



# **URCA Annual Plan 2017**

**URCA 03/2017**

**Issue Date: 30 April 2017**

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# **1. Background**

## **1.1 Consultation on Annual Plan 2017**

On 22 December 2016, URCA published its draft Annual Plan for 2017 (Draft Annual Plan) and invited comments from the general public. The deadline for submission of responses was 10 February 2016. On 24 February 2017, URCA had a stakeholders meeting to further discuss the Draft Annual Plan, including the key projects intended by URCA for 2017, URCA's budget, and an overview of URCA's activities and achievements in 2016. URCA considers the participation by those in attendance at the stakeholder's meeting to be helpful to the further development of its Annual Plan.

URCA's Draft Annual Plan set out in detail the programme of work URCA proposed to undertake for the financial year commencing 1 January 2017 and ending on 31 December 2017. The Draft Annual Plan outlined, inter alia, the following:

- A Review of URCA's Achievements in 2016;
- URCA's Plan for 2017; and
- URCA's Draft Budget for 2017.

URCA received written responses to the Draft Annual Plan from the following stakeholders:

- The Bahamas Telecommunications Company Limited (BTC);
- Cable Bahamas Ltd. (CBL)
- Be Aliv Ltd (Aliv)
- The National Commission for Persons with Disabilities (NPCD); and
- Mr. Vincent Wallace-Whitfield, Counsel & Attorney- at-Law

URCA has published concurrently with this Annual Plan document as URCA 02/2017, a Statement of Results setting out a summary of the responses received and presents URCA's conclusions and comments.

## **1.2 Outline of this Document**

The remainder of this document is organised as follows:

- Section 2 – URCA’s 2017 Workplan, which sets out the projects which URCA intends to carry out in 2017 and the Consultation Schedule for those planned projects on which URCA will carry out consultations;
- Section 3 – Evaluating our Effectiveness, which sets out the Key Performance Indicators which URCA will use to evaluate its effectiveness in 2017;
- Section 4 – URCA’s Budget 2017, which provides a summary of URCA’s budget for 2017.

## **2. URCA's 2017 Workplan**

### **2.1 Strategic Outlook**

Having been completed in late 2013, URCA's Strategic Plan 2014 – 2019 took effect from the beginning of 2014 and continues to provide a framework for URCA's Annual Planning for 2016. As a result of URCA's assumption of responsibility for regulation of the ES, URCA commenced a review of the Strategic Plan in 2016, which was completed in early 2017. The revision took into account all projects that had been identified in the draft 2017 Annual Plan, and therefore does not require any change to the Annual Plan.

The only new projects being commenced in 2017 are those required or mandated by URCA's enabling legislation, and those projects which need to be completed to progress the introduction of regulation into the ES.

### **2.2 Key Regulatory Projects**

In this section we identify the projects URCA proposes to undertake through each trimester of 2017. It must be noted that the proposed projects do not represent all the work that will be undertaken by URCA. More specifically, the myriad of secondary issues, complementary competition investigations and research activities that lend support to the achievement of URCA's overall goals are not included below, and the identified proposed projects are those which have major significant public impact.

#### **2.2.1 2017 Projects Carried over from 2016**

This section provides details, including time schedules of the projects carried over from 2016.

The following projects commenced in 2016 or earlier are currently on-going and will be continued during 2017.

- Electronic Communications Sector
  - Review of Licensing Guidelines
  - FM Broadcasting Technical Standards
  - Market Review – Implementation of Price Caps
  - Mobile Number Portability

- Review of 2014 Accounting Separation Results of SMP Operators (BTC)
- Review of URCA Position on Net Neutrality and Regulation of OTT Services
- Electricity Sector
  - Review and Consultation on BPL Consumer Protection Plan
  - Review of BPL Renewable Energy Plan
  - Licensing Guidelines for the ES
  - Development of Licence types
  - BPL Efficiency Assessment
  - Small-Scale Renewable Generation Plan
- General
  - Review and Revision of URCA Website
  - Alternative Dispute Resolution (ADR) Schemes for Disputes between Consumers and Licensees

## **2.2.2 Projects for 2017, by Trimester**

In 2016 URCA will continue to focus its ECS regulatory activities on matters pertaining to the introduction of competition in the mobile sector. More specifically, URCA intends to dedicate most of its resources to ensuring that the full roll out of services by the new cellular mobile operator occurs as efficiently and expeditiously as possible.

### **January to April 2017**

During the first four months of 2017, URCA expects to commence or continue work on the following projects:

#### *Annual Report 2016 and Final Annual Plan 2017*

Section 41 of the URCA Act, 2009 requires that URCA, no later than four months after the end of each year, prepare and publish a plan of its proposed objectives for the forthcoming year; and a report of the carrying out of its functions during that financial year. As such, URCA will during the first trimester of 2016, seek to complete its Annual Report for 2016, as well as to publish the final version of this Annual Plan for 2017.

### *Consultation Procedure Guidelines*

The goal of the Consultation Procedure Guidelines is to standardise the process by which consultations are conducted by URCA. During the third trimester of 2016, URCA re-issued the Guidelines, with amendments to reflect URCA's experience over the past six (6) years, as well as the assumption of responsibility for the ES. Comments were received from interested stakeholders, which are being reviewed and responded to, and any necessary amendments made to the Guidelines. URCA expects to publish the final document in the first trimester of 2017.

### *ICTs for Disaster Preparedness and Management*

In October 2015, Hurricane Joaquin made landfall in The Bahamas and had a devastating impact on the south-eastern islands of The Bahamas, particularly Crooked Island, Acklins, Long Island and San Salvador. Along with physical damage to infrastructure and personal property, the breakdown of essential communications in some parts of these islands occurred as a result of this Hurricane. Communications services are vital to the dissemination of early warnings, emergency response and disaster relief efforts. In 2016 URCA scheduled work to develop a multi-stakeholder initiative to ensure that critical communications remain operational when disaster strikes. However this was interrupted due to human resource shortages at URCA. This work will be resumed early in 2017, and completed in the third trimester.

### *Review of the ECS Policy*

Section 6 of the Communications Act mandates URCA to present to the Minister with responsibility for the ECS its recommendations for a revised Electronic Communications Sector Policy (ECSP) within three years of each publication of each ECSP. The current ECSP was published on 23 April 2014, and therefore URCA will, during the first trimester of 2017 commence work on its recommendations to the Minister for a revised ECSP.

### *Digital Switchover – Identification of Available Spectrum*

The transition from analogue to digital broadcasting involves the conversion of analogue to digital terrestrial television to free up scarce spectrum for other uses such as wireless broadband communications. Spectrum efficiency gained by digital switchover will result in consumer and industry benefits such as more choices in television services as well as new revenue streams. This work was

intended to be completed during 2016, however it was delayed due to resource challenges. URCA will now commence the digital switchover process in 2017 by identifying available spectrum in line with Guidelines introduced by the ITU for the transition from analogue to digital broadcasting.

#### *Publishing the final BPL Consumer Protection Plan*

URCA will continue to work with BPL to produce a plan that will best protect the interests of its customers. The CPP will include standards that apply to each customer, such as connection times, time and process for resolving billing disputes, and others. It will also include overall standards for the entire system, including a standard for the reliability of supply across the BPL grid. An important goal of the CPP is to set common standards for evaluating the service that BPL delivers to customers.

URCA expects to present an updated draft for public consultation in T1 2017. Based on feedback from the public, URCA will direct BPL to make final revisions to the CPP so that it can be published in T2 2017.

#### *Publishing and Implementing the final BPL Renewable Energy Plan*

As noted above, URCA is providing feedback to BPL on its utility-scale portion of the Renewable Energy Plan (REP). BPL will begin implementing the small-scale portion of the REP in January 2017. URCA expects to publish the final REP before the end of T1 2017, and for BPL to begin implementing utility-scale projects immediately upon publishing the REP.

#### *Market Survey*

URCA has identified that a significant hindrance to its regulatory effectiveness is a lack of adequate information about stakeholder sentiments and behaviours within the regulated sectors. During 2017 URCA intends to address this issue by commissioning one or more surveys to assess the markets in both the ES and ECS (including the broadcasting sector). URCA is confident that this will significantly enhance URCA's ability to effectively regulate these sectors in the interests of the public.

### **May to August 2017**

#### *Licensing Package for the Electricity Sector*



The complete licensing package for the Electricity Sector will include all licences, applications for each licence, and licensing guidelines that describe the licences required for each activity in the sector. In 2016, URCA began working on the licensing guidelines and licences for independent power producers and public electricity suppliers.

In T1 2017, URCA will complete drafts of all licences, the manual, and applications, and publish them for public consultation. After public comments, URCA will publish the final licensing package in T2 2017. This will allow BPL to apply for, and for URCA to grant a 15-year Public Electricity Supplier Licence before BPL's current licence expires in August 2017.

#### *BPL Efficiency Assessment*

The reliability and cost of the electricity supply in The Bahamas is a source of considerable concern for residents and businesses which operate in The Bahamas. The NEP identifies that Government's key objective is the creation of a "modern, diversified and efficient energy sector, providing Bahamians with affordable energy supplies and long term energy security towards enhancing international competitiveness and sustainable prosperity".

The reliability and cost of electricity provided by BPL, in particular, is subject to significant challenges which may be due to inefficiencies in BPL's systems, and URCA therefore intends in 2017 to commence a study of the efficiency of the BPL system which will assist URCA to determine any efficiency improvement measures that can reasonably be undertaken in the current environment. URCA will commence this work in the second trimester of 2017, and to complete the project in late 2017 or early 2018.

#### **September to December 2017**

##### *Review of Accounting Separation Results of SMP Operators*

The Separated Accounts of SMP operators are submitted to URCA annually and are reviewed by URCA to ensure that they have been prepared consistently with URCA's Accounting Separation Guidelines, and to identify any regulatory impact. The review will commence on submission of the accounts and is expected to continue for approximately six to nine months in each instance.

##### *Phase 2 of the Small-Scale Renewable Generation Programme, including Updated Net Billing Rate*

On 1 September 2017, BPL will report on progress in Phase 1 of its Small-Scale Renewable Generation Programme, and propose adjustments for Phase 2. Phase 2 will begin in T3, 2017.

As part of Phase 2, URCA will consider for approval a net billing rate that considers the full value of generation from small-scale renewables. The net billing rate is the rate at which small-scale renewable generators are paid for electricity they supply to the grid. For Phase 1 of the BPL Programme, this rate will be set at BPL's avoided cost of fuel. During T2, 2017, URCA will study the value of small-scale renewable generation in more detail. The net billing rate that URCA approves for Phase 2 will be based on this study.

#### *Draft Annual Plan 2018*

During October through November 2017, URCA will commence work on its draft Annual Plan for 2018, to ensure publication before the end of 2017 as required by the URCA Act.

#### **On-going Activities**

In addition to the list of projects that URCA has outlined above, there are additional activities which URCA is obliged to undertake in the fulfilment of its responsibilities under the URCA Act, the Comms Act and the Electricity Act. These activities are particularly related to administrative functions and the handling of ad hoc regulatory matters. These include, but are not limited to the following:

- Statutory duties such as satisfying URCA's accountability to its stakeholders by publishing its work plans and annual reports within the statutory periods;
- Monitoring compliance by licensees with licence conditions and regulatory measures and taking enforcement action where appropriate;
- Investigations and enforcement in respect of complaints of anti-competitive behaviour;
- Spectrum monitoring activities;
- Reviewing and investigating complaints under the Content Code;
- Handling consumer complaints regarding regulated services as they arise; and
- Various consumer awareness and publicity initiatives undertaken by URCA to ensure that members of the public are aware of key issues and URCA's role in the regulation of the ECS and ES.

These activities have been considered as far as practicable in estimating the above timeframes. However, the nature of URCA’s duties is such that unforeseen work may impact on URCA’s ability to complete or even commence the projects.

### 2.2.3 URCA Project Timelines for 2017

Based on the foregoing, the schedule of projects which URCA proposes to focus on in 2017 are set out in tabular form below.

#### 2017 Project Schedule

Based on the foregoing, URCA’s project plan for 2017 is set out in Table 1 below. It should be noted that the table provides URCA’s total work period on the project, and therefore reflects time taken on internal development policy and regulatory positions, the external engagement on any initiative and the publication of a final regulatory measure (where relevant).

Table 1 - 2017 Project Schedule

Project	Start Date	End Date
ADR Schemes for Disputes between Consumers and Licensees	Commenced in 2014	T2, 2017
FM Broadcasting Technical Standards	Commenced in T1, 2015	T2, 2017
Market Review – Implementation of Price Caps	Commenced in T1, 2015	T3, 2017
Monitoring and Managing the Introduction of Cellular Mobile Competition	Commenced in T2, 2015	Ongoing
Revised Licensing Guidelines	T2, 2015	T1, 2017

Project	Start Date	End Date
Review of 2014 Accounting Separation Results of SMP Operators (BTC)	Commenced in T2, 2015	T1, 2017
Annual Plan 2017	Commenced in T3, 2016	T1, 2017
Mobile Number Portability	Commenced in T1, 2016	T1, 2017
Review of Consultation Procedures	Commenced in T1, 2016	T1, 2017
Net Neutrality and OTT Services	Commenced in T1, 2016	T2, 2017
Review of URCA Website	Commenced in T1, 2016	T1, 2017
Review of BPL Renewable Energy Plan	Commenced in T2, 2016	T2, 2017
Review of BPL Consumer Protection Plan	Commenced in T2, 2016	T2, 2017
Licensing Guidelines for the ES	Commenced in T2, 2016	T2, 2017
URCA Annual Report 2016	T1, 2017	T1, 2017
Review of ECS Policy	T1, 2017	T2, 2017
Market Survey (ECS and ES)	T1, 2017	T3, 2017
Review of 2015/2016 Accounting Separation Results (CBL)	T1, 2017	T3, 2017
ICTs for Disaster Preparedness and Management	T1, 2017	T3, 2017

Project	Start Date	End Date
Digital Switchover – Identification of Available Spectrum	T1, 2017	T3, 2017
Review of 2015 Accounting Separation Results (BTC)	T1, 2017	T3, 2017
Review of 2016 Accounting Separation Results (BTC)	T3, 2017	2018
BPL Efficiency Assessment	T2, 2017	2018

### Planned Consultation Schedule for 2017

While URCA will carry out several activities during 2017, not all of these will involve public engagement and consultation throughout the process. Table 2 below outlines the major public consultations proposed for 2017, including anticipated publication dates.

Table 2 - 2017 Consultation Schedule

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
URCA Annual Plan 2017	Published in 2016	T1, 2017 <sup>1</sup>
BPL Small-Scale Renewables Plan	Published in 2016	T1, 2017
ADR Schemes for Disputes between Consumers and Licensees	T2, 2017	T2, 2017

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<sup>1</sup> URCA is statutorily required to complete its Annual Plan by 30 April 2017.

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
Market Review – Implementation of Price Caps	T2, 2017	T3, 2017
ICTs for Disaster Preparedness and Management	T2, 2017	T3, 2017
Digital Switchover – Identification of Available Spectrum	T2, 2017	T3, 2017
Review of BPL Consumer Protection Plan	T2, 2017	T3, 2017
Licensing Guidelines for the ES	T2, 2017	T2, 2017
Net Neutrality and OTT Services	T2, 2017	T2, 2017
Annual Plan 2018	T3, 2017	2018

### 3. Evaluating Our Effectiveness

In line with good corporate practice, and to ensure accountability to relevant stakeholders, URCA proposes to evaluate its effectiveness through:

- Identification and adoption of appropriate key performance indicators (KPIs), based on statutory requirements and regulatory and management best practices;
- Measurement and monitoring of those KPIs; and,
- Publication of an Annual Report on its operations and performance.

The proposed KPIs for 2017 are set out in Table 3 below.

Table 3 - 2017 Key Performance Indicators (KPIs)

Ref.	Category	Description
<b>S1</b>	Statutory	Draft Annual Plan & Strategy published before end of financial year
<b>S2</b>	Statutory	Annual Report and final Annual Plan published within 4 months of year end
<b>R1</b>	Regulatory	Final Determinations to be published within one month from closing date for comments on Preliminary Determination
<b>R2</b>	Regulatory	Percentage of public consultations started within period stated in Annual Plan
<b>R3</b>	Regulatory	Time to publish results, decisions, and other regulatory measures after close of consultation: <ul style="list-style-type: none"> <li>• 45-60 days</li> <li>• 60-90 days</li> <li>• &gt;90 days</li> </ul>
<b>R4</b>	Regulatory	Licenses issued within: <ul style="list-style-type: none"> <li>• 30 days - individual licences</li> <li>• 45 days - class licences</li> </ul>
<b>R5</b>	Regulatory	Volume of licences processed in the year
<b>CR1</b>	Consumer Relations	Number of Consumer Complaints received
<b>CR2</b>	Consumer Relations	Percentage of total complaints resolved

Ref.	Category	Description
<b>CR3</b>	Consumer Relations	Average time taken to resolve complaints
<b>F1</b>	Finance	Cost of Finance function as a percentage of total operating expenditure
<b>F2</b>	Finance	Period-end cycle time (working days to close) Year-end cycle time (working days to close)
<b>F3</b>	Finance	Forecasting accuracy
<b>F4</b>	Finance	Cost of Licensee invoicing
<b>F5</b>	Finance	Debtor Days
<b>F6</b>	Finance	Number and Value of Creditor Notes and Adjustments
<b>F7</b>	Finance	Long outstanding debt (>90 days) as a percentage of total debt
<b>HR1</b>	Human Resources	Cost of HR function as a percentage of expenditure
<b>HR2</b>	Human Resources	Cost of HR function per employee
<b>HR3</b>	Human Resources	Ratio of employees (full time equivalent) to HR staff
<b>HR4</b>	Human Resources	Average days for full time employee per year invested in learning and development
<b>HR5</b>	Human Resources	Cost of learning and development activity as percentage of total payroll
<b>HR6</b>	Human Resources	Cost of advisors as a percentage of the total payroll
<b>HR7</b>	Human Resources	Percentage of roles filled by permanent and contract staff
<b>HR8</b>	Human Resources	Average lapse time (working days) from vacancy/advertisement occurring to the acceptance of an offer for the same post
<b>HR9</b>	Human Resources	Average lapse time (working days) from when there is a decision to fill a vacancy to submission of advertisement
<b>HR10</b>	Human Resources	Average lapse time (working days) from a vacancy announcement to selection of a candidate or reposting of the vacancy advertisement
<b>HR11</b>	Human Resources	Average lapse time (working days) from selection of candidate to the acceptance of an offer for the post



Ref.	Category	Description
<b>HR12</b>	Human Resources	Percentage of people in role after 12 months of service
<b>HR13</b>	Human Resources	Percentage of staff who received face to face performance appraisal
<b>IT1</b>	Information Technology	Cost of IT function as a percentage of total expenditure
<b>IT2</b>	Information Technology	Organizational ICT spend (investment in ICT infrastructure & hardware across the organization)
<b>IT3</b>	Information Technology	Percentage who are able to access the network and system remotely

## **4. URCA's Budget 2017**

### **4.1 Overview**

URCA's overall budget during 2017 will increase over the 2016 budget to take account of the full assumption of responsibilities for regulation of the ES, and as a reflection of URCA's ongoing augmentation of its ECS regulatory capacity. To that end, URCA's full-time staff complement during 2017 is anticipated to grow to thirty-six (36) in 2017, up from nineteen (19) persons at the end of 2016. The proposed new hires represent URCA's continuous efforts to improve its effectiveness and to secure the desired levels of knowledge transfer.

It should be noted that the 2017 budget also reflects Capital Expenditure and Depreciation expense increases due to URCA's proposed acquisition of its office premises at Frederick House. During 2015 and 2016, URCA took steps to manage its medium to long term space requirements and to that end, URCA identified in Frederick House an opportunity to manage its medium to long term property costs by acquiring premises in lieu of rental. Frederick House provides ample space for URCA's immediate needs, adequate space for anticipated expansion, and additional space which can generate rental income. URCA has calculated that the acquisition, while creating a one off increase in budget in 2017, will result in significant cost savings, due to rental income opportunities in the short to medium term, and additional savings once URCA has repaid the loan financing which URCA proposes to engage to effect the acquisition. These cost savings should lead to reductions in URCA fees once realised.

URCA will ensure that it has sufficient finances to meet its regulatory mandate and will make sure that it delivers the best possible service to its stakeholders. In so doing, URCA will also ensure that it provides full accounting of its activities as required by Section 41(1)(b) of the URCA Act.

URCA's 2017 Budget is separated into discrete budgets for each of the ECS and the ES, in accordance with section 39 of the URCA Act. These budgets have anticipated the level of expenditure necessary to provide regulatory supervision of both sectors and as such, the budgets seek to recover same through the imposition of fees on licensees in the ECS and the ES respectively, in accordance with section 92 of the Communications Act 2009 and section 54 of the Electricity Act 2015.

The combined budget for URCA’s activities (including both ECS and ES regulation) is set out in Table 4 below.

Table 4 - 2017 Budget (Combined)

Category	2017
<b>Staff Costs</b>	2,418,922
<b>Executive Compensation</b>	589,341
<b>Non-Executive Member Compensation</b>	210,130
<b>Professional Services</b>	1,140,360
<b>Conferences, Training, and Travel</b>	1,153,506
<b>Premises Costs and Utilities</b>	598,373
<b>Consumer Education and Public Relations</b>	443,000
<b>Office Services</b>	309,131
<b>Information Technology</b>	111,818
<b>General and Administrative Expenses</b>	483,879
<b>Total Operations Expenditure (OPEX)</b>	<b>7,458,460</b>
Depreciation	740,884
<b>Total Operating Budget Recovered through URCA fees</b>	<b>8,199,344</b>
Capital Expenditure	5,210,000

Based on the relevant provisions of the empowering legislation, URCA is required to allocate its expenses between the ECS and the ES, in accordance with the following principles:

- Directly incurred costs and expenses that relate to one sector only are allocated to the regulated sector to which they relate in their entirety;

- Directly incurred costs and expenses that relate to both the ECS and the EC, and indirectly incurred costs and expenses, have been allocated proportionately based on the estimated burden from each of the ECS and the ES.

Sections 6.2 and 6.3 below set out URCA’s budgets for the ECS and the EC, respectively.

## 4.2 Electronic Communications Sector Budget 2017

Table 5 contains a summary of URCA’s 2017 budget for its regulatory activities in the ECS.

Table 5 - 2017 Electronic Communications Sector (ECS) Budget

Category	2016	2017
<b>Staff Costs</b>	1,926,750	1,678,255
<b>Executive Compensation</b>	350,754	371,065
<b>Non-Executive Member Compensation</b>	171,000	146,130
<b>Professional Services</b>	1,265,444	687,588
<b>Conferences, Training, and Travel</b>	902,800	914,371
<b>Premises Costs and Utilities</b>	614,429	424,716
<b>Consumer Education and Public Relations</b>	250,000	287,950
<b>Office Services</b>	242,500	228,460
<b>Information Technology</b>	81,300	83,863
<b>General and Administrative Expenses</b>	324,629	408,409
<b>Total Operating Expenditure (OPEX)</b>	<b>6,129,606</b>	<b>5,230,807</b>
<b>Depreciation</b>	269,717	530,363

Total Operating Budget Recovered through URCA fees	6,399,323	5,761,170
<b>Capital Expenditure</b>	385,000	3,619,000

Further explanation of each expense category in the ECS budget is set out below:

- The budgeted operating expenditure inclusive of depreciation is included in the budget for 2017, and is therefore factored into the calculation of the URCA fee. In 2017 the depreciation expense is anticipated to increase by approximately \$261,000 due to the anticipated acquisition and the resulting depreciation of URCA’s permanent accommodation at Frederick House. These premises are currently leased by URCA. However, it should be noted that the size of the building exceeds URCA’s current requirements by approximately 12,000 sq. ft. It is anticipated that once the purchase of the building is complete, tenants will be sought for the space in the building in excess of URCA’s own needs and the resulting rental income will assist in defraying the expenditure for URCA premises, which is currently recovered through the URCA fee. Having regard to the purchase price, even if no tenants were secured, the building would have ample room for future growth, at an operating cost (inclusive of depreciation) which is only marginally higher than the rental paid by URCA in previous years.
- Non-executive members’ compensation includes honoraria for 4 non-executive members of the Board, and business related travel expenses for the non-executive member who is resident overseas. When compared to 2016 budget, this expenditure decreased 15% notwithstanding continuation of Board involvement in regulatory oversight of sector and the increase of the number of non-executive members from 3 to 4, due to the allocation of a portion of non-executive expenses to the ES.
- Executive members’ compensation includes salaries and other benefits for executive members and represents approximately 7% (2016: 6%) of the operating expenditure for the period;
- Staff costs decreased to 32% of the total operating budget (2016: 34%) and is anticipated to decrease approximately 13% compared to 2016, due to allocation to ES of a portion of the staff costs as indirect staff costs.

- Professional services expenditure is anticipated **to decrease by 46%** due to a reduction in new regulatory projects in the ECS during 2017 and the significant progress made in 2016 on major regulatory projects.
- Conferences, Training and Travel is anticipated to remain relatively constant (1% increase) over the previous year; it is anticipated that there will be travel for Executives and other staff related to training and engagement with international organizations, through attendance at meetings, conferences, seminars and workshops. Significant funds had been allocated in the 2016 budget for preparatory work relative to hosting of the 2017 ITU's GSR conference.
- Premises costs and utilities decreased notwithstanding anticipated ownership of Frederick House due to allocation of costs to both sectors. Included in the budgeted expenses are the costs associated with the ownership of Frederick House (property insurance and real property taxes) which although resulting in expenditure increases in the short term, is expected to deliver cost savings in the future through the realisation of rental income.
- Consumer Education and Public Relations is anticipated to increase by 15% due to an increased focus on educating and informing consumers on the regulatory regime in the ECS. This will continue to include public consultations on sector issues, community outreach, and utilizing other advertising media.
- Office services are budgeted to decrease by 7% over prior year due to allocation of cost associated with the security of Frederick House, office supplies, printing, general insurance and miscellaneous items to both ECS and ES;
- Information technology expenditure includes LAN maintenance, cloud backup monitoring and numerous software renewals.
- General and administrative expenses are budgeted to increase by 25%, which is anticipated to cover the funding of contributions and participation at international regulatory bodies, professional memberships and subscriptions.

### 4.3 Electricity Sector Budget 2017

Table 6 contains a summary of URCA's 2017 budget for its regulatory activities in the ES.

Table 6 - 2017 Electricity Sector (ES) Budget

Category	2016	2017
<b>Staff Costs</b>	470,121	740,667
<b>Executive Compensation</b>	75,720	218,276
<b>Non-Executive Member Compensation</b>	36,500	64,000
<b>Professional Services</b>	240,000	452,772
<b>Conferences, Training, and Travel</b>	35,000	239,135
<b>Premises Costs and Utilities</b>	32,752	173,657
<b>Consumer Education and Public Relations</b>	32,500	155,050
<b>Office Services</b>	35,072	80,671
<b>Information Technology</b>	4,114	27,954
<b>General and Administrative Expenses</b>	15,281	75,471
<b>Total Operating Expenditure (OPEX)</b>	<b>977,060</b>	<b>2,227,653</b>
<b>Depreciation</b>	16,190	210,521
<b>Total Operating Budget Recovered through URCA fees</b>	<b>993,250</b>	<b>2,438,174</b>
<b>Capital Expenditure</b>	68,700	1,591,000

2017 will represent the first full year for URCA's ES budget, compared to the 9-month period covered by the 2016 budget allocation. Explanations of the major expense categories are as follows:

- The depreciation category includes a proportionate share of the acquisition costs for Frederick House, and other capital expenditures anticipated for the sector.
- Staff costs increased significantly (by 75%) due to hiring of new dedicated ES staff, as well as the allocation of a proportion of expenses for other staff to the ES.
- Professional services expenditure is anticipated to increase by 87% due to potential litigation concerning URCA's jurisdiction, commencing an efficiency/operational audit of the sector and other regulatory projects during the year. It is anticipated that in future years, there will be a reduced reliance on external consultants as URCA engages new experienced staff in the ES department.
- Conferences, Training and Travel allocation is anticipated to increase by \$204K over the previous year. It is anticipated that there will be travel for newly hired staff in ES participating in necessary training opportunities, as well as engagement with international organizations, through attendance at meetings, conferences, seminars and workshops.
- Premises costs and utilities increased due to allocation of Frederick House costs to the ES. Included in the budgeted expenses are the costs associated with the ownership of Frederick House (property insurance and real property taxes). Although this increases the expenditure in the short term, it is expected that ownership of Frederick House will deliver cost savings in the future through the realisation of expected rental income of space in excess of URCA's immediate requirements.
- Consumer Education and Public Relations is anticipated to increase by \$123K in order to fund significant initiatives to educate the public on URCA's role as regulator of the ES, and the ES' proportionate share of other general education initiatives.
- Capital Expenditure has increased significantly to include the ES' allocated portion of the purchase of Frederick House and other capital items purchased specifically for use in the sector.