



GOVERNMENT OF BERMUDA

The Ministry of Finance

Premier and Minister of Finance

FS 48/5

July 16, 2018

Ms. Angela Berry
Chair
Regulatory Authority
Craig Appin House, 1st Floor
8 Wesley Street
Hamilton HM 11

Dear Ms. Berry,

Re: Regulatory Authority Proposed Work Plan (Electronic Communications and Electricity) 2018-19 Fiscal Year

In accordance with s.43(4) of the Regulatory Authority Act 2011, I have considered the Authority's proposed work plan for the next financial year as well as its proposed budget, and hereby approve the budget for 2018-19.

Yours sincerely,

The Hon. Wayne L. Furbert, JP, MP
Temporary Minister of Finance

Approved
J Rankin
12 July 2018



Premier of Bermuda



10th July 2018

His Excellency the Governor
Mr. John Rankin CMG
Government House
11 Langton Hill
Pembroke HM 13

Your Excellency,

Your Excellency is requested in conformity with section 60 of the Constitution and upon my advice to assign the Deputy Premier and Minister of Transport and Regulatory Affairs the following temporary responsibility:

ACTING PREMIER

From the time of departure on 13th July through to 17th July 2018 or until my return.

Also Your Excellency is requested in conformity with section 60A1(a) of the Constitution and upon my advice to assign Wayne Furbert, MP, Junior Minister of Finance the following temporary responsibility:

TEMPORARY MINISTER OF FINANCE

From the time of departure on 13th July through to 17th July 2018 or until my return.

Yours sincerely,

The Hon. E. David Burt, JP, MP
Premier and Minister of Finance

cc: The Hon. Walter Roban JP, MP
Deputy Premier and Minister of Transport and Regulatory Affairs

The Hon. Wayne Furbert, MP
Junior Minister of Finance



BERMUDA
**REGULATORY
AUTHORITY**

**Preliminary Report to the Minister of
Transport and Regulatory Affairs and
the Minister of Finance**

REGULATORY AUTHORITY

PROPOSED WORK PLAN

2018-19 FISCAL YEAR

DRAFT

DATE: 20th December, 2017

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1 EXECUTIVE SUMMARY

- i. The purpose of this Preliminary Report is to comply with section 43(3) of the Regulatory Authority Act 2011 (“RAA”) which requires that the Regulatory Authority (“Authority”) submit to all Ministers responsible for the Authority’s regulated industry sectors, as well to the Minister of Finance, a preliminary report setting out the Authority’s proposed work plan for the 2018-19 fiscal year (which will run from 1 April 2018 to 31 March 2019), including the proposed budget. The Authority is required to make this Preliminary Report no later than three (3) months before the commencement date of the next fiscal year. Furthermore, it must give due consideration to any comments received during the public consultation on the proposed work plan. All figures within this document are denominated in Bermuda Dollars.
- ii. The Authority received comments to the consultation on the proposed work plan (initiated on 29 September 2017) from two parties; one Integrated Communications Operating Licence (“ICOL”) holder, One Communications, and one electricity provider, Bermuda Electric Light Company Limited (“BELCO”). The Authority has reviewed and considered the comments received and provided responses. These are summarised in Appendix E.
- iii. The Authority notes that the responses it received to the Work Plan Consultation have not resulted in any revisions to the work plan or the proposed fees. This is due to the fact that neither response provided any cause for such revisions. Furthermore, the Authority notes that both the responses were submitted by entities that due to their central and prominent role in each of their respective sectors, are the focus of, and generators of substantial regulatory work streams. Such regulation is not only necessary for both sectors, but also for the Authority to meet its various responsibilities, with regards to the economy, markets, jobs and, in the case of electricity, security of supply.
- iv. For its electricity and electronic communications services sectoral regulatory responsibilities, the Authority has preliminarily concluded that for the 2018-19 fiscal year, it 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. This includes via further stages of work that may follow the ‘Review of the Electronic Communications Sector’ issued on the 17 October 2017. 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. The Authority notes that the level and volume of work envisaged for the 2018-19 year is very substantive. Without a significant level of utilisation of external resources and advisors, the Authority believes that completion of all planned work streams is likely to be jeopardised.
- v. The Authority proposes to the Minister of Transport and Regulatory Affairs that there be no change to following Regulatory Authority fees:
 - a) The Electronic Communications Regulatory Authority fee, relating to the general regulatory fees;
 - b) The general regulatory fees under paragraph 1 of the schedule per the Electricity (Regulatory Authority Fees) Regulations 2017, payable by the Transmission, Distribution and Retail (“TD&R”) Service Provider; and

- c) 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.
- vi. The Authority proposes to request that the Minister of Transport and Regulatory Affairs makes a regulation to establish the recommended service fees per section 9 of this document.
- vii. 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 to meet its planned expenditure. It should be noted that for the 2018-19 fiscal year the Authority is anticipating operating regulation of the Electricity sector via continued financing of the overdraft facility.
- viii. The Authority also recommends to the Minister of Transport and Regulatory Affairs that there be no increase in the current level of Government authorization fees imposed on the electronics communications and electricity industries under the Government Fees Act 1965.
- ix. The Authority hereby submits the Preliminary Report in support of its request that the Minister of Finance approve the Authority's proposed budget of \$6,695,000 for the fiscal year 2018-19 and its request that the Minister of Transport and Regulatory Affairs make a regulation establishing that \$3,325,000 of the Regulatory Authority fees be paid by ICOL holders (providers of electronic communications services) and the remaining \$3,370,000 be paid by electricity sector license holders.

2 INTRODUCTION

Section 43(3) of the RAA requires the Authority to submit to the Ministers responsible for its regulated industry sectors a proposed work plan taking into account any comments received during the public consultation on its work plan. The Authority issued a draft work plan on 29 September 2017, with the consultation closing on 31 October 2017.

The Authority received comments from one ICOL holder and an electricity provider in response to the public consultation. After careful review, and for reasons highlighted in Appendix E, the Authority has determined that no changes need to be made to the proposed work plan as a result of those comments.

During the 2018-19 fiscal 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 ICOLs and Electricity 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 renewed the overdraft facility in the amount of \$2.7 million for 12 months, effective 31 October 2017.

The Authority presents a work plan from 1 April 2018 to 31 March 2019 that includes both the Electronic Communications and Electricity sectors.

3 STRUCTURE OF WORK PLAN DOCUMENT

This Work Plan Document sets out the Authority's Work Plan for the period 1 April 2018 to 31 March 2019. 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 work streams and trends in sectors that the Authority regulates, namely, electronic communications, radio communications, radio spectrum management, consumer protection, electricity generation, transmission, distribution and retail. The proposed Work Plan does not include any work that may have to be undertaken in any other additional regulated sectors.

4 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 Electronic Communications Act 2011 ("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.

5 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.

5.1 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 6.3 for further detail).

5.2 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).

5.3 Responsibility of the Authority

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

5.4 Objectives

The objectives of the Authority are as follows:

5.4.1 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.

5.4.2 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 address 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.

5.4.3 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.

5.4.4 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.

6 OPERATIONAL FUNCTIONS

6.1 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.

6.2 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.

The consultancy budget amounts to \$1,825,000 for 2018-19 and represents 27% of the total expenditure budget.

The Authority's notes that this level of consultancy expenditure is consistent with; (i) a high volume of complex electricity regulation that has to be developed and transacted, further to the issue of electricity sector licenses in October 2017, and (ii) the introduction of a new telecommunications regulatory framework consistent with new fixed and mobile services/networks being introduced in Bermuda. The Authority anticipates that the year 2018/19 will mark a high volume point in terms of telecommunications work streams, while electricity work streams/projects are likely to continue at a high volume level through into the year 2019/20. The Authority also notes that the development and delivery of regulation in both sectors is a highly specialist and complex area. The Authority has limited internal resources and is reliant on specialist external advisors in order to deliver new regulation across the sectors, as well as in support of performing its duties and responsibilities effectively. The Authority's overall objective is, over time, to rely less on external advisory support as the volume of work decreases, as well as RA staff developing to the point that certain work can be fully undertaken internally. A key component of all of the Authority's commissioning of external advisors is to ensure the 'Transfer of Knowledge' to Authority staff as part of any advisory work undertaken for the Authority.

6.3 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.

The Authority renewed the overdraft facility in the amount of \$2.7 million for 12 months, effective 31 October 2017. The Authority would note that, due to the maintaining of electricity fees at the prior year's level, for the 2018-19 year the Authority will be highly reliant on its overdraft facility to fund electricity regulation.

6.4 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.

6.5 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 the fiscal year 2018-19.

7 WORK PLAN ACTIVITY

7.1 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 focused 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 principal 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:

7.1.1 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 as per the EA. The licensing regime has three 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. Continuation of the Integrated Resource Planning ("IRP") process

The Authority will continue with the IRP process until the IRP is finalized, further to public consultation and assessment, followed by eventual approval of the IRP, further to any required amendments and developments. The Authority notes that the IRP process is substantive and will include various rounds of consultation and communications with industry stakeholders and consumers.

- iv. 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.

v. Implementation of licences and regulation

There are various regulatory and licence requirements that will need to be implemented. 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:

- a) Retail tariff methodology;
- b) Accounting separation;
- c) Feed-in tariff methodology;
- d) Service standards;
- e) Consumer protection (Codes of Practice);
- f) Customer Information Privacy, in accordance with the Personal Information Protection Act 2016;
- g) Standard Contracts for renewable energy systems;
- h) Infrastructure investment evaluations; and
- i) Assessment of Purchasing Power Agreements (as, and when, required).

As required by the EA with regard to (a), (b) and (c) 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.

7.1.2 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. Review of the Electronic Communications Sector

During the 2018-19 fiscal year, the Authority expects to further stages of work that may follow the 'Review of the Electronic Communications Sector' issued on the 17 October 2017. This includes the implementation of appropriate regulation, whether via the ECA or the RAA, or both.

ii. 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.

iii. Net Neutrality (Monitoring and Compliance)

The Authority anticipates reviewing Broadband network traffic management (including an assessment of the potential implementation of Net Neutrality) under the 2017-18 Work Plan, with this work stream expected to continue into 2018/19. 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.

iv. 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.

v. 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.

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.

7.2 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.

8 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.

8.1 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 thirteen (13) 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 A for a detailed breakdown of the Electronic Communications and Electricity expenditure budgets for the fiscal year 2018-19, including prior year comparison.

8.2 Proposed Fees and Projected Revenue

8.2.1 Electronic Communications services sector

The Authority recommends 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 recommends 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

8.2.2 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 recommends 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 recommends 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 recommends 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

8.3 Description of Budget Categories

8.3.1 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, finance costs in relation to the overdraft facility, general office supplies, IT service support, kitchen supplies, meals and entertainment, 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.

8.3.2 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.

9 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 recommends 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 licence granted under section 9 of the Telecommunications Act 1986 and certificate issued under section 50 of the Electronic Communications Act 2011	\$145
Inspection fees:	
- On-site Equipment Inspection (vessels & aircrafts)	\$2,000

APPENDIX A – BUDGET BREAKDOWN BY SECTOR

APPENDIX A

BUDGET BREAKDOWN BY SECTOR

Electronic Communications

The Authority's proposed Electronic Communications expenditure budget for the 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 the 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;
- 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; and
- 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;
- 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; and
- 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

**APPENDIX B – REQUEST TO APPROVE THE REGULATORY AUTHORITY’S BUDGET
FOR FISCAL YEAR 2018-19**

APPENDIX B

REQUEST TO APPROVE THE REGULATORY AUTHORITY'S BUDGET FOR FISCAL YEAR 2018-19

Pursuant to sections 43(3) and 43(4) of the RAA, the Authority hereby requests that the Minister of Finance, after making "any modifications" to the budget proposed by the Authority that he "deems necessary and proper" issue a decision approving the Authority's proposed expenditure budget totaling \$6,695,000.00 for the fiscal year 2018-19 as set out in Table 1 (Page 13).

**APPENDIX C – REQUEST AND RECOMMENDATION TO MAKE A REGULATION
REGARDING REGULATORY AUTHORITY FEES FOR THE FISCAL YEAR 2018-19**

APPENDIX C

REQUEST AND RECOMMENDATION TO MAKE A REGULATION REGARDING REGULATORY AUTHORITY FEES FOR THE FISCAL YEAR 2018-19

Pursuant to section 44(1) of the RAA, the Authority hereby recommends that the Minister make a regulation ensuring that the Regulatory Authority fees to be paid by:

- i. ICOL holders during fiscal year 2018-19 remain at 1.75% of Annual Relevant Turnover;
- ii. the Transmission, Distribution and Retail Service Provider during fiscal year 2018-19 remain at \$0.00475 per kilowatt-hour sold;
- iii. the Utility Scale Electricity Generation provider (greater than 25 megawatts of installed electricity generation capacity) during fiscal year 2018-19 remain at \$1,000 per megawatt per annum of installed electricity generation capacity;
- iv. the Fossil Fuel Bulk Electricity Generation provider (greater than 0.5 megawatts but less than 25 megawatts of installed electricity generation capacity) during fiscal year 2018-19 remain at \$1,500 per megawatt per annum of installed electricity generation capacity;
- v. the Waste-to-Energy Bulk Electricity Generation provider (greater than 0.5 megawatts but less than 25 megawatts of installed electricity generation capacity) during fiscal year 2018-19 remain at \$1,500 per megawatt per annum of installed electricity generation capacity; and
- vi. the Renewable Energy Bulk Electricity Generation provider (greater than 0.5 megawatts but less than 25 megawatts of installed electricity generation capacity) during fiscal year 2018-19 remain at \$1,500 per megawatt per annum of installed electricity generation capacity.

Pursuant to Section 44(1) of the RAA, the Authority hereby recommends that the Minister make a regulation to establish the recommended service fees per section 9 of this document.

**APPENDIX D - RECOMMENDATION REGARDING GOVERNMENT AUTHORIZATION
FEES FOR THE FISCAL YEAR 2018-19**

APPENDIX D

RECOMMENDATION REGARDING GOVERNMENT AUTHORIZATION FEES FOR THE FISCAL YEAR 2018-19

Pursuant to Section 52(2) of the RAA, the Authority hereby submits this recommendation to the Minister regarding the Government authorization fees to be adopted for fiscal year 2018-19. The Authority recommends that there be no change to the Government Authorization fees related to the Electronic Communications and Electricity sectors for the 2018-19 year.

**APPENDIX E - SUMMARY OF RESPONSES TO WORK PLAN PLANNING
CONSULTATION**

APPENDIX E

SUMMARY OF RESPONSES TO WORK PLAN PLANNING CONSULTATION

Introduction

- i. The RAA section 43(2) requires the Authority to initiate a public consultation regarding its Work Plan for the upcoming fiscal year no later than six months before the commencement of each fiscal year. Pursuant to this obligation Planning Consultation WP-1819-2017 (the “Work Plan Consultation”) was published by the Authority on 29 September 2017. Interested third parties were invited to respond to the Consultation by 31 October 2017 (the “Consultation Period”).
- ii. During the Consultation Period, the Authority received written non-confidential comments on the Work Plan Consultation from:
 - a. One Communications;
 - b. BELCO.
- iii. The Authority’s Work Plan Consultation 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.
- iv. A full text of the submissions made in response to the Work Plan Consultation can be found on the Authority’s website at www.rab.bm.
- v. The Authority welcomes the responses received to this consultation. All comments have been carefully considered by the Authority as a part of its process to refine its Work Plan for 2018-19. The following table entitled “Summary of Responses” summarizes the key comments made by the respondents and provides the Authority’s responses to those comments.
- vi. For the avoidance of doubt, a failure to address, directly, or indirectly, any matter raised by a respondent to the Work Plan Consultation in this document is not an indication of the Authority’s failure to take that matter into account or an acceptance or rejection of the position.

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

No responses received

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

Respondent: BELCO

Comment	Authority’s response
<p>At paragraph iv. of section 8.1.1 of the Consultation Document, the Authority sets out the regulatory and licence requirements to be implemented in the electricity sector during the 2018-19 fiscal year (each an “Activity” and together the “Activities”).</p> <p>BELCO makes the following comments about the Activities:</p> <ol style="list-style-type: none"> 1. Some of the Activities require urgent attention and ought to be completed during the 2017-18 fiscal year. For instance, the determination of a retail tariff methodology is critical to the continued adequacy and reliability of electricity supply in Bermuda. The determination of a Standard Contract is also key to BELCO’s continued acceptance of energy from distributed generators and ought to be determined in the present fiscal year. 2. Although BELCO has a general understanding about the nature of each Activity, the Activities are vaguely described in the Consultation Document and lack detail about what the Authority contemplates that it will accomplish in connection with each Activity. 3. The Authority has not indicated the timeframe in which each Activity is to be completed so that it can be understood how quickly the Activities are intended to be addressed and whether it is contemplated that the Activities will be completed in parallel or in series. Given the complex nature of some of the Activities as compared with the implementation of licences, which took one 	<p>The Authority notes that the timelines and detail of various work streams are detailed in both the electricity sector licenses and the Electricity Act 2016. It is not the role of the Work Plan to provide such detail (it should be noted that sectoral work streams as per above are multiple and varied).</p> <p>Furthermore, it should also be noted that the actual process of transacting regulation is determined by the RAA, including the number of consultations and the finalizing of regulation, via, for instance, General Determinations. In addition, it should also be noted that BELCO itself will be a determinant of such timings to the extent that it may seek extensions to the same.</p> <p>The Authority believes the Work Plan provides more than sufficient information as to the high-level objectives of the Authority’s regulation of the electricity sector, including general information on the key work areas.</p>

year to complete, the absence of any set timeframe is concerning.	
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Consultation Question 3: Do you agree with the proposed budget of the Authority?

Respondent: One Communications

Comment	Authority's response
<p>1) What was the total industry revenue determined by the RA in the prior period (ending 31 March 2017), and by extension, what was the actual amount raised by the RA and Government through taxes and fees in that period?</p> <p>If the RA has a history of underestimating industry revenues and/or overestimating its budget, the result would be surplus which should also be viewed as over taxation of the industry, and avoided if possible.</p>	<p>In accordance with the RAA, the Authority sets out the estimated total budgeted revenue for each fiscal year within the annual Work Plan and Budget. The actual annual relevant turnover reported by the ICOL Holders during the fiscal year 2016-17 amounted to approximately \$199 million. The actual Electronic Communication Regulatory Authority fees and Government Authorization fees for 2016-17 amounted to approximately \$3.5 million and \$5 million respectively (subject to audit and change).</p> <p>The Authority notes a history of large fluctuations in the total annual relevant turnover reported by the ICOL Holders, since 1 April 2013. The Authority notes that during the fiscal years 2014-15 and 2015-16, actual annual relevant turnover decreased by 4% and 9% respectively. In contrast, actual annual relevant turnover increased by 7% during 2016-17, when compared to the prior year.</p> <p>For the avoidance of doubt, the Electronic Communication Regulatory Authority fees and Government Authorization fees are based on a % of ICOL Holders' relevant turnover in accordance with regulations. The Authority's estimated budgeted revenues is based on actual past results. In estimating the 2018-19 budgeted revenues, the Authority has taken into account significant fluctuations in annual relevant turnover reported by ICOL Holders in the past.</p>
<p>2) For the 2017-2018 budget of \$3.55 million, is the RA on track to realize the deficit forecasted? We note that the RA's stated plan was to finance that deficit from accumulated financial surplus. It is a</p>	<p>The Authority anticipates to not exceed the budgeted expenditure of \$3.55 million as set out per the 2017-18 Work Plan and Budget.</p>

<p>reasonable request that the industry be informed of the historical accounting for that surplus of funds, so that stakeholders can gauge the reasonableness of the proposed Work Plan.</p>	<p>The Authority notes that the cumulative net surplus retained by the Authority as at 31 March 2017 amounts to approximately \$660k (subject to audit and change), after taking into account capital expenditure and distributions payable to Government in accordance with the RAA.</p> <p>Due to the inherent difficulty associated with estimating future relevant turnover within the electronic communications industry (as evidenced by the large fluctuations in actual relevant turnover reported by the ICOL Holders since inception of the Authority), and the occurrence of significant unplanned regulatory events, the Authority considers it reasonable and responsible to maintain surplus, when considered necessary, to address these unexpected trends and events when occurred.</p>
<p>3) In last year’s work plan, it was stated that “The Authority also notes that it anticipates using its accumulated financial surplus (resulting from deferred projects over the 2014 -16 period), to offset a forecasted financial deficit for the 2017-18 fiscal year.” (emphasis added). We note that the proposed Work Plan specifically carries over 2 (of the 4) specified initiatives from the previous work plan. This seems strong evidence to suggest that a 2017-18 surplus is likely. As we look to the proposed Work Plan, details regarding this possible likely surplus would be relevant.</p>	<p>This response has previously been addressed.</p>
<p>4) Do the budgetary numbers in the Work Plan consider the RA’s recently deferred plan to expand the electronic communications tax base?</p> <p>We further note that the tax percentages recommended by the RA in the Work Plan remain the same – those being 1.75% for the RA and 2.5% for the Government. Accordingly, assuming the tax base is expanded, and the taxation</p>	<p>As previously mentioned, the Electronic Communication Regulatory Authority fees and Government Authorization fees are based on a percentage of ICOL Holders’ relevant turnover in accordance with regulations.</p> <p>The Authority’s estimated budgeted revenues is based on actual past results. In estimating the 2018-19 budgeted revenues, the Authority has taken into account significant</p>

<p>rates remain the same, the fees that will be collected may be higher than set out in the Work Plan. This begs the question of whether the proposed fees and projected revenues are correct, and/or whether they are likely to increase the RA's budgetary surplus.</p>	<p>fluctuations in the actual annual relevant turnover reported by ICOL Holders in the past.</p>
<p>5) One Communications raised concern on the lack of transparency in the finances of the RA and suggests that unaudited financial results could be issued with clear caveats and disclaimers regarding their unaudited nature.</p>	<p>In accordance with Section 46(2) of the RAA, the accounts of the Authority are required to be audited by the Auditor General (the "Auditor") or such other auditor as may be appointed annually by the Auditor General.</p> <p>On 11 August 2017, the Authority issued an update on the status of its annual financial statements. The Authority is transparent on the status of the financial statements and have acted in accordance with the RAA in relation to the publication of the annual financial statements.</p> <p>Furthermore, the Authority considers it improper to release the annual financial statements to the public prior to a copy of the annual financial statements be laid before the House of Legislature and be published in the Gazette by the Minister responsible for telecommunications in accordance with section 47(2) of the RAA.</p>
<p>6) One Communications noted that for the 2018-19 budget, the employee costs amounted to \$2,885,000 and that Commissioners costs amounted to \$540,000 and seek additional disclosure to understand how the average cost per employee amounts to over \$170,000 per year.</p>	<p>The proposed Work Plan and Budget sets out a budget of \$3,425,000 allocated to staff and Commissioners. As stated in the proposed Work Plan and Budget for 2018-19, this budget incorporates a possible increase in headcount of up to eighteen (18) employees.</p> <p>The budget represents the total cost to the Authority in relation to the employment of staff and Commissioners, including benefits paid on behalf of staff and Commissioners. In addition, the budget also includes allocated recruitment fees in relation to the recruitment for specialized positions, work permit fees and the total payroll tax due by the employer.</p> <p>The Authority notes that the average annual salary of the 13 current staff members</p>

	(including the CE) is approximately \$127,000. The Honoraria per Commissioner of the Authority is \$108,000 per annum.
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Respondent: BELCO

7) BELCO notes that it is difficult to properly assess the Authority’s budget when the Authority’s audited financial statements for the 2016-17 fiscal year have yet to be published.	This response has previously been addressed.
8) BELCO disagrees with the Authority’s proposed total expenditure of \$6,695,000, as this sum is excessive given the size of the jurisdiction – approximately 65,000 – and the number of sectors being regulated by the Authority – two. By contrast to the Authority’s proposed expenditure, in Hawaii, a state of approximately 4,028 square miles and a population of over 1.4 million, the Public Utilities Commission’s (the “PUC”) 2016 direct expenditure was approximately \$5.8 million. During the 2016 fiscal year the PUC regulated 1705 entities in four industries – Energy, Telecommunications, Transportation and Water/Wastewater.	The proposed budget of \$6,695,000 is based on the Authority’s expected costs to be incurred to undertake and complete the proposed activities for the electronic communications and electricity sector as set out in the proposed Work Plan for 2018-19.

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

One Communications

9) The RA proposes to implement Service Fees (also referred to as Administration Fees). While we are conceptually in agreement with a user pay principle, we note this is another revenue stream that does not appear to be accounted for in the Work Plan. If each user is paying for certain administrative functions, should that not offset the general costs of administration already being charged in the proposed budget, rather than	As stated in the proposed Work Plan and Budget 2018-19, 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
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<p>contributing to a continuing financial surplus?</p>	<p>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.</p> <p>The Authority notes that the recommended fees are designed to recover the costs incurred in performing the functions and do not anticipate a surplus in relation to these functions.</p>
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