



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

24 March 2022

Regulatory Authority
Craig Appin House, First Floor
8 Wesley Street
Hamilton, HM12

Att: Mr. Michael Wells, Chairman of the Regulatory Authority

Dear Mr. Wells,

Reference: The Regulatory Authority ('RA') 2022-2023 Work Plan and Budget

In accordance with section 43(4)(c) of the Regulatory Authority Act 2011, I have considered the RA's proposed work plan and budget for the next fiscal year, and hereby approve the budget for 2022-23.

Yours Sincerely,

A handwritten signature in black ink, appearing to be 'E. David Burt', written over a horizontal line.

**The Hon. E. David Burt, J.P., M.P.
Premier and Minister of Finance**



Final Report

Work Plan and Budget

REGULATORY AUTHORITY

WORK PLAN

2022-23 FISCAL YEAR

Matter: 20210930

Date: 17 03 2022

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1. EXECUTIVE SUMMARY

1.1 Introduction

The purpose of this proposed 2022-23 Work Plan is to comply with Section 43(2) of the Regulatory Authority Act 2011 (**RAA**), which requires the Regulatory Authority of Bermuda (**RA**) to conduct a public consultation regarding its Work Plan for the upcoming financial year. This proposed Work Plan will cover the period of 1, April 2022 through 31, March 2023, and includes a corresponding proposed budget. All figures within this document are denominated in Bermuda Dollars.

The projected year-on-year decrease in revenues for the fiscal year 2022-23 is 2%. The decrease is largely attributed to a further reduction in the Regulatory Authority fee, relating to Integrated Communications Operating Licences (**ICOLs**), **from 1.70% to 1.65%**.

In the Electricity Sector, the primary activities continue to be to drive next steps for the island's Integrated Resource Plan (**IRP**) implementation and to continue progress towards **85% renewable energy by 2035**. The desktop study of the wind pre-feasibility was successfully completed and the RA will continue with the next stage, which is launching a meteorological wind resource measurement study. Further, the RA completed the initial site assessments for the bulk generation solar procurement and will work closely with the Government to realise the development of several of these sites. The process of setting the retail tariff will enter the second phase.

In contrast, in the Electronic Communications Sector, as the majority of the regulatory frameworks are now complete, the RA will monitor the sector and its providers to ensure they are compliant with the prescribed regulations, and if necessary, impose enforcement for non-compliance. The primary focus is to support competitiveness in the various markets.

The RA intends to propose that the Minister of Home Affairs set the Regulatory Authority fees as follows:

- a) The Electronic Communications Regulatory Authority Fee, relating to ICOLs, **to be reduced to 1.65%**.
- b) The General Regulatory Authority Fees under paragraph 1 of the Schedule to the Electricity (Regulatory Authority Fees) Regulations 2018, payable by the Transmission, Distribution and Retail (**TD&R**) Service Provider **to remain at \$0.00635** per kilowatt-hour; and
- c) The General Regulatory Fees under paragraphs 2 to 6 of the Schedule to the Electricity

(Regulatory Authority Fees) Regulations 2018, payable by the Bulk Electricity Generation Providers is to remain as follows:

- i. Utility-Scale Electricity Generation provider (greater than 25 MegaWatts of installed electricity generation capacity) - **to remain** at \$1,000 per MegaWatt;
 - ii. Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) - **to remain** at \$1,500 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 – **to remain** at \$1,500 per MegaWatt;
 - iv. Renewable Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) – **to remain** at \$1,500 per MegaWatt;
 - v. Self-Supply Generation License provider (greater than 0.5 MegaWatts of installed electricity generation capacity) – **to remain** at \$6,500 per MegaWatt.
- d) The Electronic Communications Regulatory Authority Fee, relating to Submarine Communications Operating Licences (**SubCOLs**), **to remain** at 1%.

In addition, the RA proposes that the Minister of Home Affairs makes a regulation to establish the recommended service fees in accordance with Section 8 of this Preliminary Report.

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

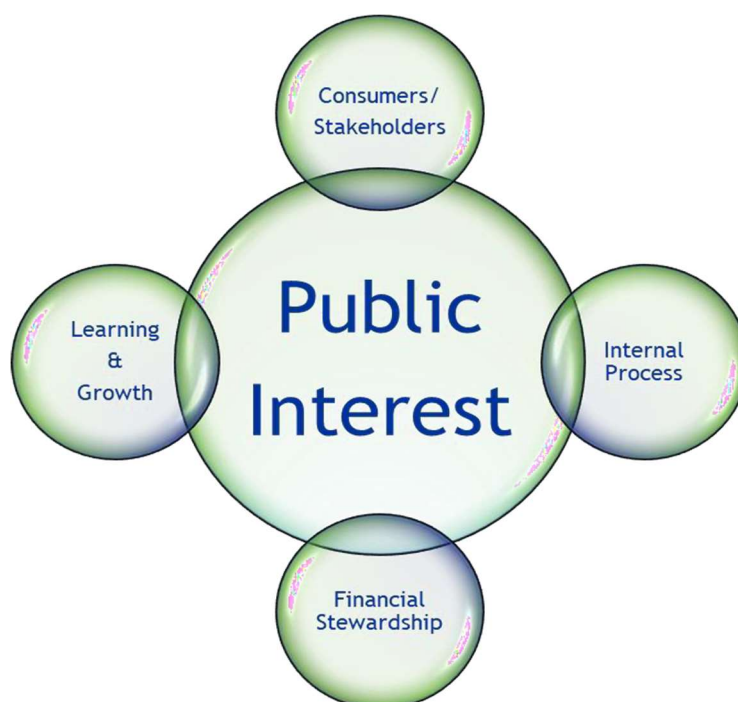
In the initial consultation, the RA proposed to recommend to the Minister of Home Affairs that there should be a reduction in the current level of Government Authorization Fees imposed on the Electronic Communications sector under the Government Fees Act 1965 from **3.50%** to **3.45%**. However, given the uncertainty due to the recently imposed global sanctions on Russia, the RA withdraws this recommendation for the time being.

The RA intends to request that the Minister of Finance approve the RA's proposed budget of \$6,651,000 for total revenues (a decrease of 2%) and of total expenditure of \$6,593,390 (a decrease of 3%) for the fiscal year 2022-23. It proposes to request that the Minister of Home

Affairs make regulations to establish that the Regulatory Authority Fees payable by ICOL holders, SubCOL holders and electricity sectoral participants to fund the proposed budget.

1.2 Strategic Objectives

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



The RA will strive to achieve these objectives through a balanced focus on its four top priorities:

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

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

decrease in regulatory costs per sector. The RA has been increasingly successful in lowering its reliance on external resources.

1.3 Fiscal Year 2021-2022 Major Activities:

Examples of some of the key activities undertaken by the RA in the fiscal year 2021-2022, in the electronic communications, electricity and submarine communications cables sectors include the following:

Electricity Sector:

- **Bulk Solar Feasibility** – The RA commenced the feasibility study and subsequent acquisition for further Solar Bulk Generation Renewable Energy which would aid in meeting the solar bulk generation targets set in the Integrated Resource Plan (**IRP**);
- **Retail Tariff Review** – is designed to identify and assess all costs associated with the generation, transmission, distribution and retailing of electricity by BELCO which will be set in the new customer electricity rates. The review included an assessment of utility capital investment plans, a review and monitoring of capital construction projects, and a review of the regulated utility asset registry. This was the second review conducted by the RA. The RA has commenced the third Retail Tariff Review and an efficiency and performance benchmarking study will be conducted by end of the fiscal year.;
- **Bulk Generation Proposals and Licence Evaluation** –The RA evaluated unsolicited Bulk Generation proposals which were submitted in accordance with the Bulk Generation Procurement Rules and the IRP;
- **Wind Feasibility Study Phase 1** The RA completed the desktop feasibility study for large scale wind developments. The first phase of the wind study involved the environmental, technical and financial assessments around Bermuda. The study also included a procurement roadmap for developing wind resources in Bermuda, site/location screening, foundation and wind turbine technology reviews and yield and economic assessments. Please see Appendix B for a summary of the report; and
- **IRP Proposal Preparation** – The RA engaged the public for comments on the RA's IRP guidance document which detailed types of generation and fuels to be used in the production of the new IRP. This new IRP will update Bermuda's first IRP, which provided a roadmap to meet forecasted energy demand using both supply and demand-side resources. The new IRP will update the current electricity

roadmap with information from the Bulk Solar Feasibility Study and the Wind Study and new resources.

Electronic Communications Sector:

- **Licensing** – As part of the ongoing desire for sustainable competition in the Electronic Communications Sector, the RA continues to monitor the progress of the new ICOL holders and the new Submarine Communication Licence (**SubCOL**) Holder which were awarded in late 2020. No new licences were issued in 2021-22.
- **Significant Market Power Remedy Implementation** – The RA implemented new rules to enable fair, reasonable and non-discriminatory access to the wholesale networks of the dominant carriers such as accounting separation, cost-oriented pricing, information provision and key performance indicators;
- **Spectrum Assignment** – A process for the licensing, permitting and exemption of spectrum assignment was developed and implemented in late 2020. This new process allowed the assignment of spectrum to various ICOLs, including new licensees. Since the implementation of the new process, a significant number of new licence applications have been received and completed;
- **Radiofrequency & 5G Safety** – The RA conducted a public consultation on Radiofrequency (**RF**) and 5G Safety. The outcome resulted in the lifting of the Temporary Moratorium on 5G Implementation, which was put in place earlier in 2020, as well as specifying the rules by which wireless networks may be implemented in the future. Further, an RF survey was carried out across the island providing a benchmark of current RF exposure, which found no evidence of any significant emissions that were more than a small fraction of the safety standards set by the International Commission on Non-Ionizing Radiation Protection and the Institute of Electrical and Electronic Engineers;
- **Sectoral review** – The RA proposed to request that the Minister agree to an extension of the time frame for commencing the next review of the electronic communications sector pursuant to section 17 of the RAA, such that it falls within the upcoming fiscal year. The RA believes that an extension would be prudent to allow more time to consider the impact of the significant market remedies within the broader context of the electronic communications sector. Subsequent to the request, the RA received permission from the Minister of Home Affairs to commence the review by no later than August 1, 2022.

Submarine Communications Cables Sector:

- **A new licensing regime** – Following the establishment of the Submarine Communications Cables Act 2020, the RA issued new permitting and licensing regulations which streamline the process for the development of new submarine cable systems to Bermuda. The RA and the Bermuda Business Development Agency also engaged with the International Cable Protection Committee at its Annual Plenary to advise the international community of Bermuda’s enhanced process for permitting and licensing.

2. STRUCTURE OF WORK PLAN DOCUMENT

Building on the accomplishments of the previous fiscal year, this document sets out the RA's Work Plan for the period April 1, 2022, to March 31, 2023. It includes the RA's current mandate, strategic goals and the major activities that it anticipates undertaking. The Work Plan also details the Proposed Budget and Projected Revenues which support these planned activities.

Further, the proposed Work Plan reflects the RA's assessment of the ongoing and projected trends in the regulated sectors which the RA regulates, namely:

- Electronic Communications, including radio communications and radio spectrum management;
- Electricity, including electricity generation, transmission, distribution and retail;
- Submarine Communications Cables, including installation permits and operational licences; and
- Consumer Protection relating to all 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 or ad hoc additions

3. PROPOSED BUDGETS AND FEES

As mentioned, the revenue budget is focused on aligning the fees with the costs drivers in the relevant sectors when practical. As such, the RA proposes the following:

3.1 Funding

The RA's costs are to be funded through the payment of the RA Fees which consist of general regulatory fees and service fees. General Regulatory Authority Fees are paid by holders of ICOLs, SubCOLs, Electricity TD&R and Bulk Generation Licences. Service Fees are paid by sectoral participants for specific functions performed by the RA, on a per service basis. As defined in the RAA (section 44), sectoral participants include a person or entity that provides, uses or seeks to use goods or services in a regulated industry sector.

The RA proposes to adopt, subject to the approval of the Minister of Home Affairs and the Minister of Finance, a total expenditure budget of \$6,593,390 which consists of an Operating Expenditure of \$6,579,390 and a Capital Expenditure of \$14,000.

3.2 Electronic Communications

The RA proposes a decrease to the Expenditure Budget for the Electronic Communications sector for the fiscal year 2022-23. Specifically, an Expenditure Budget of \$3,084,195 is proposed, which is a decrease of \$190,505 (6%), when compared to the 2021-22 Approved Budget. The RA recommends that the Electronic Communications Regulatory Authority Fee for ICOL holders is reduced to 1.65%, which will be applied to the ICOL's Relevant Turnover and that the Electronic Communications Regulatory Authority Fee for SubCOL holders remain at 1%, which will be applied to the SubCOL's Relevant Turnover.

3.3 Electricity

The RA proposes revenue of \$3,521,000 which is below the approved budget for the fiscal year 2021-22 by \$10,000 (0.3%). The following are the fees used to support the Electricity Expenditure Budget for 2022-23:

- i. Electricity TD&R service provider – **remain at \$0.00635** per kilowatt-hour sold to finance phase 2 of the Wind studies project.
- ii. Utility-Scale Electricity Generation provider (greater than 25 MegaWatts of installed electricity generation capacity) - **no proposed change;**
- iii. Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) - **no proposed**

change;

- iv. Waste-to-Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) – **no proposed change;**
- v. Renewable Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) – **no proposed change; and**
- vi. Self-Supply Generation License provider (greater than 0.5 MegaWatts of installed electricity generation capacity) – **no proposed change .**

3.4 Proposals to the Minister of Home Affairs:

As a result of the preceding information, the RA intends to propose the following to the Minister of Home Affairs:

- That there should be **a decrease in the Electronic Communications RA Fee to 1.65%**, relating to the general regulatory fees;
- That there should be **no change in the General Regulatory Authority Fees** under paragraph 1 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2021, payable by the TD&R Service Provider;
- That there should be **no change**, in accordance with section 7.2 of this document in the General Regulatory Authority Fees under paragraphs 2 to 6 of the schedule to the Electricity (Regulatory Authority Fees) Regulations 2021, **payable by the Bulk Electricity Generation Providers;**
- That the Service Fees should be set per section 8; and
- That there should be **no change in the Government Authorization Fees payable by the Electronic Communications Providers.**

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 is mandated to regulate the Electronic Communications, Electricity and Submarine Communications Cables sectors.

5. BASIS, ROLES AND RESPONSIBILITIES OF THE RA

5.1 Statutory basis of the RA and funding

As the RA is an independent body, it is important to note that the RA receives no Government funding. It is funded by the collection of RA Fees, which currently include the following:

- i. fees charged to ICOL holders;
- ii. fees charged to SubCOL holders;
- iii. fees charged to the TD&R licensee, which are recoverable from the consumers of electricity;
- iv. fees levied on those entities that operate in the Electricity sector as electricity generation providers, which includes BELCO and Tynes Bay Waste to Energy Facility; and
- v. fees levied on applicants pursuant to the SCCA.

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

The RA may require additional funding for additional regulated sectors as assigned by the Government.

5.2 The role of the RA's Board of Commissioners

Pursuant to the RAA, the Board of Commissioners is responsible for deciding and issuing various regulatory decisions consistent with its duties under the ECA, EA and SCCA. The BOC is also responsible for the governance of the RA and directs the Chief Executive and staff of the RA. There are currently four (4) Commissioners.

5.3 Building capacity, regulatory partnerships and stewardship.

The RA's staffing strategy is focused on building and hiring a qualified team of legal, financial, technical and operational staff. Developing the staff by knowledge transfer from the experience of senior staff members, engagement of external advisors and targeted training is a proven strategy. For example, Bermuda's first IRP was developed ahead of schedule with the input of external advisors. Also, Feed-in-Tariff reviews are primarily conducted with internal resources. The development of Bermudian staff also provides a knowledgeable pool for future leadership

and management opportunities.

The RA serves the public interest and protects consumers by enhancing the integrity of the regulated sectors and promoting effective competition, which in turn ensures that consumers have access to the products and services they need and are able to build a healthy rapport with their sectoral provider. Collaboration with regulators in other jurisdictions to share experiences and best practices also assists the RA in the delivery of proven regulatory services for consumers.

5.4 Addressing new areas of regulation for the RA.

As a multi-sector regulator, the RA has had to develop operational efficiencies through the use of common back-office systems and procedures to effectively support the administrative requirements for its existing sectors. The RA expects that with these improved efficiencies, the timeline to integrate new regulated sectors can be significantly reduced, and thereby allow the RA more time to devote to the development of any technical expertise that may be required. For example, in 2020, the RA was able to leverage both internal and external resources to augment the creation of the governing documentation for the Submarine Communications Cables Sector.

The Submarine Communications Cable Act 2020 was passed in early 2021. This Act introduced ocean protective zones and a new permitting and licensing framework for international subsea communications cables. The new framework allows for both domestically terminated and international transit systems. The RA subsequently created permitting and licensing regulations.

Further, the RA anticipates commencing the regulation of the Fuel sector subject to legislative approval. This will include public consultations, the establishment of the licensing regime and the development of the fuel pricing methodologies.

The RA also notes the increase in satellite earth station regulations and Broadcasting are planned to be transferred to the RA in the future.

The RA will discuss the appropriate funding models with the Government, including grants or other financing vehicles, for new regulated sectors and/or duties.

6. OPERATIONAL FUNCTIONS

6.1 Fee collection

During the fiscal year 2022-23, the RA anticipates collecting Government revenues of approximately \$16,959,000 and \$180,301 from the Electronic Communications and Electricity sectors, respectively. These figures have been calculated based on the estimated impact of COVID-19 in the fiscal year 2021-22 and has been adjusted for the projected GDP growth of 2.2% in the fiscal year 2022-2023, based on the historical trend of the International Monetary Fund (IMF) World Economic Outlook projections for advanced economies.

6.2 Budget

The RA has set its proposed Expenditure Budget for 2022-23 at \$6,593,390. This is on the basis that the RA plans to undertake Electricity, Electronic Communications and Submarine Communications Cable related projects and operational activities. Any further regulatory activities would be commensurate with additional funding from the Government of Bermuda or the related sector.

6.3 Revolving Line of Credit

The RA secured a Revolving Line of Credit to assist with cash flow management which is in place for a period of 2 years as of December 21, 2021.

6.4 Staff

As the regulatory activities that the RA pursues are specialised and complex, it is important that the RA builds and maintains an appropriate resource and staff base, which includes a focus on ongoing development, in-house training and succession planning. Based on the recently demonstrated need for increased educational information, the RA has increased its resources to create original content to help the public to better understand consumer impacting information regarding the Electronic Communications sector, renewable energy, traditional resources, energy efficiency and conservation in the electricity sector and consumer rights overall.

6.5 Communications and Consumer Protection

Throughout the global pandemic, communication initiatives shifted dramatically for individuals and for businesses and will likely continue to rapidly evolve in response to the audiences' changing and rising expectations. As a result, in FY2022-23, the RA will implement the following communication initiatives:

1. **Audience Centric Communications-** to ensure the stakeholder communication experience is optimal, the RA message and communication channels will be oriented to the self-identified needs of the targeted audience, as opposed to the organisation.
2. **Digital and Open:** The RA is adopting best practices informed by ground-breaking strategic communications planning conducted by the UK Government. A core principle of the UK Governments' 'Digital and Open by Default' model includes:
 - **'Digital by Default'**, which is, designing communication tactics and approaches with the RA's website as the main hub for external communication.
 - **'Open by Default'**, refers to information being made publicly available in the interest of transparency and accessibility, which may include an increase in graphic and video content across all communication platforms, both internally and externally.

6.6 Regulatory Regime

As the Government of Bermuda continues to consider further amendments for the RA, which may add sectors to its responsibilities, the RA must remain focused on streamlining the efficiency and effectiveness of its current operations.

The RA continues to develop its cross-sectional teams on the basis that its regulation of sectors involves a high degree of economic, financial, technical and legal analysis, which requires sound knowledge and subject matter expertise in each sub-field of the regulatory environment.

In the fiscal year 2022-23, the RA will focus on various work streams and projects that support its ongoing operational functions.

Further details on the RA's proposed Work Streams are set forth below.

6.7 Electricity

The 2022-23 work streams are primarily project-oriented, with a high degree of focus on the development of the IRP and future ratemaking processes. The projects include:

i. **Bulk Generation Proposals and Licence Evaluation**

The RA will continue to accept and evaluate Unsolicited Bulk Generation Proposals (**Proposals**) that are submitted in accordance with the Bulk Generation Procurement Rules and the IRP. With the successful Proposals being invited to submit a Bulk Generation Licence Application in accordance with the Application Process for

Electricity Licences General Determination, the RA will then evaluate the applications in accordance with the same and grant licences in accordance with the EA.

ii. **Retail Tariff Methodology General Determination Review**

Having completed two Retail Tariff Reviews utilising the Retail Tariff Methodology (**Methodology**) set in 2018, the RA will engage in a public consultation to modify this Methodology in accordance with section 35 of the Electricity Act 2016 (**EA**). At the end of the consultation process, the RA will issue a General Determination setting the new Methodology. The new Methodology is expected to benefit from lessons learned from the previous Retail Tariff Reviews while maintaining elements of incentive regulation to promote economic efficiency in the provision of electricity services to the customers of Bermuda.

iii. **Retail Tariff Review - Phase Two**

The RA will continue its work on the first multi-year Retail Tariff Review started in 2021. The multi-year review, having completed its first phase in establishing tariffs for 2022, will now continue with phase two of the review in developing and evaluating the impacts of new tariff design and options for new tariffs. The new tariffs under consideration include time-of-use tariffs, electric vehicle charging tariffs, low-income household and new business development tariffs.

iv. **IRP Development and Evaluation**

The RA initiated the first steps in the development of a new IRP by issuing the IRP Guidance document after issuing an invitation for public comment on the draft guidance in Q2 of 2021.

The RA also will request an IRP proposal from the TD&R Licensee which complies with the guidance document. This new IRP will update Bermuda's first IRP, which provided a roadmap to meet forecasted energy demand using both supply and demand-side resources to provide cost-effective, reliable service to customers. The new IRP will update the current electricity roadmap with utilising information from studies performed in the prior workplan.

The RA will continue the IRP process by issuing public consultations of the IRP

Proposal and any alternative proposals received. Additionally, during the IRP consultation phase, the RA will continue to consider proposals for promising bulk generation technologies that are near commercialisation through an Electricity Sandbox programme.

Upon completion of the RA's analysis of the IRP Proposal, alternative proposals, comments, and evidence received from both consultations, the final IRP will set Bermuda's future electricity strategy, which will include development opportunities for the bulk generation market.

v. **Wind Pre-Feasibility Study**

The RA will move into phase two (2) of its 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 a meteorological wind study and an environmental and social impact assessment for constructing and operating an offshore wind farm. The optimal capacity for wind has been determined by the recently completed desktop study but may be modified by the results of the wind resource measurements. This project is considered an extraordinary project that will serve to meet a critical need of the Integrated Resource Plan.

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

6.8 Electronic Communications

In the fiscal year 2022-23, the RA will focus on monitoring the electronic communications sector and on enforcing the regulations that have been established. Some of the major work streams will include:

i. **National Connectivity Plan:**

The RA intends to commence development of a National Connectivity Plan in support of the purposes of the ECA. This National Connectivity Plan will incorporate recent and upcoming changes in the national networks and fold in aspirational forward-looking goals for the coming years ahead. Discussion topics may include (but not be limited to) the retirement of legacy copper networks, minimum broadband service speeds, quality of service standards, connectivity targets and infrastructure targets.

ii. **Spectrum Liberalization:**

Recognizing the fact that new technologies have blurred the lines between traditional spectrum licences, the RA intends to investigate whether any form of spectrum liberalization is appropriate for the Bermuda Market and determine what form of future licences may take. As part of this assessment, the RA will conduct an analysis of effective and efficient use of all the existing spectrum licences in preparation for the potential renewals of spectrum licenses in 2023-2024.

iii. **Significant Market Power (SMP) Remedy Implementation**

Following the setting of SMP Remedies via as part of the Market Review of the Electronic Communications Sector in fiscal year 2021-22, the RA will ensure that the remedies are effectively implemented. These remedies included obligations to offer broadband services on a standalone basis, Accounting Separation, Cost-oriented pricing, ongoing reporting requirements, and wholesale access on a fair, reasonable and non-discriminatory basis. The RA will continue to work with the sectoral providers that are obligated to comply with the SMP remedy obligations, to ensure adherence to the remedies. This will require periodic assessment of the remedies imposed.

iv. **Redevelopment of Spectrum Database Platform:**

The RA intends to redevelop the current database platform used to document Spectrum Licences, Radio Class licences and Type Approvals. Goals include

providing a solution that is more end-user driven, web enabled and containing appropriate payment gateway functionality. The solution will also enable timely automated renewal reminders for licence holders.

v. **Radiofrequency (RF) Study**

As part of the ongoing monitoring of spectrum in Bermuda, the RA will conduct an in-house RF Study in 2022 to better understand the levels of RF in use in Bermuda. This RF Study will build on the study carried out in March 2021 and capture the impacts of the new ICOLs' RF systems. The results of this RF report will be made publicly available on the RA's website.

vi. **Sectoral review**

The RA requested that the Minister agree to an extension of the time frame for commencing the next review of the Electronic Communications sector pursuant to section 17 of the RAA such that it falls within the upcoming fiscal year. The RA believes that an extension is required to allow more time to consider the impact the of significant market remedies within the broader context of the electronic communications sector.

This project will take the form of a comprehensive review of the sector, including all policies, legislation, regulations and administrative determinations applicable to the sector. The review will be initiated by public consultation. No additional funding will be required for this project.

6.9 Submarine Communications Cables

With the addition of the Submarine Communications Cables Act 2020, the RA will continue to manage the permitting and licensing processes for any applications to install new submarine communications cables. This sector has a low volume of regulatory activity and will be financed through application fees.

7. 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 2022-23.

7.1 Proposed Expenditure Budget for 2022-23

Subject to the approval of the Minister of Finance, the RA proposes to adopt a total expenditure budget of \$6,593,390 for the fiscal year 2022-23.

The proposed total Expenditure Budget consists of the planned costs for regulating both the Electronic Communications and Electricity sectors.

As previously mentioned, the RA's Board is composed of five (5) Commissioners. The RA staff consists of twenty team members.

The RA has a range of responsibilities including the collection of Government and Regulatory Authority Fees, which include fees from licensing radios, international and local vessels and aircraft, which is vital to the movement of vessels and aircraft traversing through Bermuda's airspace and waters. The RA's responsibilities also include strategic analysis, project delivery, ensuring regulatory compliance and enforcement and attention to matters concerning consumers. The organisation also manages the assignment of radio spectrum to minimise the potential for harmful interference to users of electronic communications services and recently has set new standards to protect the general public.

The RA also sets the Retail Tariffs including the Fuel Adjustment and the Feed-In Tariff, approves capital expenditures, licenses sectoral providers and ensures regulatory compliance in the Electricity sector. The RA manages the strategic electricity perspective via the IRP and supports the necessary steps to facilitate the strategic objectives of the IRP via activities like the wind studies (desktop result available in appendix B) and the bulk solar resource assessment (Appendix C).

General expenses are split equally between the Electronic Communications and Electricity sectors. Staff members who work solely in one sector have the totality of their payroll and benefits allocated to that specific sector. With the pending launch of fuel regulation, the RA expects that the general expenses will be split between three sectors and the result synergy will reduce the cost on the Electronic Communications and Electricity sectors once the legislation

has been brought into force. The projected expenses for 2022-23 are set out in Table 1 below.

TABLE 1

	Electronic Comm	Electricity	Total Operations	Extra ordinary items	Total 2022-23	Total 2021-22
REVENUE						
RA Fees ¹	3,130,000	3,521,000	6,651,000		6,651,000	6,746,000
Service fees	-	-	-	-	-	60,000
Total Revenue	3,130,000	3,521,000	6,651,000	-	6,651,000	6,806,000
OPERATING EXPENSES						
Employee expenses						
Employee salaries	1,346,000	1,398,000	2,744,000	-	2,744,000	2,629,932
Employee benefits ³	293,000	293,000	586,000	-	586,000	476,733
Employer payroll tax	140,940	140,940	281,880	-	281,880	269,625
Sub total	1,779,940	1,831,940	3,611,880	-	3,611,880	3,376,290
Commissioners' expenses						
Honoraria	198,000	198,000	396,000	-	396,000	396,000
Commissioners' payroll tax ⁴	29,355	29,355	58,710	-	58,710	58,710
Commissioners' training	22,500	22,500	45,000	-	45,000	50,000
Sub total	249,855	249,855	499,710	-	499,710	504,710
Other expenses						
Employee training	98,500	98,500	197,000	-	197,000	29,225
Office Space	194,426	194,426	388,852	-	388,852	373,500
Office Services	166,574	166,574	333,148	-	333,148	267,500
Consulting Services	432,000	125,000	557,000	800,000 ²	1,357,000	1,620,000
Operating Costs	155,900	35,900	191,800	-	191,800	561,475
Sub total	1,047,400	620,400	1,667,800	800,000	2,467,800	2,851,700
TOTAL OPERATING EXPENSES	3,077,195	2,702,195	5,779,390	800,000	6,579,390	6,732,700
Furniture & Fittings	1,500	1,500	3,000	-	3,000	5,000
Office Equipment	1,500	1,500	3,000	-	3,000	5,000
Computers & Software	3,000	3,000	6,000	-	6,000	5,000
Electronic Communications Equipment	-	-	-	-	-	51,000
Leasehold Improvements	1,000	1,000	2,000	-	2,000	2,000
TOTAL CAPITAL EXPENDITURE	7,000	7,000	14,000	-	14,000	68,000
TOTAL EXPENDITURE	3,084,195	2,709,195	5,793,390	800,000	6,593,390	6,800,700

Please refer to Appendix A for a detailed breakdown of the Electronic Communications and Electricity expenditure budgets for the fiscal year 2022-23, including prior year comparison.

¹ This may vary depending on the recovery from the unusual economic circumstances due to the Pandemic.

² This relates to the Wind Pre-feasibility studies which is deemed an exceptional project. The wind studies are projected to span two years and have a total value of ~\$1.3 M of which \$800k is the estimated budget for the second year (\$500k was for the initial fiscal year 2021-22).

³ The employee benefits consist of the RA contributions for pension, social insurance, health insurance, short-term disability insurance and the performance incentive.

⁴ The Commissioners' payroll tax consists of both the commissioners' and the RA portions.

7.2 Proposed Fees and Projected Revenue

i. Electronic Communications services sector

The RA has implemented measures to ensure that costs are prudently managed at all times across the various cost centres. As previously mentioned, the **RA recommends that the Electronic Communications Regulatory Authority Fee for ICOLs be reduced to 1.65%**, which will be applied to the ICOL's Relevant Turnover and that the implemented Electronic Communications Regulatory Authority Fee for SubCOLs **remain at 1%**, which will be applied to the SubCOL's Relevant Turnover. This will generate estimated revenues of approximately \$3,130,000 for the RA, based on the anticipated annual relevant turnover for 2022-23, and considering the projected impact of the Covid-19 Pandemic and the GDP growth outlook for FY 2022-23.

The RA believes the Work Plan for the fiscal year 2022-23 will decrease in cost for the electronic communications sector, largely due to the completion of the build out of the majority of the regulatory frameworks, a focus on core operations and the transition to a high focus on compliance and enforcement.

The RA also intends to recommend to the Minister of Home Affairs that **there should be no change to Government Authorization Fees** due to the uncertainty regarding the Revenue impact of the Russian sanctions and it **remain at 3.50%** imposed on the Electronic Communications industry under the regulations. Therefore, the projected revenues for 2022-23 are set out in Table 2 below.

TABLE 2

	Regulatory Authority	Government
Electronic Communications	3,130,000	6,650,000
Spectrum Fees	-	2,441,000
Radio Communications Licences	-	268,000
Handset Fees	-	7,600,000
TOTAL	3,130,000	16,959,000

ii. Electricity sector

With regard to 3.3 above, the RA notes the following:

The fees imposed on the TD&R service provider (i) represents the majority of the Electricity Regulatory Authority Fees. The RA's estimated TD&R revenues for the fiscal year 2022-23 are based on the estimated total kWh sales during the fiscal year taking into account the

projected impact of the COVID-19 Pandemic and the GDP growth outlook for the fiscal year 2022-23. The RA notes that the TD&R service provider may recover the fees payable as set out underparagraph (3) of the Schedule to the Electricity (Regulatory Authority Fees) Regulations 2020 by a dedicated charge to the end-user.

The RA intends to recommend to the Minister of Home Affairs that there should be **no change in the general regulatory fees under paragraph 1 of the Schedule to the Electricity (Regulatory Authority Fees) Regulations 2020 for TD&R Service Provider.**

With regard to points (ii to vi), the RA notes the following:

The RA's estimated Bulk Electricity revenues for the fiscal year 2022-23 are based on the estimated planned installed power capacity during the fiscal year. The RA intends to recommend to the Minister of Home Affairs that there should be **no change in the general regulatory fees under paragraphs 2 to 5 of the schedule to the Electricity (Regulatory Authority Fees) Regulations 2018 as shown in sections ii (ii-vi) above, payable by the Bulk Electricity Generation Providers.**

The RA also intends to recommend to the Minister of Home Affairs that there should be **no change in the current Government fees imposed on the electricity sector** under the Government Fees Act 1965. The projected revenues for 2022-23 are set out below in Table 3.

TABLE 3

	Regulatory Authority	Government
Transmission, Distribution & Retail	3,351,900	106,000
Utility Scale Bulk Electricity Generation	143,300	69,501
Waste-to-Energy Bulk Electricity Generation	16,800	-
Renewable Energy Bulk Electricity Generation	9,000	4,800
Self-supply Generation License	-	-
TOTAL	3,521,000	180,301

Further, **the RA intends to recommend to the Ministers of Home Affairs and Finance that there be a reduction in fuel taxes/customs duties per Appendix D.**

7.3 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):

- **Staff:** This category includes the salaries and benefits for the staff
- **Commissioners:** This category includes the honoraria, payroll taxes and training for the RA Commissioners.
- **Office Space:** This category includes the rent, service charge, taxes, utilities, and insurance associated with leasing a 7,762-square foot office 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.
- **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.
- **Operating Costs:** This category includes the following sub-categories:
 - **Training:** This sub-category includes the cost of essential training and workshops for the RA Commissioners and members of staff to attend industry specific training to gain insight into global best practices.
 - **Consulting and Support Services:** This sub-category includes the costs associated with the legal, regulatory, and technical support that the RA will require in connection with the activities to be carried out in its 2022-23 Work Plan.
 - **Meetings and Conferences:** This sub-category includes costs that the RA will incur to conduct, attend and/or participate in meetings and conferences to remain informed of global best practices, map out infrastructure needs with industry experts, other regulators and foster new relationships.
 - **Subscriptions:** This sub-category includes the cost of books, periodicals, and subscriptions that RA staff will require to remain abreast of industry events and trends.
 - **Communication and Stakeholder Management:** This sub-category includes publicizing general, consumer related consultations, costs to maintain the RA's website, education and awareness campaigns, marketing and advertising, placement of notices in local publications and media related initiatives in relation to regulatory matters.

- **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.
- **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:

- **Furniture and Fittings:** This category includes the capitalized cost of furniture and fittings for the RA's offices.
- **Office Equipment:** This category includes the capitalized cost of office equipment, such as copier and miscellaneous office equipment.
- **Computers and Software:** This category includes the capitalized cost of the internal computer network, computers and software for the RA's offices.
- **Electronic Communications Equipment:** This category includes the capitalized cost of new specialized radio spectrum equipment.
- **Property Plant and Equipment:** This category includes the capitalized cost of property, plant and equipment.

8. 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 recommends the service fees, as set out below in Table 4, to the Minister of Finance for the various applications and Service Fees under section 44 of the RAA.

TABLE 4

Electricity	
Administration Fees	Proposed Fee
- Concentration Review	\$25,000
- Licence Transfer or Assignment	\$2,400
- Bulk Generation Proposal Review ⁴	\$10,000
- Large-Scale Self-Supply Licence	\$15,000
- Electronic Communications	
Administration Fees	Proposed Fee
- Application for ICOL	\$85,000
- Application for HDS Spectrum	\$15,000
- Application for Non-HDS Spectrum	\$0
- Application for Licence Exemption	\$320
- Concentration Review	\$25,000
- Licence Transfer or Assignment	\$2,400
- Inspection Fees	
- Network interference investigation	\$1,500
- Radio Frequency Hazard Analysis	\$500

⁴This applies to both competitive tenders and unsolicited proposals.

APPENDIX A – BUDGET BREAKDOWN BY SECTOR

i. Electronic Communications

To provide a prior year comparison for the Electronic Communications sector, the RA's proposed Electronic Communications Expenditure Budget for fiscal year 2022-23 is set out below in Table 5.

The RA's proposed Electronic Communications total expenditure budget for fiscal year 2022-23 decreases by \$190,505 (6%) when compared to its approved expenditure budget for the fiscal year 2020-21. Common costs have been allocated evenly between the Electronic Communications and Electricity sectors except for sector-specific designated expenses. The key movements in the proposed budget for the fiscal year 2022-23, when compared to the Approved Budget for 2021-22 are as follows:

- i. A decrease in operating costs by \$345,800 (69%) is largely due to the decrease in the provision for litigation.
- ii. A decrease in capital expenditure by \$52,500 (88%) which was due to the planned installation of the RF EMF Network monitoring system worth \$50,000 in the fiscal year 2021-22, which was deemed unnecessary at this time after the RA conducted its public consultation on RF and 5G Safety.

The above decreases were partially offset by the increases below:

- i. An increase in employee expenses by \$119,295 (7%) is primarily due to the planned hiring of a Regulatory Engineer and the associated increase in the health insurance premium.
- ii. An increase in employee training expenses by \$73,500 geared towards staff professional growth and development training.
- iii. An increase in office service expenses by \$32,824 (25%) is primarily due to anticipated increase in computer equipment, maintenance, and IT support.
- iv. An increase in office space expenses by \$7,676 (4%) is primarily due to the increase in business insurance premiums and other budgeted government levies.

TABLE 5: Electronic Communications Budget Prior Year Comparison

	2022-23	2021-22	Increase/ (Decrease)
REVENUES	3,130,000	3,275,000	(145,000)
OPERATING EXPENSES			
Employee expenses			
Employee salaries	1,346,000	1,287,466	58,534
Employee benefits	293,000	238,366	54,634
Employer payroll tax	140,940	134,813	6,127
Sub total	1,779,940	1,660,645	119,295
Commissioners' expenses			
Honoraria	198,000	198,000	-
Commissioners' payroll tax	29,355	29,355	-
Commissioners' training	22,500	45,000	(22,500)
Sub total	249,855	272,355	(22,500)
Other expenses			
Employee training	98,500	25,000	73,500
Office Space	194,426	186,750	7,676
Office Services	166,574	133,750	32,824
Consulting Services	432,000	435,000	(3,000)
Operating Costs	155,900	501,700	(345,800)
Sub total	1,047,400	1,282,200	(234,800)
TOTAL OPERATING EXPENSES	3,077,195	3,215,200	(138,005)
TOTAL CAPITAL EXPENDITURE	7,000	59,500	(52,500)
TOTAL EXPENDITURE	3,084,195	3,274,700	(190,505)

ii. **Electricity**

To provide a prior year comparison for the Electricity Sector, the RA's proposed Electricity Expenditure Budget for fiscal year 2022-23 is set out in Table 6 below. The RA's proposed total Electricity Expenditure Budget for the fiscal year 2022-23 decreased by \$16,805 (1%) when compared to its approved expenditure budget for the fiscal year 2021-22. Common costs have been allocated evenly between the Electronic Communications and Electricity sectors except for sector-specific designated expenses.

The key movements in the proposed budget for the fiscal year 2022-23 when compared to the approved budget for 2021-22 are as follows:

A decrease in consulting services by \$260,000 (22%) is offset by the increases below:

- i. An increase in staff costs by \$116,295 (7%) is primarily due to the planned hiring of the Regulatory Engineer and the associated increase in the health insurance premium.
- v. An increase in employee training expenses by \$94,275 geared towards staff professional growth and development training.
- ii. An increase in office service expenses by \$32,824 (25%) is primarily due to anticipated increase in computer equipment, maintenance, and IT support and staff engagement activities; and
- iii. An increase in office space expenses by \$7,676 (4%) is primarily due to the increase in business insurance premiums and other budgeted government levies.

TABLE 6: Electricity Budget Prior Year Comparison

	2022-23	Exception al items (Note 1)	2022-23	2021-22	Increase/ (Decrease)
REVENUES					
RA Fees	3,521,000	-	3,521,000	3,471,000	50,000
Service fees	-	-	-	60,000	(60,000)
Total Revenue	3,521,000		3,521,000	3,531,000	(10,000)
OPERATING EXPENSES					
Employee expenses					
Employee salaries	1,398,000	-	1,398,000	1,342,466	55,534
Employee benefits	293,000	-	293,000	238,366	54,634
Employer payroll tax	140,940	-	140,940	134,813	6,127
Sub total	1,831,940	-	1,831,940	1,715,645	116,295
Commissioners' expenses					
Honoraria	198,000	-	198,000	198,000	-
Commissioners' payroll tax	29,355	-	29,355	29,355	-
Commissioners' training	22,500	-	22,500	5,000	17,500
Sub total	249,855	-	249,855	232,355	17,500
Other expenses					
Employee training	98,500	-	98,500	4,225	94,275
Office Space	194,426	-	194,426	186,750	7,676
Office Services	166,574	-	166,574	133,750	32,824
Consulting Services	125,000	800,000 ¹	925,000	1,185,000	(260,000)
Operating Costs	35,900	-	35,900	59,775	(23,875)
Sub total	620,400	800,000	1,420,400	1,569,500	(149,100)
TOTAL OPERATING EXPENSES	2,702,195	800,000	3,502,195	3,517,500	(15,305)
TOTAL CAPITAL EXPENDITURE	7,000	-	7,000	8,500	(1,500)
TOTAL EXPENDITURE	2,709,195	800,000	3,509,195	3,526,000	(16,805)

Note 1: This relates to the Wind Pre-feasibility studies which is deemed an exceptional project. The wind studies are projected to span two years and have a total value of ~\$1.3 M of which \$800k is the estimated budget for the second year (\$500k was for the initial fiscal year 2021-22).

APPENDIX B - REQUEST TO APPROVE THE RA'S BUDGET FOR FISCAL YEAR 2022-23

Pursuant to sections 43(3) and 43(4) of the RAA, the RA hereby requests that the Minister of Finance, after making any modifications to the budget proposed by the RA that he deems necessary and proper, issue a decision approving the RA's proposed expenditure budget totalling \$6,593,390 for the fiscal year 2022-23 as set out in [TABLE 1](#).

APPENDIX C – RECOMMENDATION TO MAKE A REGULATION REGARDING RA FEES

Pursuant to section 44(1) of the RAA, the RA hereby recommends that the Minister of Finance make a regulation ensuring that during fiscal year 2022-23 the RA Fees to be paid by:

- i. ICOL holders reduce to 1.65% of Annual Relevant Turnover;
- ii. SubCOL holders remain at 1% of Annual Relevant Turnover;
- iii. the Transmission, Distribution and Retail Service Provider remain at \$0.00635 per kilowatt-hour sold;
- iv. Utility Scale Electricity Generation providers (greater than 25 Megawatts of installed electricity generation capacity) remain at \$1,000 per Megawatt per annum of installed electricity generation capacity;
- v. Fossil Fuel Bulk Electricity Generation providers (greater than 0.5 Megawatts but less than 25 Megawatts of installed electricity generation capacity) remain at \$1,500 per Megawatt per annum of installed electricity generation capacity;
- vi. the Waste-to-Energy Bulk Electricity Generation provider (greater than 0.5 Megawatts but less than 25 Megawatts of installed electricity generation capacity) remain at \$1,500 per Megawatt per annum of installed electricity generation capacity;
- vii. Renewable Energy Bulk Electricity Generation providers (greater than 0.5 Megawatts but less than 25 Megawatts of installed electricity generation capacity) remain at \$1,500 per Megawatt per annum of installed electricity generation capacity; and
- viii. Self-supply Generation License provider (greater than 0.5 MegaWatts of installed electricity generation capacity) remain at \$6,500 per MegaWatt.

Pursuant to Section 44(1) of the RAA, the RA hereby recommends that the Minister of Finance make a regulation to establish the recommended service fees per section [7.2](#) of this Preliminary Report.

APPENDIX D – RECOMMENDATION REGARDING GOVERNMENT AUTHORIZATION FEES

Pursuant to Section 52(2) of the RAA, the RA hereby submits the following recommendations to the Minister of Finance regarding the Government Authorization Fees to be adopted for fiscal year 2022-23 that there be:

1. no change to the Government Authorization Fees related to the Electronic Communications sectors for the 2022-23 year; and
2. no change to the Government Authorization Fees related to the Electricity sector for the 2022-23 year.

Pursuant to Section 44(1) of the RAA, the RA hereby recommends that the Minister of Finance make a regulation to establish the recommended service fees per section [7.2](#) of this Preliminary Report.

APPENDIX E – RECOMMENDATION REGARDING REGULATORY AUTHORITY SERVICE FEES

Pursuant to section 44 (3) of the RAA, the RA hereby recommends that the Minister of Finance make a regulation ensuring that during fiscal year 2021-22 to set the RA Service Fees

Electricity	
Administration Fees	Proposed Fee
- Concentration Review	\$25,000
- Licence Transfer or Assignment	\$2,400
- Bulk Generation Proposal Review	\$10,000
- Large-Scale Self-Supply Licence	\$15,000
-	
Electronic Communications	
- Administration Fees	Proposed Fee
Application for ICOL	\$85,000
- Application for HDS Spectrum	\$15,000
- Application for Non-HDS Spectrum	\$0
- Application for Licence Exemption	\$320
- Concentration Review	\$25,000
- Licence Transfer or Assignment	\$2,400
- Inspection Fees	
- Network interference investigation	\$1,500
- Radio Frequency Hazard Analysis	\$500

Pursuant to Section 44(1) of the RAA, the RA hereby recommends that the Minister of Finance make a regulation to establish the recommended service fees per section [8](#) of this Preliminary Report.

APPENDIX F – DESKTOP WIND STUDY RESULTS



Offshore Wind Development Scoping Study: Public Presentation

September 2021

The report can be found here: <https://www.ra.bm/documents/bermuda-offshore-wind-public-report/>

The presentation can be found here: <https://www.ra.bm/documents/bermuda-offshore-wind-presentation/>

APPENDIX G – UTILITY-SCALE SOLAR RESOURCE ASSESSMENT



Bulk Generation PV
Procurement Sites

The report can be found here: <https://www.ra.bm/documents/bulk-generation-pv-procurement-list/>

APPENDIX H – FUEL TAXATION

Bermuda's economic recovery under the ongoing COVID-19 pandemic requires as much stimulus as possible. Resetting fuel taxation levels would immediately have this effect for all the people of Bermuda.

Background

In 2015, following a temporary slump in global oil prices, the Bermuda Customs Duty was raised by 5 cents per litre. The equivalent price impact was a change from \$15.10 per barrel to \$23.05 per barrel – an increase of 52.65%.

In 2016, a further increase from \$23.05 per barrel to \$31.79 per barrel was implemented – a subsequent increase of 37.92%.

Over the course of those two years, electricity production fuel taxes increased by 110.53%.

The RA has reviewed the history of the tax changes and is very aware of their impacts on electricity prices. Beyond the pandemic's impact, global oil industry changes have emerged since 2015's first tax increase. Bermuda currently faces a major geopolitical shift, including a radically different US fossil fuel export policy. Increasing fuel costs are already bearing heavily upon local business and resident electricity costs. Volatility promises greater swings in fuel adjustment rates in future, increasing uncertainty in business and local living costs. Effective pricing of electricity is critical for the efficient operation of the economy, as affordable electricity is essential to the functioning of any modern economy. The RA affirms its role in doing its part. It has successfully completed two Retail Tariff Reviews which resulted in reduction in the electricity tariffs. It also commits to reviewing the utility's fuel purchasing practises, and the (now quarterly) fuel adjustment rate submission frequency, in line with more nimble decisions required to protect the delicate, local economy. However, as fuel taxes are not set by the RA, the fuel component is very high and largely composed of fixed costs, of which taxes are \$31.79 per barrel of fuel.

With respect to the ongoing COVID-19 global pandemic and the demonstrated devastating economic impact on the people of Bermuda, the RA believes that the current taxation of fuel for the production of electricity is unsustainable.

Recommendation

The Regulatory Authority of Bermuda (the “RA”) is proposing the consideration of the reduction of the current level of taxation of fuel for the production of electricity.

The RA recommends that the taxation of fuels for the production of Electricity be reduced to \$12.72 per barrel or 8 cents per litre – a 60% reduction from current levels. This will strongly stimulate the economy and make the economy operate more efficiently, including being more supportive of new startup and legacy businesses while making Bermuda more attractive to others considering domiciling in Bermuda. Such a transition would position Bermuda to recover more robustly and will be necessary considering the unlikelihood of a strong tourism or general business recovery in the near term.

Further items for consideration are:

1. the regulation of monopoly or significant market power of certain facilities e.g., pipelines, piers, etc.;
2. enhanced regulation of retail gasoline and diesel prices; and
3. the review/prohibition of potential anti-competitive practices.

APPENDIX I – SUMMARY OF RESPONSES TO WORK PLAN CONSULTATION

1. Section 43(2) of the RAA requires the RA to initiate a public consultation regarding its Work Plan for the upcoming financial year not later than six months before the commencement of each financial year. Pursuant to this obligation, the consultation on the Work Plan 2022-23 (the “Work Plan Consultation”) was published by the RA on 1 October 2021. Interested third parties were invited to respond to the Consultation by 31 October 2021 (the “Consultation Period”).
2. During the Consultation Period, the RA received written non-confidential comments on the Work Plan Consultation from One Communications, Digicel, BELCO and Citizen Kathy Cervino.
3. The RA’s Work Plan Consultation sets out the RA’s Work Plan for the period 1 April 2022 to 31 March 2023. It provides details on the consultation procedures and the legislative context under which the consultation is undertaken. 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.
4. A full text of the submissions made in response to the Work Plan Consultation can be found on the RA’s website at www.ra.bm.
5. The RA is grateful for the responses received to this consultation. All comments have been carefully considered by the RA as a part of its process to refine its Work Plan for 2022-23. The following “Summary of Responses” summarizes the key comments made by the respondents and provides the RA’s responses to those comments.
6. For the avoidance of doubt, a failure to address, directly, or indirectly, any matter raised by a respondent to the Work Plan Consultation in this document is not an indication of the RA’s failure to take that matter into account or an acceptance or rejection of the position.

Summary of Responses

The RA has reviewed and considered the responses received and has addressed them as set forth in this section. This section provides an overview of the key themes from the responses to the proposed Work Plan 2020-21 fiscal year consultation and the resultant comments from the RA.

This key themes from the public responses are structured in this section as follows:

- I. Financial transparency;
- II. Budget and clarity on activities; and
- III. Request for fee reductions.

I. Financial Transparency

Stakeholder Comment

One stakeholder response called for further financial transparency from the RA relating to amongst other items, its issuance of its unaudited Q4 accounts and the use of a line of credit while building reserves. In One Communications Ltd and its affiliates' (collectively "OneComm") response it stated,

“We appreciate and encourage the RA’s relatively new practice of releasing quarterly unaudited statements in an effort to improve the transparency of its operations and financial management. We note that the RA’s quarterly unaudited statements for Q1, Q2 and Q3 for fiscal year 2020-2021, and Q1 for 2021-2022, are available on the website. We further note that unaudited statements for Q4 for 2020-2021 are not provided. We request that all unaudited quarterly statements be released to ensure that all stakeholders can provide informed comment regarding the proposed budget. It should also be noted that the most recent Annual Report of the RA on its website is for the 2018-2019 period.

In keeping with the policy behind the Work Plan consultation, and to further improve the RA’s financial transparency, we ask that the unaudited financial information be integrated into the RA’s preliminary Work Plan. The RA’s release of the quarterly unaudited financial information provides data that would be helpful in evaluating the proposed Work Plan. Unfortunately, the information is provided piecemeal and separate from the Work Plan consultation, leaving the analysis of actuals vs budget to stakeholders with financial expertise and resources. It would better inform all public stakeholders if the RA included the relevant and available unaudited financial data in the context of the Proposed Work Plan. For example, in providing comment on

the proposed budget for April 2022 to March 2023 it would helpful to be able to review this relative to the RA's unaudited full year actuals for 2020-2021, and any available 2021-2022 fiscal year data (both Q1 and Q2 might be possible given the statutory timing for the consultation). This improved budget transparency would be consistent with the RA's aspirations to providing "Audience Centric Communications" and being 'Open by Default' as per page 19 of the proposed Work Plan."

RA Response

The response is split into sections A) and B) below:

A) Full financial transparency - Reviewing the actual unaudited financial information vs budgetary figures proposed for the coming period

Q4: 2020-21: Quarterly accounts:

Publishing the Q4 :2020-21: Quarterly accounts is the equivalent of publishing the annual i.e., 12-month unaudited financial statements. Our current policy is that we publish the quarterly accounts up to December 31 (3 quarters) and the annual draft financial statements up to March 31 (All 4 quarters) are submitted to the Auditor General not later than June 30. The RA will give consideration as to whether it would be appropriate to submit the Q4 unaudited accounts prior to the conclusion of the official audit.

Annual reports

Prior to the RA publishing its Annual Report(s) of its website, the RA is subject to the following administrative process:

- Tabling the RA's Annual Report in Parliament, by the Minister responsible for the regulated sectors; and
- Official Gazetting of the RA's Annual Report.

Furthermore, regarding the fiscal years 2019-2020 and 2020-21, refer to the update below:

- 2019-2020: The financial statements have been submitted to and are due for audit by the Auditor General in Q1 2022.

- 2020-2021: The financial statements have been submitted to the Auditor General and audit timelines will be established once the 2019-20 audit is finalized.

RA’s unaudited full year actuals for 2020-2021.

As per the current policy we publish audited full year actual financial statements. We shall however re-assess the need to publish the unaudited annual financial statements.

Q2 2021-2022 quarterly statements

The quarterly accounts are published within 1 month of receiving all of the quarterly filing submissions from the licensees in the sectors. The working publishing timelines are as follows:

	Revenue submissions due date	Quarterly accounts Publishing date
Q1	May-31	Jun-30
Q2	Nov-30	Dec-31
Q3	Feb-28	Mar-31

NB: The publishing of the accounts may be delayed in case the quarterly filing submissions are not received in time.

B) Building Reserve Funds from budgetary surplus while borrowing against the RA’s Line of Credit

- The Project Fund was approved to hold monies for stated workplan projects and projects in-progress. These projects are therefore subsequently financed without the need to request for additional funding from the respective sectors.
- The Litigation Reserve Fund was approved to hold a maximum of \$1.5million to cater for any unforeseen litigation expenses.
- The above Reserve funds are financed from the surpluses at the end of the fiscal year, with the Project Fund taking precedence over the Litigation Reserve fund.

NB: Prior the above approval, the RA would split the surplus as follows:

- 50% to the Consolidated fund
- 25% to the Reserve Fund
- 25% to the Paid-up Capital

This would result in the RA requesting more funding from the sectors in the subsequent workplan budget to complete the previous year’s workplan projects and is therefore more efficient than the prior methodology.

The Revolving Line of credit.

The revolving line of credit facility was established as a contingency cashflow management plan in the event of revenue shortfalls against the budget as well as other unforeseen working capital needs that may arise. An example of this was with the initial regulation of the Electricity sector when startup funding was not adequate and also the recent uncertainty introduced by the COVID-19 pandemic.

Difference between the budgeted provision for litigation and the Litigation Reserve Fund

The budgeted provision for litigation relates to litigation matters that are already known or anticipated by the time of the workplan preparation whereas the Litigation Reserve fund is to support any unforeseen litigation expenses.

II. Budget and clarity on activities

Stakeholder Comment

Several stakeholders responses called for further explanations about sub-element costs and clarity on specific proposed work items. In Digicel and its affiliates' (collectively "Digicel") response it stated:

“7. In contrast to the Electricity Sector, the majority of the regulatory frameworks of the Electronic Communications Sector are now complete and the Authority’s main activities are monitoring of the compliance. Digicel therefore takes the view that, the Electronic Communications sector’s RAF should be decreased further than the current proposed level of reduction based on projected work plans if RAFs are set according to the cost-drivers of such fees.

8. Digicel acknowledges that the Authority’s regulatory activities are highly specialized and complex. The Authority has already well resourced compared to other regulators in the region and even compared to most sectoral service providers in Bermuda after its headcount increases. Its proposal to increase the staff related costs to \$3,630,000, an increase of \$235,590 from \$3,394,410 in FY 21-22, should be carefully considered, as it may not be sustained where the sectoral providers’ revenues are, and will be declining in Bermuda.

9. Further, a reduction in consultation activities and associated costs will be required rather than an increased expenditure budget of \$1,357,000 for Consultancy Services in next financial year. It is unclear why further \$800,000 was set aside as an Exceptional Ordinary Item in addition to \$557,000 under the heading of “Consultancy Services in the Electricity Sector. It states at page 25 of WP that:

The Wind Pre-feasibility studies which is deemed an exceptional project. The wind studies are projected to span two years and have a total value of ~\$1.3 M of which \$800k is the estimated budget for the second year (\$500k was for the initial fiscal year 2021-22). (\$500k was for the initial fiscal year 2021-22).

10. It is hard to understand that the Wind Pre-Feasibility Studies, not actual implementation of the project itself, would cost more than \$1.3 M of Consulting Services fees over two (2) year period.

11. Digicel respectfully requests that the proposed budget reflects the relevant sector specific work plans and expenditure, and more importantly the economic effect of the pandemic in Bermuda.
12. Digicel is looking forward to find out more on the National Connectivity Plan initiative and work with the Authority.”

RA Response

The RA appreciates the feedback that Digicel has provided. Wind pre-feasibility studies take many forms and consist of a minimum of a desktop study, which the RA has already completed and published, and a meteorological study (**Met Study**), where actual wind speeds are measured for an entire year. The Met Study is approximately \$1.3 million dollars.

Further, the RA understand that the required geophysical data to determine the composition of the seabed to install the windfarm foundations is not available in Bermuda and will need to be developed. This is usually a multi-million-dollar expense, for which the RA plans to seeks an external (to Bermuda) grant. Updates on this effort be provided as and when the RA is able to do so. The further consultancy budget in the electricity related to other projects where the RA continues to develop the regulatory framework in the electricity sector, such as introducing new forms of electricity retail tariffs and evaluating the new Integrated Resource Plan.

In OneComm’s response it stated:

“As the Work Plan consultation is an opportunity to suggest items that the RA should address in the coming year, we are asking the RA to further improve its use of communications tools like the website and email. In the past, the RA had a practice of notifying stakeholders using direct email for those who had specifically requested direct communication, and it used its website to communicate with the public more broadly. At some point, stakeholders were asked to use the autonotification function on the RA website, and not to expect direct email notification.

OneComm complied with this change in practice and subscribed for autonotifications to all aspects of the electronic communications portions of the RA website.

It has since been discovered that autonotification is not available for all of the RA's website. That key function is limited to certain portions of the site chosen by RA staff members. It is not clear what policy basis is relied on for this approach, and inquiries made to the RA do not reveal any relevant technical limitations. It leaves the impression that the RA wants to broadly communicate certain information, but not all information. We note the communications initiatives the RA is proposing at page 19 of the Work Plan. The selective use of the autonotification function is a key obstacle to these initiatives and suggests a mode of operating that is not 'Open by Default'. We ask the RA to reconsider and improve its use of the autonotification function. If the RA is truly to be audience-centric and Open by Default, auto notification should apply to all aspects of the RA's website, including in particular Board Minutes (including Executive Committee Minutes), financial documents, and all licensing documents."

RA Response

The RA remains committed to improving its level of transparency and communication to its stakeholder groups. To increase the flow of communication, the RA offers direct email marketing through its subscription service, where subscribers can choose to receive a wide range of information such as: Activity Reports & Annual Reports, Consumer Information, Financial Reports, Legal News, Media Releases, Public Consultations & General Determinations and Technical Reports. While consideration may be given to increase subscription topics based on the volume of traffic to any given page, it would be impractical and inefficient to auto-notify "*all aspects of the RA website*", as it would make the need for a website obsolete. To stay current with the RA's activities, it is recommended that OneComm subscribe to all of the options listed above.

In the Bermuda Electric Light Company Limited's (**BELCO**) response it stated:

13. BELCO notes the RA's intention to publish, at Appendix C, its solar resource assessment (the "Solar Study") with the work plan and budget for fiscal year 2022-23 (the "Work Plan"). BELCO also notes that the last discussion between BELCO and the RA on bulk solar was in January 2021. BELCO therefore asks the RA to consider either (i) providing an update on the results of the Solar Study or, (ii) publishing the Solar Study prior to the release of the Work Plan as it has done with the Wind Feasibility Study intended to be attached at Appendix B of the Work Plan (published 19 October 2021).

RA Response

The RA's Solar Study, "Bulk Generation PV Procurement List" which identified bulk generation procurement opportunities in Bermuda's on government owned lands is published on the RA website. It can be found here: <https://www.ra.bm/documents/bulk-generation-pv-procurement-list/>

14. BELCO also notes the RA's intention to conduct an efficiency and performance benchmarking study by the end of March 2022. BELCO requests further information on this study and asks the following questions:
1. What exactly is the purpose and scope of the study?
 2. What is the expected participation level from BELCO?
 3. What does the RA intend to do with the results of the study?
 4. Are the retail tariff reviews contingent on the benchmarks?

BELCO would like to understand what is contemplated by the RA in relation to this study. The RA also notes in section 7.7 of the Consultation Document various new tariffs under consideration. BELCO wonders if the RA wishes to also address, during the 2022-23 fiscal year, whether to implement a hospitality tariff and/or consider a pre-pay program for residential customers.

RA Response

To ensure the effective and efficient implementation of the Retail Tariff Methodology, the RA reviews the main factors which make up BELCO's revenue allowance; the allowable rate of return: this allows BELCO to recover the cost of financing new investments, the regulatory asset base: this represents the inventory of all generation, transmission, and distribution assets owned by BELCO, including new investments applied for by BELCO, the allowance for operational costs (OPEX): this includes a range of items from salaries, through to vehicles and lubricants for power plants, fuel costs projections;, costs projections with respect to purchasing power from third parties, such as the Tynes Bay power plant and customers with solar panels; and adjustments such as the Energy Sales Adjustment and the Energy Purchase Adjustment to align variances noted between actual and forecasted balances. Upon review of these factors, BELCO's proposed revenue allowance is either confirmed or adjusted.

Previously, the RA conducted high level efficiency reviews of BELCO's proposed capital and operational expenditures. As part of this year's review, the RA conducted a comprehensive review of these expenditures. This involved an operational expense efficiency benchmarking study with comparisons to regional and other relevant utilities, efficiency studies of BELCO's activities, an efficiency assessment of BELCO's operating expenditure from both top-down and bottom-up perspectives, and consideration for the development and implementation of an incentive regime to improve efficiency.

As part of the comprehensive Retail Tariff Review, the RA is reviewing the current retail tariff structure with consideration for revising the structure and potentially including new tariff categories to capture international best practice and recent trends in tariff development such as; time-of-use tariffs, electric vehicle charging tariffs, low-income household tariffs and new business development tariffs. As part of the tariff structure review, the RA plans to solicit the public's input on any proposed changes or updates to the tariff structure.

15. BELCO asks: What proposals has the RA received to-date and what is the basis for the expectation that the RA will have unsolicited proposals during the fiscal year 2022-23? There continues to be a conflict between the Electricity Act 2016 and the transmission, distribution and retail licence in relation to the procurement of bulk generation, and BELCO wonders whether the RA intends to address this conflict during the 2022-23 fiscal year.

RA Response

The Bulk Generation Procurement Rules (**BGPR**), which allows for the open submission and RA evaluation of unsolicited bulk generation proposals throughout the year has initiated interest from prospective developers and landowners. The RA regularly fields interest for these developments and has listed the activity in this work plan accordingly. The process for treatment of unsolicited proposals is laid out in the BGPR, of which public notifications are a part of the process.

The RA notes the conflict between the EA and the TD&R licence in relation to the procurement of bulk generation. The RA will make an effort in the upcoming fiscal year to address the conflict and it could include either agreeing a modification of the licence as appropriate, working with and in consultation with BELCO as the TD&R licensee or it could take the form of legislative changes.

18. BELCO notes the RA's intention to conduct phase two of its pre-feasibility wind study within the fiscal year 2022-23. BELCO notes that this study may overlap with the preparation of the IRP.

BELCO would be grateful for details on how the wind study and the IRP will be coordinated to optimize resources and ensure the required inputs are available for the preparation of the IRP.

RA Response

The intention is to use the wind study data for consideration in the next IRP, however, if this particular set of data is not available, the IRP is to be developed using the best set of information available at the time.

19. The 2018 National Fuels Policy addressed what the RA could be empowered to regulate in relation to the fuels sector. BELCO wonders whether the RA believes the scope for regulation remains the same today.

RA Response

The scope of regulation for fuels will be similar to that of the electricity sector. The RA will need to develop a regulatory framework to establish a licensing regime, development of the fuel pricing methodologies and competition rules to facilitate and promote sustainable competition, innovation and investment and promote and protect the interest of consumers.

20. The RA proposes an increase in operating expenses for planned training, but details on such training has not been provided. BELCO believes it would be helpful if the RA would please provide further detail on the nature and location of the training.

RA Response

Training was largely halted last year due to COVID-19; however, this year the RA plans to continue the provision of targeted training to the members of staff to ensure they are equipped to perform at the highest standard. Staff will be developed in line with RA's Mission and Goals and participate in relevant industry and regulatory forums. The training ranges from electrical system modelling to legislative drafting and other training focused on specific opportunities for improvement.

In Citizen Kathy Cervino's response it was stated:

"I am a finance person and I do NOT UNDERSTAND how \$6.5M is being spent to advance the electricity industry other than to employ (\$3.6M), use offices (\$1.2M) and receive consulting (\$1.4M) and further buy some furniture. Here I am foolishly looking to see if they are going to have an exciting plan for spending \$6.5M!!! I had hoped they would be promoting renewable energy investment to outside investors or something of substance for the people of Bermuda.

WHAT EXACTLY ARE THEY DOING OVER THERE?

HOW IS ENERGY INDUSTRY ADVANCING THE INTEREST OF THE PUBLIC INTEREST?

SO, IF I HAVE THIS RIGHT, WE HAVE TO SPEND \$6.5M EACH YEAR FOR TWO YEARS OF REGULATION AUTHORITY COSTS TO GET ONE WIND FEASIBILITY STUDY OUTSOURCED TO CONSULTANTS WHICH COSTS \$1.3M OVER TWO YEARS.

I COULD HAVE ORGANIZED A \$1.5M FEASIBILITY STUDY WITH A FEW PHONE CALLS FOR FREE!!!

I JUST WILL NEVER UNDERSTAND THE ABSOLUTE WASTE OF MONEY WHILE PEOPLE IN BERMUDA ARE GOING HUNGRY AND GETTING THEIR LIGHTS TURNED OFF."

RA Response

The RA thanks Citizen Kathy Cervino for the input. The RA budget does not reflect the cost as described in the comment, as the \$6.5 million budget is for the regulation of three sectors, of which electricity is one. The requirement to outsource the wind studies is a necessity, as it is not realistic to expect that the RA would maintain staff that can develop meteorological or geophysical studies. The RA welcome's Citizen Kathy Cervino support to raise funds to offset the cost the studies, provided that there is no cost of capital to the Bermuda public. The RA also understands the frustration of Citizen Kathy Cervino and most assuredly does not waste money and works diligently in the public interest.

III. Request for fee reductions.

Stakeholder Comment

One stakeholder response from Digicel called for further reductions in fees:

“4. We support the Authority’s proposal to the Minister of Home Affairs to reduce the Regulatory Authority Fees (“RAF”) relating to Integrated Communications Operating Licences (“ICOLs”) and the Government Authorization Fees (“GAF”) imposed on the Electronic Communications sector, subject to comments below.

5. Although Bermuda has re-opened most sectors of the economy, global travel restrictions have a continuous and long term adverse impact on the Electronic Communications sectoral providers, due to the declining roaming related revenues as well as the reduction of jobs in Bermuda.

6. Since the Authority’s expenditures are solely funded by sectoral providers, it is imperative that the relevant sectoral fees should be set, based on the sector specific expenditures.

7. In contrast to the Electricity Sector, the majority of the regulatory frameworks of the Electronic Communications Sector are now complete and the Authority’s main activities are monitoring of the compliance. Digicel therefore takes the view that, the Electronic Communications sector’s RAF should be decreased further than the current proposed level of reduction based on projected work plans if RAFs are set according to the cost-drivers of such fees.”

RA Response

The RA appreciates the feedback that Digicel has provided and largely agrees. As Digicel is aware this will be the second consecutive year of recommended fee reductions for the Electronic Communications sector. The RA seeks to continue this trend provided it can be done sustainably. The RA will maintain the current recommendation to the Minister of Home Affairs to reduce both the GAF and the RAF. Digicel will also note that the RA has proposed

significant reductions in fuel taxes for electricity which will also materially benefit sectoral providers and the broader economy.

APPENDIX J – SUMMARY OF RESPONSES TO PRELIMINARY REPORT

1. Section 72(3) of the RAA requires the RA to allow the public to submit responses regarding its Work Plan Preliminary Report. Pursuant to this obligation, the Preliminary Report on the Work Plan 2022-23 was published by the RA on 16 December 2021. Interested third parties were invited to comment on the Preliminary Report by 27 January 2022 (**Comment Period**).
2. During the Comment Period, the RA received one written, non-confidential response to the Preliminary Report from BELCO. Further, the RA received verbal feedback from the Ministries of Home Affairs and Finance (**Ministries**).
3. The RA is grateful for the responses received to the Preliminary Report. All comments have been carefully considered by the RA as a part of its process to refine its Work Plan for 2022-23. The following “BELCO Response” shows the comments made by BELCO and provides the RA’s responses to those comments. The subsequent “Ministerial Responses” summarises the responses from the Ministries.

For the avoidance of doubt, a failure to address, directly, or indirectly, any matter raised in this document is not an indication of the RA’s failure to take that matter into account or an acceptance or rejection of the position.

I. BELCO Response

1.3 Fiscal Year 2021-2022 Major Activities and 7.7 iii Retail Tariff Review - Phase Two

In the First Round Consultation Document, the RA commented that it "has commenced the third retail tariff review and an efficiency and performance benchmarking study will be conducted by the end of the fiscal year." Such comment suggests that the efficiency and performance benchmarking study remains to be completed.

In response to the RA's comment, in its first set of comments in this Consultation, BELCO stated, in part, as follows:

BELCO also notes the RA's intention to conduct an efficiency and performance benchmarking study by the end of March 2022. BELCO requests further information on this study and asks the following questions:

- i. What exactly is the purpose and scope of the study?
- ii. What is the expected participation level from BELCO?
- iii. What does the RA intend to do with the results of the study?
- iv. Are the retail tariff reviews contingent on the benchmarks?

Despite the RA's comment suggesting that the benchmarking study remained to be completed, in its response to BELCO, included in the Summary, the RA states in part:

Previously, the RA conducted high level efficiency reviews of BELCO's proposed capital and operational expenditures. As part of this year's review, the RA conducted a comprehensive review of these expenditures. This involved an operational expense efficiency benchmarking study with comparisons to regional and other relevant utilities, efficiency studies of BELCO's activities, an efficiency assessment of BELCO's operating expenditure from both top-down and bottom-up perspectives, and consideration for the development and implementation of an incentive regime to improve efficiency.

This response suggests that the RA has completed its benchmarking exercise and does not address its earlier comment that indicated there is a study that remains to be completed. BELCO would be grateful if the RA could please clarify the position on the benchmarking and also respond to BELCO's question four repeated above.

BELCO thanks the RA for its response on the impending comprehensive retail tariff review. BELCO wonders, however, whether the RA can please address what it

considers to constitute "international best practice", as such can be interpreted many ways. BELCO would like to ensure that the practices that are considered are appropriate for Bermuda. Either way, BELCO looks forward to working with the RA on the comprehensive retail tariff review and to addressing certain longstanding issues such as whether to implement a hospitality tariff.

6.4 Addressing new areas of regulation for the RA.

BELCO appreciates the RA's response, set out in the Summary, in relation to the regulation of fuels. It is assumed that the RA will conduct public consultations in relation to this matter and BELCO looks forward to participating in the same in due course.

9. Service Fees

BELCO notes that Table 4 of the Second Round Consultation Document reflects a substantial reduction in the fee for Licence Transfers from \$25,000 in the First Round Consultation Document (which represents the present statutory position) to \$2,400. No explanation appears to be provided for this reduction, and the reduction is concerning given that the review of a licence transfer is a critical undertaking that requires appropriate diligence and care. BELCO would be grateful to review an explanation and reconsideration should the reduction be anything other.

RA Response

1.3 response:

As part of the 2022 Retail Tariff Review, the RA completed a comprehensive review of BELCO's technical operations and expenses, submitted as part of the review process, which included efficiency benchmarking studies with comparisons to regional and other relevant utilities, with the consideration for the development and implementation of an incentive regime to improve efficiency.

Retail tariff reviews have not been contingent on benchmark studies, however the current set of benchmarking studies compliment the RA's commitment to, and further highlights the intent of its retail tariff methodology to implement components of an incentive-based regulation regime, to promote economic efficiency in the provision of electricity services to the customers of Bermuda.

6.4 response:

Following legislative approval on the RA's regulation of the Fuels sector, similar to the onboarding of the electricity sector, the RA anticipates the establishment of the licensing regime and the development of the fuel pricing methodologies

through public consultations and stakeholder engagements.

9. response:

Following the review of activities required to assess electricity sector licence transfers applications, the fee for the Licence Transfer has been revised to \$2,400. The change in fee reflects the separation of activities required for a Concentration Review which remains at \$25,000.

These fees are proportionate given the actual amount of work that is involved for a typical transfer assessment versus a more exhaustive assessment as required for that of a concentration review per section 87 of the RAA.

II. Ministerial Responses

- a. The Ministry of Home Affairs indicated the RA should add the other future regulated sectors into the narrative of the work plan. This Final Report now indicates those future industries as the Broadcasting and Earth Stations (satellite and rocketry) sectors. The scope and timing of these additions have not been finalised at the time of writing.
- b. The Ministry of Finance requested the detail of how accounts receivable are generally managed. Those details were sent in a separate memorandum. The Ministry indicated support for the RA's trend and approach to lowering fees over time where possible. The Ministry of Finance also requested further separation of cost Employee and Commissioner Costs in the Final Report. This updated information is provided in Tables 1, 5 & 6 of the Work Plan & Budget. The Ministry requested an assessment of potential impacts to Government revenue due to International Sanctions on the Russian Federation. This assessment was sent in a separate memorandum.