



BERMUDA
**REGULATORY
AUTHORITY**

REGULATORY AUTHORITY

PROPOSED WORK PLAN CONSULTATION

(ELECTRONIC COMMUNICATIONS AND ELECTRICITY)

2018-19 FISCAL YEAR

CONSULTATION DOCUMENT

MATTER: WP-1819-2017

DATE: 29 SEPTEMBER 2017

RESPONSES DUE: 31 OCTOBER 2017

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1 EXECUTIVE SUMMARY

Strategic deliverables

For the 2018-19 fiscal year, the Regulatory Authority (“Authority”) is focused on implementing and delivering further phases of Electricity regulation post the implementation of licensing. In the area of Electronic Communications, it will continue its revision to, and implementation of regulation to ensure the delivery of benefits to consumers and the promotion of competition.

Organizational development – Developing internal resource and rebalancing

The continued focus of the Authority in 2018-19 will be on building a small, but highly competent internal resource base that can operate across regulated sectors, at the same time as a gradual rebalancing from external advisors/consultancy towards internal capacity and delivery.

Proposed Budgets and Fees

Electronic Communications

- A reduction in the proposed Electronic Communications expenditure budget for 2018-19 of \$225,000 (6%) when compared to the 2017-18 approved budget (Consultancy expenditure decreased by 6% when compared to the prior fiscal year); and
- No change in the Electronic Communications Regulatory Authority fee of 1.75%, relating to the general regulatory fees.

Electricity

- No change in the proposed Electricity expenditure budget for 2018-19 when compared to the approved budget of 2017-18; and
- No change in the Electricity Regulatory Authority Fees, relating to the general regulatory fees.

The Authority would emphasise that, as an independent regulator, it is self-funded from sectoral fees and commercial financing. Therefore, it is important that the relevant fees are set at the necessary levels. It should be noted that for 2018-19 fiscal year the Authority is anticipating operating regulation of the Electricity sector via continued financing of the overdraft facility.

2 INTRODUCTION

The purpose of this Consultation Document is to comply with section 43(2) of the Regulatory Authority Act 2011 (“RAA”) which requires the Authority to conduct a public consultation regarding its work plan for the 2018-19 fiscal year (which will run from 1 April 2018 through 31 March 2019), including its proposed budget. This constitutes the first phase of consultation. (All figures within this document are denominated in Bermuda Dollars).

During this year, the Authority’s costs are to be funded through the payment of the Regulatory Authority fees which consist of general regulatory fees and service fees. General regulatory fees are paid by holders of Integrated Communications Operating Licence (“ICOL”)s and Electricity Transmission, Distribution and Retail (“TD&R”) and Bulk Generation Licences. Service fees are to be paid by sectoral participants in connection with specific functions sought by licencees that have to be performed by the Authority. As defined within the RAA, sectoral participants include a person who provides, uses or seeks to use a good or service in a regulated industry sector.

Effective 28 October 2016, the Electricity Act 2016 (“EA”) came into effect and transferred responsibility for the regulation of electricity from the Energy Commission to the Authority. On 31 October 2016, the Authority established a Bank overdraft facility in the amount of \$3.4 million, to enable the Authority to commence the regulation of the electricity sector prior to the collection of regulatory fees.

The Authority presents a work plan from 1 April 2018 to 31 March 2019 that includes both the Electronic Communications and Electricity sectors. The Authority proposes to adopt, subject to the approval of the Minister of Finance, a total expenditure budget of \$6,695,000 which consists of operating expenditure of \$6,675,000 and capital expenditure of \$20,000.

This consultation includes the following proposals:

- 1) The Authority proposes to recommend to the Minister of Transport and Regulatory Affairs that there be no change in the Electronic Communications Regulatory Authority fee, relating to the general regulatory fees.
- 2) The Authority proposes to recommend to the Minister of Transport and Regulatory Affairs that there be no change in the general regulatory fees under paragraph 1 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2017, payable by the TD&R Service Provider.
- 3) The Authority proposes to recommend to the Minister of Transport and Regulatory Affairs that there be no change in the general regulatory fees under paragraphs 2 to 5 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2017, payable by the Bulk Electricity Generation Providers.
- 4) The Authority proposes to request that the Minister of Transport and Regulatory Affairs makes a regulation to establish the recommended service fees per section 10 of this document.
- 5) The Authority also intends to recommend to the Minister of Transport and Regulatory Affairs that there be no increase in the current level of Government Authorization fees payable by the Electronic Communications and Electricity industries under the regulations.

3 STRUCTURE OF WORK PLAN DOCUMENT

This Consultation Document sets out the Authority’s Work Plan for the period 1 April 2018 to 31 March 2019. It provides detail on the consultation procedures and the legislative context under which the consultation is being undertaken. It includes the Authority’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.

For this fiscal year, the Authority will be responsible for regulating the Electronic Communications and Electricity sectors. The proposed Work Plan reflects the Authority’s assessment of the ongoing and envisaged trends in the regulated sectors that the Authority regulates, namely, electronic communications, radio communications, radio spectrum management, consumer protection, electricity generation, transmission, and retail. Notwithstanding any other regulated sector that the Authority may be requested to regulate, the proposed Work Plan does not include any work that may have to be undertaken in any other regulated sectors.

4 CONSULTATION PROCEDURE

This consultation is being undertaken in accordance with sections 69 to 73 of the RAA.

Written comments should be submitted before 5:00 PM (Bermuda time) on 31 October 2017.

The Authority invites comments from members of the public, operators of electronic communications networks, providers of electronic communications services, power utilities, electricity suppliers, and other interested parties. The Authority requests that parties should in any response reference the numbers of the relevant questions, as set forth in this consultation document. A complete list of questions presented by this consultation document appears in Appendix A – Consultation Questions.

- i. Responses to this consultation document should be filed electronically in MS Word format (which is unprotected). Parties filing comments should go to the Authority's website, www.rab.bm, follow the link to the Consultations and Response page, and click the "Click here to submit a response" icon which appears at the top of the page. All comments should be clearly marked "Response to Consultation Document Matter: WP-1819-2017: Comments on Regulatory Authority Proposed Work Plan 2018-19 Fiscal Year" and should otherwise comply with Rules 18 and 30 of the Authority's Interim Administrative Rules, which are posted on the Authority's website.
- ii. The Authority intends to make responses to this consultation 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 Authority's Interim Administrative Rules.
- iii. The Operations and Accounts Administration Manager is the principal point of contact at the Authority for interested persons during this consultation and can be contacted by email at kmartins@rab.bm or by mail at:

Kim Martins
Operations and Accounts Administration Manager Regulatory
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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 EA, and Interpretation Act 1951.

This consultation document is not a binding legal document and does not contain legal, commercial, financial, technical or other advice. The Authority is not bound by the consultation document, nor does it necessarily set out the Authority's final or definitive position on particular

matters. To the extent that there might be any inconsistency between the contents of this document and the due exercise by the Authority 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 Authority.

5 LEGISLATIVE CONTEXT

The Authority is an independent regulator established under the RAA. In accordance with section 12 of the RAA, the principal functions of the Authority 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 Authority 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 shall be:

- 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 this Act 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 Authority to conduct a public consultation regarding its work plan for the 2018-19 fiscal year (1 April 2018 through 31 March 2019), including its proposed expenditure budget. During this year, the Authority's costs are to be funded through the payment of general regulatory fees and service fees pursuant to the RAA Section 44 by ICOL holders, Electricity Licence holders or providers and sectoral participants.

6 BASIS, ROLES AND RESPONSIBILITIES OF THE AUTHORITY

The Authority has established the following strategic goals that will drive its priorities and activities for the ensuing years, guided by the statutory basis upon which it operates.

6.1 Statutory basis of the Authority and funding

The Authority is an independent regulator established under the RAA. It receives no Government funding and operates via the collection of Regulatory Authority Fees, these being:

- i. fees charged to ICOL holders;
- ii. fees from consumers of electricity; and
- iii. fees levied on those entities that operate in the Electricity sector as electricity generation providers, which currently includes BELCO and Tynes Bay.

It should be noted that the Authority received no 'start-up' Government funding for electricity regulation and, as a result, secured a commercial bank overdraft facility of \$3.4 million to enable it to commence responsibilities in this area (when enacted on 28 October 2016). Pursuant to the legislation, Electricity fees became effective 1 April 2017, but were not collected by the Authority until 31 August 2017, almost a full year after enactment of the EA (Please refer to section 7.3 for further detail).

6.2 The role of the Board of the Authority

Under the provisions of the RAA, the Board is responsible for deciding and issuing various regulatory decisions which have legislative effect consistent with its duties under the ECA and EA. The Board is also responsible for the governance of the Authority and directs the Chief Executive and staff of the Authority. There are currently five (5) Commissioners. Prior to the

enactment of electricity regulation for the Authority, the number of Commissioners mandated, was set at three (3).

6.3 Responsibility of the Authority

The Authority's responsibilities include all duties as set out in the relevant legislation.

6.4 Objectives

The objectives of the Authority are as follows:

6.4.1 To create and maintain a regulatory framework for the required capital investment and innovation in telecommunications infrastructure and to ensure the delivery of consumer benefit.

The legislative basis of the Authority defines its responsibilities including, amongst others, the promotion of sustainable competition, incentivising innovation and investment, and ensuring the interests of consumers are met. In pursuing this mandate, the Authority transacts via (i) economic regulation; (ii) technical regulation; (iii) necessary consultation and legal drafting; and (iv) enforcement.

6.4.2 Creating, implementing and maintaining regulation for the Electricity sector.

Under the provisions of the EA, the Authority is responsible for creating electricity sector licensing and regulation. Since January 2017 the Authority has been developing, consulting on, and has finalized the electricity sector licences that has addressed the following three key aspects:

- i. BELCO as a 'monopoly' provider of transmission, distribution and retail activities;
- ii. that the generation and supply of electricity to the grid should be competitive. As such, there may be, alternatives, to BELCO for generating electricity; and
- iii. the encouragement of renewable sources of electricity generation. As such there should be a licensing regime which supports this objective.

6.4.3 Building a Bermudian staff, a focus on knowledge transfer and Bermudian management and leadership.

The regulatory activities that the Authority pursues are specialised and complex. To provide career opportunities for Bermudians, the Authority's current recruitment strategy has focused on hiring and building a Bermudian team via the recruitment of well-qualified lawyers, finance, technical and operations staff, with a view to developing the staff by 'knowledge transfer' from experience and external advisors. The ultimate objective is that the development of Bermudian staff will provide for a knowledgeable future leadership and management base at the Authority.

6.4.4 Addressing potential new areas of regulation for the Authority.

The Authority has been informed, via various Government statements, that Fuels regulation may be placed with the Authority. It has provided its views and comments on the same to the Government. The creation and transfer of broadcasting regulation to the Authority may also occur. As an independent regulator, the Authority remains ready to assume whatever regulatory duties are passed to it via legislation.

7 OPERATIONAL FUNCTIONS

7.1 Fee collection

During the 2018-19 fiscal year, the Authority anticipates collecting Government revenues of approximately \$15 million and \$195k respectively in the Electronic Communications and Electricity sectors. In carrying out this function, the Authority has dedicated a number of staff to this area.

7.2 Budget

The Authority has decreased its proposed budgeted expenditure for 2018-19 by 5% when compared to the approved budget for 2017-18. This is on the basis that the Authority has initiated programs to build its own internal resources and place less reliance on external consultancy advice for the Electronic Communications and Electricity sectors.

7.3 Bank overdraft

With respect to the commencement of the Authority's expanded mandate to regulate the Electricity sector, effective 28 October 2016, the Authority secured a \$3.4 million overdraft facility. This financing has enabled the Authority to commence electricity regulation prior to its ability to collect the relevant regulatory fees. The Authority was only able to levy fees on the Electricity sector providers from 1 April 2017 onwards, thus resulting in a period between enactment and 31 March 2017 which remained unfunded from the Electricity sector providers.

7.4 Staff

The Authority currently has a complement of fourteen (14), including the Chief Executive. As the regulatory activities that the Authority pursue are specialised and complex, it is important that the Authority builds and maintains an appropriate resource and staff base. This includes a focus on ongoing development, training and succession planning.

7.5 Communications

The Authority recognises that good communications are the mainstay of any successful regulator.

During 2017-18 the Authority initiated a redesign and redevelopment of its website. This will occur within the first phase of a multiphase strategy of developing a communications strategy that will address the needs of the multiple categories of stakeholders across the Authority's regulated sectors and improve direct stakeholder communications.

The Authority's communications strategy will include developing a framework for the Authority's communications, providing a clear direction on all communication activities, both internal and external, covering media, public relations, digital and printed material. The objective is to raise awareness of the Authority's aims and objectives. This work will continue throughout 2018-19.

Consultation Question 1: Do you agree with the proposed operational functions of the Authority?

a. If no, please state what you disagree with and provide reasons for your disagreement.

8 WORK PLAN ACTIVITY

8.1 Regulatory regime

For the fiscal year 2017-18 the Authority has been developing a regulatory regime that is appropriate in both the Electricity and Electronic Communications sectors. During this time, the Authority

- i. restructured internal resources to focus specifically on the sectoral regulatory responsibilities and project 'catch-up' from prior years;
- ii. expanded its internal legal, operational and financial analysis resources;
- iii. launched a market and sectoral review for the Electronic Communications sector; and
- iv. developed a licence regime in the Electricity sector that was implemented via relevant regulation and legislation.

Overall, the Authority is focussed on streamlining the efficiency and effectiveness of its operations as a regulator. It has developed a cross-sectoral team on the basis that its regulation of sectors involves a high degree of economic, financial and legal analysis that relies on a strong common resource. During 2017-18 the Authority, along with its expert advisors, set out to develop a set of methodologies and regulatory regime required to carry out its principle functions and obligations under the applicable acts. As the Authority plans for the 2018-19 fiscal year, there are various work streams and projects that it is focused on as follows:

8.1.1 Electricity

Effective 28 October 2016, the EA came into effect and transferred responsibility for the regulation of electricity from the Energy Commission to the Authority. In the fiscal year 2018-19, the Authority plans to continue to develop and implement an electricity regulatory regime that is appropriate for Bermuda. The new regulatory structure will liberalize the electricity market, protect end users and ensure that opportunities exist for all credible entities willing to participate in the delivery of Bermuda's energy future and to modernize the Electricity sector.

The Authority initiated the development and implementation of the licensing regime and issuance of licences under stipulation of the EA, which would give the Authority powers to act on all matters in the Electricity sector. The licensing regime is segmented by different forms of the electricity licences, which are:

- i. Bulk Generation (Renewable);
- ii. Bulk Generation (Non-renewable); and
- iii. TD&R.

Regulation of the Electricity sector requires technical, economic, regulatory finance and legal analysis. During 2017-18 the Authority, along with its expert advisors, developed the licensing regime and is developing sets of methodologies to implement the licences regime and carry out its principle functions and obligations under the EA.

The 2018-19 work streams are mainly process oriented and a continuation of the implementation of the licensing regime which will include:

- i. Process electricity licence applications/issue/grant

Accept, review and grant licences in accordance with the Application Process for Electricity Licence General Determination.

ii. Fuel Adjustment Rate (“FAR”) assessment

Review and evaluate the FAR as part of the monthly review process.

iii. Electricity Sector Review

Conduct a review of the Electricity sector to assess the structure of the market and any market anomalies. Further to such review, the Authority will provide recommendations on policies to the Minister of Transport and Regulatory Affairs and will solicit input from industry stakeholders and consumers on the Authority’s transition into the electricity market.

iv. Implementation of licences and regulation

There are various regulatory and licence requirements that will need to be implemented. These include the necessary consultation on, and determination of, the Integrated Resource Plan (“IRP”). In addition, in relation to the implementation of the regulation the Authority will also focus on a range of work areas, (some of which may necessitate the issuance of various Administrative and General Determinations, generally one for each area), relating to the following:

- i. Retail tariff methodology;
- ii. Accounting separation;
- iii. Feed-in tariff methodology;
- iv. Service standards;
- v. Consumer protection (Codes of Practice);
- vi. Customer Information Privacy, in accordance with the Personal Information Protection Act 2016;
- vii. Standard Contracts for renewable energy systems;
- viii. Infrastructure investment evaluations; and
- ix. Assessment of Purchasing Power Agreements (as, and when, required).

As required by the EA with regard to (i), (ii) and (iii) above, the Authority notes the following:

i. Accounting Separation

The Authority expects to develop an appropriate accounting separation methodology in line with electricity sector licences.

ii. Tariff Methodologies

As per section 37 of the EA, the Authority is required to conduct a retail tariff and feed-in tariff review within two years of the commencement date, that being October 2018. Therefore, the Authority will conduct a review according to the methodology that it expects to set in the fiscal year 2017-18.

8.1.2 Electronic Communications

At an operational level, the Authority continues to increase its enforcement and compliance activities in the Electronic Communications sector. At a strategic level and project delivery level,

the focus for 2018-19 will be on the creation and implementation of an updated regulatory regime for the sector, focused on the assessment of the related markets by the Authority in 2017-18.

i. Fifth generation (“5G”) Review

The Authority will embark on a world-wide review of the 5G mobile/fixed wireless connectivity. The final form of 5G has not been determined across the International Telecommunication Union regions as of the date of this document’s release. As such, the Authority will be looking at this area with an aim to best understand the necessary inputs to make this a reality for Bermuda.

i. Net Neutrality (Monitoring and Compliance)

The Authority is currently reviewing Broadband network traffic management (including an assessment of the potential implementation of Net Neutrality) under the 2017-18 Work Plan. This activity is anticipated to be completed by 31 March 2018. Once completed and a general policy regarding Net Neutrality established, the Authority will be placed to both monitor and oversee compliance.

ii. Broadband Quality of Service

The Authority proposes to establish an enforceable standard of practice for broadband services with the release of administrative determinations. The Authority will utilize a monitoring system that will give both the Authority and the consumer alike, quantitative data on internet performance.

iii. High Demand Spectrum 1 (“HDS-1”) Compliance

The HDS-1 process is a multiyear process that began in 2015. During this project, Bermuda has seen fourth generation (“4G”) coverage deployed island wide. During the deployment process, the mobile carriers are responsible for meeting multiple performance obligations. These obligations stretch over a two-year period, carrying the final requirements into the 2018-19 fiscal year. To date, two of the three major milestones have been met, leaving one more to be completed by November 2018.

The Authority will perform the following ongoing technical operational duties for the Electronic Communications sector:

- i. Type approvals;
- ii. Radio Communications Licences;
- iii. Number Portability compliance and process modification; and
- iv. Spectrum/radio interference issues.

8.2 Legal

The role of the legal function is to act as the Authority’s primary internal legal advisors. This includes providing legal support to the Authority’s ongoing projects, advising on internal matters such as human resources, contracts, coordinating investigations and enforcement actions and monitoring compliance with relevant legislation, policies and licences.

Over the 2018-19 fiscal year, the legal function will continue to support the Authority’s regulation of the regulated industry sectors, including the continued enactment of additional general determinations required to further develop the electricity licensing framework, supporting the IRP process, monitoring anticompetitive behaviour in the relevant markets, continuing to develop

guidelines, processes and templates, building on the current Authority framework, and supporting the objective to improve operational efficiencies.

Consultation Question 2: Do you agree with the proposed activities of the Authority?

a. If no, please state which activities you disagree with and provide reasons for your disagreement together with any alternative activity.

9 PROPOSED BUDGET AND PROJECTED REVENUES

This section sets out the Authority's proposed expenditure budget, proposed Regulatory Authority Fees and the projected revenue for the fiscal year 2018-19.

9.1 Proposed Expenditure Budget for 2018-19

Subject to the approval of the Minister of Finance, the Authority proposes to adopt a total expenditure budget of \$6,695,000 for the fiscal year 2018-19. The Authority's proposed total expenditure budget for the fiscal year 2018-19 is less than its approved expenditure budget for the fiscal year 2017-18 (\$6,920,000) by approximately \$225,000 (3.25%). The proposed budget is shown in Table 1 below, including the prior year comparison.

The Authority's proposed total expenditure budget for the fiscal year 2018-19 consists of the Electronic Communications and Electricity sectors. Common costs have been allocated evenly between the two sectors except for sector-specific designated expenses. Shared common costs are forecasted to amount to approximately \$4 million.

The Authority's current headcount is fourteen (14) employees and five (5) Commissioners. It is expected that the headcount will increase to between fifteen (15) and eighteen (18) employees.

The Authority staff has a range of responsibilities including the collection of Government and Authority fees, strategic analysis, project delivery, compliance, consumer affairs and enforcement.

TABLE 1

	Electronic Comm	Electricity	Total 2018-19	Total 2017-18
REVENUES	3,325,000	2,936,000	6,261,000	6,420,000
Employees and Commissioners	1,709,650	1,715,350	3,425,000	2,938,500
Office Space	130,000	130,000	260,000	260,000
Office Services	74,150	205,850	280,000	215,000
Consulting Services	846,500	978,500	1,825,000	2,023,000
Operating Costs	553,700	331,300	885,000	1,223,500
TOTAL OPERATING EXPENSES	3,314,000	3,361,000	6,675,000	6,660,000
TOTAL CAPITAL EXPENDITURE	11,000	9,000	20,000	260,000
TOTAL EXPENDITURE	3,325,000	3,370,000	6,695,000	6,920,000

Please refer to Appendix B for a detailed breakdown of the Electronic Communications and Electricity expenditure budgets for the fiscal year 2018-19, including prior year comparison.

Consultation Question 3: Do you agree with the proposed budget for the Authority?

a. If no, please state what you disagree with and provide reasons for your disagreement.

9.2 Proposed Fees and Projected Revenue

9.2.1 Electronic Communications services sector

The Authority proposes to recommend to the Minister of Transport and Regulatory Affairs that there be no change in the Electronic Communications Regulatory Authority fee of 1.75% during the fiscal year 2018-19. This would generate estimated revenues of approximately \$3,325,000 for the Authority based on the anticipated annual relevant turnover for 2018-19.

The Authority also intends to recommend to the Minister of Transport and Regulatory Affairs that there be no increase in the current level of Government Authorization fees of 2.50% imposed on the Electronic Communications industry under the regulations. The projected revenues for 2018-19 are set out in Table 2 below.

TABLE 2

	Regulatory Authority	Government
Electronic Communications	3,325,000	4,750,000
Spectrum Fees		2,480,400
Radio Communications Licences		434,500
Handset Fees		6,870,000
TOTAL	3,325,000	14,534,900

9.2.2 Electricity sector

The Authority's estimated revenues for the 2018-19 fiscal year amounts to \$2,936,000 and are based on the fees set per the Electricity (Regulatory Authority Fees) Regulations on the following types of electricity providers:

- i. Electricity TD&R service provider;
- ii. Utility Scale Electricity Generation provider (greater than 25 megawatts of installed electricity generation capacity);
- iii. Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 megawatts but less than 25 megawatts of installed electricity generation capacity);
- iv. Waste-to-Energy Bulk Electricity Generation provider (greater than 0.5 megawatts but less than 25 megawatts of installed electricity generation capacity); and
- v. Renewable Energy Bulk Electricity Generation provider (greater than 0.5 megawatts but less than 25 megawatts of installed electricity generation capacity).

With regard to (i) above, the Authority notes the following:

- i. TD&R service provider

The fees imposed on the TD&R service provider represents the majority of the Electricity Regulatory Authority fees. The Authority's estimated TD&R revenues for the 2018-19 fiscal year are based on the estimated total kWh sales during the fiscal year. The Authority notes that the TD&R service provider may recover from the end-user the fees payable as set out under paragraph (1) of the Schedule per the Electricity (Regulatory Authority Fees) Regulations 2017 by a dedicated charge on the end-user.

The Authority intends to recommend to the Minister of Transport and Regulatory Affairs that there be no change in the general regulatory fees under paragraph 1 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2017, payable by the TD&R Service Provider.

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

The Authority's estimated Bulk Electricity revenues for the 2018-19 fiscal year are based on the estimated planned installed power capacity during the fiscal year. The Authority intends to recommend to the Minister of Transport and Regulatory Affairs that there be no change in the general regulatory fees under paragraphs 2 to 5 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2017, payable by the Bulk Electricity Generation Providers.

The Authority also intends to recommend to the Minister of Transport and Regulatory Affairs that there be no change in the current Government fees imposed on the electricity industry under the Government Fees Act 1965. The projected revenues for 2018-19 are set out below in Table 3.

TABLE 3

	Regulatory Authority	Government
Electricity	2,936,000	194,600

9.3 Description of Budget Categories

9.3.1 Operational Expenses

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

- i. **Staff:** This category includes the salaries and benefits for the staff and the honoraria paid to Commissioners.
- ii. **Office Space:** This category includes the rent, taxes, utilities, and insurance associated with leasing a 4,145-square foot office on the 1st Floor, Craig Appin House, 8 Wesley Street, Hamilton. Also included are the associated internet, mobile communications, repairs and maintenance, security and telephone expenses.
- iii. **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.
- iv. **Operating Costs:** This category includes the following sub-categories:
 - a) **Training:** This sub-category includes the costs of training and workshops for the Authority Commissioners and members of staff.
 - b) **Consulting and Support Services:** This sub-category includes the costs of the legal, regulatory, and technical support the Authority will require in connection with the activity to be carried out in its 2018-19 Work Plan.
 - c) **Meetings and Conferences:** This sub-category includes the costs the Authority will incur to conduct and/or participate in meetings and conferences.
 - d) **Subscriptions:** This sub-category includes the cost of books, periodicals, and subscriptions the Authority staff will require to remain abreast of industry events and trends.
 - e) **Consumer Affairs:** This sub-category includes general consumer affairs, consumer related consultations, costs to maintain the Authority's website, education and awareness, placement of notices in local publications and press releases in relation to regulatory matters.
 - f) **Provision for Mediation & Litigation:** This sub-category makes provision for litigation as well as the cost of any proceedings conducted by the Authority under its governing acts.
 - g) **Finance Costs:** This sub-category includes finance costs in relation to overdraft facilities.

9.3.2 Capital Expenditures

The following categories consist of one-time expenses required to enable the Authority to facilitate its operations:

- i. **Furniture and Fittings:** This category includes the capitalized cost of furniture and fittings for the Authority's offices.
- ii. **Office Equipment:** This category includes the capitalized cost of office equipment, such as copier and miscellaneous office equipment.

- iii. **Computers and Software:** This category includes the capitalized cost of the internal computer network, computers and software for the Authority's offices.
- iv. **Electronic Communications Equipment:** This category includes the capitalized cost of specialized radio spectrum equipment.
- v. **Leasehold Improvements:** This category includes the capitalized cost of leasehold improvements for the Authority's offices.

10 SERVICE FEES

Section 44(2) of the RAA provides that the Regulatory Authority fees recommended by the Authority shall be consistent with the Authority's budget and shall include service fees which shall be payable by a sectoral participant in connection with specific functions performed by the Authority. Section 44(3) of the RAA states that the service fees recommended by the Authority shall be designed to recover from a sectoral participant a reasonable estimate of the cost to the Authority of performing the function for which the fee is assessed. The Authority proposes to recommend the service fees, as set out below in Table 4, to the Minister for the various applications and service fees under section 44 of the RAA.

TABLE 4

Electricity	
Administration Fees	Proposed Fee
Late Filing Fees	\$105
Tariff filing	\$1,500
Concentration Reviews	\$25,000
Mergers and Acquisitions 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 Licence Exemption	\$320
Late Filing Fees	\$105
Concentration Reviews	\$25,000
Mergers and Acquisitions Reviews	\$2,400
Inspection fees:	
- Network interference investigation	\$1,500
- Radio Frequency Hazzard Analysis	\$500

Class Licences	
Administration Fees	Proposed Fee
Application for a class licence granted under section 9 of the Telecommunications Act 1986	\$145
Inspection fees:	
- On-site Equipment Inspection (vessels & aircrafts)	\$2,000

Consultation Question 4: Do you agree with the proposed service fees for the Authority?
a. If no, please state what you disagree with and provide reasons for your disagreement.

APPENDIX A – CONSULTATION QUESTIONS

CONSULTATION QUESTIONS

Consultation Question 1: Do you agree with the proposed operational functions of the Authority?

- a. If no, please state what you disagree with and provide reasons for your disagreement.

Consultation Question 2: Do you agree with the proposed activities of the Authority?

- a. If no, please state which activities you disagree with and provide reasons for your disagreement together with any alternative activities.

Consultation Question 3: Do you agree with the proposed budget of the Authority?

- a. If no, please state what you disagree with and provide reasons for your disagreement.

Consultation Question 4: Do you agree with the proposed service fees of the Authority?

- a. If no, please state what you disagree with and provide reasons for your disagreement.

APPENDIX B – BUDGET BREAKDOWN BY SECTOR

Electronic Communications

The Authority's proposed Electronic Communications expenditure budget for fiscal year 2018-19 is set out below in Table 5 in order to provide prior year comparison. The Authority's proposed total Electronic Communications total expenditure budget for fiscal year 2018-19 decreased by \$225,000 (6%) when compared to its approved expenditure budget for the fiscal year 2017-18. 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 2018-19 when compared to the approved budget for 2017-18 are as follows:

- i. A decrease in operating costs and office services are due to common costs being shared between the two sectors;
- ii. A decrease of \$56,500 (6%) in consulting services due to the Authority's objective to rebalance expenditure on external consultancies towards internal capacity and capability; and
- iii. A decrease in capital expenditure is due to the authorized budget for 2017-18 including one-time capital expenditure for radio spectrum monitoring equipment to the amount of \$230,000.
- iv. An anticipated increase in headcount resulting in staff costs increasing by \$287,150 (20%).

TABLE 5

	2018-19	2017-18	Increase/ (decrease)
REVENUES	3,325,000	3,440,000	(115,000)
Employees	1,709,650	1,422,500	287,150
Office Space	130,000	130,000	0
Office Services	74,150	107,500	(33,350)
Consulting Services	846,500	903,000	(56,500)
Operating Costs	553,700	742,000	(188,300)
TOTAL OPERATING EXPENSES	3,314,000	3,305,000	9,000
TOTAL CAPITAL EXPENDITURE	11,000	245,000	(234,000)
TOTAL EXPENDITURE	3,325,000	3,550,000	(225,000)

Electricity

The Authority's proposed Electricity expenditure budget for fiscal year 2018-19 is set out in Table 6 below, in order to provide prior year comparison. The Authority's proposed total Electricity expenditure budget for the fiscal year 2018-19 remained unchanged from the approved expenditure budget for the fiscal year 2017-18. 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 2018-19 when compared to the approved budget for 2017-18 are as follows:

- i. A decrease in office services costs of \$97,150 (32%) due to common costs being shared between the two sectors; and
- ii. A total decrease of \$141,500 (13%) in consulting services due to the Authority's objective to rebalance expenditure on external consultancies towards internal capacity and capability.
- iii. An anticipated increase in headcount resulting in staff costs increasing by \$199,350 (13%).

TABLE 6

	2018-19	2017-18	Increase/ (decrease)
REVENUES	2,936,000	2,980,000	(44,000)
Employees	1,715,350	1,516,000	199,350
Office Space	130,000	130,000	0
Office Services	205,850	303,000	(97,150)
Consulting Services	978,500	1,120,000	(141,500)
Operating Costs	331,300	286,000	45,300
TOTAL OPERATING EXPENSES	3,361,000	3,355,000	6,000
TOTAL CAPITAL EXPENDITURE	9,000	15,000	(6,000)
TOTAL EXPENDITURE	3,370,000	3,370,000	0