulatory Authority Fees, these being:

- i. fees charged to ICOL holders;
- ii. fees from the TD&R licensee in the electricity sector; and
- iii. fees levied on those entities that operate in the electricity sector as electricity generation providers.

5.2 The role of RA and its Board of Commissioners

The legislative basis of the RA defines its responsibilities, amongst others, to promote sustainable competition, incentivise innovation and investment, and ensure the interests of consumers are met. In pursuing this mandate, the RA transacts via (i) economic regulation; (ii) technical regulation; (iii) necessary consultation and legal drafting; and (iv) enforcement.

Under the provisions of the RAA, the Board of Commissioners is responsible for deciding and issuing various regulatory decisions which have legislative effect consistent with its duties under the ECA and EA. The Board of Commissioners is also responsible for the governance of the RA and directs the Chief Executive and staff of the RA. There are currently five (5) Commissioners. The RA's responsibilities include all duties as set out in the relevant legislation.

5.5 Building capacity, regulatory partnerships and stewardship.

RA's staffing strategy is focused on building and hiring a qualified team of legal, financial, technical and operational people. Developing the staff by knowledge transfer from the experience of our senior staff members, our engagement of external advisors and targeted training is a proven strategy. The development of Bermudian staff provides a knowledgeable pool for future leadership and management.

We serve the public interest by protecting consumers through enhancing the integrity in the sectors we regulate and by promoting effective competition. Collaboration with regulators in other jurisdictions to share experiences and best practices assists in the delivery of proven regulatory services for our consumers.

We regulate the conduct of sectoral providers to ensure that their industries run with integrity, that people have access to the products and services they need and that consumers can trust their providers.

5.6 Addressing potential new areas of regulation for the RA.

As a multi-sector regulator, the RA has common systems and processes in place to support the regulation of new sectors as such are assigned. The RA has developed a common infrastructure to support future growth, as required.

6 OPERATIONAL FUNCTIONS

6.1 Fee collection

During the 2020-21 fiscal year, the RA anticipates collecting Government revenues of approximately \$17,764,000 and \$191,000 from the Electronic Communications and Electricity sectors, respectively.

6.2 Budget

The RA has set its proposed expenditure budget for 2020-21 at \$7,431,500. This is on the basis that the RA plans to initiate significant Electricity and Electronic Communications sector related projects.

6.3 Revolving Line of Credit

The RA has secured a Revolving Line of Credit (“RLOC”) to assist with the day to day operational expenses. The RLOC is primarily in place to assist with cash flow management and is in place for an initial period of 2 years.

6.4 Staff

The RA currently has eighteen (18) employees, including the Chief Executive, and three open positions. As the regulatory activities that the RA pursue are specialised and complex, it is important that the RA builds and maintains an appropriate resource and staff base. This includes a focus on ongoing development, training and succession planning.

6.5 Communications

In fiscal 2020-21, we will continue to promote the RA’s strategic focus on consumers and other key stakeholders via a three-pronged strategy:

1) Consumer Protection:

- A dedicated Consumer Advocate manages all consumer complaints, identifies trends and, assists in providing resolutions.
- The public will be educated about their rights as consumers via an extensive awareness campaign.
- To shape regulatory approaches, gaps in the service delivery of sectoral providers will be identified and trends reported to relevant stakeholders.

2) Internal Communications:

- **Employee Engagement:** To increase staff productivity and streamline collaboration, an intranet will be developed and act as a hub for important RA communication.

3) Stakeholder Engagement:

- **Content Management:** To address knowledge gaps about the regulated sectors and grow stakeholder engagement, targeted content will be made available across consumer touchpoints.

Consultation Question 1: Do you agree with the proposed operational functions of the RA?

a. If no, please state what you disagree with and provide reasons for your disagreement.

7 WORK PLAN ACTIVITY

7.1 Regulatory regime

The RA is focused on streamlining the efficiency and effectiveness of its operations as a regulator. It continues to develop its cross-sectoral team on the basis that its regulation of sectors involves a high degree of economic, financial, technical and legal analysis that relies on sound knowledge and subject matter expertise in each sub-field of the regulatory environment.

As the RA plans for the 2020-21 fiscal year, there are various work streams and projects that it is focused on. In addition to standard projects that support the RA's ongoing functions, the workplan and budget reflect two extraordinary projects: the wind study in the electricity sector and the radio frequency study in the electronic communications sector. These projects support potential future development in their respective sectors. The development work to support the changes due to the Integrated Resource Plan is supported by changes in fees for the generation providers and to help align the revenue from the relevant portion of the sector to its cost of regulation.

7.2 Both Sectors

i. Economic impact of taxes on the Electricity & Electronic Communications sectors

The RA will conduct analyses on the economic impact of taxes and fees in the Electronic Communications and the Electricity sectors in Bermuda. For example, these taxes will include payroll taxes, custom tariffs/import duties and the Regulatory Authority fee among others for the basis for fee and tax advisory information for the future.

ii. Critical Infrastructure

The RA is seeking to develop guidelines for identifying assets that are critical to Bermuda's main electricity and electronic communications functions. This will include physical, meteorological and cyber security considerations that should be factored into the deployment and use of any assets that are considered critical national infrastructure.

7.2 Electricity

The 2020-21 work streams are mainly process-oriented and a continuation of the implementation of the regulatory and licensing regime which includes:

i. Solar Procurement

The RA will oversee the Request for Proposal/Quotation process and procurement of solar PV for commissioning in 2023 as indicated in the IRP. This will also include exploring options for community solar projects.

ii. Retail Tariff Review

The RA will conduct a further retail tariff review according to the Retail Tariff Methodology.¹ The retail tariff review will explore future tariff design and options for new tariffs. These options may include tariffs for electric vehicle charging, low income households and time-of-use. This review will also include a review of utility capital investment plans, review and monitoring of capital construction projects and a review of the regulated utility asset registry.

iii. Feed-in tariff (“FIT”) Review

The RA proposes to conduct an annual review of the FIT² and will continue to study the wider social and economic benefits in the context of Bermuda.

iv. Pre-Feasibility Wind Study – Phase 1

The RA will commission a pre-feasibility wind study to determine the level of offshore wind resource available together with the business case and the environmental impacts to Bermuda. The study will allow potential investors to make informed decisions about the development of an offshore wind farm. The study will include wind resource testing, resiliency, as well as an environmental and social impact assessment for constructing and operating an offshore wind farm. The maximum optimal capacity for wind will also be determined from the study and will span multiple annual work plans. This project is considered an extraordinary project that will serve to meet a critical need of the Integrated Resource Plan.

7.3 Electronic Communications

In the fiscal year 2020-21, the RA will be focused on supporting the market evolution and ensuring public safety for new radio frequency spectrum allocations.

i. Significant Market Power (“SMP”) Remedy Implementation

Following the setting of SMP Remedies via general determination in the 2019-20 fiscal period, the RA will need to ensure that they are effectively implemented. The RA will work with the sectoral providers obligated to comply with the SMP remedy obligations to ensure a smooth transition. This will require periodic assessment of the remedies imposed.

ii. Annual Market Analysis

As part of the RA’s ongoing efforts to monitor the sector, the RA will be launching an annual market analysis process which will collect, assess and benchmark market data from the sectoral

¹ <https://rab.bm/documents/retail-tariff-final-report-decision-order/>

² <https://rab.bm/documents/feed-in-tariff-final-report-decision-order/>

providers. This analysis will be issued to the public in a report format to provide the public with further insight into the sector.

iii. **Universal Service – Phase 2**

The RA will continue development of the Universal Service work launched in FY2019-20. This is aimed at ensuring that electronic communications services are accessible by all Bermuda residents, as part of an iterative process.

iv. **Radio frequency study (“RF study”)**

The RA will conduct a RF study. This study will look primarily at a predictive exercise of Millimetre Wave Frequencies (“mmWave”) deployments used in mobile and fixed wireless broadband services. This will include documenting all qualifying and licensed fixed antennae in the jurisdiction to ensure an accurate registry is maintained. This project is considered an extraordinary project that will serve to determine whether future RF networks, such as 5G, are appropriate for use in Bermuda.

Consultation Question 2: Do you agree with the proposed activities of the RA?

a. If no, please state which activities you disagree with and provide reasons for your disagreement together with any alternative activity.

8 PROPOSED BUDGET AND PROJECTED REVENUES

This section sets out the RA’s proposed expenditure budget, proposed Regulatory Authority Fees and the projected revenue for the fiscal year 2020-21.

8.1 Proposed Expenditure Budget for 2020-21

Subject to the approval of the Minister of Finance, the RA proposes to adopt a total expenditure budget of \$7,431,500 for the 2020-21 fiscal year.

The RA’s proposed total expenditure budget for the fiscal year 2020-21 consists of the planned costs for regulating the Electronic Communications and Electricity sectors.

The RA’s Board is composed of five (5) Commissioners and the current staff headcount is eighteen (18) employees including the Chief Executive, with three (3) additional open positions, totalling twenty-one (21) authorised staff positions. It is expected that the headcount may increase as resources are needed.

The RA staff has a range of responsibilities including the collection of Government and Regulatory Authority fees, undertaking strategic analysis, project delivery, ensuring regulatory compliance & enforcement and attention to consumer affairs matters.

General expenses are split equally between the Electronic Communications and Electricity sectors. Certain staff who work solely in one sector will have the total of their payroll and benefits allocated to that sector. The RA may implement a time study to determine more accurately

allocate the split of each employee's time between sectors. This will give an indication of time spent on certain projects among the sectors and help track progress.

TABLE 1

	Electronic Comm	Electricity	Total Operations	Extraordinary projects	Total 2020-21	Total 2019-20
REVENUES	3,760,000	3,754,000	7,514,000	-	7,514,000	6,352,000
Expenses						
Employees and Commissioners	2,210,000	2,280,000	4,490,000	-	4,490,000	3,599,000
Office Space	186,750	186,750	373,500	-	373,500	264,000
Office Services	130,000	130,000	260,000	-	260,000	220,000
Consulting Services	720,000	625,000	1,345,000	200,000	1,545,000	1,428,500
Operating Costs	395,000	325,000	720,000	-	720,000	735,000
TOTAL OPERATING EXPENSES	3,641,750	3,546,750	7,188,500	200,000	7,388,500	6,246,500
Furniture & Fittings	5,000	5,000	10,000	-	10,000	10,000
Office Equipment	5,000	5,000	10,000	-	10,000	10,000
Computers & Software	5,000	5,000	10,000	-	10,000	10,000
Electronic Communications Equipment	5,000	-	5,000	-	5,000	10,000
Leasehold Improvements	4,000	4,000	8,000	-	8,000	8,000
TOTAL CAPITAL EXPENDITURE	24,000	19,000	43,000	200,000	43,000	48,000
TOTAL EXPENDITURE	3,665,750	3,565,750	7,231,500	200,000	7,431,500	6,294,500

Please refer to Appendix B for a detailed breakdown of the Electronic Communications and Electricity expenditure budgets for the fiscal year 2020-21, including prior year comparison.

Consultation Question 3: Do you agree with the proposed budget for the RA?
a. If no, please state what you disagree with and provide reasons for your disagreement.

8.2 Proposed Fees and Projected Revenue

i. Electronic Communications services sector

The RA proposes to recommend to the Minister of Home Affairs that an increase in the Electronic Communications Regulatory Authority fee by 0.15%, from 1.75% to 1.90% be approved for the fiscal year 2020-21. This would generate estimated revenues of approximately \$3,760,000 for the RA based on the anticipated annual relevant turnover for 2020-21.

The RA also proposes to recommend to the Minister of Home Affairs that there be no increase in the current level of Government Authorization fees of 3.50% imposed on the Electronic Communications industry under the regulations. The projected revenues for 2020-21 are set out in Table 2 below.

TABLE 2

	Regulatory Authority	Government
Electronic Communications	3,760,000	6,923,000
Spectrum Fees	-	2,441,000
Radio Communications Licences	-	500,000
Handset Fees	-	7,900,000
TOTAL	3,760,000	17,764,000

ii. Electricity sector

The RA's estimated revenues for the 2020-21 fiscal year amounts to \$3,754,000 and are based on the proposed increases in fees above:

- i. Electricity TD&R service provider - no proposed increase;
- ii. Utility Scale Electricity Generation provider (greater than 25 MegaWatts of installed electricity generation capacity) - increase of \$5,500, from \$1,000 to \$6,500;
- iii. Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) - increase of \$5,000, from \$1,500 to \$6,500;
- iv. Waste-to-Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) and – increase of \$500, from \$1,500 to \$2,000;
- v. Renewable Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) – increase of \$500, from \$1,500 to \$2,000;
- vi. Distributed Generation Standard Contract fee - \$2 per kiloWatt of installed capacity;
- vii. Self-supply Generation License provider (greater than 0.5 MegaWatts of installed electricity generation capacity) - \$6,500 per MegaWatt.

With regard to (i) above, the RA notes the following:

The fees imposed on the TD&R service provider represents the majority of the Electricity Regulatory Authority fees. The RA's estimated TD&R revenues for the 2020-21 fiscal year are based on the estimated total kWh sales during the fiscal year. The RA notes that the TD&R service provider may recover from the end-user the fees payable as set out under paragraph (3) of the Schedule per the Electricity (Regulatory Authority Fees) Regulations 2018 by a dedicated charge on the end-user.

The RA proposes to recommend to the Minister of Home Affairs that there be no change in the general regulatory fees under paragraph 1 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2018 for TD&R Service Provider.

With regard to points (i to v) above, the RA notes the following:

The RA's estimated Bulk Electricity revenues for the 2020-21 fiscal year are based on the estimated planned installed power capacity during the fiscal year. The RA proposes to recommend to the Minister of Home Affairs that there be a change in the general regulatory fees under paragraphs 2 to 5 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2018 as shown in sections ii (ii-v) above, payable by the Bulk Electricity Generation Providers.

With regard to (vi - vii.) above, the RA notes the following:

The RA proposes to recommend a new fee for distributed generators to contribute to the cost associated with maintaining the FIT review.

The RA proposes to recommend a new license fee that authorizes the holder to engage in the large-scale self-supply of electricity. The fee will be based on the installed MW capacity.

The RA also proposes to recommend to the Minister of Home Affairs that there be no change in the current Government fees imposed on the electricity industry under the Government Fees Act 1965. The projected revenues for 2020-21 are set out below in Table 3.

TABLE 3

	Regulatory Authority	Government
Transmission, Distribution & Retail	2,685,000	113,000
Utility Scale Bulk Electricity Generation	1,039,000	78,000
Waste-to-Energy Bulk Electricity Generation	23,000	-
Distributed Generation Standard Contract	7,000	
Self-supply Generation License	0	0
TOTAL	3,754,000	191,000

8.3 Description of Budget Categories

i. Operational Expenses

The following categories consist of recurring costs that the RA is expected to incur each year (although the amount budgeted in any category is likely to vary from year-to-year):

- i. **Staff:** This category includes the salaries and benefits for the staff and the honoraria paid to Commissioners.
- ii. **Office Space:** This category includes the rent, service charge, taxes, utilities, and insurance associated with leasing a 7,762-square foot office³ on the 1st Floor, Craig Appin House, 8 Wesley Street, Hamilton. Also included are the associated internet, mobile communications, repairs and maintenance, security and telephone expenses.
- iii. **Office Services:** This category includes bank charges, cleaning, copier maintenance, financial audit, general office supplies, IT service support, kitchen supplies, postage and delivery and stationery expenses.
- iv. **Operating Costs:** This category includes the following sub-categories:
 - a) **Training:** This sub-category includes the costs of training and workshops for the RA Commissioners and members of staff.
 - b) **Consulting and Support Services:** This sub-category includes the costs of the legal, regulatory, and technical support the RA will require in connection with the activity to be carried out in its 2020-21 Work Plan.
 - c) **Meetings and Conferences:** This sub-category includes the costs the RA will incur to conduct and/or participate in meetings and conferences.
 - d) **Subscriptions:** This sub-category includes the cost of books, periodicals, and subscriptions the RA staff will require to remain abreast of industry events and trends.
 - e) **Communication and Stakeholder Management:** This sub-category includes publicizing general, consumer related consultations, costs to maintain the RA's website, education and awareness, marketing and advertising, placement of notices in local publications and press releases in relation to regulatory matters.
 - f) **Provision for Litigation & Enforcement:** This sub-category makes provision for costs related to adverse proceedings, including litigation, in which the RA is involved. It also provides for costs of enforcement proceedings conducted by the RA.
 - g) **Finance Costs:** This sub-category includes finance costs in relation to bank lending facilities or active lines of credit.

ii. Capital Expenditures

The following categories consist of one-time expenses of \$1,000 or more which are required to enable the RA to facilitate its operations:

- i. **Furniture and Fittings:** This category includes the capitalized cost of furniture and fittings for the RA's offices.
- ii. **Office Equipment:** This category includes the capitalized cost of office equipment, such as copier and miscellaneous office equipment.
- iii. **Computers and Software:** This category includes the capitalized cost of the internal computer network, computers and software for the RA's offices.

³ The RA expanded its office space in 2019-2020 to accommodate the staffing requirements.

- iv. **Electronic Communications Equipment:** This category includes the capitalized cost of new specialized radio spectrum equipment.
- v. **Leasehold Improvements:** This category includes the capitalized cost of leasehold improvements for the RA's offices.
- vi. **Property Plant and Equipment:** This category includes the capitalized cost of property, plant and equipment.

9 SERVICE FEES

Section 44(2) of the RAA provides that the Regulatory Authority fees recommended by the RA shall be consistent with the RA's budget and shall include service fees which shall be payable by a sectoral participant in connection with specific functions performed by the RA. Section 44(3) of the RAA states that the service fees recommended by the RA shall be designed to recover from a sectoral participant a reasonable estimate of the cost to the RA of performing the function for which the fee is assessed. The RA proposes to recommend the service fees, as set out below in Table 4, to the Minister for the various applications and service fees under section 44 of the RAA.

TABLE 4

Electricity	
Administration Fees	Proposed Fee
Late Filing Fees	6% of filing
Tariff filing	\$1,500
Concentration Review ⁴	\$30,000
Mergers and Acquisitions filing fee	\$3,000

Electronic Communications	
Administration Fees	Proposed Fee
Application for Licence Exemption	\$500
Late Filing Fees	6% of filing
Concentration Review	\$30,000
Mergers and Acquisitions filing fee	\$3,000
Inspection fees:	
- Network interference investigation	\$1,500
- Radio Frequency Hazard Analysis	\$500

Consultation Question 4: Do you agree with the proposed service fees for the RA?
a. If no, please state what you disagree with and provide reasons for your disagreement.

⁴ In accordance with section 87 of the RAA.

APPENDIX A – CONSULTATION QUESTIONS

CONSULTATION QUESTIONS

Consultation Question 1: Do you agree with the proposed operational functions of the RA?

- a. If no, please state what you disagree with and provide reasons for your disagreement.

Consultation Question 2: Do you agree with the proposed activities of the RA?

- a. If no, please state which activities you disagree with and provide reasons for your disagreement together with any alternative activities.

Consultation Question 3: Do you agree with the proposed budget of the RA?

- a. If no, please state what you disagree with and provide reasons for your disagreement.

Consultation Question 4: Do you agree with the proposed service fees of the RA?

- a. If no, please state what you disagree with and provide reasons for your disagreement.

APPENDIX B – BUDGET BREAKDOWN BY SECTOR

Electronic Communications

In order to provide prior year comparison, the RA's proposed Electronic Communications expenditure budget for fiscal year 2020-21 is set out below in Table 5. The RA's proposed Electronic Communications total expenditure budget for fiscal year 2020-21 increased by \$277,250 (8%) when compared to its approved expenditure budget for the fiscal year 2019-20. Common costs have been allocated evenly between the Electronic Communications and Electricity sectors except for sector-specific designated expenses. The majority of changes in the proposed budget for the fiscal year 2020-21 when compared to the approved budget for 2019-20 are as follows:

- i. A decrease in operating costs of \$58,000 (13%) is primarily due to a decreased amount budgeted for the provision for litigation;
- ii. A decrease of \$71,500 (8%) in consulting services due to the focus on internal capacity versus consultancy in projects undertaken by the RA;
- iii. An anticipated increase in headcount resulting in staff costs increasing by \$343,000 (18%).
- iv. An increase in shared office space expenses of \$54,750 (41%) are due to increased staffing needs along with additional office space.

TABLE 5

				2019-20	Increase/ (decrease)
REVENUES	3,760,000	-	-	3,486,000	(199,200)
Expenses	Total Operations	Extraordinary projects	Total 2020-21	2019-20	Increase/ (decrease)
Employees and Commissioners	2,210,000	-	2,210,000	1,867,000	343,000
Office Space	186,750	-	186,750	132,000	54,750
Office Services	130,000	-	130,000	121,000	9,000
Consulting Services	720,000	80,000	800,000	871,500	(71,500)
Operating Costs	395,000	-	395,000	453,000	(58,000)
TOTAL OPERATING EXPENSES	3,641,750	80,000	3,721,750	3,444,500	277,250
Furniture & Fittings	5,000	-	5,000	5,000	-
Office Equipment	5,000	-	5,000	5,000	-
Computers & Software	5,000	-	5,000	5,000	-
Electronic Communications Equipment	5,000	-	5,000	5,000	-
Leasehold Improvements	4,000	-	4,000	4,000	-
TOTAL CAPITAL EXPENDITURE	24,000	-	24,000	24,000	
TOTAL EXPENDITURE	3,665,750	80,000	3,745,750	3,468,500	277,250

Electricity

In order to provide prior year comparison, the RA's proposed Electricity expenditure budget for fiscal year 2020-21 is set out in Table 6 below. The RA's proposed total Electricity expenditure budget for the fiscal year 2020-21 increased by \$859,750 when compared to its approved expenditure budget for the fiscal year 2019-20. Common costs have been allocated evenly between the Electronic Communications and Electricity sectors except for sector-specific designated expenses.

The majority of changes in the proposed budget for the fiscal year 2020-21 when compared to the approved budget for 2019-20 are as follows:

- i. An increase of \$188,000 (34%) in consulting services due to the RA's heightened focus on regulatory projects surrounding the electricity sector, particularly the initiation of the wind study and solar procurement.
- ii. An anticipated increase in headcount resulting in staff costs increasing by \$548,000 (32%). A further increase in shared office space expenses of \$54,750 (41%) due to increased staffing needs.

TABLE 6

				2019-20	Increase/ (decrease)
REVENUES	3,754,000	-	-	2,866,000	888,000
Expenses	Total Operations	Extraordinary projects	Total 2020-21	2019-20	Increase/ (decrease)
Employees and Commissioners	2,280,000	-	2,280,000	1,732,000	548,000
Office Space	186,750	-	186,750	132,000	54,750
Office Services	130,000	-	130,000	99,000	31,000
Consulting Services	625,000	120,000	745,000	557,000	188,000
Operating Costs	325,000	-	325,000	282,000	43,000
TOTAL OPERATING EXPENSES	3,546,750	120,000	3,666,750	2,802,000	864,750
Furniture & Fittings	5,000	-	5,000	6,000	(1,000)
Office Equipment	5,000	-	5,000	6,000	(1,000)
Computers & Software	5,000	-	5,000	6,000	(1,000)
Leasehold Improvements	4,000	-	4,000	6,000	(2,000)
TOTAL CAPITAL EXPENDITURE	19,000	-	19,000	24,000	(5,000)
TOTAL EXPENDITURE	3,565,750	120,000	3,685,750	2,826,000	859,750