



BERMUDA
**REGULATORY
AUTHORITY**

**WORK PLAN CONSULTATION
(TELECOMMUNICATIONS AND ELECTRICITY)**

**REGULATORY AUTHORITY
PROPOSED WORK PLAN
(TELECOMMUNICATIONS AND ELECTRICITY)**

2017-18 FISCAL YEAR

**CONSULTATION DOCUMENT
MATTER: WP-1718-2016
DATE: 30 SEPTEMBER 2016
RESPONSES DUE: 28 OCTOBER 2016**

TABLE OF CONTENTS

CONTENTS

1	EXECUTIVE SUMMARY	1
2	CONSULTATION PROCEDURE	2
2.1	LEGISLATIVE CONTEXT	3
2.2	SCOPE OF WORK PLAN	3
3	STRATEGIC GOALS	3
3.1	COMBINED PROPOSED ACTIVITIES AND PROJECTS FOR TELECOMMUNICATIONS AND ELECTRICITY SECTORS	4
3.2	PROPOSED ACTIVITIES AND PROJECTS FOR TELECOMMUNICATIONS SECTOR.....	5
3.3	PROPOSED ACTIVITIES AND PROJECTS FOR ELECTRICITY	7
3.4	CONTEXTUAL OVERVIEW OF PROJECTS AND ACTIVITIES FOR 2017-18	9
4	PROPOSED BUDGET AND PROJECTED REVENUES	11
4.1	PROPOSED EXPENDITURE BUDGET FOR 2017-18.....	11
4.2	PROPOSED FEES AND PROJECTED REVENUE	12
4.2.1	Telecommunications	12
4.2.2	Electricity.....	13
4.3	DESCRIPTION OF BUDGET CATEGORIES	13
4.3.1	Operational Expenses	13
4.3.2	Capital Expenditures.....	14
5.	CONCLUSION	14
	APPENDIX A – CONSULTATION QUESTIONS	I
	APPENDIX B – KEY COMBINED PROJECTS AND ACTIVITIES PLANNED FOR 2017/18	III
	APPENDIX C – KEY TELECOMMUNICATIONS PROJECTS AND ACTIVITIES PLANNED FOR 2017/18.....	V
	APPENDIX D – KEY ELECTRICITY PROJECTS AND ACTIVITIES PLANNED FOR 2017/18	VIII

1 EXECUTIVE SUMMARY

The purpose of this Consultation Document is to comply with Section 43(2) of the Regulatory Authority Act 2011 (“RAA”) which requires the Regulatory Authority (“Authority”) to conduct a public consultation regarding its work plan for the 2017-18 financial year (which will run from 1 April 2017 through 31 March 2018), including its proposed budget. During this period, the Authority’s costs are to be funded through the payment of general regulatory fees by holders of Integrated Communications Operating Licences (“ICOLs”) and holders of Electricity Licences.

The Authority hereby submits the Preliminary Report in support of its request that the Minister of Finance approves the Authority’s proposed budget for financial year 2017-18 and its request that the Minister of Economic Development makes a regulation establishing the Regulatory Authority fees to be paid by ICOL and electricity licence holders.

Further to the Electricity act 2016 (“EA”), the Authority has been advised that it will assume electricity regulation activities. Currently, this date is yet to be decided. However, the Authority believes that it is prudent and correct to present a work plan from April 1st, 2017 to March 31st, 2018, that includes both the Telecommunications and Electricity sectors.

The Authority has preliminarily concluded that it will adopt a work plan for the financial year 2017-18 which is aligned with the following strategic goals: (a) Striving for Organizational Excellence; (b) Promoting and Facilitating Sustainable Competition; (c) Promoting and Protecting the Interest of Consumers; (d) Facilitating Innovation and Investment; and (e) Providing Timely Advice and Information to the Government.

The Authority proposes to adopt, subject to the approval of the Minister of Finance, an expenditure budget of \$6,920,000.

The Authority proposes to recommend that the Minister of Economic Development makes a regulation to increase the Regulatory Authority fee from 1.75% to 2.00% of relevant (taxable) turnover on ICOL holders.

The Authority proposes to request that the Minister of Economic Development makes a regulation to impose Regulatory Authority and/or Administration fees to Electricity licence holders of Bulk Generation, Transmission, Distribution and Retail, Self-Supply and License Exemption Certificates. These fees will be subject to government approval.

The Authority also intends to recommend to the Minister of Economic Development that there be no increase in the current level of Government authorization fees imposed on the electronics communications industry under the Government Fees Act 1965.

1.1 Summary of Content

This document is the Authority’s Annual Work Plan for the period April 1st, 2017 to March 31st, 2018. It includes the Authority’s strategic priorities, the major activities it anticipates undertaking, and its proposed budget for the period.

For this period, the Authority will be responsible for regulating the Electronic Communications and Electricity sectors. This Work Plan reflects the Authority’s current mandate, mission and strategic priorities as well as an assessment of the ongoing and envisaged trends in the sectors that the Authority regulates, namely, electronic communications, radio communications, radio spectrum management, and consumer protection in the telecommunications arena; and electricity generation, transmission, retail, and consumer protection in the electricity arena. Notwithstanding any other regulated sectors that may be imposed on the Authority.

The Work Plan also details the Proposed Budget and Projected Revenues which support the listed priorities and activities.

2 CONSULTATION PROCEDURE

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

- i. Written comments should be submitted before 5:00 PM (Bermuda time) on 28 October 2016.
- ii. 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 commenting parties, in their responses, reference the numbers of the relevant questions, as set forth in this consultation document, to which they are responding. A complete list of questions presented by this consultation document appears in: Appendix A – Consultation Questions.
- iii. Responses to this consultation document should be filed electronically in MS Word format (which is unprotected and thus allows editing). 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-1718-2016: Comments on Regulatory Authority Proposed Work Plan 2017-18 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.
- iv. 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.
- v. The Consumer Affairs & Carrier Compliance Manager is the principal point of contact at the Authority for interested persons during this consultation and can be contacted by email at nsmith@rab.bm or by mail at:

Nakia Smith
Consumer Affairs & Carrier Compliance Manager
Regulatory Authority
1st Floor Craig Appin Building,
Hamilton, HM11
Bermuda

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 2011, Electricity Act 2016, 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.

INTRODUCTION

2.1 Legislative Context

RAA Section 43(2) requires the Authority to conduct a public consultation regarding its work plan for the 2017-18 financial year (which will run from 1 April 2017 through 31 March 2018), including its proposed expenditure budget. During this period, the Authority's costs are to be funded through the payment of general regulatory fees pursuant to the RAA Section 44 by ICOL and Electricity Licence holders.

2.2 Scope of Work Plan

- i. This document is the Authority's plan for the period April 2017 to March 2018. It includes a report on work likely to be held over from last fiscal year, the Authority's strategic goals, priorities, the major activities it anticipates undertaking for the upcoming fiscal year, and its proposed budget for the period.
- ii. This work plan assumes that Electronic Communications and Electricity will be the sectors that the Authority will have oversight of during the 2017-18 fiscal year. For the avoidance of doubt, the work plan does not include work to be undertaken or associated costs incurred by the Authority to prepare for the regulation of any other sector for which the Authority may be assigned by the Government.
- iii. The work plan reflects the Authority's current mandate with the anticipation of Electricity, enunciates its strategic goals and sets out its strategic priorities and planned activities for the 2017-18 fiscal year.

3 STRATEGIC GOALS

The Authority has established the following strategic goals that will drive its priorities and activities for the ensuing years:

- i. **Striving for Organizational Excellence:** to be a highly efficient and effective organization that supports and enables its staff to achieve the Authority's objectives.
- ii. **Promoting and Facilitating Sustainable Competition:** dependent on the sectorial legislation, to apply effective and proportionate regulation to facilitate dynamic and sustainable competition within the sectors it regulates.
- iii. **Promoting and Protecting the Interests of Consumers:** to safeguard the interests of the consumers of electronic communications and electricity services by protecting and empowering them.
- iv. **Facilitating Innovation and Investment:** to provide regulatory certainty within the sectors under its responsibility. This will include the fair application of rules, market evaluation and enforcement of breaches of the rules and compliance. This, in turn, will support investment into the relevant sectors.

- v. **Providing Timely Advice and Information to the Government:** on policy and legislative changes which may be required to enhance the success of the electronic communications and electricity sectors or its regulatory framework, and to promptly respond to legally mandated directives from the Minister of Economic Development.

Consultation Question 1: Do you agree with the proposed Strategic Goals?

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

3.1 Combined Proposed Activities and Projects for Telecommunications and Electricity Sectors

The numbering sequence of the priorities listed below does not necessarily reflect their relevant importance.

3.1.1 Striving for Organizational Excellence – Activities and Projects

Priority 1 - The Authority will continue to strengthen the capacity, knowledge base and skills of its staff and will undertake the following activities and projects to address this priority:

- i. Provide targeted training to the Authority's members of staff to ensure they are well equipped to perform at the highest standard; and
- ii. Identify and fill resource gaps to ensure the Authority is able to meet its statutory mandates.

Priority 2 - The Authority will ensure the transparent preparation of its work plans (including budgets) and the timely reporting of its actual performance and will undertake the following activities to address this priority:

- i. Issue a public consultation on its proposed Work Plan and Budget for the 2018-19 fiscal year by September 30th, 2017;
- ii. Submit its proposed work plan and budget for the 2018-19 fiscal year to the Minister by December 31st, 2017

Priority 3 - The Authority will facilitate regular engagement of key stakeholders to keep up to date on their needs and issues and will undertake the following activities to address this priority:

- i. Arrange regular meetings with all licence holders and relevant stakeholders

Priority 4 - The Authority will ensure that its internal governance and operations are continually improving and of a standard commensurate with its standing as a national regulatory body and will undertake the following activities to address this priority:

- i. The Authority will continually review its internal policies and procedures and that identified deficiencies are corrected.

3.1.2 Promoting and Protecting the Interests of Consumers

Priority 1 - The Authority will ensure that providers of electronic communications and electricity services, treat their customers in a fair and transparent manner. To address this priority, the Authority will undertake the following activities:

- i. Develop guidance to regulation on best practices to encourage governance which protects and enhances consumer confidence in the regulatory environment. The Authority will continue to develop the Consumer Protection Code of Practice which will aim to provide a single point of reference to protect consumers' interests, encourage best practices by licensee's and promote the provision of high quality services and products to telecommunications and electricity consumers.

Consultation Question 2: Do you agree that the Authority's proposed combined priorities and related activities will allow the Authority to achieve the stated strategic goals?

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

3.2 Proposed Activities and Projects for Telecommunications Sector

The numbering sequence of the priorities listed below does not necessarily reflect their relevant importance.

3.2.1 Promoting and Facilitating Sustainable Competition – Activities and Projects

Priority 1 - The Authority will promote innovation in the electronic communications sector through service based competition and will undertake the following activity to address this priority:

- i. Undertake a full review of all relevant markets to determine the current state of the market and potential changes.
- ii. Conduct an investigation into liberalization of the electronic communications sector including the lifting of the moratorium on the issue of additional ICOLs.
- iii. Review license terms and conditions for new entrants including regulatory remedies.
- iv. Establish license application procedures.
- v. Conduct an investigation into the retail pricing for ICOL holders.

Priority 2 - The Authority will ensure compliance with and/or the effectiveness of any remedies, conditions and administrative determinations imposed by the Authority and will undertake the following activities to address this priority:

- i. Review all Significant Market Power ("SMP") for BTC and BCV/Logic to ensure the remedies remain relevant and effective.
- ii. Review the SMP remedies and obligations placed on members of the KeyTech Group to ensure they remain relevant and effective.
- iii. Review the SMP remedies and obligations placed on Digicel/BTC Remedies to ensure they remain relevant and effective.
- iv. Investigate appropriate levels of financial penalties for breach of rules and develop an enforcement policy to enforce non-compliance matters.
- v. Assess whether there should be a requirement for new remedies.

3.2.2 Promoting and Protecting the Interests of Consumers

Priority 1 - The Authority will ensure that providers of electronic communications services treat their customers in a fair and transparent manner. To address this priority, the Authority will undertake the following activities:

- i. Conduct a quality of service investigation to establish enforceable standards for Broadband Quality of Service for Fixed & Mobile Broadband/ ISP Speeds. The Authority will implement measures to prevent significant disparities between consumers' expectations of broadband performance and their actual experience.
- ii. Make available information on how end-users can make informed choices about the type of service they are likely to receive upon entering into a contract with broadband electronic communication service providers. These studies will help ensure that end-users choose the package that is the most appropriate for them in light of their individual circumstances and needs.
- iii. Will conduct a review of the billing practices of ICOL holders in furtherance of its goal of protecting and promoting the interests of consumers. This review will consider practices of ICOL holders who offer residential services. A consultation into the billing practices will be done to set a minimum standard billing code for carriers to follow by a final Administrative Determination.
- iv. Engage in more Consumer outreach to educate and increase awareness. Consumer education is considered a veritable tool for protecting and improving the lives and safety of the consumers. As such the Authority will facilitate consumer education through town hall meetings and the development of information packages on telecommunications products and services.
- v. Conduct an investigation into, and a review of, Net Neutrality. The output of this review will establish Net Neutrality rules and codes of practice for ICOL holders. This may include the following areas: blocking and filtering, network throttling, zero rated services, (internet content is delivered reduced or free of cost) and preferential network treatment to certain data streams. The outcome will focus on network management practices, policy and regulatory approaches to principles of openness, transparency to limiting access to internet services, applications, sites and content.
- vi. Increase consumer awareness through Consumer Perception Surveys of broadband and mobile services. Consumer perception surveys will study the perceived quality of telecommunications services.
- vii. Review carrier marketing practices to protect the consumer against unfair, deceptive and fraudulent marketing practices with the intent to develop rules to maintain a fair marketplace and to educate members of the public about their rights and responsibilities. With the intent to propose standards and obligations when describing telecommunication services and promotions.

3.2.3 Providing Timely Advice and Information to the Government

Priority 1 – Ensure that the Minister of Economic Development is provided with adequate information to make key policy decisions for the electronic communications sector and the Authority will undertake the following activity to address this priority:

- i. Review and determine the public interest in liberalizing the electronic communications sector including the lifting of the moratorium on the issue of additional ICOLs.

3.2.4 Other Administrative and Operational Functions

Parallel to the key telecommunication projects and activities planned for the upcoming year, there are other administrative functions the Authority is obliged to undertake in the fulfilment of its responsibilities on an as needed basis. These include, but are not limited to:

- i. Collection and verification of ICOL, Government Authorization and other Sector related fees;
- ii. The issuance of class radio licences and Type Approvals;
- iii. Handling and investigations of consumer and inter-carrier complaints; and
- iv. Monitoring compliance of ICOL holders with licence conditions and other regulatory obligations and taking any appropriate action warranted.
- v. Develop an enforcement policy to regulate non-compliance matters. The Authority will develop an enforcement policy to enforce non-compliance matters as directed under the RAA. The enforcement policy will explain the circumstances in which the Authority considers that formal enforcement action shall be taken. The Enforcement Policy will give details of our approach to providing information, guidance and advice, in addition to the Authority's approach to monitoring compliance and actions taken to dealing with non-compliance.

These activities have been taken into account when estimating the potential workload and budget expenditure for this work plan. However, unforeseen and particularly demanding tasks may impact on the Authority's ability to complete or even commence some the projects as planned.

Consultation Question 3: Do you agree that the proposed telecommunications priorities and related activities will allow the Authority to achieve the stated strategic goals?

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

3.3 Proposed Activities and Projects for Electricity

The numbering sequence of the priorities listed below does not necessarily reflect their relevant importance.

3.3.1 Promoting and Facilitating Sustainable Competition – Activities and Projects

Priority 1 - The Authority will promote innovation in the electricity industry sector through establishing a framework for regulating electricity and will undertake the following activity to address this priority:

- i. Develop a License Procedure Manual to explain license classifications, classification eligibility requirements to apply, and conditions of the class license.

The manual will be a one stop shop for detailing the process for filling applications to obtain a Bulk Generation, Transmission, Distribution & Retail (“TD&R”), Self-Supply, or exemption license from the Authority.

- ii. Review power purchase agreements as part of the statutory obligation under the EA. The Authority will review power purchase agreements to ensure they are consistent with the Integrated Resource Plan, fair to the utility, developer, and end user. The Authority will also ensure technical and financial controls are in place for the duration of the contracted periods for the supplier and the TD&R Licensee which will be the purchaser of all electricity supplied through a power purchase agreement (PPA).
- iii. Establish a methodology to establish fair market value to the exporters of electricity and the utility working with key stakeholders in the industry. The Authority will also work with key stakeholders in the industry to establish export tariffs in accordance to methodologies set to establish fair market value to the TD&R Licensee and license exemption holders using the principles set forth in the RAA.
- iv. Evaluate rate case submissions to ensure fair market value to the consumer with acceptable rates of returns to the utility as part of the statutory obligation under the EA. Existing and new retail tariff methodologies will be reviewed and the best fit model will be established for Bermuda’s market using the principles set forth in the RAA.

3.3.2 Promoting and Protecting the Interest of Consumers– Activities and Projects

Priority 1 - the Authority will ensure that providers of electricity services treat their customers in a fair and transparent manner. To address this priority, the Authority will undertake the following activities:

- i. The Authority will facilitate consumer education through town hall meetings and the development of information packages on energy rights, the utility billing process, and energy conservation.
- ii. Consumer perception surveys will be undertaken to study the perceived quality of electricity services including renewable energy services. The surveys will allow the Authority to focus on the specialised consumer weaknesses in the market.
- iii. Ensure consumer pricing is based on a fair and competitive rate which will be attributed to accurate accounting principles by the electric utility. As part of the statutory obligation under the EA, the Authority will ensure the electric utility has full accounting separation for its generation and TD&R license operations. This will ensure fair and accurate pricing for the services provided under the licensee’s conditions which will be used for tariff setting.

3.3.3 Facilitating Innovation and Investment

Priority 1 - the Authority will promote Bermuda as an attractive place to set up and operate electricity businesses and will undertake the following activities to address this priority:

- i. Ensure a fair bidding and evaluation process on electricity infrastructure projects which will be transparent to the consumer and investors. As part of the statutory obligations under the EA, the Authority will define the generation procurement procedure and Code of Practice for the industry. This will ensure openness to all

compliant offers, non-discriminatory award procedures, transparency, and fairness in dealing with suppliers.

- ii. Evaluate the proposed scenarios of the Integrated Resource Plan (“IRP”) to identify least cost, high quality options for Bermuda working with key stakeholders in the industry. As part of the statutory obligations under the EA, the Authority will request the development of the IRP by the TD&R Licensee.

3.3.4 Providing Timely Advice and Information to the Government

Priority 1 – Ensure that the Minister of Economic Development is provided with adequate information to make key policy decisions for the Electricity sector and the Authority will undertake the following activity to address this priority:

- i. Conduct a review of the Electricity sector to provide solutions that remove barriers to competition and market anomalies. The Authority will engage in a review of the Electricity sector to provide recommendations on policies to the Minister of Economic Development and will solicit input from industry stakeholders and consumers on the Authority’s transition into the electricity market.

3.3.5 Other Administrative and Operational Functions

Parallel to key electricity projects and activities planned for the upcoming year, there are other administrative functions the Authority is obliged to undertake in the fulfilment of its responsibilities on an as needed basis. These include, but are not limited to:

- i. Monitoring compliance of license holders with licence conditions and other regulatory obligations and taking any appropriate action warranted.
- ii. Review the fuel adjustment rate (FAR) and make appropriate administrative determinations.
- iii. Review commercial Renewable System Excess Energy Rate (CSEER) and make appropriate administrative determinations.

These activities have been taken into account when estimating the potential workload and budget expenditure for this work plan. However, unforeseen and particularly demanding tasks may impact on the Authority’s ability to complete or even commence some the projects as planned.

Consultation Question 4: Do you agree that the proposed electricity priorities and related activities will allow the Authority to achieve the stated strategic goals?

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

3.4 Contextual Overview of Projects and Activities for 2017-18

A summary of the key projects and activities that will contribute to the achievement of the identified strategic goals during 2017-18 are shown in Appendix B – Key Combined Projects and Activities Planned for 2017-18, Appendix C – Key Telecommunications Projects and Activities Planned for 2017-18, and Appendix D – Key Electricity Projects and Activities Planned for 2017-18.

- 3.4.1** The Authority will endeavour to ensure that these key activities are adequately resourced to ensure delivery of its planned objectives. However, in the event of unexpected developments, during the course of the year, priorities of these key activities may change.
- 3.4.2** The activities and outputs listed in Appendix 1 represent the Authority's current best view of the work that the Authority will be undertaking during 2017-18. However, there are a number of factors that may affect the scheduled work program, namely:
- i. External dependencies that may affect timing;
 - ii. Interdependencies between streams of work, that may entail knock-on effects in the event of delays; and
 - iii. External events that are difficult to predict to which the Authority will be required to respond.
- 3.4.3** The Authority intends to retain flexibility within the 2017-18 work program, in order to allow it to respond to changes and new issues as they arise.

4 PROPOSED BUDGET AND PROJECTED REVENUES

This section sets out the Authority's proposed expenditure budget and proposed Regulatory Authority Fees and the projected revenue for the work plan period 2017-18.

4.1 Proposed Expenditure Budget for 2017-18

4.1.1 Subject to the approval of the Minister of Finance, the Authority proposes to adopt an expenditure budget of \$6,920,000 for financial year 2017-18. The proposed budget is shown below.

4.1.2 The Authority's proposed total expenditure budget for financial year 2017-18 consists of the Telecommunication and Electricity sectors. Common costs have been allocated between the two sectors except for sector specific designated expenses. Shared common costs amount to approximately \$3.4 million.

4.1.3 The Authority's current headcount is nine (9) employees and three (3) Commissioners. With the increased responsibilities of the Electricity sector and the additional workload of the Telecommunications sector, it is expected that the headcount will increase to thirteen (13) employees. As per the Electricity Act 2016, the Authority will be assigned an additional two (2) Commissioners.

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

	Telecom	Electricity	Total
REVENUES	3,550,000	TBD	TBD
Employees	1,422,500	1,516,000	2,938,500
Office Space	130,000	130,000	260,000
Office Services	107,500	107,500	215,000
Operating Costs	1,645,000	1,601,500	3,246,500
TOTAL OPERATING EXPENSES	3,305,000	3,355,000	6,660,000
TOTAL CAPITAL EXPENDITURE	245,000	15,000	260,000
TOTAL EXPENDITURE	3,550,000	3,370,000	6,920,000
ANTICIPATED TOTAL SURPLUS	0	TBD	TBD

4.1.4 The Authority's proposed Telecommunication expenditure budget for financial year 2017-18 has been split out below in order to provide prior year comparison:

The Authority's proposed total Telecommunications expenditure budget for financial year 2017-18 is more than its approved expenditure budget for the financial year 2016-17 by approximately \$174,500 (5%). Common costs have been allocated between the Telecommunication and Electricity sectors except for sector specific designated expenses. The majority of changes in the proposed budget for financial year 2017-18 when compared to the approved budget for 2016-17 are as follows:

- i. A decrease in costs in relation to staffing, office space and office services costs are due to common costs being shared between the two sectors;
- ii. An increase of \$682,500 in operating costs includes increased expenditure on consumer affairs, consultancy and external legal support; and
- iii. An increase in capital expenditure includes the acquisition of radio spectrum equipment of \$230,000.

	2016-17	2017-18	Increase/ (decrease)
REVENUES	3,342,500	3,550,000	207,500
Employees	1,970,000	1,422,500	(547,500)
Office Space	220,000	130,000	(90,000)
Office Services	216,000	107,500	(108,500)
Operating Costs	962,500	1,645,000	682,500
TOTAL OPERATING EXPENSES	3,368,500	3,305,000	(63,500)
TOTAL CAPITAL EXPENDITURE	7,000	245,000	238,000
TOTAL EXPENDITURE	375,500	3,550,000	174,500
ANTICIPATED TOTAL (DEFICIT)	(33,000)	0	33,000

4.2 Proposed Fees and Projected Revenue

4.2.1 Telecommunications

- i. *The Authority anticipates a decrease in the annual relevant (taxable) turnover (for the sector) for the financial year 2017-18 resulting in a proposed increased Regulatory Authority fee. The Authority noted a continued downward trend in the actual relevant (taxable) turnover during the financial years 2014-15 and 2015-16 of approximately 4% and 9% respectively and anticipates that this trend will continue during 2017-18.*

The Authority estimates that the ICOL Holders' annual relevant (taxable) turnover during financial year 2017-18 will be approximately \$177.4 million which is approximately 7% less than the amount that was projected for 2016-17 and approximately 5% less than the actual annual relevant (taxable) turnover for 2015-16.

As previously mentioned, the Authority's Telecommunications expenditure budget has increased by \$174,500 (5%) from the prior budget. In order to fully fund the Authority's proposed expenditure budget \$3,550,000, the Regulatory Authority fee would have to be increased from 1.75% to 2.00% of relevant (taxable) turnover. This would generate revenues of approximately \$3,550,000 for the Authority based on the anticipated annual relevant (taxable) turnover and result in a net surplus of approximately \$nil.

- ii. The Authority will therefore recommend that the Minister of Economic Development makes a regulation providing for the Regulatory Authority Fee to be paid by ICOL Holders during financial year 2017-18 to increase from 1.75% to 2.00% of relevant (taxable) turnover.

- iii. The Authority also intends to recommend to the Minister of Economic Development that there be no increase in the current level of Government authorization fees of 2.50% imposed on the electronics communications industry under the Government Fees Act 1965.
- iv. The projected revenues for 2017-18 for the Authority and Government are:

	Regulatory Authority	Government
Electronic Communications	3,550,000	4,435,000
Spectrum Fees	-	1,557,400
Radio Communication Licenses	-	395,000
Handset Fees	-	6,955,000
TOTAL	\$ 3,550,000	\$ 13,342,400

4.2.2 Electricity

- i. The Authority's proposed Electricity expenditure budget amounts to \$3,370,000. In order to fully fund the Authority's proposed expenditure budget, the Regulatory Authority fee would have to be set and approved by the Government.

4.3 Description of Budget Categories

4.3.1 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. **Employees:** 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 certain bank charges, cleaning, copier maintenance, financial audit, general office supplies, IT service support, kitchen supplies, payroll and accounts preparation, 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 tasks to be carried out in its 2017-18 work plan.
 - c. **Meetings and Conferences:** This sub-category includes the costs the Authority will incur to conduct and/or participate in off-site meetings and conferences with the industry and public.

- d. **Subscriptions:** This sub-category includes the cost of books, periodicals, and subscriptions the Authority 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 further develop and 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.

4.3.2 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 costs of furniture and fittings for the Authority's offices.
- ii. **Office Equipment:** This category includes office equipment, such as a copier, projector and miscellaneous office equipment.
- iii. **IT Equipment:** This category includes the cost of the internal computer network for the Authority's offices and radio spectrum equipment.

5. CONCLUSION

Parties are invited to review and provide comment on the proposed Work Plan for 2017-18.

APPENDIX A – CONSULTATION QUESTIONS

CONSULTATION QUESTIONS

- Consultation Question 1:** Do you agree with the proposed strategic goals?
- a. If no, please state which strategic goals you disagree with and provide reasons for your disagreement together with any alternative Strategic Goals.
- Consultation Question 2:** Do you agree that the Authority's proposed combined priorities and related activities will allow the Authority to achieve the stated strategic goals?
- a. If no, please state which priorities you disagree with and provide reasons for your disagreement together with any alternative priorities.
- Consultation Question 3:** Do you agree that the proposed telecommunications priorities and related activities will allow the Authority to achieve the stated strategic goals?
- a. If no, please state which priorities you disagree with and provide reasons for your disagreement together with any alternative priorities.
- Consultation Question 4:** Do you agree that the proposed electricity priorities and related activities will allow the Authority to achieve the stated strategic goals?
- b. If no, please state which priorities you disagree with and provide reasons for your disagreement together with any alternative priorities.

APPENDIX B – KEY COMBINED PROJECTS AND ACTIVITIES PLANNED FOR 2017/18

STRATEGIC GOAL	ACTIVITY	OUTPUT
Striving for Organizational Excellence	Continuing/Ongoing Matters	
	Continue to provide targeted training to the Authority's members of staff to ensure they are equipped to perform at the highest standard	Improved skills and knowledge of Authority staff and management in specialized areas and measurable outputs of skill levels Continue staff development in line with Regulatory Authority's Mission and Goals Personal Development of staff and team building
	Participation in relevant industry and regulatory forums and training	Attendance at industry and regulatory forums to gain insight of other jurisdictions
	Identify and fill resourcing gaps ensuring that the Authority is able to meet its statutory mandates	Identify required resources and the appropriate sector training of staff
	Arrange regular meetings between licence holders and the Authority as well as between Board and stakeholders	Maintain relations between ICOL & Stakeholders with the Authority and Board
	Commission an independent annual review of Authority internal controls	Complete independent review of internal controls and address any deficiencies uncovered
	Undertake a work plan consultation and submit a work plan and budget	Approve work plan 2018–2019
Promoting and Protecting the Interest of Consumers	New Matters	
	Develop guidance to regulation on best practices to encourage governance which protects consumers and enhances consumer and investor confidence in the regulation environment. Evaluate consumer standards in comparable jurisdictions and adopt best practices for consumer standards relevant to Bermuda's market.	Develop and produce Consumer Protection Code of Practice Handbook
	Consult on consumer protection, information confidentiality and the privacy practices of Licensees	Establish customer information, confidentiality and privacy
	Develop an enforcement policy to enforce non-compliance matters	Establish an Enforcement Policy for contraventions of Authority legislation

APPENDIX C – KEY TELECOMMUNICATIONS PROJECTS AND ACTIVITIES PLANNED FOR 2017/18

STRATEGIC GOAL	ACTIVITY	OUTPUT
Promoting and Facilitating Sustainable Competition	New Matters	
	Review the telecommunications market to include a review on retail pricing, license terms and conditions, moratorium of licenses and license application procedures	Market Review Report to aid further ministerial policies Establish new remedies Regulatory Authority position and recommendation to the Minister Criteria and application form for New Entrants
	Conduct an investigation into retail pricing by ICOL Holders	Administrative Determination for Retail Price Control
	Review of SMP remedies to ensure they remain relevant and effective Assess and determine new remedies and implement	Revised Remedies of Significant Market Power (SMP) for BTC and BCV/Logic
	Review the obligations placed on members of the KeyTech Group to ensure they remain relevant and effective Review the obligations placed on members of Digicel/BTC Group Review market report to determine if obligations should be imposed on other sectors	Revised/New KeyTech Remedies Revised/New BTC/Digicel Remedies Potentially implement remedies for new sectors
Investigate appropriate levels of financial penalties for breach of rules.	Develop Enforcement Policy and Procedures for Non-Compliance and Administrative Determination	

STRATEGIC GOAL	ACTIVITY	OUTPUT
Promoting and Protecting the Interest of Consumers	Matters Held Over	
	Review of Broadband Quality of Service: Fixed & Mobile Broadband/ ISP Speeds	Establish an enforceable standard of practice for broadband services and administrative determinations
	New Matters	
	Consult on the billing practices of electronic communications service providers	Establishment of an enforceable standard of service for the speed of billing practices
	Conduct an investigation into Net Neutrality	Establish Authority position and rules on Net Neutrality based on international industry standards Collect substantive & qualitative Data for all broadband carriers Administrative Determination for carriers and Policies & Procedures based on industry standards
	Review of current carrier marketing practices to propose standards and obligations when describing services Conduct a consultation on carrier marketing practices	Establish standards and procedures to transparently marketing to consumers
	Engage in consumer outreach to educate and increase Regulatory Authority awareness and other telecommunication matters	Increased consumer awareness of Regulatory Authority
	Conduct Consumer Perception Surveys to study quality of mobile and broadband services	Provide a report on Consumer Perception for mobile and broadband services for carriers to determine where they rank with consumers. Enable consumers to determine which carrier has the better quality of service so that they can make informed decisions
Providing Timely Advice/ Information to Government	New Matters	
	Review and determine the public interest in liberalizing the electronic communications sector including the lifting of the moratorium on the issue of additional ICOLs	Provide a report of the Authority position and make a recommendation to Minister Establish application form and requirements for new entrants

APPENDIX D – KEY ELECTRICITY PROJECTS AND ACTIVITIES PLANNED FOR 2017/18

STRATEGIC GOAL	ACTIVITY	OUTPUT
Promoting and Facilitating Sustainable Competition	New Matters	
	Development of License Procedure Manual to explain license classifications, eligibility, applications requirements, and conditions of the class license Issuance of bulk generation and transmission, distribution, and retail licences in accordance with the manual	Produce a License Procedure manual and establish a licence register
	Review power purchase agreements to ensure they are consistent with the IRP, fair to the utility, developer, end user and ensuring technical and financial controls are in place	Monitoring of power purchase arrangements
	Establish methodology to determine fair market value to the exporters of electricity and the electricity utility working with key stakeholders in the industry	Produce Export Tariff Schedule
	Evaluate rate case submissions to ensure fair market value to the consumer with acceptable rates of returns to the electric utility	Produce Retail Tariff Schedule
Promoting and Protecting the Interest of Consumers	New Matters	
	Conduct consumer education through town hall meetings and development of information packages on energy rights/billing process/energy conservation	Implementation of Consumer Education Program Increased consumer awareness
	Conduct consumer Perception Surveys to study quality of electricity services including renewable energy services	Report on consumer perception for electricity services
	Review consumer pricing based on a fair and competitive rates which will be attributed to accurate accounting principles by the electric utility Finalize accounting separation of the electric utility	Produce a baseline schedule
Facilitating Innovation and Investment	New Matters	
	Ensure a fair bidding and evaluation process on energy infrastructure projects which will be transparent to the consumer and investors	Establish Energy Tendering Procedures
	Evaluate the utilities proposed energy mix scenarios to identify least cost, high quality option for Bermuda working with key stakeholders in the industry	Agree final Integrated Resource Plan document with the TD&R

STRATEGIC GOAL	ACTIVITY	OUTPUT
Providing Timely Advice/ Information to Government	New Matters	
	Review of the energy sector to consider recommendations on policies which remove barriers to competition and market anomalies	Provide recommendations for policies which remove barriers to competition and market anomalies
Other Administrative and Operational Functions	New Matters	
	Monitoring compliance of license holders with licence conditions and other regulatory obligations and taking any appropriate action warranted	Enforcement of policy and license conditions
	Review fuel adjustment rate (FAR) applications	Determine FAR rates, as appropriate
	Review Commercial Renewable System Excess Energy Rate (CSEER) applications	Determine CSEER rates, as appropriate