



**FY2020-21**

**Activity Report**

**and**

**Unaudited Condensed Financial Statements**

**From April 1, 2020 - September 30, 2020**

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## **I. INTRODUCTION**

The purpose of this document is to report on the progress of activities of the Regulatory Authority of Bermuda (“the RA”) for the electricity and electronic communications sectors, for the fiscal year 2020-21.

### **STRATEGIC GOALS OF THE RA:**

- To promote and protect the interests of consumers;
- To promote and facilitate sustainable competition; and
- To facilitate Innovation and Investment.

## II.

## RA EXTERNAL ACTIVITIES




### ELECTRICITY SECTOR (E)

To promote and preserve innovation and competition, the following new methodologies were added to the regulatory framework of the electricity sector:


INITIATIVE	STATUS
<b>BULK GENERATION PROCUREMENT RULES:</b> The RA will develop guidelines for the procurement of Bulk Generation that will provide transparency and fairness in the development of new generation resources while delivering the best value for the public interest.	✓ <b>COMPLETED</b>
<b>SOLAR FEASIBILITY AND PROCUREMENT:</b> In consultation with the government, the RA will facilitate the Request for Proposal/Quotation process and procurement of solar PV for commissioning in 2023 as indicated in the IRP.	<b>ONGOING:</b> Completion Date: Q1 2023/24
<b>RETAIL TARIFF REVIEW:</b> The RA will conduct a further retail tariff review according to the Retail Tariff Methodology. The retail tariff review will be updated to factor in significant capital asset changes in the prior period and expected changes in electricity consumption in the upcoming period.	<b>ONGOING:</b> Completion date: Q4 2020/21
<b>ELECTRICITY BULK GENERATION LICENSING:</b> The RA will conduct the licensing process for new generation applications that may be received in the period.	✓ <b>COMPLETED</b>
<b>PRINCIPLES OF CONSUMER PROTECTION:</b> To ensure a single point of reference to protect consumers' interests, promote the delivery of high-quality services and products and encourage best practices in the Electricity sector. That includes: <ul style="list-style-type: none"><li>• Clear marketing and honest advertising</li><li>• The right to cancel a contract within two weeks if unsatisfied with service(s); and</li><li>• Fair treatment and access for Vulnerable Persons</li></ul>	✓ <b>COMPLETED</b>

## ELECTRONIC COMMUNICATIONS SECTOR (EC)

To protect the interests of consumers, and promote and preserve competition in the electronic communications sector, the RA revised and implemented the following to the EC regulatory framework:


INITIATIVE	STATUS
<b>SIGNIFICANT MARKET POWER (“SMP”) REMEDY IMPLEMENTATION:</b> Following the setting of SMP Remedies via general determination in the fiscal year 2019-20, the RA will work to ensure that they are effectively implemented. The RA will work with the sectoral providers, who are obligated to comply with the SMP remedy obligations to ensure a smooth transition. This will require periodic assessment of the remedies imposed.	<b>ONGOING:</b> Completion Date: FY 2021/22
<b>ANNUAL INTEGRATED COMMUNICATION OPERATING LICENCING:</b> The RA will conduct its annual ICOL licensing process should there be a need for additional participants in the Electronic Communications sector.	 <b>COMPLETED</b>
<b>ANNUAL MARKET ANALYSIS:</b> As part of the RA’s ongoing efforts to monitor the sector, the RA will launch an annual market analysis process which will collect, analyse and publish market data from the sectoral providers. This analysis will be published in a report format to provide the public with further insight into the sector.	<b>ONGOING.</b> Completion Date: FY Q2, 2021/22
<b>SECTORAL REVIEW:</b> The RA will conduct its statutory review of the Electronic Communications sector to extract opportunities to improve the governing legislative and regulatory frameworks.	 <b>COMPLETED</b>
<b>New SPECTRUM ALLOCATION:</b> The RA will develop procedures, application forms and licences for spectrum assignment for COL/ICOL and Special Permit Holders.	 <b>COMPLETED</b>
<b>RADIO FREQUENCY STUDY:</b> The RA will conduct a Radio Frequency study, which 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. The evolution of the use of radio frequency spectrum is continuous and the RA must have a current view about how new technologies may impact Bermuda, especially regarding human safety and economic development.	<b>ONGOING:</b> Completion Date: FYQ4, 2020/21

## ELECTRONIC COMMUNICATIONS SECTOR (EC) (continued)

INITIATIVE	STATUS
<p><b>PRINCIPLES OF CONSUMER PROTECTION:</b> To ensure a single point of reference to protect consumers' interests, promote the delivery of high-quality services and products and encourage best practices in the Electricity sector. That includes:</p> <ul style="list-style-type: none"><li>• Clear marketing and honest advertising</li><li>• The right to cancel a contract within two weeks if unsatisfied with service(s); and</li><li>• Fair treatment and access for vulnerable persons</li></ul>	 <b>COMPLETED</b>

## CONSUMER ADVOCACY


To promote and protect the interests of consumers and measure the perspective views of the organizational performance of sectoral providers, the RA has implemented the following initiatives:

INITIATIVE	STATUS
<b>CONSUMER PROTECTION/AWARENESS CAMPAIGN:</b> Develop and launch an integrated awareness/education campaign to inform consumers of their rights and responsibilities in both the Electronic Communications and Electricity Sector.	<b>PENDING: Completion Date: 2021/22</b>
<b>EMERGENCY GENERAL DETERMINATION DURING COVID-19</b> The RA provided strong direction to providers of electronic communications and electricity services, to take the appropriate actions to ensure there is no loss of service as a result of COVID-19. Further, to ensure clarity, the RA implemented an Emergency General Determination ("EGD").	 <b>COMPLETED</b>
<b>TRACKING AND REPORTING:</b> The RA will track and report on the trends of consumer complaints for sectoral providers in the Electronic Communications and Electricity sectors.	<b>ONGOING</b> throughout the year

### III.

## RA INTERNAL ACTIVITIES

### RA INFRASTRUCTURE

ACTIVITY	STATUS
To achieve its legislative responsibilities and Work Plan objectives, the RA will reorganize and/or hire the appropriate personnel, to ensure that performance and organizational goals are met.	 <b>COMPLETED</b>



#### **IV. FINANCIAL HIGHLIGHTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2020 FISCAL YEAR 2020-21**

The Regulatory Authority of Bermuda (“RA”) prepares its financial statements in accordance with public sector accounting standards, which are generally accepted in Bermuda and Canada as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada, and which are subject to an annual audit. Included in this report are the unaudited condensed financial statements for the six-month period ended September 30, 2020.

Shared expenses such as rent, advertising and other office services were allocated amongst the Electricity and Electronic communications sectors on a 50-50 basis. Other expenses, such as salaries are also split between the two sectors on a basis that is deemed reasonable as determined by the Financial Controller and Chief Executive with approval from the Board of Commissioners.

#### **IMPACT OF THE COVID- 19 PANDEMIC**

Due to the anticipated impact on the regulated entities which would directly affect the RA’s revenues for the fiscal year 2020-2021, the following measures were adopted to ensure that the costs are effectively managed:

- a) Projects re-prioritization which involved shifting some initially planned projects for fiscal year 20-21 to the next fiscal year.
- b) Employee cost savings such as suspension of pension and social insurance contributions, a voluntary 5% reduction in employee salaries, suspension of employee professional subscriptions etc. These measures were effected July 1, 2020 with projected annual savings of \$626k.
- c) A consolidated 24% reduction in the Commissioners honoraria effective June 1, 2020 which will result in annual savings of \$120k.
- d) Reduction in all other planned expenditures as per the work plan by 20% which resulted in projected annual savings of \$461k.
- e) Effective July 1, 2020, the Chairman authorized the RA to withhold 10% of his honorarium until the end of the fiscal year. This is projected to generate savings worth \$8k.
- f) In addition to the above, the RA applied for the New Hire Relief (NHR) on August 31, 2020 which was approved on October 14, 2020 for all the new hires during the period April 1, 2018 to March 31, 2021. The quantified impact of this relief for the fiscal year is estimated as \$122k.

## **CONSOLIDATED RESULTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

Overall, the consolidated results for the six-month period ended September 30, 2020 included actual revenues of \$2.975 million, comprising Integrated Communications Operating Licence (“ICOL”) fees of \$1.614 million, Bulk generation (“BG”) and Transmission, Distribution and Retail (“TD&R”) fees of \$1.362 million. The total budgeted revenues for the six-month period ended September 30, 2020 were \$3.160 million with actual revenues being below the budget by \$185k (6%). The revenue shortfall is mainly due to the impact of the COVID -19 Pandemic on the regulated entities.

Overall expenses for the six-month period ended September 30, 2020 were budgeted at \$3.169 million however, the actual total expenses amounted to \$2.716 million, resulting in an underspend of \$453k (14%). This led to a consolidated surplus of \$259k for the six-month period ended September 30, 2020. The accumulated carried forward deficit as of September 30, 2020 was \$11k.

### **ELECTRICITY:**

With respect to the Electricity sector, the RA incurred a total expenditure of \$1.336 million against a corresponding budget of \$1.436 million for the six-month period ended September 30, 2020. This resulted in an underspend of \$100k (7%). Salaries, employee benefits & Commissioners' honoraria, administrative expenses, and Professional services amounted to \$1.281 million which constituted 96% of the total expenditure.

The BG and TD&R electricity fees for the six-month period ended September 30, 2020 amounted to \$1.362 million, as compared to budgeted revenues of \$1.431 million which resulted in a revenue shortfall of \$69k (5%). The decline was largely attributed to the drop in the electricity sales by Bermuda Electric Light Company Ltd (“BELCO”) due to the COVID -19 Pandemic business interruptions.

### **ELECTRONIC COMMUNICATIONS:**

In relation to the Electronic Communications, the RA incurred a total expenditure of \$1.380 million against a corresponding budget of \$1.733 million for the six-month period ended September 30, 2020. This resulted in an underspend of \$352k (20%). Salaries, employee benefits & Commissioners' honoraria, administrative expenses, and Professional services amounted to \$1.325 million which constituted 96% of the total expenditure.

Fees received from the Electronic Communications sector in relation to Integrated Communications Operating Licence holders, totaled \$1.614 million, which was below the budgeted revenues of \$1.730 million by \$116k (7%). The revenue shortfall was attributed to the drop in turnover by the sector largely due to the COVID-19 Pandemic effect on consumption of their services.

**V. UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD  
ENDED SEPTEMBER 30, 2020**

**Re: The Regulatory Authority Unaudited Condensed Financial Statements for the Six-  
Month Period Ended September 30, 2020**

In the interest of openness, good governance, transparency and pursuant to the Public Access to Information Act 2010, the Regulatory Authority of Bermuda provides the enclosed Unaudited Condensed Financial Statements for the Six-Month Period Ended September 30, 2020.

These unaudited quarterly financial statements were approved by the Board of Commissioners and signed on its behalf by:



Denton Williams, Chief Executive  
Date : January 25, 2021



Mark Fields, Chairman  
Date : January 25, 2021

## VI. STATEMENT OF FINANCIAL POSITION

REGULATORY AUTHORITY

### STATEMENT OF FINANCIAL POSITION

As at September 30, 2020  
(Expressed in Bermuda dollars)

	Unaudited September 30, 2020 \$	Unaudited March 31, 2020 \$
<b>FINANCIAL ASSETS</b>		
Cash	4,810,921	6,442,927
Accounts receivable	6,987,332	6,632,452
	<u>11,798,253</u>	<u>13,075,379</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	261,793	510,808
Bank borrowing (Note 6)	1,016,472	1,016,063
Due to the Government of Bermuda (Note 5)	9,386,341	10,097,832
Obligation under capital lease	11,345	13,847
Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 5)	29,056	722,950
	<u>10,705,007</u>	<u>12,361,500</u>
<b>NET FINANCIAL ASSETS</b>	<u>1,093,246</u>	<u>713,879</u>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Notes 3)	773,598	876,422
Prepaid expenses	60,317	78,189
	<u>833,915</u>	<u>954,611</u>
<b>ACCUMULATED SURPLUS (Note 4)</b>	<u>1,927,161</u>	<u>1,668,490</u>

The accompanying notes and schedules are an integral part of these financial statements.

## VII. STATEMENT OF OPERATIONS

REGULATORY AUTHORITY

STATEMENT OF OPERATIONS

For the six-month period ended September 30, 2020  
(Expressed in Bermuda dollars)

	2020	Unaudited September 30, 2020	Unaudited September 30, 2019
	Budget (Note 9)	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Integrated Communications Operating Licences (Note 7)	1,730,000	1,613,543	1,771,947
Fees from Transmission, Distribution and Retail, and Bulk Generation Licences (Note 8)	1,430,500	1,361,617	1,536,944
Interest earned	-	6	-
	<u>3,160,500</u>	<u>2,975,166</u>	<u>3,308,891</u>
EXPENSES			
Salaries, employee benefits & Commissioners' honoraria		1,498,251	1,589,296
Professional services		781,058	697,641
Administrative expenses		326,931	684,335
Amortization of tangible capital assets		110,255	62,924
	<u>3,169,050</u>	<u>2,716,495</u>	<u>3,034,196</u>
(DEFICIT) SURPLUS FOR THE PERIOD	<u>(8,550)</u>	<u>258,671</u>	<u>274,695</u>

The accompanying notes and schedules are an integral part of these financial statements.

## VIII. STATEMENT OF CASH FLOWS

### REGULATORY AUTHORITY

### STATEMENT OF CASH FLOWS

For the six-month period ended September 30, 2020

(Expressed in Bermuda dollars)

	Unaudited September 30, 2020 \$	Unaudited March 31, 2020 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Deficit for the period	258,671	(300,810)
Adjustment for items not affecting cash:		
Amortization of tangible capital assets	110,255	116,438
	<u>368,926</u>	<u>(184,372)</u>
Changes in non-cash working capital:		
Increase in accounts receivable	(354,880)	(101,543)
Decrease (Increase) in prepaid expenses	17,872	(14,594)
Decrease in Project Fund (Note 4)	-	(229,941)
(Decrease) Increase in accounts payable and accrued liabilities	(249,015)	124,641
Increase in Bank borrowing	409	1,016,063
(Decrease) Increase in due to the Government of Bermuda	(1,405,385)	4,762,441
(Decrease) Increase in obligation under capital lease	(2,502)	13,272
	<u>(1,624,575)</u>	<u>5,385,967</u>
<b>CASH FLOWS FROM CAPITAL ACTIVITIES</b>		
Acquisition of tangible capital assets	(7,431)	(706,232)
	<u>(7,431)</u>	<u>(706,232)</u>
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(1,632,006)</b>	<b>4,679,735</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>6,442,927</b>	<b>1,763,192</b>
<b>CASH AT END OF PERIOD</b>	<b>4,810,921</b>	<b>6,442,927</b>

The accompanying notes and schedules are an integral part of these financial statements.

## **IX. NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2020**

### **1. AUTHORITY AND PURPOSE**

The Regulatory Authority of Bermuda ("RA") was established under the Regulatory Authority Act 2011 ("RAA"), as amended.

The RA commenced operations on January 28, 2013, and currently operates as an electronic communications and electricity regulator under the Electronic Communications Act 2011 ("ECA") and Electricity Act 2016 ("EA") respectively. Effective October 28, 2016, the EA came into effect and transferred responsibility for the regulation of electricity from the Energy Commission to the RA.

The principal functions of the RA, in relation to any industry sector that it regulates, are:

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

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The RA's financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. For financial reporting purposes, the RA is classified as an "other government organization" and has adopted accounting policies appropriate for this classification. The policies considered particularly significant are as follows:

#### **(a) Revenue recognition**

##### **(i) Electronic Communications sector**

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

The RA derives revenues from Integrated Communication Operating Licenses ("ICOLs") which are based on actual returns received and an accrued estimate relating to carriers which are required by the ECA to file returns and remit the related ICOL fees.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Revenue recognition (continued)

#### (i) Electronic Communications sector (continued)

Fees collected on behalf of the Government of Bermuda (the “Government”) for Class licenses are not recognized as revenue, but rather recorded as amounts due to Government.

#### (ii) Electricity sector

Revenues from the electricity sector are derived from Transmission, Distribution and Retail (“TD&R”) licenses as well as Bulk Generation licenses. These revenues are based on returns received, and an accrued estimate for carriers required by the EA to file returns and remit fees. These estimates have been made by management using information available to the RA.

### (b) Expenses

Expenses are recognized when, and to the extent that, the goods or services were received. Expenses are measured at the fair value of the consideration paid or payable.

### (c) Cash

Cash includes all cash on deposit with financial institutions and can be withdrawn without prior notice or penalty.

### (d) Tangible capital assets including capital lease and amortization.

Tangible capital assets are recorded at cost less accumulated amortization. The cost of a tangible capital asset consists of its purchase price and costs directly attributable to making the asset ready for its intended use.

Obligations under capital leases are recorded at the present value of the minimum lease payments excluding executor costs (e.g., insurance, maintenance cost, etc.). The discount rate used to determine the present value of the lease payments is the RA’s rate for incremental borrowing.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Tangible capital assets including capital lease and amortization (continued)

Amortization is computed using the straight-line method over the estimated useful lives of the tangible capital assets as follows:

Furniture and fittings	10 years
Office equipment	5 years
Leasehold improvements	5 years
Electronic communications equipment	5 years
Computers and software	3 years

The estimated useful life of an asset is the period over which the RA expects to obtain economic benefits or service potential from the asset. This is specific to the RA and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognized on a prospective basis.

Tangible capital assets are written down when conditions indicate that they no longer contribute to the RA's ability to provide services, or when the value of the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-down is accounted for as an expense in the statement of operations and accumulated surplus.

### (f) Leases

Leases are classified as capital leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Lease incentives are recognized as a reduction of rentals on a straight-line basis over the lease term.

### (g) Funds and reserves

Certain amounts, as stipulated in the Act, are set aside from the accumulated surplus for future operating and capital purposes. Transfers to/from funds and reserves are an adjustment to the respective fund when approved.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Foreign currencies

The RA's functional and presentation currency is the Bermuda dollar.

Transactions denominated in foreign currencies are translated into Bermuda dollars at the prevailing exchange rates on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the year-end date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the statement of operations and accumulated surplus.

### (i) Financial instruments

The RA's financial instruments consist of cash, accounts receivable, accounts payable, amounts due to/from the Government of Bermuda and distribution payable to the Consolidated Fund of the Government of Bermuda (the "Consolidated Fund"). These financial instruments are measured at cost or amortized cost.

### (j) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current period and are not intended for sale in the normal course of operations.

### (k) Measurement uncertainty

The RA's financial statements are prepared in accordance with public sector accounting standards generally accepted in Bermuda and Canada. These standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of estimates include determination of the estimated useful lives of tangible capital assets and accruals. Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from these estimates.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(l) Remeasurement gains and losses**

The RA has no transactions that would result in remeasurement gains and losses. Therefore, no statement of remeasurement gains and losses has been prepared.

### **(m) Changes in accounting standards**

On April 1, 2018, the following new standard was adopted:

Restructuring Transactions, PS 3430 – Establishes standards for recognizing and measuring assets and liabilities transferred in a restructuring transaction.

The adoption of the above accounting standard had no impact on the financial statements.

### 3. TANGIBLE CAPITAL ASSETS

	Furniture and fittings	Office equipment	Electronic communica- tions equipment	Computers and software	Office equipment under capital lease	Leasehold improvement s	Total
	\$	\$	\$	\$	\$	\$	\$
Opening cost - April 1, 2020	175,519	25,673	228,898	146,458	28,278	647,032	1,251,858
Additions	-	-	-	4,414	-	3,017	7,431
Closing cost - September 30, 2020	175,519	25,673	228,898	150,872	28,278	650,049	1,259,289
Opening accumulated amortization - April 1, 2020	55,882	8,415	120,404	112,645	13,263	64,827	375,436
Amortization	8,776	767	22,890	9,271	3,546	65,005	110,255
Closing accumulated amortization - September 30, 2020	64,658	9,182	143,294	121,916	16,809	129,832	485,691
Net book value - September 30, 2020	110,861	16,491	85,604	28,956	11,469	520,217	773,598

	Furniture and fittings	Office equipment	Electronic communica- tions equipment	Computers and software	Office equipment under capital lease	Leasehold improvement s	Total
	\$	\$	\$	\$	\$	\$	\$
Opening cost - April 1, 2019	109,028	6,324	228,898	129,055	13,263	59,058	545,626
Additions	66,491	19,349	-	17,403	15,015	587,974	706,232
Closing cost - March 31, 2020	175,519	25,673	228,898	146,458	28,278	647,032	1,251,858
Opening accumulated amortization - April 1, 2019	43,340	6,324	74,624	97,382	7,763	29,565	258,998
Amortization	12,542	2,091	45,780	15,263	5,500	35,262	116,438
Closing accumulated amortization - March 31, 2020	55,882	8,415	120,404	112,645	13,263	64,827	375,436
Net book value - March 31, 2020	119,637	17,258	108,494	33,813	15,015	582,205	876,422

#### 4. ACCUMULATED SURPLUS

Funds and reserves: Pursuant to Section 41 of the Act, in any year in which the RA realizes a net surplus, the RA, after recouping any net losses brought forward from prior years (subject to the approval of all Ministers responsible for regulated industry sectors), shall transfer any remaining surplus in the following manner:

- a) 50% shall be transferred to the Consolidated Fund;
- b) 25% shall be transferred to paid-up capital of the RA; and
- c) 25% shall be transferred to the Reserve Fund.

Pursuant to Section 40 of the Act, in any financial year in which the RA incurs a loss and the Reserve Fund is not sufficient to meet the loss, the RA may carry forward and recoup the losses from any future surplus, before payment is made to the Consolidated Fund.

The Paid-up capital together with the Reserve Fund is not to exceed the RA's authorized capital of \$3.5 million. Any excess surplus must be paid to the Consolidated Fund. The sum of the Paid-up capital and Reserve Fund as of September 30, 2020 was \$1,361,474. (March 31, 2020: \$1,361,474.)

In 2013, the Government paid the RA \$1 million as initial paid-up capital. The \$1 million was paid with the intent that the RA would have funding until collecting sufficient revenues to cover operating expenses as per section 111 (b)(ii) of the Act.

On December 5, 2018, the RA was granted approval by the Minister of Home Affairs to carry forward realized deficits incurred on or before March 31, 2018. The accumulated deficit as of September 30, 2020 was \$11,138 (March 31, 2020: \$269,809).

On March 22, 2019, the RA was granted approval by the Minister of Finance to create a Litigation Reserve Fund and a Project Fund. The Litigation Reserve Fund was approved to hold up to a maximum of one million, five hundred thousand dollars (\$1.5 million) and the Project Fund to hold monies for stated work plan projects and projects in progress.

The provisions for the Litigation Reserve Fund and the Project Fund as of September 30, 2020 amounted to \$263,341 (March 31, 2020: \$263,341) and \$313,814 (March 31, 2020: \$313,814) respectively.

#### 4. ACCUMULATED SURPLUS (continued)

The movements in Operating Fund, Initial paid-up capital, Paid-up capital, Reserve Fund, Litigation Reserve Fund, Project Fund and Accumulated annual deficit balances as of September 30, 2020 were as follows:

	Operating Fund	Initial paid-up capital	Paid-up capital	Reserve Fund	Deficit carry-forward Special Fund	Litigation Reserve Fund	Project Fund	Total
	\$	\$	\$	\$	\$	\$	\$	\$
ACCUMULATED SURPLUS,								
BEGINNING OF PERIOD	-	1,000,000	361,474	-	(269,809)	263,341	313,484	1,668,490
Surplus for the period	258,671	-	-	-	-	-	-	258,671
Intra-fund transfers	(258,671)	-	-	-	258,671	-	-	-
ACCUMULATED SURPLUS,								
AT September 30, 2020	-	1,000,000	361,474	-	(11,138)	263,341	313,484	1,927,161

## 5. RELATED PARTY TRANSACTIONS

The RA is associated with certain Government ministries and departments and enters transactions with these entities in the normal course of business where such transactions are measured at the exchange amount which is the amount of consideration established and agreed by the related parties.

Fees are collected by the RA on behalf of the Government. These fees include the Government authorization, spectrum reference, class license and cellular telephone fees and are established by the Minister of Finance pursuant to the Government Fees Act 1965, as amended.

### (a) Balances due to the Government of Bermuda.

	Due to the Government of Bermuda as at September 30, 2020	Due to the Government of Bermuda as at March 31, 2020
	\$	\$
GEHI and PSSF	-	11
Payroll tax	100,120	139,004
Social insurance	-	5,101
ICOLs, handset and spectrum fees	8,321,927	8,753,971
TD&R and bulk generation fees	101,289	143,033
Class licenses	170,674	364,381
	<u>8,694,010</u>	<u>9,405,501</u>

The balance due to government as of September 30, 2020 includes quarter 2 (July to September 2020) ICOLs, handset and spectrum fees of \$4,259,851 and TD&R and bulk generation fees of \$54,884 which were due from the license holders on November 30, 2020.

## 5. RELATED PARTY TRANSACTIONS (continued)

### (b) Balance due from Telecommunications (Bermuda & West Indies) Limited ("Digicel")

	Balance at beginning of the period April 1, 2020	Receipts during the six-month period ended September 30, 2020	Payments/ Remittance made during the six-month period ended September 30, 2020	Balance at the at the end of the six-month period ended September 30, 2020
	\$	\$	\$	\$
Handset fees due from Digicel and due to the Government of Bermuda	614,921	-	-	614,921

On May 14, 2020, the RA received a payment plan from Digicel regarding the withheld handset fees of \$614,921 from the fee filing submitted on the 28 February 2017. This balance is entirely due to government and will be remitted accordingly upon receipt.

The amount is outstanding due to a legacy dispute case which was subsequently resolved.

### (c) Balance due to Government in relation to the GlobeNet Cobos Submarinos Bermuda Ltd ("GlobeNet") generated revenue from the Indefeasible Right of Use ("IRU") agreement between TeleBermuda International Limited ("TBI") and GlobeNet during the period April 2013 to December 2017. The corresponding total ICOL fees amounting to \$135,603 were paid by GlobeNet on July 13, 2020.

	Balance at beginning of the period April 1, 2020	Receipts during the six-month period ended September 30, 2020	Payments/ Remittance made during the six-month period ended September 30, 2020	Balance at end of the six-month period ended September 30, 2020
	\$	\$	\$	\$
ICOL fees due to government in relation to the GlobeNet IRU with TBI	77,410	-	-	77,410



## 5. RELATED PARTY TRANSACTIONS (continued)

(d) Distribution payable to the Consolidated Fund of the Government of Bermuda:

	Balance at beginning of the period April 1, 2020	Distribution to the Consolidated Fund as at September 30, 2020	Remittance made during the six-month period ended September 30, 2020	Balance at the end of the six-month period ended September 30, 2020
	\$	\$	\$	\$
Distribution payable to the Consolidated Fund of the Government of Bermuda	(29,056)	-	-	(29,056)

The RA remitted \$693,854 to the Consolidated Fund on April 1, 2020, being the amount owed for the period April 1, 2013 to March 31, 2018.

## 6. BANK BORROWING

Bank borrowing consists of the following:

	September 30, 2020	March 31, 2020
	\$	\$
Clarien Bank Limited Revolving Line of Credit Facility	1,016,472	1,016,063

On October 24, 2019, the Ministry of Finance issued a letter of comfort to Clarien Bank Limited approving the borrowing of \$1,500,000 by the RA to assist in short-term working capital requirements. On November 25, 2019, the RA established a Revolving Line of Credit with Clarien Bank Limited in the amount of \$1,500,000. This facility which expires September 30, 2021 bears a fixed interest of 5.0% per annum. As of September 30, 2020, the RA had a drawdown of \$1,015,081 and interest due of \$1,391 (March 31, 2020: \$1,015,081 and interest due of \$982).

## 7. FEES FROM INTEGRATED COMMUNICATIONS OPERATING LICENCES

The Regulatory Authority fees were maintained at 1.75% of the ICOL holders' relevant turnover for the year from April 1, 2020 to March 31, 2021 in accordance with the Electronic Communications (Regulatory Authority Fees) Regulations 2018.

## **8. FEES FROM TRANSMISSION, DISTRIBUTION AND RETAIL, AND BULK GENERATION LICENCES**

The RA began receiving fees for the regulation of the electricity sector effective April 1, 2017. TD&R fees are based on total KWH sales throughout the period and are calculated at a rate of \$0.00475 per kWh. Bulk Generation fees are based on total MW of installed capacity and are calculated at a rate of \$1,000 per MW for Utility Scale Electricity Generation and \$1,500 per MWh for Waste-to-Energy generation. These fees are in accordance with the Electricity (Regulatory Authority Fees) Regulations 2018.

## **9. BUDGET**

The budgeted expenditures for the fiscal year April 1, 2020 to March 31, 2021 were \$3,465,350 (Prorated for the six-month period ended September 30, 2020 in Schedule 1: \$1,732,675) for the electronic communications sector and \$2,872,750 (Prorated for the quarter ended September 30, 2020 in Schedule 2: \$1,436,375) for the electricity sector. This budget was approved by the Minister of Economic Development on March 27, 2020.

**SCHEDULE I**

**STATEMENT OF OPERATIONS**

**ELECTRONIC COMMUNICATIONS SECTOR**

REGULATORY AUTHORITY  
SCHEDULE 1  
STATEMENT OF OPERATIONS: ELECTRONIC COMMUNICATIONS SECTOR

For the six-month period ended September 30, 2020  
(Expressed in Bermuda dollars)

	2020	Unaudited September 30, 2020	Unaudited September 30, 2019
	Prorated Budget (Note 9)	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Integrated Communications			
Operating Licences (Note 7)	1,730,000	1,613,543	1,771,947
Interest earned	-	6	-
	<u>1,730,000</u>	<u>1,613,549</u>	<u>1,771,947</u>
EXPENSES			
Salaries, employee benefits & Commissioners' honoraria		729,309	774,062
Professional services		434,485	333,463
Administrative expenses		161,353	326,155
Amortization of tangible capital assets		55,127	31,462
	<u>1,732,675</u>	<u>1,380,274</u>	<u>1,465,142</u>
(DEFICIT) SURPLUS FOR THE PERIOD	<u>(2,675)</u>	<u>233,275</u>	<u>306,805</u>

**SCHEDULE II**

**STATEMENT OF OPERATIONS**

**ELECTRICITY SECTOR**

REGULATORY AUTHORITY  
SCHEDULE 2  
STATEMENT OF OPERATIONS : ELECTRICITY SECTOR

For the six-month period ended September 30, 2020  
(Expressed in Bermuda dollars)

	2020	Unaudited September 30, 2020	Unaudited September 30, 2019
	Prorated Budget (Note 9)	Actual	Actual
	\$	\$	\$
REVENUES			
Fees from Transmission, Distribution and Retail, and Bulk Generation Licences (Note 8)	1,430,500	1,361,617	1,536,944
	<u>1,430,500</u>	<u>1,361,617</u>	<u>1,536,944</u>
EXPENSES			
Salaries, employee benefits & Commissioners' honoraria		768,942	815,234
Professional services		346,573	364,178
Administrative expenses		165,578	358,180
Amortization of tangible capital assets		55,128	31,462
	<u>1,436,375</u>	<u>1,336,221</u>	<u>1,569,054</u>
(DEFICIT) SURPLUS FOR THE PERIOD	<u>(5,875)</u>	<u>25,396</u>	<u>(32,110)</u>