

### **Retail Tariff Design Public Consultation**

The Regulatory Authority of Bermuda (“the Authority”) has issued a consultation to receive feedback from the general public on the retail tariff methodology (“Methodology”) for the electricity sector in Bermuda. At the end of the consultation process the Authority will issue a General Determination establishing the Methodology, which is the method used to set the retail rates that consumers pay for electricity. In accordance with section 35 of the Electricity Act 2016 (“EA”) the Authority is required to set a methodology and set the retail tariff via a retail tariff review.

The retail tariffs in the electricity sector in Bermuda were previously set through a base-rate filing system in which electricity rates were filed with the Energy Commission of Bermuda by Bermuda Electric Light Company Limited.<sup>1</sup>

The Authority is proposing to keep some elements of the current approach while recommending several changes for both the transmission, distribution and retail (“TD&R”) and bulk generation licensees. The primary motivation of these changes is to ensure that the purposes of the EA are met, i.e. the promotion of the adequacy, safety, sustainability and reliability of the electricity supply, as well as economic efficiency and affordable prices to end-users. Accordingly, this consultation reviews the proposed changes in the regulatory approach for the TD&R and bulk generation licensees.

The proposed Methodology allows the TD&R licensee to generate a total revenue that covers reasonable costs of service for select performance standard requirements. The Methodology introduces cost-efficiency incentives to promote affordable prices to end-users. For example, the TD&R licensee would have an incentive to achieve lower costs—if the licensee’s costs are below its forecast, it receives a share of the cost savings, while consumers also receive a share of the cost savings.

This consultation follows on from the Authority’s regulatory accounting instructions consultation (issued on February 23, 2018 and ending on March 14<sup>th</sup>), which will act as a key input into the wider regulatory framework, including the retail tariffs.

The full consultation document is available on the Authority’s website at <http://www.rab.bm/index.php/ele-consultations>. Responses may be submitted by going to the “Consultations” drop down menu and selecting “Submit Your Response”.

Comments should be submitted before 5:00 PM (Bermuda time) on March 29, 2018.

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<sup>1</sup> The Energy Commission has been superseded by the Regulatory Authority of Bermuda under the Electricity Act 2016.