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**ELECTRICITY SECTOR REGULATION
COMMENCEMENT OF LICENSING REGIME**

Electricity regulation and licensing – Completion and implementation following Ministerial consent

On 28 October 2016, the Regulatory Authority (the “Authority”) was enacted as regulator of the electricity sector, via the Electricity Act 2016.

The Electricity Act stipulated that the Authority develop and implement a licensing regime. Until such time as the licensing regime was implemented, and licenses issued, the Authority had no powers to commence regulation of the electricity sector in the areas of new generating assets and any upgrades to the transmission network.

Through November and December 2016, the Authority acquired, and implemented, bank financing to support the commencement of electricity regulation (in advance of fee payments being legislated, effective 1 April 2017, and payments being received by the Authority, expected on 31 August 2017) and completed an open tendering process for expert technical, regulatory and economic advisors to advise the Authority on the most appropriate form of electricity licensing regime for Bermuda.

After several rounds of consultation and drafting, in July 2017 the Authority received consent for the final form of electricity sector licenses from the Minister responsible for the electricity sector in both the previous and current governments. These licenses, as well as a license application process developed by the Authority, have now been enacted as general determinations, completing their final and formal legislative stage.

What the license regime will do – Regulating against market abuse and encouraging diversity and alternatives in generating capacity

There are three forms of electricity licenses:

1. Bulk Generation (Renewable)
2. Bulk Generation (Non-renewable)
3. Transmission, Distribution and Retail (“TD&R”)

All the licenses have a variety of obligations and conditions, ranging from technical standards to cost transparency and the Authority’s right to assess any plans for generating assets. In totality, they will deliver cost effective retail tariffs and diversity in the generation of electricity, including renewables.

It should be noted that the TD&R license includes provisions such as prohibitions on cross-subsidy between licensed activities and any non-licensed activities, as well as the Authority's power to block certain corporate finance actions (e.g. levels of dividend payment) and enforce consumer codes.

The question of BELCO – Status

Bermuda Electric Light Company Limited (“BELCO”) is eligible for a bulk generation license and the TD&R license under the provisions of the Electricity Act. Currently, it has no such licenses. The Authority will process any BELCO submission for such licenses once received.

BELCO generating assets and transmission network

The Authority is aware of the chronic and long-term lack of investment in generating assets and transmission network by BELCO. The Authority will consider this area carefully, and fully, at the point when BELCO is licensed and when it makes any related submissions and requests, as per the requirements of the licenses. No such submissions or requests from BELCO have been made to the Authority pursuant to the licensing regime and related regulation.

Third party interest in offering alternatives to BELCO in the generation of electricity

The Authority notes that various third-party entities have expressed interest in receiving electricity sector licenses, so as to invest and build substantive generating capacity in Bermuda, including via renewables. The Authority is ready to process and consider any license applications made.

The comments of the Chief Executive

Within several months of being enacted for electricity regulation and implementing bank finance to commence responsibilities, the Authority has delivered an entire electricity licensing and regulatory regime for Bermuda. In contrast, other jurisdictions have taken several years to complete the same. Moreover, the regime implemented in Bermuda has utilized the best regulatory methods and practices available, to ensure that any substantial forms of market failure in the Bermuda electricity sector will be resolved.

The Authority is a small team, with a wide range of responsibilities, ranging from operational activities such as Government fee collection and the issuing of radio licenses, to delivering new electricity sector regulation, as well as the substantial regulation of the telecommunications sector. The Authority is shortly due to make significant announcements with regards to telecommunications and how it intends to resolve instances of market failure in the same sector. I would like to thank all the staff of the Authority for their work and efforts that have brought us to this point.

