



GOVERNMENT OF BERMUDA

The Ministry of Finance

Ministry of Finance Headquarters

Our ref: 15C/1
(Please quote in reply)

March 30, 2020

Denton Williams - Chief Executive
The Regulatory Authority of Bermuda
3rd Floor, Cumberland House
1 Victoria Street,
Hamilton HM 11

Dear Mr. Masters,

Re: Regulatory Authority Budget 2020-21.

Pursuant to Section 43(4)(c) of the Regulatory Authority Act 2011, the undersigned Minister of Finance, hereby approves the Regulatory Authority's proposed expenditure budget totaling \$6,381,100 for financial year 2020-21 as submitted with the RA's 2020-21 Proposed Work Plan and Budget on March 27, 2020.

The Hon. Curtis L. Dickinson, JP, MP
Minister of Finance

c.c. Hon. Walter Roban, JP, MP, Minister of Home Affairs



FINAL Report and Budget

REGULATORY AUTHORITY

WORK PLAN

2020-21 FISCAL YEAR

DATE: MARCH 30, 2020

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1. EXECUTIVE SUMMARY

1.1 Introduction

The purpose of this Report is to comply with Section 43(2) of the Regulatory Authority Act 2011 (“RAA”) which requires the Regulatory Authority (“RA”) to conduct a public consultation regarding its Work Plan for the 2020-21 financial year (which will run from 1, April 2020 through 31, March 2021), including its proposed budget. All figures within this document are denominated in Bermuda Dollars.

For the fiscal year 2020-21, the RA’s initial Work Plan focused on continuing to deliver a robust regulatory environment and on preparing for future economic development. However, given the pending financial impact of the COVID-19 pandemic on the local community, the RA has significantly revised its Work Plan. The RA will take a more pragmatic approach by significantly reducing the development activities such as the Wind Study and the Taxation Review, and will focus on ‘mission-critical’ projects and ensure the delivery of benefits to consumers and the promotion of competition in both the electronic communications and electricity sectors.

For example, in the area of Electronic Communications, the RA will continue its implementation of the prescribed Market Review, as well as further developments of other key projects such as the Radio Frequency Study. In the area of Electricity, the RA will continue its implementation of newly developed regulation following the established tariff methodologies and the Integrated Resource Plan (“IRP”). Projects removed from the original Work Plan will be progressed in due course.

The RA received three responses to the consultation on the proposed initial Work Plan (initiated on 30 September 2019) from the Bermuda Electric Light Company Limited (“BELCO”), One Communications Limited (“OneComm”) and TeleCommunications (Bermuda & West Indies) Ltd. and Bermuda Telephone Company Ltd. (collectively “Digicel”). The RA has reviewed and considered the comments received and provided responses, which are summarised in Appendix E.

The RA proposes that the Minister of Home Affairs sets the Regulatory Authority fees as follows:

- a) The Electronic Communications Regulatory Authority fee, relating to the general regulatory fees, to remain at 1.75%;
- b) 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 remain at \$0.00475 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 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) - \$1,500 per MegaWatt.

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 Final Report.

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

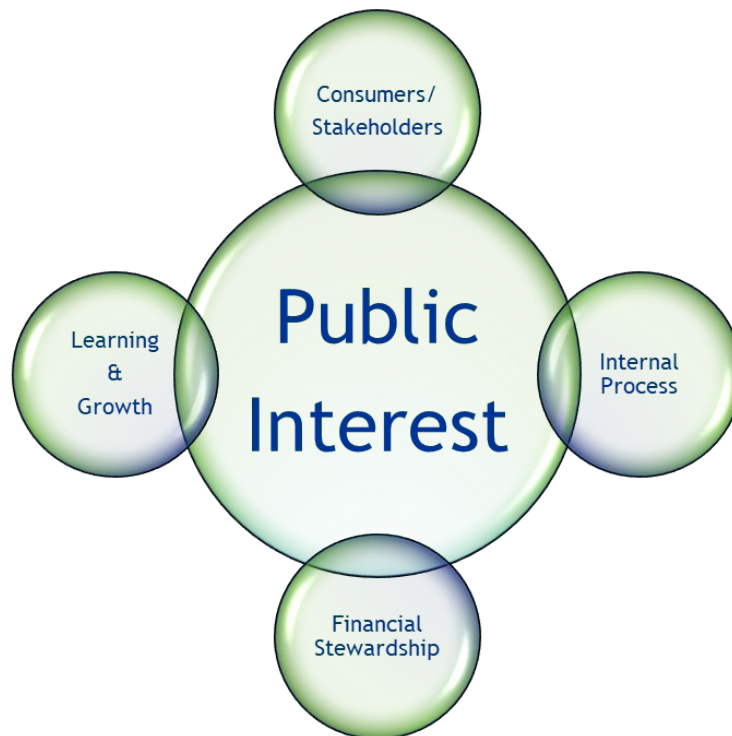
Based on the rationale stated above regarding the likely challenges to the economy resulting from COVID-19, the RA also recommends to the Minister of Home Affairs that there should be **no increase** in the current level of Government Authorization Fees imposed on the Electronic Communications and Electricity 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 submits this Report in support of its request that the Minister of Finance approve the RA's proposed budget of \$6,321,000 (decrease of 0.5%) of total revenues and \$6,381,100 (increase of 1.4%) of total expenditure for the fiscal year 2020-21. It has also requested that the Minister of Home Affairs make a regulation that establishes the Regulatory Authority Fees payable by Integrated Communications Operating Licence ("ICOL") holders (providers of electronic communications services) and electricity sectoral participants to cover the budget.

* New fee for new licence class

1.2 Strategic Objectives

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



The RA will strive to achieve these objectives through a balanced focus on four 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 delivers consistently and pursues continual improvement.
- **3- Innovation, Learning and Growth** focus will ensure that the RA develops the internal capacity to execute its mandate.
- **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 FY2019 Activities:

Examples of some of the key activities undertaken by the RA in the fiscal year 2019-2020, in both the electronic communications and electricity sectors include:

Electricity Sector:

- A new **Feed-in-Tariff** for the Transmission, Distribution and Retail licensee's purchase of power from distributed generators
- Bermuda's first **Integrated Resource Plan** to address the Island's energy needs for the next twenty years
- A new regulatory **accounting standard** to better govern the vertically integrated electricity licences for Bulk Generation and Transmission, Distribution & Retail
- A **Retail Tariff Review** – to identify the costs of electricity generation, transmission, distribution and retailing services by BELCO and set in the new consumer electricity rates, resulted in a reduction in the cost of electricity for all consumer groups
- **Sectoral Review** –Review of the legislation, regulations, licencing and performance of all aspects of the electricity sector is currently in the public consultation process – completion April 30, 2020; and
- **Service Performance Standards**- standards for the reliability, power quality and customer service.

Electronic Communications Sector:

- **A new licensing regime** to promote competition- the RA is now accepting new communication operating licences (COL's) and Integrated Communication licences (ICOL's)
- Final stages of a **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; and
- Currently in public consultation -**The Principles of Consumer Protection guidelines** for stakeholders in both sectors to protect the interests of consumer, promote the delivery of high-quality services and products and encourage best practices.

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 1 April 2020 to 31 March 2021. 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.

For the fiscal year 2020-2021, the RA will be responsible for regulating the Electronic Communications and Electricity sectors. 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

Section 43(2) of the RAA requires the RA to conduct a public consultation regarding its Work Plan for the fiscal year 2020-2021 (1 April 2020 through 31 March 2021), including its proposed income and expenditure budget. Pursuant to section 43(3) of the RAA, the RA is required to submit a Preliminary Report setting out the proposed Work Plan and a proposed budget to all Ministers responsible for regulated sectors and the Minister of Finance, after giving due consideration to the comments received during the public consultation, no later than three months before the commencement of the relevant fiscal year.

The RA invited written comments from members of the public, operators of electronic communications networks, providers of electronic communications services, power utilities, electricity suppliers, and other interested parties on the initial Preliminary Report, which were due on 31 January 2020.

In this document, except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them by the RAA, the Electronic Communications Act of 2011 (“ECA”), the Electricity Act 2016 (“EA”), and Interpretation Act 1951.

4. PROPOSED BUDGETS AND FEES

The revenue budget is focused on aligning the fees with the costs drivers in the relevant sectors when practical.

4.1 Electronic Communications

- An increase to the expenditure budget for the fiscal year 2020-21 is proposed for the Electronic Communications sector. An expenditure budget of \$3,409,350 is proposed, an increase of \$59,150 (2%) when compared to the 2019-20 approved budget. The RA recommends that there be no change to the Electronic Communications Regulatory Authority fee and that it remain at 1.75%, which will be applied to ICOL's Relevant Turnover.

4.2 Electricity

- The RA proposes revenue of \$2,861,000 which is in line with the approved budget for the fiscal year 2019-20. The following are the fees in the Electricity expenditure budget for 2020-21:
 - 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) and – 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;
 - vi. Self-supply Generation License* provider (greater than 0.5 MegaWatts of installed electricity generation capacity) - \$1,500 per MegaWatt.

4.3 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 Integrated Communications Operating Licence ("ICOL"), 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 \$6,381,100 which consists of operating expenditure of \$6,338,100 and capital expenditure of \$43,000.

* New fee for new licence class

This Report includes the following proposals:

The RA proposes to the Minister of Home Affairs that there should be **no increase** in the Electronic Communications RA fee, relating to the general regulatory fees.

The RA proposes to the Minister of Home Affairs 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.

The RA proposes to the Minister of Home Affairs that there should **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.

The RA proposes to the Minister of Home Affairs 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.

The RA recommends to the Minister of Home Affairs that there should be **no increase** in the current level of Government Authorization fees payable by the Electronic Communications and Electricity industries under the regulations. Further, in consideration of the likely challenges to the economy resulting from the COVID-19 pandemic, the RA proposes that the Minister of Home Affairs actively review the Government Authorization fees throughout the year.

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 with the responsibility to regulate the Electronic Communications and Electricity sectors. 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 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.

Section 43(2) of the RAA requires the RA to conduct a public consultation regarding its Work Plan for the fiscal year 2020-2021 (1 April 2020 through 31 March 2021), including its proposed income and expenditure budget. Pursuant to section 43(3) of the RAA, the RA is required to submit a Preliminary Report setting out the proposed Work Plan and a proposed budget to all Ministers responsible for regulated sectors and the Minister of Finance, after giving due consideration to the comments received during the public consultation, no later than three months before the commencement of the relevant fiscal year. The RA's costs are to be funded through the payment of general regulatory fees and service fees, pursuant to section 44 of the RAA, by sectoral providers and sectoral participants.

6. BASIS, ROLES AND RESPONSIBILITIES OF THE RA

6.1 Statutory basis of the RA and funding

As an independent body, the RA receives no Government funding. It is funded by the collection of RA Fees, currently:

- 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 is responsible for deciding and issuing various regulatory decisions consistent with its duties under the ECA and EA. The Board of Commissioners 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, the Feed-in-Tariff review will be conducted internally 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 by protecting consumers through enhancing the integrity of the regulated sectors and promoting effective competition. Collaboration with regulators in other jurisdictions to share experiences and best practices assists in the delivery of proven regulatory services for consumers.

The RA regulates the conduct of sectoral providers to ensure that consumers have access to the products and services they need and can trust their providers.

6.4 Addressing potential new areas of regulation for the RA.

As a multi-sector regulator, the RA has common systems and processes in place to support the regulation of the assigned sectors. In addition, the RA has developed the automation of repeatable processes and a unified program management methodology utilizing economies of scale in administrative and support services. Whilst sector specific technical expertise may be required for new sectors, a common infrastructure exists to support all regulated sectors.

7. OPERATIONAL FUNCTIONS

7.1 Fee collection

During the fiscal year 2020-21, the RA anticipates collecting Government revenues of approximately \$17,764,000 and \$191,000 from the Electronic Communications and Electricity sectors, respectively. It is likely that the COVID-19 pandemic will decrease the realisable amount of these fees.

7.2 Budget

The RA has set its proposed expenditure budget for 2020-21 at \$6,381,100. 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 has 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.

7.4 Staff

The RA has a total of twenty-one (21) authorised positions. Eighteen of those positions are currently filled, including the Chief Executive. Three (3) positions are currently open, for which the RA is 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, training and succession planning.

7.5 Communications

In fiscal year 2020-2021, the RA will continue to promote its strategic focus on consumers and other key stakeholders via a three-pronged strategy:

i. Consumer Protection:

- Establish a dedicated Consumer Advocate to manage all consumer disputes, identify trends and assist in providing resolutions.
- Launch a public consumer protection awareness campaign to inform consumers about their rights and responsibilities when dealing with their sectoral providers.
- Publish trends associated with consumer complaints across both sectors.
- Identify and report gaps in the service delivery from sectoral providers.

ii. Stakeholder Engagement:

- To address knowledge gaps regarding the regulated sectors and increase stakeholder engagement, targeted content will be made available across consumer touchpoints.

- The RA will conduct regular meetings with sectoral providers and other key stakeholders to enhance communication, engagement and improve effectiveness of regulation.

7.6 Regulatory Regime

As a regulator, the RA is focused on streamlining the efficiency and effectiveness of its operations. It continues to develop its cross-sectoral team on the basis that its regulation of sectors involves a high degree of economic, financial, technical and legal analysis that relies on sound knowledge and subject matter expertise in each sub-field of the regulatory environment.

In the fiscal year 2020-21, the RA will focus on various work streams and projects. In addition to projects that support the RA's ongoing operational functions, the Work Plan and Budget will also reflect one extraordinary project: a Radio Frequency study will be undertaken to support public health while supporting the assignment of spectrum resources in keeping with international standards in the Electronic Communications sector and economic development.

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

7.7 Electricity

The 2020-21 work streams are mainly process-oriented and a continuation of the implementation of the regulatory and licensing regime which includes:

i. Bulk Generation Procurement Guidelines

The RA will develop guidelines for the procurement of Bulk Generation that will provide transparency and fairness in the development of new generation resources while delivering the best value for the public interest.

ii. Solar Feasibility and Procurement

In consultation with the government, the RA will facilitate the Request for Proposal/Quotation process and procurement of solar PV for commissioning in 2023 as indicated in the IRP. This will also include exploring options for community solar projects.

iii. Retail Tariff Review

The RA will conduct a further retail tariff review according to the Retail Tariff Methodology.¹ The retail tariff review will be updated to factor in significant capital asset changes in the prior period.

iv. Electricity Bulk Generation Licensing

The RA will conduct the licensing process for any new generation applications that may be received in the period.

7.8 Electronic Communications

In the fiscal year 2020-21, the RA will be focused on supporting the evolution of the market, the regulatory framework and ensuring public safety for new radio frequency spectrum assignments by determining whether future RF networks, such as 5G, are appropriate for use in Bermuda.

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

i. **Significant Market Power (“SMP”) Remedy Implementation**

Following the setting of SMP Remedies via general determination in the fiscal year 2019-20, the RA will need to ensure that they are effectively implemented. The RA will work with the sectoral providers, who are obligated to comply with the SMP remedy obligations to ensure a smooth transition. This will require periodic assessment of the remedies imposed.

ii. **Annual Market Analysis**

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

iii. **Annual Integrated Communication Operating Licensing**

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

iv. **Electronic Communications Sectoral Review**

The RA will conduct its statutory review of the Electronic Communications sector to extract opportunities to improve the governing legislative and regulatory frameworks.

v. **Radio Frequency study (“RF study”)**

The RA will conduct a Radio Frequency study, which will look primarily at a predictive exercise of Millimetre Wave Frequencies (“mmWave”) deployments used in mobile and fixed wireless broadband services. This will include documenting all qualifying and licensed fixed antennae in the jurisdiction to ensure an accurate registry is maintained. The evolution of the use of radio frequency spectrum is continuous and the RA must have a current view about how new technologies may impact Bermuda, especially regarding human safety and economic development.

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 2020-21.

8.1 Proposed Expenditure Budget for 2020-21

Subject to the approval of the Minister of Finance, the RA proposes to adopt a total expenditure budget of \$6,381,100 for the fiscal year 2020-21.

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

The RA's Board is composed of five (5) Commissioners. The RA has a total of twenty-one (21) authorised staff positions. Eighteen of those positions are currently filled, including the position of Chief Executive. Three (3) positions are currently open, for which the RA is 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. This is vital to the movement of vessels and aircraft traversing through Bermuda's airspace and waters. The RA licensed radios for 259 marine vessels & small craft, and 851 aircraft in FY2016/17. RA responsibilities also include strategic analysis, project delivery, ensuring regulatory compliance and enforcement and attention to matters concerning consumers. The RA 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 RA will implement a time study to determine more accurately the allocation of each employee's time between sectors. This will provide a more accurate indication of the actual time allocation, per sector and on general administration. The projected expenses for 2020-21 are set out in Table 1 below.

TABLE 1

	Electronic Comm	Electricity	Total Operations	Extraordinary projects	Total 2020-21	Total 2019-20
REVENUES	3,460,000	2,861,000	6,321,000	-	6,321,000	6,352,000
Expenses						
Employees	1,640,000	1,706,000	3,346,000		3,346,000	3,059,000
Commissioners	270,000	270,000	540,000		540,000	540,000
Office Space	186,750	186,750	373,500	-	373,500	264,000
Office Services	130,000	130,000	260,000	-	260,000	220,000
Consulting Services	763,600	255,000	1,018,600	80,000	1,098,600	1,428,500
Operating Costs	395,000	325,000	720,000	-	720,000	735,000
TOTAL OPERATING EXPENSES	3,385,350	2,872,750	6,258,100	80,000	6,338,100	6,246,500
Furniture & Fittings	5,000	5,000	10,000	-	10,000	10,000
Office Equipment	5,000	5,000	10,000	-	10,000	10,000
Computers & Software	5,000	5,000	10,000	-	10,000	10,000
Electronic Communications Equipment	5,000	-	5,000	-	5,000	10,000
Leasehold Improvements	4,000	4,000	8,000	-	8,000	8,000
TOTAL CAPITAL EXPENDITURE	24,000	19,000	43,000	80,000	43,000	48,000
TOTAL EXPENDITURE	3,409,350	2,891,750	6,301,100	80,000	6,381,100	6,294,500

Please refer to Appendix B for a detailed breakdown of the Electronic Communications and Electricity expenditure budgets for the fiscal year 2020-21, including prior year comparison.

8.2 Proposed Fees and Projected Revenue

i. Electronic Communications services sector

The RA recommends to the Minister of Home Affairs that the Electronic Communications Regulatory Authority fee have no change and remain at 1.75% and be approved for the fiscal year 2020-21. This would generate estimated revenues of approximately \$3,460,000 for the RA, based on the anticipated annual relevant turnover for 2020-21. The RA recognizes that increases in costs are undesirable and endeavours to manage costs prudently.

The RA believes the Work Plan for the following fiscal year may have decreases in costs, 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, with due consideration to the impact of the COVID-19 pandemic. The projected revenues for 2020-21 are set out in Table 2 below.

TABLE 2

	Regulatory Authority	Government
Electronic Communications	3,460,000	6,923,000
Spectrum Fees	-	2,441,000
Radio Communications Licences	-	500,000
Handset Fees	-	7,900,000
TOTAL	3,460,000	17,764,000

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 2020-21 are based on the estimated total kWh sales during the fiscal year. The RA notes that the TD&R service provider may recover from the end-user, 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 2020-21 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 industry under the Government Fees Act 1965. The projected revenues for 2020-21 are set out below in Table 3.

TABLE 3

	Regulatory Authority	Government
Transmission, Distribution & Retail	2,684,000	113,000
Utility Scale Bulk Electricity Generation	160,000	78,000
Waste-to-Energy Bulk Electricity Generation	17,000	-
Self-supply Generation License	-	-
TOTAL	2,861,000	191,000

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 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 office¹ 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 training and workshops for the RA Commissioners and members of staff to attend industry specific training to gain insight into global best practices. Examples of training conducted in FY 2019/20 include Legislative Drafting & Regulatory Affairs, Integrated Resource Planning, Public Utility Regulation, Human Resource training, Communications Policy & Regulation, and Spectrum Management.
 - **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 2020-21 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

¹ The RA expanded its office space in 2019-2020 to accommodate the staffing requirements.

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.
- **Leasehold Improvements:** This category includes the capitalized cost of leasehold improvements for the RA's offices. The approved RA staff increased by eight (8) people in 2019-20 as the existing resourcing was insufficient to meet the mandate of the RA. In order to provide sufficient office space for the existing staff and new employees, leasehold improvements were required in the form of new offices and meeting areas.
- **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

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

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

* New fees for inspections

APPENDIX A – BUDGET BREAKDOWN BY SECTOR

i. Electronic Communications

In order to provide prior year comparison, the RA’s proposed Electronic Communications expenditure budget for fiscal year 2020-21 is set out below in Table 5. The RA’s proposed Electronic Communications total expenditure budget for fiscal year 2020-21 decreased by \$59,150 (2%) when compared to its approved expenditure budget for the fiscal year 2019-20. 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 2020-21 when compared to the approved budget for 2019-20 are as follows:

- i. A decrease of \$107,900 (12%) 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 \$58,000 (13%) is primarily due to a decreased amount budgeted for the provision for litigation and mediation
- iii. An increase in shared office space expenses of \$54,750 (41%) due to increased staffing needs along with additional office space.
- iv. An increase in headcount resulting in staff costs increasing by \$43,000 (3%).

TABLE 5: Electronic Communications Budget Prior Year Comparison

	2020-21	2019-20	Increase/ (Decrease)
REVENUES	3,460,000	3,486,000	(26,000)
Staff	1,640,000	1,597,000	43,000
Commissioners	270,000	270,000	-
Office Space	186,750	132,000	54,750
Office Services	130,000	121,000	9,000
Consulting Services	763,600	871,500	(107,900)
Operating Costs	395,000	453,000	(58,000)
TOTAL OPERATING EXPENSES	3,385,350	3,444,500	(59,150)
TOTAL CAPITAL EXPENDITURE	24,000	24,000	-
TOTAL EXPENDITURE	3,409,350	3,468,500	(59,150)

ii. **Electricity**

In order to provide prior year comparison, the RA's proposed Electricity expenditure budget for fiscal year 2020-21 is set out in Table 6 below. The RA's proposed total Electricity expenditure budget for the fiscal year 2020-21 increased by \$65,750 (2%) when compared to its approved expenditure budget for the fiscal year 2019-20. 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 2020-21 when compared to the approved budget for 2019-20 are as follows:

- i. An increase in headcount resulting in staff costs increasing by \$244,000 (17%). A further increase in shared office space expenses by \$54,750 (41%), operating costs by \$43,000 (15%), all primarily due to increased staffing needs.
- ii. A decrease of \$302,000 (54%) in consulting services due to the RA's projects required to implement the IRP, particularly the initiation of the solar procurement.

TABLE 6: Electricity Budget Prior Year Comparison

	2020-21	2019-20	Increase/ (Decrease)
REVENUES	2,861,000	2,866,000	3,000
Staff	1,706,000	1,462,000	244,000
Commissioners	270,000	270,000	-
Office Space	186,750	132,000	54,750
Office Services	130,000	99,000	31,000
Consulting Services	255,000	557,000	(302,000)
Operating Costs	325,000	282,000	43,000
TOTAL OPERATING EXPENSES	2,872,750	2,802,000	70,750
TOTAL CAPITAL EXPENDITURE	19,000	24,000	(5,000)
TOTAL EXPENDITURE	2,891,750	2,826,000	65,750

APPENDIX B – REQUEST TO APPROVE THE RA’S BUDGET FOR FISCAL YEAR 2020-21

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 totaling \$6,381,100 for the fiscal year 2020-21 as set out in Table 1 (Page 17).

APPENDIX C – REQUEST AND RECOMMENDATION TO MAKE A REGULATION REGARDING RA FEES FOR THE FISCAL YEAR 2020-21

Pursuant to section 44(1) of the RAA, the RA hereby recommends that the Minister of Finance make a regulation establishing the RA Fees to be paid by:

- i. ICOL holders during fiscal year 2020-21 to remain at 1.75% of Annual Relevant Turnover;
- ii. the Transmission, Distribution and Retail Service provider during fiscal year 2020-21 to remain at \$0.00475 per kiloWatt-hour sold;
- iii. the Utility Scale Electricity Generation provider (greater than 25 MegaWatts of installed electricity generation capacity) during fiscal year 2020-21 to remain at \$1,000 per MegaWatt per annum of installed electricity generation capacity;
- iv. the Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) during fiscal year 2020-21 to remain at \$1,500 per MegaWatt per annum of installed electricity generation capacity;
- v. the Waste-to-Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) during fiscal year 2020-21 to remain at \$1,500 per MegaWatt per annum of installed electricity generation capacity;
- vi. the Renewable Energy Bulk Electricity Generation provider (greater than 0.5 MegaWatts but less than 25 MegaWatts of installed electricity generation capacity) during fiscal year 2020-21 to remain at \$1,500 per MegaWatt per annum of installed electricity generation capacity; and
- vii. Self-supply Generation License* provider (greater than 0.5 MegaWatts of installed renewable electricity generation capacity) established at \$1,500 per MegaWatt.

Pursuant to Section 44(1) of the RAA, the RA hereby recommends that the Minister of Finance create a regulation to establish the recommended fees per sections 8 and 9 of this Report.

* New fee for new licence class

APPENDIX D – RECOMMENDATION REGARDING GOVERNMENT AUTHORIZATION FEES FOR THE FISCAL YEAR 2020-21

Pursuant to Section 52(2) of the RAA, the RA hereby submits this recommendation to the Minister of Finance regarding the Government Authorization Fees to be adopted for fiscal year 2020-21. The RA recommends that there should be **no increase** to the Government Authorization Fees related to the Electronic Communications and Electricity sectors for the 2020-21 year, and due consideration be given to reviewing this periodically throughout the year due to the unknown impact of the COVID-19 pandemic.

APPENDIX E – SUMMARY OF RESPONSES TO WORK PLAN PLANNING CONSULTATION

Introduction

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 2020-21 (the “Work Plan Consultation”) was published by the RA on 30 September 2019. Interested third parties were invited to respond to the Consultation by 31 October 2019 (the “Consultation Period”).
2. During the Consultation Period, the RA received written non-confidential comments on the Work Plan Consultation from BELCO, One Communications and Digicel.
3. The RA’s Work Plan Consultation sets out the RA’s Work Plan for the period 1 April 2020 to 31 March 2021. 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 2020-21. 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.

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

- I. Transparency of the Proposed Work Plan;
- II. Greater Detail of Information and Analysis;
- III. Carry-over of Work Plan Activities; and
- IV. Proposed Fee Increases.

I. Transparency of the Proposed Work Plan

Stakeholder Comment

Several stakeholder responses called for a higher degree of transparency from the RA relating to its issuance of historic financial statements. In OneComm's response it stated:

...without information regarding what was actually spent in 2019 or 2018, it is not possible to provide informed comment regarding a proposed budget for 2020. We note the relatively recent publication of a number of overdue historical financial reports for the 3 fiscal periods ending 31 March 2015, 2016 and 2017. We also note, however, that the most current financial reports available to the public and the industry are still well over 2 years old.

RA Response

The RA's annual reporting is subject to a legislative process set out in the RAA, which includes dependencies on third parties to review and approve its audited financial statements prior to their publication.

As previously communicated in prior work plans, and in accordance with Section 46(2) of the RAA, the accounts of the RA are required to be audited by the Auditor General (the "Auditor") or such other auditor as may be appointed annually by the Auditor. Furthermore, in accordance with section 47(2) of the RAA, the RA considers it improper to release the annual financial statements to the public before the legislated process is completed, including the Minister having a copy of the annual financial statements laid before the House of Legislature and published in the Gazette.

II. Greater Detail of Information and Analysis

Stakeholder Comment

Several consultation responses requested a greater level of detailed information in relation to the proposed work plan activities compared with the proposed budget, prioritization of proposed activities, and a breakdown (including further rationale) for estimates of expenditure line items, such as Personnel and Consulting Services.

Digicel also stated that it believed that the level of detail provided was not enough to meet the statutory requirements, stating that:

“When initiating a public consultation regarding its upcoming financial year’s work plan, 43 (2) of the RAA mandates that the Authority includes the following:

(a) the Authority’s strategic priorities for the upcoming financial year;

(b) any major activities, such as public consultations, that the Authority anticipates undertaking during the upcoming financial year;

(c) any quantitative indicators that the Authority has adopted to measure its performance during the upcoming financial year; and

(d) a preliminary estimate of the Authority’s budget for the upcoming financial year.

The current WP Consultation document in our view, does not, include key information...”.

RA Response

The RA is aware of its obligations under the RAA and notes that the Work Plan meets and exceeds the RA’s statutory obligation to provide the high-level objectives of the RA’s ’s regulation of both sectors, including general information on the key work areas and activities. In particular, the RA has provided its strategic priorities, major activities and a preliminary estimate of the budget. As the RA has not adopted any quantitative indicators for fiscal year 2020-21, these have not been included.

III. Carry-over of Work Plan Activities

Stakeholder Comment

The RA was questioned on the retention of budgeted funds raised in previous fiscal periods for Work Plan items that carry over from one year to the next. Specifically, OneComm stated,

“...if the RA budgets for an item in a particular year and then carries it over to the next year, there is no disclosure as to what happens to the budgeted funds. The end result is that the RA is not accountable for fees budgeted to cover work streams that span multiple years.”

RA Response

Each year, the RA’s intention is to complete the items budgeted for within its approved Work Plan. However, not all Work Plan items are completed in the year in which they were budgeted for, due to a variety of reasons. These reasons include, but are not limited to, competing priorities of unplanned work items, turnover of resources and reprioritization of work items during the year. The RA recognizes the legislative limitations on the retention of the accumulated surplus from prior years and consequently, sought and was granted approval from the Minister of Finance to retain funds for items budgeted for, but not completed within the fiscal period. This was effective for the fiscal year 2018-19.

IV. Proposed Fee Increases

There were several concerns over the fee increases proposed by the RA. They are further categorized and summarized below.

Service Fees

Stakeholder Comment

Several respondents requested the rationale behind the increase in certain Service Fees. In particular, the magnitude of the Late Filing Fees was noted as having the potential to have a substantial impact on the licensee affected.

RA Response

The RA has considered the feedback of sectors and the current COVID-19 pandemic and recommends that service fees be implemented as reflected in Table 4. The Late Filing Fee remains **unchanged** from the prior year.

Regulatory Authority Fee Increase for Electronic Communications

Stakeholder Comment

Several respondents to the consultation stated their disagreement over the increase of Regulatory Authority Fees by 0.15%.

RA Response

The RA notes the respondent's comments. The RA has considered the feedback of the sectors and the current COVID-19 pandemic and recommends that the Regulatory Authority Fees remain **unchanged**.

Bulk Generation Fee Increase

Stakeholder Comment

The RA noted BELCO's call for clarity on the increase of the Bulk Generation Licensee Regulatory Authority Fees. In particular, BELCO stated:

As the preparation and submission of the IRP rests with the TD&R licensee, BELCO does not understand why increased fees are being imposed upon generation providers and not the TD&R licensee. The bulk generation licensees being asked to shoulder the burden of the additional costs are being required to do so to further the interests of their competitors. Such an approach is confusing.

RA Response

The RA has proposed an increase in the Bulk Generation Fees to ensure a more balanced distribution of the budget amongst electricity licensees. The increase is also intended to reflect the costs of regulating Bulk Generation as a whole, not any particular licensees. Costs are budgeted based on Bulk Generation in general and fees are assessed to reflect these costs. However, the RA has considered the feedback of sectors and the current COVID-19 pandemic and recommends that Bulk Generation fees remain **unchanged**. The RA will defer the pre-feasibility Wind Study at this time.

Clarity on Collection and Remittance of Proposed Distributed Generation Fees

Stakeholder Comment

BELCO has asked the RA for further guidance on how the Distributed Generation fees should be collected and remitted to the RA.

RA Response

The RA has deferred the Feed-In Tariff review until the next work period and as such this fee is not required currently.