



# **DRAFT Work Plan and Budget**

**REGULATORY AUTHORITY**

**WORK PLAN**

**2021-22 FISCAL YEAR**

Consultation Document

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# 1. EXECUTIVE SUMMARY

## 1.1 Introduction

The purpose of this proposed 2021-22 Work Plan is to comply with Section 43(2) of the Regulatory Authority Act 2011 (“RAA”), which requires the Regulatory Authority of Bermuda (the “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 2021 through 31, March 2022, and includes a corresponding proposed budget. All figures within this document are denominated in Bermuda Dollars.

Due to the significant financial impact of the global pandemic COVID-19, the projected year-on-year decline in revenues for the fiscal year 2021-22 is 9%. As a result, the RA must substantially narrow the scope of its plan and solely implement on its ‘mission-critical’ projects.

Specifically, 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.

In the electricity sector, the primary activities will be to evolve the critical next steps for the island’s renewable energy development plan, otherwise known as the Integrated Resource Plan (“IRP”).

Additional details regarding the projects for both sectors will be highlighted further in this consultation document.

Based on the preceding information, the RA proposes that the Minister of Home Affairs set the Regulatory Authority fees as follows:

- a) The Electronic Communications Regulatory Authority fee, relating to Integrated Communications Operating Licences (“ICOLs”), **to remain at 1.75%**;
- b) The Electronic Communications Regulatory Authority fee, relating to Submarine Communications Operating Licences (“SubCOLs”), **to be set at 1.50%**;
- c) The general regulatory 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 \$0.00475** per kilowatt-hour; and
- d) 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 \$1,500 per MegaWatt.

In addition, the RA proposes that the Minister of Home Affairs makes a regulation to establish the recommended service fees in accordance with Section 10 of this consultation document.

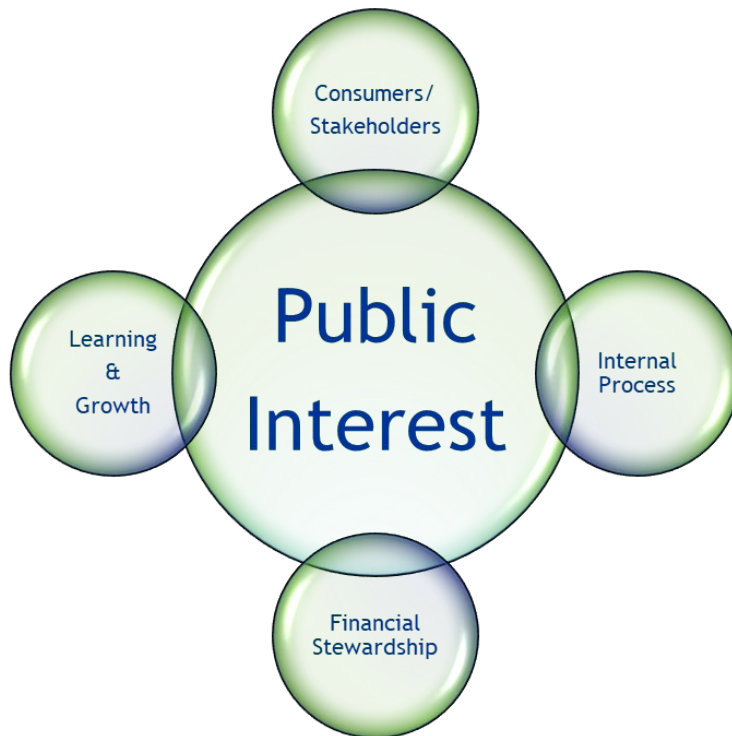
As an independent regulator, the RA is funded from sectoral fees. Therefore, it is important that the relevant fees are set at the necessary levels that will allow the RA to meet its planned expenditures. Further, the RA has attempted to set fees according to the cost-drivers of such fees.

Based on the rationale stated above, the RA also proposes to recommend to the Minister of Home Affairs that there should be **no increase** in the current level of Government Authorization Fees imposed on the Electronic Communications and Electricity sectors under the Government Fees Act 1965. Further, the RA proposes **a reduction** in consultation activities and consequential costs to limit increases in RA costs.

The RA proposes to submit the Final Report in support of its request that the Minister of Finance approve the RA’s proposed budget of \$5,782,000 (a decrease of 9%) of total revenues and \$5,780,250 (a decrease of 9%) of total expenditure for the fiscal year 2021-22. It proposes to request that the Minister of Home Affairs make a regulation to establish that the Regulatory Authority Fees payable by ICOL and SubCOL holders (providers of electronic communications services) and electricity sectoral participants, are 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 a gradual reduction in the reliance on external advisors and consultants.

### 1.3 Fiscal Year 2020-2021 Activities:

Examples of some of the key activities undertaken by the RA in the fiscal year 2020-2021, in both the electronic communications and electricity sectors include the following:

#### Electricity Sector:

- BELCO Change of Control – to evaluate and approve the change in ownership of Bermuda’s sole electricity provider.
- A **Retail Tariff Review**, designed to identify the costs of electricity generation, transmission, distribution and retailing services by BELCO which will be set in the new consumer electricity rates.
- **Sectoral Review** –Review of the legislation, regulations, licencing and performance of all aspects of the electricity sector;
- **Service Performance Standards**- to identify standards for the reliability, power quality and customer service and set targets for the utility to meet;
- **Grid Code**: Reviewed and approved a new code to govern the technical aspects relating to connections to, and the operation and use of the utility’s electricity transmission system to ensure safe, secure and economic functioning of the electricity system; and
- **Emergency Protection for the Public** – Due to the projected economic impact of COVID-19, the RA issued an Emergency General Determination prohibiting the disconnection of consumers and small businesses for a period of time during the pandemic.

#### Electronic Communications Sector:

- **A new licensing regime** to promote competition - the RA developed a new form of Communications Operating Licence, known as the Submarine Communications

Operating Licence. The RA accepted and awarded applications for two ICOLs and one SubCOL.

- **Market Review** of the sector to determine whether significant market power exists and propose remedies to promote competition in the interest of Bermuda's consumers and residents
- **RF Study** – at the time of writing this document, the RA is in the preparatory stages of the RF Study per the 2020-2021 Work Plan.
- **Emergency Protection for the Public** – Due to the projected economic impact of COVID-19, the RA issued an Emergency General Determination prohibiting the disconnection of consumers and small businesses for a period of time during the pandemic.
- **Temporary Moratorium on 5G** – As a result of the concerns expressed by members of the public, the RA issued an Emergency General Determination prohibiting the deployment of 5G equipment or services until a final determination is made by the RA at the conclusion of the RF Study.

## 2. STRUCTURE OF WORK PLAN DOCUMENT

Building on the accomplishments of the previous fiscal year, this Report sets out the RA's Work Plan for the period April 1, 2021 to March 31, 2022. 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 that the RA regulates, namely:

- Electronic Communications, including radio communications and radio spectrum management;
- Electricity, including electricity generation, transmission, distribution and retail; 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.

### 3. CONSULTATION PROCEDURE

This consultation is being undertaken in accordance with sections 4, 5, 7, 9 and 69 to 73 of the Regulatory Authority Act 2011 ("RAA") and sections 5, 32, 33 and 34 of the Electronic Communications Act 2011 ("ECA"). The procedure and accompanying timelines (as set out in section 72 of the RAA), under which this consultation is taking place, are outlined below.

Section 43(2) of the RAA requires the RA to conduct a public consultation regarding its Work Plan for the fiscal year 2020-2021 (April 1, 2020 through March 31, 2021), including its proposed income and expenditure budget.

Section 43(2) of the RAA requires that the Work Plan include the following:

- (a) the RA's strategic objectives;
- (b) any major activities, such as public consultations, that the RA anticipates undertaking during the upcoming financial year;
- (c) any quantitative indicators that the RA has adopted to measure its performance during the upcoming financial year; and
- (d) a preliminary estimate of the RA's budget for the upcoming financial year.

Consistent with practice relating to any other consultation, the RA prepares and publishes in draft, an initial copy of the Work Plan and the proposed budget for the public consultation, and invites comments from the public and various stakeholders groups on its content. The document is subsequently published on the RA's website ([www.ra.bm](http://www.ra.bm)).

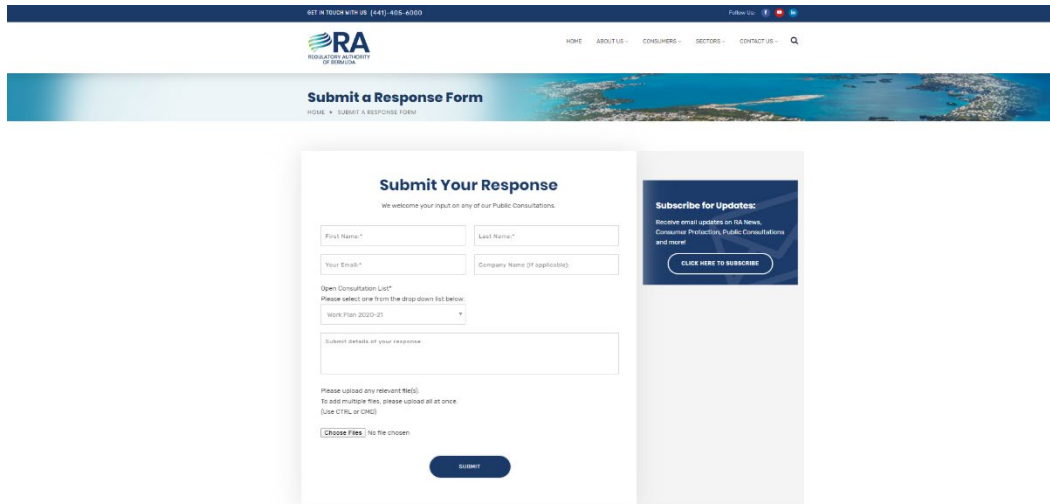
The RA then gives due consideration to any comments submitted and decides whether or not to make revisions to the Work Plan as a result. This then leads to a Preliminary Report, which sets out the proposed Work Plan and proposed budget. Section 43(3) of the RAA requires the Preliminary Report to be submitted to all Ministers responsible for regulated sectors and the Minister of Finance, no later than three months before the commencement of the relevant fiscal year. At present, the Minister of Home Affairs is responsible for all regulated sectors.

The RA invites comments from members of the public, electronic communications and electricity sectoral participants and providers, and other interested parties. The RA requests that commenting parties, in their responses, reference the numbers of the relevant questions, as set forth in this Consultation Document, to which they are responding.



Responses to this Consultation Document should be filed electronically in MS Word or Adobe Acrobat format. Parties wishing to file comments should go to the RA's website [www.ra.bm](http://www.ra.bm) and follow this link:

Sectors page for Public Consultations: <https://www.ra.bm/public-consultations/>



The screenshot shows the RA website's 'Submit a Response Form' page. The header includes the RA logo and navigation links: HOME, ABOUT US, CONSULTERS, SECTORS, CONTACT US. The main heading is 'Submit a Response Form' with a sub-link 'HOME > SUBMIT A RESPONSE FORM'. The form itself is titled 'Submit Your Response' and includes fields for 'First Name\*', 'Last Name\*', 'Your Email\*', and 'Company Name (if applicable)'. It also features a dropdown menu for 'Open Consultation List\*' with 'Work Plan 2020-22' selected. A large text area is provided for 'Submit details of your response'. Below this is a file upload section with instructions: 'Please upload any relevant files. To add multiple files, please upload all at once. (Use CTRL or CMD)'. A 'CHOOSE FILES' button is shown with 'No file chosen' next to it. A 'Submit' button is at the bottom of the form. To the right of the form is a 'Subscribe for Updates' sidebar with a 'CLICK HERE TO SUBSCRIBE' button.

All comments should be clearly marked "2020 09 30 – Work Plan and Budget 2021-2022" and should otherwise comply with Rules 18 and 30 of the RA's Interim Administrative Rules, which are posted on the RA's website.

The RA intends to make responses to this Consultation Document available on its website. If a commenting party's response contains any information that is confidential in nature, a clearly marked "Non-Confidential Version", redacted to delete the confidential information, should be provided together with a complete version that is clearly marked as the "Confidential Version". Redactions should be strictly limited to "confidential information", meaning a trade secret, information whose commercial value would be diminished or destroyed by public disclosure, information whose disclosure would have an adverse effect on the commercial interests of the commenting party, or information that is legally subject to confidential treatment. The "Confidential Version" should highlight the information that has been redacted. Any person claiming confidentiality in respect of the information submitted must provide a full justification for the claim. Requests for confidentiality will be treated in the manner provided for in Rule 30 of the RA's Interim Administrative Rules.

In accordance with section 73 of the RAA, any interested person may make an *ex parte* communication during this consultation process, subject to the requirements set forth in paragraph 13.

An *ex parte* communication is defined as any communication to a Commissioner or member of staff of the RA regarding the matter being consulted on in this Consultation Document, other than a written submission made pursuant to section 73(2) of the RAA. Within two (2) business days after making an *ex parte* communication, the person who made the *ex parte* communication shall submit the following to the RA: (i) a written description of the issues discussed and positions

espoused; and (ii) a copy of any written materials provided. This will be posted on the RA's website, along with a notice of the ex parte communication.

The principal point of contact at the Authority for interested persons for this Consultation Document is Denton Williams. He may be contacted by email, referencing "Proposed Work Plan and Budget 2021-22" " at [consultation@rab.bm](mailto:consultation@rab.bm) or by mail at:

Denton Williams  
Matter: 2020 09 30 – Work Plan and Budget 2021-2022  
Regulatory Authority  
1st Floor, Craig Appin House  
8 Wesley Street  
Hamilton, Bermuda

In this Consultation Document, except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them by the ECA, the RAA and the Interpretation Act 1951.

This Consultation Document is not a legally binding document and does not contain legal, commercial, financial, technical or other advice. The RA is not bound by this Consultation Document, nor does it necessarily set out the RA's final or definitive position on particular matters. To the extent that there might be any inconsistency between the contents of this Consultation Document and the due exercise by the RA of its functions and powers, and the carrying out of its duties and the achievement of relevant objectives under law, such contents are without prejudice to the legal position of the RA.

## 4. 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.:

### 4.1 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 fees are paid by holders of ICOLs, SubCOLs, Electricity Transmission, Distribution and Retail ("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 Finance, a total expenditure budget of \$5,780,250 which consists of an operating expenditure of \$5,762,250 and a capital expenditure of \$18,000.

### 4.2 Electronic Communications

- The RA proposes a decrease to the expenditure budget for the Electronic Communications sector for the fiscal year 2021-22. Specifically, an expenditure budget of \$2,710,925 is proposed, which is a decrease of \$674,425 (20%), when compared to the 2020-21 approved budget. The RA recommends that there be **no change to the Electronic Communications Regulatory Authority Fee for ICOLs** and that it remains at 1.75%, which will be applied to the ICOL's Relevant Turnover and the implementation of a new Electronic Communications Regulatory Authority Fee for SubCOLs, and further, that it be set at 1.5%, which will be applied to the SubCOL's Relevant Turnover.

### 4.3 Electricity

- The RA proposes revenue of \$2,482,000 which is below the approved budget for the fiscal year 2020-21 by \$379,000 (13%). The following are the fees used to support the Electricity expenditure budget for 2021-22:
  - i. Electricity TD&R service provider - **no proposed increase;**
  - ii. Utility-Scale Electricity Generation provider (greater than 25 MegaWatts of installed electricity generation capacity) - **no proposed increase;**
  - iii. Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) - **no proposed increase;**
  - 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 increase;**
  - v. Renewable Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) – **no proposed increase; and**
  - vi. Self-supply Generation License\* provider (greater than 0.5 MegaWatts of installed electricity generation capacity) **to remain** at \$1,500 per MegaWatt.

#### 4.4. Proposals to the Minister of Home Affairs:

As a result of the preceding information, the RA proposes to recommend the following to the Minister of Home Affairs:

That there should be **no increase in the Electronic Communications RA fee**, relating to the general regulatory fees.

That there should be **no increase in the general regulatory fees** under paragraph 1 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2018, payable by the TD&R Service Provider.

That there should be **no increase**, in accordance with section 9.2 of this document in the general regulatory fees under paragraphs 2 to 5 of the schedule to the Electricity (Regulatory Authority Fees) Regulations 2018, **payable by the Bulk Electricity Generation Providers**.

That there should be **no increase in the service fees** per section 10, **payable by the Service Providers in both the Electronic Communications and Electricity sectors**.

That there should be **no increase in the current level of Government Authorization fees payable by the Electronic Communications and Electricity sectors** under the regulations.

#### 5. LEGISLATIVE CONTEXT

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

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

To date, the RA has been mandated to regulate the Electronic Communications and Electricity sectors. The RA is due to receive certain further responsibilities pursuant to Part 3 of the Submarine Cables Communications Act 2020 (the "SCCA") once the SCCA is brought into force, which will be expected during the course of this Work Plan.

In accordance with section 5 of the ECA, the purposes of the ECA are:

- i. to ensure that the people of Bermuda are provided with reliable and affordable access to quality electronic communications services;
- ii. to enhance Bermuda's competitiveness in the area of electronic communications so that Bermuda is well-positioned to compete in the international business and global tourism markets;
- iii. to encourage the development of an electronic communications sector that is responsive to the requirements of users (both individuals and businesses) and provides them with choice, innovation, efficiency and affordability;

- iv. to encourage the development and rapid migration of innovative electronic communications technologies to Bermuda;
- v. to promote the orderly development of Bermuda's electronic communications sector;
- vi. to encourage sustainable competition and create an invigorated electronic communications sector that will lay the groundwork for the further development of communications-reliant industries;
- vii. to encourage the development and maintenance of resilient and fault-tolerant communications infrastructures;
- viii. to promote investment in the Electronic Communications sector and in communications-reliant industries, thereby stimulating the economy and employment; and
- ix. to promote Bermudian ownership and Bermudian employment at all levels of the Electronic Communications sector.

In accordance with section 6 of the Electricity Act 2016 (the "EA"), the purposes of the EA include the following:

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

In accordance with section 6 of the SCCA, the purposes of the SCCA include the following:

- i. promote investment in the submarine communications cables sector and in communications-reliant industries, thereby stimulating the economy and employment;
- ii. enhance the protection of submarine cables in Bermuda waters;
- iii. enhance Bermuda's international submarine communications cables connectivity;
- iv. lay the groundwork for the further development of the submarine communications cables sector, and promote its orderly development; and
- v. encourage the development and maintenance of resilient and fault-tolerant submarine communications cables infrastructures

## **6. BASIS, ROLES AND RESPONSIBILITIES OF THE RA**

### **6.1 Statutory basis of the RA and funding**

As 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 the TD&R licensee, which are recoverable from the consumers of electricity; and
- iii. 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.

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.

### **6.2 The role of the Board of Commissioners of the RA**

Pursuant to the RAA, the Board of Commissioners (“BOC”) is responsible for deciding and issuing various regulatory decisions consistent with its duties under the ECA and EA. The BOC is also responsible for the governance of the RA and directs the Chief Executive and staff of the RA. There are currently five (5) Commissioners.

### **6.3 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 Integrated Resource Plan (“IRP”) was developed ahead of schedule with the input of external advisors. In the future, Feed-in-Tariff reviews will be primarily be conducted internally thereby reducing the RA’s reliance on external consultants. 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 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.

### **6.4 Addressing potential 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 recognizes that with these improved efficiencies, the timeline to integrate new regulated sectors will be vastly reduced, and thereby allow the RA to devote more time to the development of any technical expertise that may be required. For example, in 2020, the Submarine Communications Cables Act 2020 was passed. 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 transit systems.

## **7. OPERATIONAL FUNCTIONS**

### **7.1 Fee collection**

During the fiscal year 2021-22, the RA anticipates collecting Government revenues of approximately \$16,793,000 and \$194,000 from the Electronic Communications and Electricity sectors, respectively. This has been derived based on the estimated impact of COVID-19 in the fiscal year 2020-21, and has been adjusted for the projected GDP growth of 4.5% in the fiscal year 2021-2022, as per the World Economic Outlook for June 2020.

<https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEUpdateJune2020>

### **7.2 Budget**

The RA has set its proposed expenditure budget for 2021-22 at \$5,780,250. This is on the basis that the RA plans to undertake significant Electricity and Electronic Communications sector related projects.

### **7.3 Revolving Line of Credit**

The RA secured a Revolving Line of Credit (“RLOC”) to assist with cash flow management which is in place for an initial period of 2 years expiring September 30, 2021. The RA intends to roll forward this line of credit for at least another 2 years after expiry.

### **7.4 Staff**

The RA has a total of twenty-two (22) authorised positions, of which twenty are currently filled. Two (2) positions are currently open, however, the RA is not actively recruiting. 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.

### **7.5 Communications**

Communication in a post-COVID-19 world has dramatically changed. With increased levels of online engagement, connectivity, activism and a higher valuation on transparency, in fiscal 2021-22 and beyond, the RA’s communication initiatives will focus on increasing stakeholder engagement by delivering an enhanced digital experience. Specifically, the communications initiatives will include:

- i. Digital Data Analytics: to better understand and enhance the consumer online experience
- ii. A Consumer-Focused Website: The RA’s website will be re-organized and re-tooled to become more consumer centric and provide content that is responsive, relatable, and easily understandable.

## **7.6 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 team 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 2021-22, 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.

### **7.7 Electricity**

The 2021-22 work streams are primarily process-oriented, with a high degree of focus on the development of the next steps in the IRP which includes:

#### **i. Solar Procurement**

The RA will facilitate the initial Request for Proposal/Quotation process for the procurement of solar PV to be commissioned in 2023. The solicitation of Solar Procurement will follow the rules set by the recently completed Bulk Generation Procurement Rules. This work stream will include the review and assessment of applications to determine a lead bidder(s) for predesignated sites.

#### **ii. Retail Tariff Review**

Based on the Retail Tariff Methodology<sup>1</sup>, the RA will conduct a further retail tariff review to establish a 3-year tariff period. The rate review will assess all costs associated with the production and distribution of electricity and will analyse information such as the Bulk Generator Licensee's cost to generate electricity and the TD & R Licensee's cost to transmit and distribute electricity, including operation and maintenance, reasonable overhead expenses, administration and other costs.

#### **iii. IRP Proposal Preparation**

The RA will initiate the first steps in the development of a new IRP by requesting an IRP proposal from the TD & R Licensee. This new IRP will update and inform 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 the best available information.

This process also includes a public consultation of the IRP Proposal and request an additional consultation of alternative proposals.

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



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 needs, which will include development opportunities for the now competitive bulk generation market.

iv. **Wind Pre-Feasibility Study**

The RA will commence the first phase of a pre-feasibility wind study, which will ultimately determine the level of offshore wind resource available, along with the business case and the environmental impacts to Bermuda. The study will allow potential investors to make more informed decisions regarding the development of an offshore wind farm. It will also include wind resource testing, detailed cost assessment, environmental and social impact assessment for constructing and operating an offshore wind farm and determine the maximum optimal capacity for wind.

**7.8 Electronic Communications**

In the fiscal year 2021-22, the RA will be focused on monitoring the electronic communications sector and on enforcing the regulations that have recently been put in place, such as:

i. **Significant Market Power ("SMP") Remedy Implementation**

Following the setting of SMP Remedies via general determination in the fiscal year 2020-21, the RA will ensure that the remedies are effectively implemented. The RA will work with the sectoral providers, who are obligated to comply with the SMP remedy obligations, to ensure a smooth transition. This will require periodic assessment of the remedies imposed.

ii. **Annual Market Analysis**

As part of the RA's ongoing efforts to monitor the sector, the RA will conduct an annual market analysis and publish market data from the sectoral providers. This analysis will be published in a report format to provide the public with further insight into the sector.

iii. **Annual Integrated Communication Operating Licensing**

To encourage competition, the RA will conduct its annual ICOL licensing process should there be a need for additional participants in the Electronic Communications sector.

iv. **Spectrum Assignment Licensing**

The RA will also conduct its ongoing spectrum assignment licensing process should there be any applications submitted to the RA for consideration.

**8. PROPOSED BUDGET AND PROJECTED REVENUES**

This section sets out the RA's proposed expenditure budget, proposed Regulatory Authority Fees and the projected revenue for the fiscal year 2021-22.

**8.1 Proposed Expenditure Budget for 2021-22**

Subject to the approval of the Minister of Finance, the RA proposes to adopt a total expenditure budget of \$5,780,250 for the fiscal year 2021-22.

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

As mentioned, the RA's Board is composed of five (5) Commissioners. The RA has a total of twenty-two (22) authorised staff positions, with twenty of those positions filled. Two (2) positions are currently open, however the RA is not actively recruiting.

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.

General expenses are split equally between the Electronic Communications and Electricity sectors. Certain staff members who work solely in one sector have the totality of their payroll and benefits allocated to that sector. The projected expenses for 2021-22 are set out in Table 1 below.

**TABLE 1**

	<b>Electronic Comm</b>	<b>Electricity</b>	<b>Total Operations</b>	<b>Extraordinary projects</b>	<b>Total 2021-22</b>	<b>Total 2020-21</b>
<b>REVENUES <sup>1</sup></b>	<b>3,300,000</b>	<b>2,482,000</b>	<b>5,782,000</b>	<b>-</b>	<b>5,782,000</b>	<b>6,321,000</b>
<b>Expenses</b>						
Employees	1,602,000	1,662,000	3,264,000	-	3,264,000	3,346,000
Commissioners <sup>2</sup>	198,000	198,000	396,000	-	396,000	540,000
Office Space	186,750	186,750	373,500	-	373,500	373,500
Office Services	133,750	133,750	267,500	-	267,500	260,000
Consulting Services	435,000	749,000	1,184,000	-	1,184,000	1,098,600
Operating Costs	155,425	121,825	277,250	-	277,250	720,000
<b>TOTAL OPERATING EXPENSES</b>	<b>2,710,925</b>	<b>3,051,325</b>	<b>5,762,250</b>	<b>-</b>	<b>5,762,250</b>	<b>6,338,100</b>
<b>TOTAL CAPITAL EXPENDITURE</b>						
Furniture & Fittings	2,500	2,500	5,000	-	5,000	10,000
Office Equipment	2,500	2,500	5,000	-	5,000	10,000
Computers & Software	2,500	2,500	5,000	-	5,000	10,000
Electronic Communications Equipment	1,000	-	1,000	-	1,000	5,000
Leasehold Improvements	1,000	1,000	2,000	-	2,000	8,000
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>9,500</b>	<b>8,500</b>	<b>18,000</b>	<b>-</b>	<b>18,000</b>	<b>43,000</b>
<b>TOTAL EXPENDITURE</b>	<b>2,720,425</b>	<b>3,059,825</b>	<b>5,780,250</b>	<b>-</b>	<b>5,780,250</b>	<b>6,381,100</b>

Please refer to Appendix B for a detailed breakdown of the Electronic Communications and Electricity expenditure budgets for the fiscal year 2021-22, including prior year comparison.

## **8.2 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 centers. As mentioned, the RA recommends that there be no change to the Electronic Communications Regulatory Authority Fee for ICOLs and that it remain at 1.75%,

<sup>1</sup> This may vary depending on the recovery from the unusual economic circumstances of 2020.

<sup>2</sup> Under active review with the Board of Commissioners.

which will be applied to the ICOL's Relevant Turnover and the implementation of a new Electronic Communications Regulatory Authority Fee for SubCOLs and that it be set at 1.5%, which will be applied to the SubCOL's Relevant Turnover. This will generate estimated revenues of approximately \$3,300,000 for the RA, based on the anticipated annual relevant turnover for 2021-22, and take into account the projected impact of the Covid 19-Pandemic and the GDP growth outlook for FY 2021-22.

**The RA believes the Work Plan for the fiscal year 2021-22 will decrease in cost**, 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 recommends to the Minister of Home Affairs that there should be no increase in the current level of Government Authorization Fees of 3.50% imposed on the Electronic Communications industry under the regulations. Therefore, the projected revenues for 2021-22 are set out in Table 2 below.

**TABLE 2**

	<b>Regulatory Authority</b>	<b>Government</b>
Electronic Communications	3,300,000	6,610,000
Spectrum Fees	-	2,441,000
Radio Communications Licences	-	442,000
Handset Fees	-	7,300,000
<b>TOTAL</b>	<b>3,300,000</b>	<b>16,793,000</b>

**ii. Electricity sector**

With regard to **4.2** 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 2021-22 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 FY 2021-22. The RA notes that the TD&R service provider may recover the fees payable as set out under paragraph (3) of the Schedule to the Electricity (Regulatory Authority Fees) Regulations 2018 by a dedicated charge to the end-user.

The RA recommends 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 2018 for TD&R Service Provider.

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

The RA's estimated Bulk Electricity revenues for the fiscal year 2021-22 are based on the estimated planned installed power capacity during the fiscal year. The RA recommends 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-v) above, payable by the Bulk Electricity Generation Providers.

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

The RA proposes to recommend a new Self-supply Generation Licence fee, payable by licence holders. The fee will be based on the installed MW capacity.

**The RA also recommends 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 2021-22 are set out below in Table 3.

**TABLE 3**

	<b>Regulatory Authority</b>	<b>Government</b>
Transmission, Distribution & Retail	2,313,000	97,000
Utility Scale Bulk Electricity Generation	143,300	69,500
Waste-to-Energy Bulk Electricity Generation	16,800	-
Renewable Energy Bulk Electricity Generation	9,000	4,800
Self-supply Generation License	-	-
<b>TOTAL</b>	<b>2,482,000</b>	<b>171,300</b>

### 8.3 Description of Budget Categories

#### i. Operational Expenses

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

- **Staff:** This category includes the salaries and benefits for the staff
- **Commissioners:** This category includes the honoraria<sup>1</sup> paid to 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<sup>2</sup> on the 1<sup>st</sup> 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.

<sup>1</sup> Under active review with the Board of Commissioners.

<sup>2</sup> The RA expanded its office space in 2019-2020 to accommodate the staffing requirements.

- **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 2021-22 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.

## 9. SERVICE FEES

Section 44(2) of the RAA provides that the Regulatory Authority Fees recommended by the RA shall be consistent with the RA's budget and shall include service fees which shall be payable by a sectoral participant in connection with specific functions performed by the RA. Section 44(3) of the RAA states that the service fees recommended by the RA shall be designed to recover from a sectoral participant a reasonable estimate of the cost to the RA of performing the function for which the fee is assessed. The RA 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**

<b>Electricity</b>	
<b>Administration Fees</b>	<b>Proposed Fee</b>
- Late Filing Fees	\$105
- Concentration Reviews*	\$25,000
- Mergers and Acquisition Reviews*	\$2,400
<b>Inspection Fees**</b>	
- Plant Inspection	\$15,000
- Power-line Inspection	\$5,000
- Other Inspections	\$1,500

<b>Electronic Communications</b>	
<b>Administration Fees</b>	<b>Proposed Fee</b>
- Application for License Exemption	\$320
- Late Filing Fees	\$105
- Concentration Review*	\$25,000
- Mergers and Acquisitions filing fee*	\$2,400
<b>Inspection Fees*</b>	
- Network interference investigation*	\$1,500
- Radio Frequency Hazard Analysis	\$500

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\* deposit with any additional cost due to the requester

\*\* New fees for inspections

## 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 2021-22 is set out below in Table 5. The RA's proposed Electronic Communications total expenditure budget for fiscal year 2021-22 decreased by \$688,925 (20%) 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 majority of changes in the proposed budget for the fiscal year 2021-22, when compared to the approved budget for 2020-21 are as follows:

- i. A decrease of \$328,600 (43%) in consulting services due to the focus on internal capacity versus consultancy in projects undertaken by the RA.
- ii. A decrease in operating costs of \$239,575 (60%) is primarily due to a decreased amount budgeted for the provision for litigation and mediation
- iii. A decrease in commissioners' honoraria<sup>1</sup> by \$72,000 (27%).
- iv. A marginal decrease in staff costs by \$38,000 (2%) is primarily due to a decrease in hiring costs year on year since most of the positions have now been filled.

**TABLE 5: Electronic Communications Budget Prior Year Comparison**

	2021-22	2020-21	Increase/ (Decrease)
<b>REVENUES</b>	<b>3,300,000</b>	<b>3,460,000</b>	<b>(186,000)</b>
Staff	1,602,000	1,640,000	(38,000)
Commissioners	198,000	270,000	(72,000)
Office Space	186,750	186,750	-
Office Services	133,750	130,000	3,750
Consulting Services	435,000	763,600	(328,600)
Operating Costs	155,425	395,000	(239,575)
<b>TOTAL OPERATING EXPENSES</b>	<b>2,710,425</b>	<b>3,385,350</b>	<b>(674,425)</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>9,500</b>	<b>24,000</b>	<b>(14,500)</b>
<b>TOTAL EXPENDITURE</b>	<b>2,720,425</b>	<b>3,409,350</b>	<b>(688,925)</b>

<sup>1</sup> Under active review with the Board of Commissioners.



ii. **Electricity**

To provide prior year comparison for the electricity sector, the RA's proposed Electricity expenditure budget for fiscal year 2021-22 is set out in Table 6 below. The RA's proposed total Electricity expenditure budget for the fiscal year 2021-22 increased by \$168,075 (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 majority of changes in the proposed budget for the fiscal year 2021-22 when compared to the approved budget for 2020-21 are as follows:

- i. An increase of \$494,000 (194%) in consulting services largely due to the RA's projects required to implement the Comprehensive Retail Tariff review and the solar procurement.
- ii. A decrease in operating expenses by \$203,175 (63%) primarily due to the decrease in the budgeted provision for litigation and mediation.
- iii. A decrease in commissioners' honoraria<sup>1</sup> by \$72,000 (27%).
- iv. A marginal decrease in staff costs by \$44,000 (3%) is primarily due to a decrease in hiring costs year on year since most of the positions have been filled.

**TABLE 6: Electricity Budget Prior Year Comparison**

	<b>2021-22</b>	<b>2020-21</b>	<b>Increase/ (Decrease)</b>
<b>REVENUES</b>	<b>2,482,000</b>	<b>2,861,000</b>	<b>(379,000)</b>
Staff	1,662,000	1,706,000	(44,000)
Commissioners	198,000	270,000	(72,000)
Office Space	186,750	186,750	-
Office Services	133,750	130,000	3,750
Consulting Services	749,000	255,000	494,000
Operating Costs	121,825	325,000	(203,175)
<b>TOTAL OPERATING EXPENSES</b>	<b>3,051,325</b>	<b>2,872,750</b>	<b>178,575</b>
<b>TOTAL CAPITAL EXPENDITURE</b>	<b>8,500</b>	<b>19,000</b>	<b>(10,500)</b>
<b>TOTAL EXPENDITURE</b>	<b>3,059,825</b>	<b>2,891,750</b>	<b>168,075</b>

<sup>1</sup> Under active review with the Board of Commissioners.