



REGULATORY AUTHORITY
OF BERMUDA

SIX-MONTH REPORT

April 1, 2021 – September 20, 2021

- ▷ Activity Report
- ▷ Consumer Complaints Report
- ▷ Unaudited Condensed Financial Statements

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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 2021-22.

THEY ARE:

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

NOTE:

*This report contains the RA’s activities and the Unaudited Condensed Financial Statements from **April 1, 2021 to September 30, 2021.***

II. RA ACTIVITIES

ELECTRICITY SECTOR (E) ACTIVITIES

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

INITIATIVE	STATUS
IRP GUIDANCE to determine what electricity generating technologies should be included and/or excluded in the Integrated Resource Plan (“IRP”) Proposal, as well as types of fuels that can be used in generating electricity, demand side resources, time frames, outputs and any other aspects of the assumptions for the IRP	✓ COMPLETED
RETAIL TARIFF REVIEW: The RA will conduct a review of the retail tariff according to the Retail Tariff Methodology. The 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.	✓ COMPLETED


ELECTRONIC COMMUNICATIONS SECTOR (EC) ACTIVITIES

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
RADIOFREQUENCY & 5G SAFETY: After an extensive review process, the RA’s Board of Commissioners lifted the moratorium to allow 5G technology to be deployed in Bermuda. This decision is based on the compelling benefits that consumers and local and international businesses will reap – such as enhanced mobility, connectivity, reliability, and security, and includes strict safety measures and adherence to appropriate safety standards as referenced by several international standards’ bodies.	✓ COMPLETED

CONSUMER ADVOCACY ACTIVITIES

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
TRACKING AND REPORTING on the trends of consumer complaints for sectoral providers in the Electronic Communications and Electricity sectors.	ONGOING throughout the year
PRINCIPLES OF CONSUMER PROTECTION AWARENESS CAMPAIGN: 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, which includes: <ul data-bbox="217 783 675 940" style="list-style-type: none">● clear marketing● honest advertising● fair treatment● access for vulnerable persons	 COMPLETED

III. CONSUMER COMPLAINTS SIX-MONTH REPORT

FY2021–2022, APRIL–SEPTEMBER 2021

As part of its regulatory functions, the RA receives routinely escalated consumer complaints in both the electricity and electronic communications sectors regarding the quality of service received from their providers, both regulated and non-regulated. The following information is a high-level composite of the amount and types of complaints received as well as the average number of days to resolve them.

I. RANKING OF CONSUMER COMPLAINTS BY CATEGORY

RANKING	CATEGORY OF CONSUMER COMPLAINTS FY2020 - 2021	SERVICE PROVIDER WITH THE HIGHEST # OF COMPLAINTS (PER CATEGORY OF COMPLAINT)
1	Billing	Digicel
2	Technical	Bluewave, Digicel & Onecomm
3	Customer service	Onecomm
4	Rates	N/A
5	Marketing	N/A

Note: Complaints are chronologically listed above from the highest number of complaints, per Service Provider, to lowest. (See [Page 7](#) for a list of regulated Service Providers and definitions of each complaint category).

II. RECORD OF COMPLAINTS BY SERVICE PROVIDER & CATEGORY

SERVICE PROVIDER	BILLING	TECHNICAL	CUSTOMER SERVICE	RATES	MARKETING
BELCO	5	1	0	0	0
Bluewave	1	2	0	0	0
BTC (A Digicel Company)	4	1	0	0	1
Digicel	7	2	0	0	0
Link Bermuda	0	0	1	0	0
OneComm	1	2	2	0	0
CATEGORY TOTALS:	18	8	3	0	1

III. OUTCOME OF ALL COMPLAINTS RECEIVED BY CATEGORY

OUTCOME OF ALL COMPLAINTS FY2020 – 2021	TOTAL OF ALL INQUIRIES, COMPLAINTS & DISPUTES	PROVIDED WITH CONSUMER EDUCATION OR REDIRECTED TO SERVICE PROVIDER	DISPUTES FULLY RESOLVED	DISPUTES REFERRED TO ARBITRATION OR ADJUDICATION	DISPUTES FORMALLY DISMISSED W/O MERIT
BILLING	18	17	1	0	0
TECHNICAL	8	5	2	1	0
CUSTOMER SERVICE	3	3	0	0	0
RATES	0	0	0	0	0
MARKETING	1	0	0	1	0
CATEGORY TOTALS:	30	25	3	2	0

IV. BREAKDOWN OF COMPLAINTS INVESTIGATED BY MONTH & CATEGORY

Note: The number of complaints investigated relates to disputes that were either fully resolved, referred to arbitration or adjudication, or formally dismissed. The complaints that were not investigated were provided with consumer guidance or redirected to address their concerns with their sectoral provider.

APRIL 2021

In April, the RA also received (4) billing, (1) technical and (1) customer service complaints against Service Providers in the Electronic Communications sector.

SECTORAL PROVIDER	NUMBER OF COMPLAINTS INVESTIGATED	% OF TOTAL COMPLAINTS INVESTIGATED	TYPE OF COMPLAINT	AVERAGE NUMBER OF DAYS TO RESOLUTION
Bluewave	2	100%	Technical	4
TOTAL	2	100%		4

MAY 2021

In May, the RA received (3) billing complaints against Service Providers in the Electronic Communications sector.

JUNE 2021

In June, the RA received (2) customer service, (1) billing, and (1) technical complaints against Service Providers in the Electronic Communications sector; and (1) billing complaint against a Service Provider in the Electricity sector.

JULY 2021

In July, the RA also received (2) billing complaints against a Service Provider in the Electronic Communications sector; and (1) billing and (1) technical complaints against a Service Provider in the Electricity sector.

SECTORAL PROVIDER	NUMBER OF COMPLAINTS INVESTIGATED	% OF TOTAL COMPLAINTS INVESTIGATED	TYPE OF COMPLAINT	AVERAGE NUMBER OF DAYS TO RESOLUTION
BTC	1	100%	Billing	2
TOTAL	1	100%		2

AUGUST 2021

In August, the RA received (2) billing and (2) technical complaints against Service Providers in the Electronic Communications sector; and (2) billing complaints against a Service Provider in the Electricity sector.

SEPTEMBER 2021

In September, the RA received (1) technical and (1) marketing complaint against Service Providers in the Electronic Communications sector; and (1) billing complaint against a Service Provider in the Electricity sector.

REGULATED SERVICE PROVIDERS

ELECTRICITY SECTOR: BELCO

ELECTRONIC COMMUNICATIONS SECTOR:

Bluewave	Link Bermuda
BTC (a Digicel Company)	LiveNet
Digicel	One Communications
East End Telecom	Paradise Mobile
Electronic Communications Ltd.	TBI
Horizon Communications	WOW

DEFINITION OF COMPLAINT CATEGORIES

BILLING: Allegations against Service Providers regarding unfair billing practices, including but not limited to:

- inaccurate and/or excessive charges being billed to Consumers; and
- termination of service due to incorrect billing and/or credit issues.

TECHNICAL: Disruption or loss of service due to technical issues with the Service Provider, including but not limited to:

- faulty lines and/or network service issues;
- network maintenance and/or physical repair works; and
- installation and/or portability issues.

CUSTOMER SERVICE: Allegations from Consumers that they have received poor or discriminatory customer service from a Service Provider.

RATES: Queries and/or complaints against Service Providers regarding rate increases and/or billable charges.

MARKETING: Unclear or false advertising, whereby the Service Provider is alleged to have made dishonest claims about their product(s) or service(s) and/or deliberately withheld relevant information that could have influenced the Consumer's decision-making process with regards to purchasing the Service Provider's product(s) or signing up for service(s).

IV. FINANCIAL HIGHLIGHTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2021, FISCAL YEAR 2021-22

The Regulatory Authority of Bermuda (“the 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, 2021.

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

The following measures were adopted to ensure that the costs are effectively managed:

- a) Voluntary employee contributions in form of suspension of pension and social insurance contributions for the period April 1 to June 30, 2021. The quantified savings amounted to \$32k.
- b) The RA applied for the New Hire Tax Relief 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. On May 14, 2021, the exemption was extended to cover all new hires until March 31, 2022. The quantified impact of this relief for the fiscal year ending March 31, 2022, is \$194k.

CONSOLIDATED RESULTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2021

Overall, the consolidated results for the six-month period ended September 30, 2021, included actual revenues of \$3.443 million, comprising of Integrated Communications Operating License (“ICOL”) and service fees of \$1.591 million, Transmission, Distribution and Retail (“TD&R”) fees of \$1.762 million, Bulk Generation (“BG”) fees of \$80k and Electricity sector service fees of \$10k. The total budgeted revenues for the six-month period ended September 30, 2021, were \$3.403 million with actual revenues being above the budget by \$40k (1%).

Overall expenses for the six-month period ended September 30, 2021, were budgeted at \$3.366 million, however the actual total expenses amounted to \$2.592 million, resulting in an underspend of \$774k (23%). This led to a consolidated surplus of \$851k for the six-month period ended September 30, 2021.

The consolidated surplus is largely attributed to the underspend of \$568k on the Projects consultancy budget stemming from the timing difference between the start dates of some planned projects and the prorated budget. The annual surplus will be allocated accordingly between the Project Fund and the Litigation Reserve Fund as at March 31, 2022.

ELECTRONIC COMMUNICATIONS SECTOR:

In relation to the Electronic Communications, the RA incurred a total expenditure of \$1.338 million against a corresponding budget of \$1.608 million for the six-month period ended September 30, 2021. This resulted in an underspend of \$270k (17%). Salaries, employee benefits & Commissioners' honoraria, administrative expenses, and Professional services amounted to \$1.270 million which constituted 95% of the total expenditure.

Fees received from the Electronic Communications sector in relation to Integrated Communications Operating License holders, totaled \$1.591 million which was below the budgeted revenues of \$1.638 million by \$46k (3%). 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.

ELECTRICITY SECTOR

With respect to the Electricity sector, the RA incurred a total expenditure of \$1.255 million against a corresponding budget of \$1.759 million for the six-month period ended September 30, 2021. This resulted in an underspend of \$504k (29%). Salaries, employee benefits & Commissioners' honoraria, administrative expenses, and Professional services amounted to \$1.210 million which constituted 96% of the total expenditure.

The BG, TD&R electricity license fees and service fees for the six-month period ended September 30, 2021, amounted to \$1.852 million, as compared to budgeted revenues of \$1.766 million which resulted in a revenue increase of \$87k (5%). The increase was largely attributed to the increase in the electricity sales by Bermuda Electric Light Company Limited ("BELCO") in quarter 2 (July to September 2021) following the easing of the COVID-19 Restrictions.

V. UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2021

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, 2021.

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



Denton Williams, Chief Executive

Date: December 15, 2021



Michael Wells, Chairman

Date: December 15, 2021

VI. STATEMENT OF FINANCIAL POSITION

As at September 30, 2021
(Expressed in Bermuda dollars)

	Unaudited September 30, 2021	Unaudited March 31, 2021
	\$	\$
FINANCIAL ASSETS		
Cash	2,400,744	3,234,438
Accounts receivable	6,937,734	6,365,023
Due from the Government of Bermuda (Note 5)	10,099	7,730
	9,348,577	9,607,191
LIABILITIES		
Accounts payable and accrued liabilities	282,612	330,627
Bank borrowing (Note 6)	-	1,001,507
Due to the Government of Bermuda (Note 5)	6,777,265	6,831,156
Obligation under capital lease	6,532	9,030
Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 5)	-	29,056
	7,066,409	8,201,376
NET FINANCIAL ASSETS	2,282,168	1,405,815
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 3)	579,437	667,278
Prepaid expenses	164,000	101,724
	743,437	769,002
ACCUMULATED SURPLUS (NOTE 4)	3,025,605	2,174,817

VII. STATEMENT OF OPERATIONS

For the six-month period ended September 30, 2021
(Expressed in Bermuda dollars)

	Budget (Note 9)	Unaudited September 30, 2021 Actual \$	Unaudited September 30, 2020 Actual \$
REVENUES			
Fees from Integrated Communications Operating Licences (Note 7)	1,637,500	1,588,827	1,613,543
Fees from Transmission, Distribution and Retail Licences (Note 8)	1,650,950	1,762,151	1,253,167
Fees from Bulk Generation Licences (Note 8)	84,550	80,050	108,450
Service fees from the Electricity Sector	30,000	10,000	-
Service fees from the Electronic Communications Sector	-	2,400	-
Interest Earned	-	5	6
	<u>3,403,000</u>	<u>3,443,433</u>	<u>2,975,166</u>
Expenses			
Salaries, employees benefits & Commissioners' honoraria		1,646,954	1,498,251
Professional services		405,167	781,058
Administrative expenses		428,605	326,931
Amortization of tangible capital assets		111,919	110,255
	<u>3,366,351</u>	<u>2,592,645</u>	<u>2,716,495</u>
SURPLUS FOR THE PERIOD	<u>36,649</u>	<u>850,788</u>	<u>258,671</u>

VIII. STATEMENT OF CASH FLOWS

As at September 30, 2021
(Expressed in Bermuda dollars)

	Unaudited September 30, 2021	Unaudited March 31, 2021
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus for the period	850,788	505,862
Adjustments for items not affecting cash:		
Amortization of tangible capital assets	111,919	220,569
	<hr/> 962,707	<hr/> 726,431
Changes in non-cash working capital:		
(Increase) Decrease in accounts receivable	(572,711)	271,479
Increase in due from the Government of Bermuda	(2,369)	(7,730)
Decrease in Distribution payable to the Consolidated Fund of the Government of Bermuda (Note 5)	-	(693,894)
Increase in prepaid expenses	(62,276)	(23,535)
Decrease in accounts payable and accrued liabilities	(48,015)	(179,716)
Decrease in Bank borrowing	(1,001,507)	(14,556)
Decrease in due to the Government of Bermuda	(82,947)	(3,270,726)
Decrease in obligation under capital lease	(2,498)	(4,817)
	<hr/> (809,616)	<hr/> (3,197,064)
CASH FLOWS FROM CAPITAL ACTIVITIES		
Acquisition of tangible capital assets	(24,078)	(11,425)
	<hr/> (24,078)	<hr/> (11,425)
Cash flows used in capital activities	(24,078)	(11,425)
	<hr/> (24,078)	<hr/> (11,425)
NET DECREASE IN CASH	(833,694)	(3,208,489)
CASH, BEGINNING OF THE PERIOD	3,234,438	6,442,927
	<hr/> 2,400,744	<hr/> 3,234,438
CASH AT THE END OF PERIOD	<hr/> <hr/> 2,400,744	<hr/> <hr/> 3,234,438

IX. NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED SEPTEMBER 30, 2021

1. AUTHORITY AND PURPOSE

The Regulatory Authority of Bermuda (“the RA”) was established under the Regulatory Authority Act 2011 (the “Act”), 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.

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.

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

d) Tangible capital assets including capital lease and amortization (continued)

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.

e) 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.

f) 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.

g) 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.

h) 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.

Write-downs on financial assets are recognized when the amount of a loss is known, and there is no prospect of recovery. Financial assets are then written down to net recoverable value with the write-down being recognized in the statement of operations and accumulated surplus.

i) 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.

j) 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.

k) 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.

3. TANGIBLE CAPITAL ASSETS

	Furniture and fittings	Office equipment	Electronic communications equipment	Computers and software	Office equipment under capital lease	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
Opening cost - April 1, 2021	175,519	25,673	228,898	150,872	28,278	654,043	1,263,283
Additions	-	-	-	22,901	-	1,177	24,078
Closing cost - September 30, 2021	175,519	25,673	228,898	173,773	28,278	655,220	1,287,361
Opening accumulated amortization - April 1, 2021	73,433	11,118	166,184	131,186	19,247	194,837	596,005
Amortization	8,776	1,935	22,890	10,355	2,500	65,463	111,919
Closing accumulated amortization - September 30, 2021	82,209	13,053	189,074	141,541	21,747	260,300	707,924
Net book value September 30, 2021	93,310	12,620	39,824	32,232	6,531	394,920	579,437

	Furniture and fittings	Office equipment	Electronic communications equipment	Computers and software	Office equipment under capital lease	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$	\$
Opening cost - April 1, 2020	175,519	25,673	228,898	146,458	28,278	647,032	1,251,858
Additions	-	-	-	4,414	-	7,011	11,425
Closing cost - March 31, 2021	175,519	25,673	228,898	150,872	28,278	654,043	1,263,283
Opening accumulated amortization - April 1, 2020	55,882	8,415	120,404	112,645	13,263	64,827	375,346
Amortization	17,551	2,703	45,780	18,541	5,984	130,010	220,569
Closing accumulated amortization - March 31, 2021	73,433	11,118	166,184	131,186	19,247	194,837	596,005
Net book value March 31, 2021	102,086	14,555	62,714	19,686	9,031	459,206	667,278

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 at September 30, 2021 was \$1,361,474 (March 31, 2021: \$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 at September 30, 2021 was \$Nil (March 31, 2021: \$Nil).

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 at September 30, 2021 amounted to \$250,179 (March 31, 2021: \$250,179) and \$563,164 (March 31, 2021: \$563,164) respectively.

The Surplus for the six-month period ended September 30, 2021, amounted to \$850,788. The annual surplus will be allocated accordingly between the Project Fund and the Litigation Reserve Fund as at March 31, 2022.

The movements in Operating Fund, Initial paid-up capital, Paid-up capital, Reserve Fund, Litigation Reserve Fund and Project Fund as at September 30, 2021 were as follows:

4. ACCUMULATED SURPLUS (CONTINUED)

	Operating fund	Initial paid-up capital	Paid-up capital	Unallocated surplus as at September 30, 2021	Litigation reserve fund	Project fund	Total
	\$	\$	\$	\$	\$	\$	\$
Accumulated surplus							
Beginning of period	-	1,000,000	361,474	-	250,179	563,164	2,174,817
Surplus for the period	850,788	-	-	-	-	-	850,788
Intra-fund transfers	(850,788)	-	-	850,788	-	-	-
Accumulated surplus as at September 30, 2021	-	1,000,000	361,474	850,788	250,179	563,164	3,025,605

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 government of Bermuda

	September 30, 2021	March 31, 2021
	\$	\$
Payroll Tax	69,139	37,218
Land Tax	-	5,700
ICOL, Handset and Spectrum Fees	6,129,356	6,120,307
TD&R and Bulk Generation Fees	49,272	89,424
Class Licenses	119,577	91,176
	<u>6,367,344</u>	<u>6,343,845</u>

The balance due to government as at September 30, 2021, includes quarter 2 (July to September 2021) ICOL, Handset and Spectrum fees of \$4,239,566 and TD&R and Bulk Generation fees of \$49,272 which were due from the license holders on November 30, 2021.

b) Balance due from Telecommunications (Bermuda & West Indies) Limited (“Digicel”)

	Balance due to government at the beginning of quarter, April 1, 2021	Remittances to government during the Six-month period ended September 30, 2021	Balance as at September 30, 2021
	\$	\$	\$
Handset fees due from Digicel and due to the Government of Bermuda	409,921	-	409,921

On May 14, 2020, the RA received the payment plan from Digicel regarding the withheld handset fees of \$614,921 from the fee filing submitted on the 28 February 2017. Digicel paid the second installment of \$205,000 which was remitted to the government in October 2021. The final installment of \$204,921 is due on December 31, 2021.

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 the beginning of the quarter, April 1, 2021	Remittances made during the Six-month period ended September 30, 2021	Balance as at September 30, 2021
	\$	\$	\$
ICOL fees due to government in relation to the GlobeNet IRU with TBI	77,410	(77,410)	-

This balance was remitted to the government in August 2021.

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

	Balance at the beginning of quarter, April 1, 2021	Remittances made during the six-month period ended September 30, 2021	Balance as at September 30, 2021
	\$	\$	\$
Distribution payable to the Consolidated Fund of the Government of Bermuda	29,056	(29,056)	-

The RA remitted this balance to the Consolidated Fund in August 2021.

e) Balance due from the Government of Bermuda

This receivable balance stems from the “Review of Environmental Impacts from Bermuda Electric Light Company’s (“BELCO”) Generating Engines and Mitigation Advice” engagement where the RA acted as an intermediary between DENR and the independent consultants, Ricardo Energy and Environment (“Ricardo”).

	Balance at the beginning of the period, April 1, 2021	Additions during the period ended September 30, 2021	Receipts during the six-month period ended September 30, 2021	Balance as at September 30, 2021
	\$	\$	\$	\$
Balance due from the Department of Environment and Natural Resources (“DENR”)	7,730	2,369	-	10,099

The actual total project cost amounted to \$10,099 and it is due for reimbursement by the DENR. The receivable as at September 30, 2021 amounted to \$10,099 (March 31, 2021: \$7,730).

6. BANK BORROWING

	September 30, 2021	March 31, 2021
	\$	\$
Clarien Bank Limited Revolving Line of Credit facility	-	1,001,507

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.

As at September 30, 2021, the RA had fully paid off the existing draw down. The facility bears a fixed interest of 5.0% per annum and expires on December 20, 2021. The RA intends to renew the facility for an additional two years.

7. FEES FROM INTEGRATED COMMUNICATIONS OPERATING LICENCES

The Regulatory Authority fees were reduced to 1.70% of the ICOL holders’ relevant turnover for the year from April 1, 2021, to March 31, 2022, 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 \$0.00635* 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 revenues for the fiscal year April 1, 2021, to March 31, 2022, were \$3,275,000 (Prorated revenue budget for the six-month period ended September 30, 2021, in Schedule 1 is \$1,637,500) for the electronic communications sector and \$3,531,000 (Prorated revenue budget for the six-month period ended September 30, 2021, in Schedule 2 is \$1,765,500) for the electricity sector. This budget was approved by the Minister of Economic Development on March 31, 2021.

The budgeted expenditures for the fiscal year April 1, 2021, to March 31, 2022, were \$3,215,200 (Prorated expenditure budget for the six-month period ended September 30, 2021, in Schedule 1 is \$1,607,600) for the electronic communications sector and \$3,517,500 (Prorated expenditure budget for the six-month period ended September 30, 2021, in Schedule 2 is \$1,758,750) for the electricity sector. This budget was approved by the Minister of Economic Development on March 31, 2021.

X. SCHEDULE 1

STATEMENT OF OPERATIONS: ELECTRONIC COMMUNICATIONS SECTOR

For the six-month period ended September 30, 2021
(Expressed in Bermuda dollars)

		Unaudited September 30, 2021	Unaudited September 30, 2020
	Prorated budget (Note 9)	Actual	Actual
		\$	\$
REVENUES			
Fees from Integrated Communications Operating Licences (Note 7)	1,637,500	1,588,827	1,613,543
Service fees	-	2,400	-
Interest Earned	-	5	6
	<u>1,637,500</u>	<u>1,591,232</u>	<u>1,613,549</u>
EXPENSES			
Salaries, employees benefits & Commissioners' honoraria		835,436	729,309
Professional services		204,289	434,485
Administrative expenses		230,687	161,353
Amortization of tangible capital assets		67,405	55,127
	<u>1,607,600</u>	<u>1,337,817</u>	<u>1,380,274</u>
SURPLUS FOR THE PERIOD	<u>29,900</u>	<u>253,415</u>	<u>233,275</u>

XI. SCHEDULE 2

STATEMENT OF OPERATIONS: ELECTRICITY SECTOR

For the six-month period ended September 30, 2021
(Expressed in Bermuda dollars)

		Unaudited September 30, 2021	Unaudited September 30, 2020
	Prorated budget (Note 9)	Actual	Actual
		\$	\$
REVENUES			
Fees from Transmission, Distribution and Retail Licences (Note 8)	1,650,950	1,762,151	1,253,167
Fees from Bulk Generation Licences (Note 8)	84,550	80,500	108,450
Service fees from the Electricity Sector	30,000	10,000	-
	1,765,500	1,852,201	1,361,617
EXPENSES			
Salaries, employees benefits & Commissioners' honoraria		811,518	768,942
Professional services		200,878	346,573
Administrative expenses		197,918	165,578
Amortization of tangible capital assets		44,514	55,128
	1,758,750	1,254,828	1,336,221
SURPLUS FOR THE PERIOD	6,750	597,373	25,396



ra.bm

contactus@ra.bm • (441) 405-6000

1st Floor Craig Appin House
8 Wesley Street, Hamilton HM11
Bermuda