



ACTIVITY REPORT

FY 2017-2018



ACTIVITY REPORT: FY 2017-2018

The purpose of this document is to report on the progress of activities of the Regulatory Authority of Bermuda (“the Authority”) for the electricity and electronic communications sectors, for the fiscal year 2017-18.

THEY ARE:

- To promote and protect the interests of consumers
- To promote and facilitate sustainable competition
- To facilitate innovation and investment

Note: This report does not include financial information

REGULATORY AUTHORITY

ACTIVITIES

The Authority performed the following activities to support its strategic goals:



ELECTRONIC COMMUNICATIONS: PROMOTING AND PROTECTING THE INTERESTS OF CONSUMERS

SPECTRUM:

Following on from the conclusion of the spectrum assignment process referred to as HDS-1, the Authority continued its oversight of the implementation of the process. As detailed in its previous annual report, the Authority focused on the Coverage/Rollout and Minimum Quality of Service Obligations for 4G LTE service deployment. The obligations contained the following:

- A Minimum Average Download User Data Rate of at least 15 Mbps
- America's Cup and Interim coverage obligations

The HDS-1 America's Cup obligations were met by One Communications and Digicel on May 17th and May 31st, 2017 respectively, and each received a Certification of Compliance. The coverage and Minimum Quality of Service Obligations for 4G LTE service deployment for this obligation was focused on the western portion of the island, including the Great Sound.

The HDS-1 Interim obligations were met by One Communications and Digicel, with both receiving Certifications of Compliance on October 23rd, 2017. The coverage and Minimum Quality of Service Obligations for 4G LTE service deployment for this obligation was focused on 75% & 50% coverage respectively. For these interim requirements, both One Communications and Digicel surpassed the Minimum User Data Rate of 4 Mbps and an Minimum Average User Data Rate of 15 Mbps.

The Authority also handled many other spectrum related matters in accordance with the spectrum policy and the Electronic Communications Act 2011.

REGULATORY AUTHORITY

ACTIVITIES

PROMOTING AND FACILITATING SUSTAINABLE COMPETITION

MARKET REVIEW & REMEDIES:

The Authority initiated a comprehensive Market Review of the electronic communications sector. The review assessed whether operators in certain markets hold a significant position of market power, such that it is necessary and appropriate for the Authority to intervene and impose regulations to prevent or deter anti-competitive behaviour and/or impact. During this fiscal period, the Authority gathered and analysed data collected from sectoral providers to form an evidence-based conclusion on the market's competitive position.

OUTSIDE OF THE WORK PLAN:

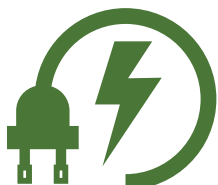
Outside of the planned work items, the Authority routinely carries out various reviews and investigations throughout the fiscal year. These include:

FILINGS: Reviews were carried out by the Authority on matters in relation to various submissions for regulatory approvals including changes of control.

INVESTIGATIONS: After numerous complaints were received from consumers with reports of a billing error, the Authority investigated a sectoral provider's billing practices. This led to the further review of customer contracts of several other sectoral providers.

REGULATORY AUTHORITY

ACTIVITIES



ELECTRICITY:

FACILITATING INNOVATION AND INVESTMENT

Within the fiscal year 2017-18, the Authority conducted the following key strategic activities in the electricity sector:

- The Authority completed the licensing of the incumbent Bulk Generation (“BG”) and Transmission Distribution & Retail (“TD&R”) providers, Bermuda Electric Light Company Limited (“BELCO”) and Tynes Bay Waste to Energy Facility;
- Initiated the development of Bermuda’s first Integrated Resource Plan (“IRP”);
- Developed procedures for evaluating and processing Power Purchase Agreements (“PPA’s”) between the TD&R licensee and future BG licensees;
- Created an emergency General Determination (“GD”) to establish transitional measures for BELCO’s Solar Net Metering Scheme;
- Initiated the development and consultation of the Feed in Tariff (“FIT”) methodology to provide a mechanism to compensate distributed generators; and
- Commenced the development and consultation of the Retail Tariff (“RT”) methodology to provide new electricity rates.

CORPORATE DEVELOPMENTS & INITIATIVES

STRIVING FOR ORGANIZATIONAL DEVELOPMENT:

ACTIVITY 1

The Authority continued the provision of targeted training for members of staff to ensure they are equipped to perform at the highest level of professionalism.

The Authority's senior staff engaged in specialized training in utility and economic regulation. Individuals also underwent professional development, and external training via courses and conferences.

ACTIVITY 2

Participation in relevant industry and regulatory forums and training.

The electricity team participated in two international conferences:

- 1) The World Forum in Energy Regulation; the leading international conference on energy regulation focused on empowered consumers, dynamic markets and sustainable infrastructure and matters at the forefront of regulation in a time of innovation, and
- 2) OOCUR, the Organization of Caribbean Utility Regulators which hosted its annual conference, that focused on regulating for sustainability in a disruptive environment.

COMMENTARY ON THE **2017-18 WORK PLAN**



ELECTRONIC COMMUNICATIONS: PROMOTING AND PROTECTING THE INTEREST OF CONSUMERS

ACTIVITY 1

The Authority continued to process individual consumer complaints and addressed issues raised.

To this end, in 2017, the Authority commenced its review and reconstruction of its website to make it more accessible for consumers and to improve the consumer education and dispute submission sections on the website.

The Authority continued to accept and process consumer complaints for both residential and business consumers. Residential sector complaints were primarily related to the cost of roaming and the speed of home internet, while business complaints focused on billing queries and late charge fees. During the fiscal year, the Authority also maintained dialog with government entities, to further improve the complaints handling processes.

ACTIVITY 2

The Authority reviewed the Terms and Conditions of consumer contracts to better protect the public.

The Authority reviewed the Terms and Conditions of several sectoral providers' agreements for the services they provide to the general public, and required the relevant entities to implement amendments.

COMMENTARY ON THE **2017-18 WORK PLAN**

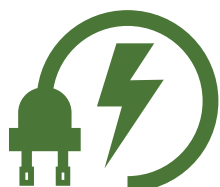
PROVIDING ADVICE/INFORMATION TO THE GOVERNMENT

In accordance with section 17 of the RAA, the Authority commenced the review of the electronic communications sector (the “Sectoral Review”) by issuing the Review of the Electronic Communications Sector Consultation Document (the “Consultation Document”) on 17 October 2017. The purpose of the Sectoral Review is to conduct a comprehensive review of the electronic communications sector, including all policies, legislation, regulation and administrative determinations applicable to the sector.

The Consultation Document initiated consultation for both the Sectoral Review and the market review conducted pursuant to part 4 of the Electronic Communications Act 2011. The Consultation Document provided a broad overview of the Authority’s then current views of the electronic communications sector and invited comments from the public on the Authority’s proposals. It also solicited feedback from the public on any other changes that should be made to the electronic communications sector through legislation or administrative determinations.

In accordance with the requirements of section 17 of the RAA, the Authority intends to complete the Sectoral Review in the 2018-2019 fiscal year, including the publication of a Preliminary Report and its recommendations by 17 April 2018, in accordance with section 17(3) of the RAA

COMMENTARY ON THE 2017–18 WORK PLAN



ELECTRICITY:

PROMOTING AND FACILITATING SUSTAINABLE COMPETITION

ACTIVITY 1

The Authority completed the licensing of the incumbent BG and TD&R providers.

The Authority developed and consulted on its Application Process for Electricity Licences which provided clarity on the class of licences, licence applications, application procedures and how the applications would be evaluated.

ACTIVITY 2

As a result of Activity 1, the Authority issued BG and TD&R licences to the incumbent sectoral providers in accordance with the Application Process for Electricity Licences General Determination.

ACTIVITY 3

The Authority reviewed Power Purchase Agreements (“PPAs”) to ensure they are consistent with the developing IRP, and that they will broadly be fair to the utility, developer and end-user, and to ensure technical and financial controls are in place.

Procedures were developed for PPA evaluations and processing.

ACTIVITY 4

The Authority established a methodology to determine fair market value to the exporters of electricity and the electricity utility.

The Authority issued an emergency General Determination (“GD”) to reinstate BELCO’s renewable energy program, which was halted by the company. This action allowed customers to continue to receive compensation for excess energy that was exported to the utility’s network. During this time, the Authority also commenced the development and consultation of the FIT methodology to provide a mechanism to compensate distributed generators.

COMMENTARY ON THE **2017-18 WORK PLAN**

ACTIVITY 5

The Authority evaluated rate case submissions to ensure fair market value to the consumer with acceptable rates of returns to the electricity utility.

The Authority is responsible for the regulation of retail tariffs and conducts a retail tariff review (also known as a “rate case”) using the methodology set by the Authority. The methodology will seek to ensure the promotion of the adequate, safe, sustainable and reliable supply of electricity, together with the economic efficiency and affordability of prices to end-users.

Since development of the methodology was taking place through a comprehensive consultation process, there were no rate cases under review during this fiscal period. However, the Authority expects to conduct a retail tariff review immediately preceding the establishment of the methodology in the following fiscal period of 2018-19.

Included as a component of the retail tariff rate is the Fuel Adjustment Rate (the “FAR”). The FAR is the rate paid by consumers for the cost of fuel used in the consumption of electricity. As a function carried over from the Energy Commission, the Authority currently reviews the proposed rate submission made by BELCO every month.

The Authority is also conducting a review of validation procedures of the FAR to ensure that the rate reflects the true costs to be incurred by consumers.

COMMENTARY ON THE 2017-18 WORK PLAN

ELECTRICITY:

PROMOTING AND PROTECTING THE INTERESTS OF CONSUMERS

ACTIVITY 1

Conducted consumer education and website development.

In 2017, the Authority commenced its review and reconstruction of its website to make it more user-friendly and accessible for consumers, and to improve consumer education content.

ACTIVITY 2

Conducted Consumer Perception surveys to study the quality of electricity services, including renewable energy services.

The Authority conducted several surveys to gain insight into consumer perceptions of the electricity sector including BELCO, rates and the renewable energy industry. The survey showed that there was an overwhelming desire to have lower electricity rates. While respondents also had a strong desire to have more renewable energy resources in Bermuda, 8 out of 10 did not have the same desire to pay higher electricity rates to support more renewable energy resources.

ACTIVITY 3

Reviewed consumer pricing based on fair and competitive rates which are attributed to accurate accounting principles by the electricity utility. Finalized accounting separation of the electric utility.

As a licence condition, the Authority requires licencees to report separately for each licenced business unit, the elements of the balance sheet and income statement (the "accounts") with corresponding accounting disclosures and notes.

The Authority commenced a consultation process on the regulatory accounting instructions to provide guidance to the licencees on the application of separating their accounts.

COMMENTARY ON THE **2017-18 WORK PLAN**

Separated regulatory accounts enable the Authority to fulfill its functions in accordance with the EA. Specifically, separated regulatory accounts are essential to:

- Inform the level of electricity tariffs to end-users and the requirements for what constitutes an adequate tariff; and
- Increase the transparency of costs and profitability levels, which enhances the ability of independent power producers to compete with vertically integrated utilities, such as BELCO.

FACILITATING INNOVATION AND INVESTMENT

ACTIVITY 1

Evaluated the utility's proposed energy mix scenarios for Bermuda's IRP to identify least cost, and high-quality options.

On November 17, 2017, the Authority requested an IRP Proposal from BELCO; which was submitted for review on February 15, 2018.

The Authority is currently reviewing the proposal and will seek additional input on the IRP proposal and submissions of alternative proposals from the public during the upcoming consultation process, scheduled to commence in Q1 of the fiscal year 2018-19.

PROVIDING ADVICE/INFORMATION TO THE GOVERNMENT

ACTIVITY 1

Review of the electricity sector to consider recommendations on policies which remove barriers to competition and market anomalies.

The Authority did not provide any formal recommendations for policies which remove barriers to competition and market anomalies. However, the Authority discussed several prospective issues with the Government.