



Regulatory Fees for the Electricity Sector in The Bahamas

ES 03/2017

Issue Date: April 7, 2017

TABLE OF CONTENTS

<u>1</u>	<u>Introduction</u>	3
<u>2</u>	<u>Regulatory Framework for Setting Fees in the Electricity Sector</u>	4
<u>2.1</u>	<u>The Fees and Charges Established in the Electricity Act</u>	4
<u>2.2</u>	<u>Principles Established in the Electricity Act for the Fees and Charges to be Imposed by URCA</u>	5
<u>3</u>	<u>URCA Annual Fees</u>	7
<u>3.1</u>	<u>Entities Subject to Paying the URCA Annual Fees</u>	7
<u>3.2</u>	<u>Calculating the URCA Annual Fees</u>	8
<u>3.3</u>	<u>The URCA Annual Fee Rate for 2017</u>	8
<u>4</u>	<u>Other Fees and Charges</u>	10
<u>4.1</u>	<u>Application Fees</u>	10
	<u>4.1.1 Licence application fees</u>	10
	<u>4.1.2 Renewal application fees</u>	11
	<u>4.1.3 Changes in control of licences fees</u>	11
<u>4.2</u>	<u>Fees for URCA Publications</u>	12
<u>4.3</u>	<u>The Adjudication Fee</u>	13
<u>4.4</u>	<u>The Tribunal Fee</u>	13

1 Introduction

The Utilities Regulation and Competition Authority (“URCA”) was appointed under the Electricity Act, 2015 (“EA”) as the independent regulator for the Electricity Sector (“ES”) in The Bahamas. URCA is responsible for licensing persons who generate, transmit, distribute or supply electricity within, into, from or through The Bahamas. URCA’s powers and functions are set out in the EA, which includes the power to issue regulatory and other measures to regulate the sector. URCA shall determine and assess fees on licensed entities as necessary to cover the costs allocable to the regulation of the ES. This document explains URCA’s methodology for setting fees and states what fees will be for 2017.

The remainder of this Document consists of the following parts:

- Section 2 **Error! Reference source not found.** describes the legal framework that allows URCA to charge regulatory fees
- Section 3 explains the methodology used to calculate the URCA Annual Fees and lists the fees for 2017
- Section 4 lists all the other fees URCA will charge.

2 Regulatory Framework for Setting Fees in the Electricity Sector

This section describes the legal framework that allows URCA to charge regulatory fees. Section 2.1 summarizes the types of fees that URCA is permitted to charge, per the EA. It identifies two types of fees and charges URCA will charge: the URCA Annual Fees and fees for specific services. Section 2.2 describes the principles to be followed for setting these fees.

2.1 The Fees and Charges Established in the Electricity Act

Section 54(2) of the EA sets out the fees and charges that URCA may levy:

- a) Charges for services rendered by URCA in the performance and exercise of its functions and power under the EA;
- b) Fees for the processing of any application to URCA required under the EA;
- c) Fees for providing copies of documents;
- d) Annual URCA fees, based on the Licensee's relevant turnover for the year in question;
- e) Fees for the processing of merger applications under Section 57 and related adjudications and orders under Section 65 of the EA; and
- f) Fees and charges for administration services rendered by URCA in the performance and exercise of URCA functions and powers under the EA.

Based on Section 54(2) of the EA, URCA issued a Final Determination on "Fees for the Electricity Sector in The Bahamas" on September 26th, 2016, where it determined URCA will charge the following fees:

- Fees for the processing of any application to URCA required under the EA, pursuant to Section 54(2)(b) of the EA;
- Fees for providing copies of documents, pursuant to Section 54(2)(c) of the EA;
- Annual URCA fees, based on the Licensee's relevant turnover for the year in question, pursuant to Section 54(2)(d) of the EA;
- Fees for the processing of merger applications under the EA, pursuant to Section 54(2)(e) of the EA;

- The Tribunal Fee, pursuant to the Third Schedule of the Utilities Appeal Tribunal Act, 2009.

URCA categorizes the fees it will charge into two categories:

- Annual fees, which are recurring fees that fund general URCA operations. These are referred to as URCA Annual Fees;
- Fees for specific services that fall within that URCA's regular activities, but entail extra costs for URCA.

The URCA Annual Fee are revenue-based fees imposed on Licensees to cover URCA's budgeted regular costs. Sections 54(2)(a) and 54(2)(d) of the EA allow URCA to charge fees to cover day-to-day costs that can be anticipated and budgeted. These Annual Fees are calculated based on the Licensee's relevant turnover, which is defined in the EA as gross receipts.

The second group is composed of fees and charges URCA may charge as it undertakes actions that entail extra costs. These are mainly one-off fees. The EA states that URCA may charge for processing general applications, pursuant to Section 54(2)(b), and merger applications, pursuant to Section 54(2)(e). URCA is also allowed to charge for providing copies, pursuant to Section 54(2)(c).

In the Final Determination, URCA stated it **may** also levy charges for the following:

- Charges for services rendered by URCA in the performance and exercise of its functions and powers, pursuant to Section 54(2)(a) of the EA. URCA will only charge these fees for services that are not budgeted and are therefore not covered by the URCA Annual Fee;
- Fees for adjudications and orders under Section 65 of the EA;
- Fees and charges for administration services rendered by URCA in the performance and exercise of URCA functions and powers under the EA, pursuant to Section 54(2)(f) of the EA. URCA will only charge these fees for services that are not budgeted and are therefore not covered by the URCA Annual Fee.

2.2 Principles Established in the Electricity Act for the Fees and Charges to be Imposed by URCA

Section 54(3) of the EA states the principles and characteristics the fees should follow. The principles are:

- a) Be set on an objective, non-discriminatory, transparent and proportionate basis;
- b) Be published by URCA on its website and in any other form as URCA considers appropriate;
- c) Seek only to cover a proportionate share of the relevant operating costs of URCA for the performance of its regulatory functions under the Act;
- d) In respect of the issuance or renewal of a licence, be proportionate and published in an appropriate and sufficiently detailed manner so as to be readily accessible;
- e) Be set so as to:
 - i. Cover the annual budgeted costs of performing and exercising its functions and powers under the EA and the URCA Act;
 - ii. Exclude costs attributable to the performance of its functions under any legislation not pertaining to the regulation of the electricity sector;
 - iii. Recover any deficit from previous years;
- f) Take account of any surplus in URCA's accounts carried over from the previous accounting year.

The EA stipulates that the fees should be transparent and proportionate. This entails the fees being published and easily accessible to the parties involved, pursuant to Sections 54(3)(a), 54(3)(b) and 54(3)(d) of the EA. The fees should also be the same if they apply to the same condition, regardless of the involved party, and should be commensurate to the service offered.

The EA also highlights the principle of cost recovery. The fees and charges should provide sufficient funds to cover URCA's total costs from regulating the ES, pursuant to Section 54(3)(e). They should also contribute to URCA's general operations, which are general costs that are incurred by URCA regardless of the regulated sector. The fee set to cover general costs should be commensurate to the amount of work and resources URCA will allocate to regulating the ES.

3 URCA Annual Fees

This section describes how URCA calculates URCA Annual Fees. Section 3.1 identifies the entities subject to the Annual Fees. Section 3.2 describes the methodology used to calculate the Annual Fees. Section 3.3 presents the URCA Annual Fee Rate for 2017.

URCA incorporates the principles and legal requirements outlined in Section 2 to the methodology used to calculate the Annual Fees. URCA uses a simple and objective equation to calculate these fees.

3.1 Entities Subject to Paying the URCA Annual Fees

URCA will collect the Annual Fees from all Licensees connected to the grid. These could be Public Electricity Suppliers or IPPs, but does not include persons with small grid-ties systems operating under a Certificate from URCA or a Public Electricity Supplier. The Annual Fees imposed on Licensees will vary depending on the type of Licensee. Collecting the Annual Fees from all grid-tied Licensees has the following advantages:

- Fairness—Licensees pay according to their size, type, and revenue. These distinctions reflect the costs URCA incurs. Public Electricity Suppliers impose most of the regulatory burden, and therefore pay most of the Annual Fee. IPPs are comparatively simple to regulate, since URCA must only determine if the IPP meets the terms established in its Power Purchasing Agreement with a Public Electricity Supplier;
- Transparency—URCA will consult on and publish the regulatory fees. This ensures the fees are easily accessible to all Licensees that are connected or wish to connect to the grid;
- Non-discriminatory—all Licensees share the burden of regulation by paying a rate that is commensurate to the regulatory burden imposed on URCA;
- Simplicity—Licensees of the same type pay the same rate.

3.2 Calculating the URCA Annual Fees

URCA will collect the Annual Fees from all Licensees connected to the grid. These could be Public Electricity Suppliers and IPPs. These entities will be charged the following rates:

- IPPs will be charged a flat Annual Fee of 0.03 percent of their relevant turnovers. This is commensurate to the amount of work URCA will dedicate to regulating these entities;
- Public Electricity Suppliers will be charged a variable Annual Fee. This rate will be calculated to cover URCA's electricity-related costs that are not covered by annual fees from IPPs. The rate measures URCA's electricity-related costs against Public Electricity Suppliers' relevant turnovers. This calculation will yield a much higher Annual Fee than for IPPs. This is because most of the cost of electricity regulation comes from regulating Public Electricity Suppliers. Therefore, Public Electricity Suppliers pay most of the cost of regulation.

To calculate the rate applied to Public Electricity Suppliers, we first subtract the fees charged to IPPs from URCA's electricity-related costs. The rate that Public Electricity Suppliers pay is calculated to cover URCA's remaining electricity related costs. The following equation determines the rate used to calculate the URCA Annual Fee for Public Electricity Suppliers:

$$\text{Rate used to calculate Annual Fee} = \frac{\text{URCA's electricity-related costs} - 0.03\% \text{ of IPPs' relevant turnovers}}{\text{Licensees' relevant turnovers}}$$

The Licensees multiply their relevant turnovers by the rate that results from the equation above. The resulting dollar amount is paid to URCA each year.

3.3 The URCA Annual Fee Rate for 2017

The appropriate URCA Annual Fee for 2017 is calculated using the following formula:

$$\text{Rate used to calculate Annual Fee}_{2017} = \frac{\text{URCA's electricity-related costs}}{\text{GBPC's and BPL's relevant turnovers}}$$

For 2017, only GBPC's and BPL's relevant turnovers are considered for the calculation because there are no IPPs currently operating in The Bahamas.

Applying this equation, the URCA Annual Fee rate for 2017 is 0.42 percent of BPL’s and GBPC’s relevant turnovers. The resulting dollar amount will be paid to URCA.

Table 3.1: 2017 URCA Annual Fee Rate

URCA Annual Fee Rate	0.4238%
----------------------	---------

4 Other Fees and Charges

This section lists the fees and charges URCA may charge for specific services and actions that entail extra costs. These are mainly one-off fees. The different fee categories are:

- Application fees;
- Publication fees;
- Adjudication fee;
- Tribunal fee.

4.1 Application Fees

Licence application fees are to be paid by the applicant when applying for a licence or to renew a licence.

4.1.1 Licence application fees

URCA will charge for applications for the all the types of licences that it grants, namely:

- Public Electricity Supplier Licence;
- Transmission and Distribution Licence;
- Electricity generation licences, including:
 - Large Self-Generation Licence;
 - Independent Power Producer Licence;
 - Temporary Licence;
- Subsidiary Licence.

URCA has adopted a differentiated approach. The amount for each type is based on URCA's costs to process an application. Table 4.1 lists the fees for licence applications. The highest fee is to be charged to the Public Electricity Supplier Licence applicants, as this licence allows the applicant to participate in all stages of the electricity supply chain (GTDS).

Table 4.1: Application Fees

Type of electricity service for which form is submitted	Application fee
Public Electricity Supplier Licence	B\$5,000
Transmission and Distribution Licence	B\$3,500
Subsidiary Licence	B\$3,500
Large Self-Generation Licence (more than 25kW)	B\$3,000
Independent Power Producer Licence (more than 25kW)	B\$2,000
Temporary Generation Licence	B\$1,000

4.1.2 Renewal application fees

Fees for licence renewals are lower than that for the original application, since the licence has already been thoroughly vetted. Table 4.2 lists the fees for renewing licences.

Table 4.2: Renewal Application Fees

Type of electricity service for which form is submitted	Renewal application fee
Public Electricity Supplier Licence	B\$1,670
Transmission and Distribution Licence	B\$1,170
Subsidiary Licence	B\$1,170
Large Self-Generation Licence	B\$1,000
Independent Power Producer Licence	B\$670
Temporary Generation Licence	B\$330

4.1.3 Changes in control of licences fees

Section 58 of the EA states that a change in control of a licence happens in three cases:

- A person or an affiliated company acquires control (including voting shares) by memo or regulation, and that person pursues strategic decisions that follow its wishes;
- A person or an affiliated company becomes beneficial owner or controls more than 30 percent of voting shares;

- A person or an affiliated company becomes beneficial owner or controls between 15 percent and 30 percent, with exceptions.

For changes in control of licences, the following fees will be charged:

Table 4.3: Fees for Review of Change in Control

Combined relevant turnover of acquiring parties and target Licensee	Fee
Less than or equal to \$5 million	B\$5,000
Greater than \$5 million and less than or equal to \$10 million	B\$10,000
Greater than \$10 million and less than or equal to \$50 million	B\$15,000
Greater than \$50 million and less than or equal to \$100 million	B\$25,000
Greater than \$100 million	B\$35,000

Fees for changes in control are much higher than the fees for licence applications. This is for two main reasons:

- Licensing providers, while it imposes an additional cost on URCA, is an expected part of electricity regulation. URCA must issue some licences to allow electricity supply in The Bahamas, and to encourage the competition envisioned in the EA. Changes in control of licences, however, are an additional cost beyond normal operations in the ES;
- Especially when a change in control of a licence involves two entities with licences in the ES, detailed study may be required to determine if the change would negatively affect consumers.

4.2 Fees for URCA Publications

URCA requires that interested persons pay a fee to URCA to obtain hard copies of publications. The fee is listed in the following table:

Table 4.4: URCA Publications

Service	Fee
Copy of URCA Publications	B\$5

4.3 The Adjudication and Merger Fee

Under Section 54 of the EA, URCA **may** require the payment of a fee for processing merger applications under Section 57 and adjudications and orders under Section 65. The fee is intended to cover the costs of its investigations related to mergers, enforcement, or determination of contraventions.

URCA reserves the right to charge a fee for investigations. However, until further notice, URCA will not charge a fee to cover the cost of investigating breaches of merger control rules, enforcement, or determinations. The cost incurred by URCA will be covered by entities found guilty of contraventions, through any fines levied. The regulated entity or person will not be charged in advance for investigations into breaches.

4.4 The Tribunal Fee

URCA shall levy, demand and collect a Tribunal Fee pursuant to the provisions of the Utilities Appeal Tribunal Act. URCA has no authority to determine this fee because the determination of the Tribunal Fee falls under the authority of the Utility Appeals Tribunal.