URCA Annual Plan 2019

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1. Introduction

The Utilities Regulation and Competition Authority ("URCA") is pleased to publish its Annual Plan for 2019.

1.1 Publication of Draft Annual Plan and Budget 2019

On 22 December 2018, in compliance with Section 41(4) of the Utilities Regulation and Competition Authority Act (URCA Act), the Utilities Regulation and Competition Authority (URCA) published the URCA Draft Annual Plan 2019 (the "Annual Plan"). The draft Annual Plan outlined, inter alia, the following:

- A Review of URCA's Achievements in 2018;

- URCA's Plan for 2019; and

- URCA's Draft Budget for 2019.

URCA invited comments from its stakeholders, the general public, and interest parties.

1.2 Consultation Process

Receipt of Written Comments

By the end of the deadline for submission of comments on 6 March 2019, URCA had received written comments from the following stakeholders:

1) The Bahamas Telecommunications Company Limited (BTC);

2) Cable Bahamas Ltd. (CBL);

3) Be Aliv Ltd. (Aliv).

Consultation Meetings

On 15 February 2019 URCA convened a Forum for key stakeholders to which URCA invited its licensees and other key stakeholders and provided an opportunity for face to face engagement on the proposed Annual Plan.

For the Annual Plan 2019 consultation process, for the first time URCA also convened Town Hall meetings to engage the pubic directly on its Annual Plan as part of the consultation process. Due to the limited time available, URCA was only able to convene two town hall meetings before the 30 April 2019 deadline for publication of the Final Annual Plan and Budget. Those meetings were held on 10 April 2019 at the University of The Bahamas in New Providence, and on 17 April 2019 in Marsh Harbour, Abaco. URCA

considers this approach to be very beneficial and intends to expand this initiative in future years. While many of the comments at the Town Hall Meetings were discussion points, URCA has added a significant Tier I project to its Annual Plan (BPL Fuel Charge Review) as a result of these meetings.

URCA thanks all respondents to the consultation on the Annual Plan 2019 for their contributions. All comments and recommendations received have been carefully considered by URCA as part of its process to finalise this Annual Plan. The Statement of Results document which provides a summary of comments to the draft Annual Plan has been published concurrently with this Annual Plan 2019, as URCA 03/2019.

1.3   Structure of the Remainder of this Document

The remainder of this document is structured as follows:

Section 2:   URCA's focus areas and key priorities for 2019;

Section 3;   URCA's key projects for 2019, including its planned consultation schedule for the year;

Section 4:   A series of the key performance indicators which URCA shall use to measure its performance during the year; and

Section 5:   URCA's budget for the forthcoming financial year.

2. URCA's Plan for 2019

2.1 Strategic Outlook

URCA's projects for 2019 have been selected to achieve the following objectives:

- complete the build out of URCA's regulatory framework for the ES;
- more fully engage as the regulator of the ES, particularly in the areas of renewable energy, consumer protection and licensee performance and efficiency monitoring;
- to complete regulatory work in the ECS already commenced in previous years, conduct reviews of existing policy and regulatory measures, and ensure full implementation of existing regulations; and,
- to fully implement URCA's new strategic plan, in particular initiatives for measurement of new and innovative performance indicators for URCA and the sectors it regulates.

2.2 Key Projects for 2019

This section identifies the Tier I, Tier II and Tier III projects URCA proposes to work on during 2019 and 2020 and includes projects brought over from 2018. Descriptions of the Tier classifications are set out in section **Error! Reference source not found.** above.

2.2.1 2018 Projects Carried Over

The following Tier I projects, scheduled for completion in 2018, have been delayed beyond the anticipated completion date and carried over from 2018:

Electronic Communications Sector

- Review of ECS Policy
- Market Review – Implementation of Price Caps
- ICTs for Disaster Preparedness and Management

Electricity Sector

- Review of BPL Renewable Energy Plan

- BPL Efficiency Assessment

Each of these projects was described in detail in the Annual Plan 2018.

2.2.2 Tier I Projects

During 2019, URCA expects to work on and complete the projects listed in Table 3:

Table 1 – 2019 Tier I Projects

Project	Start Period	End Period
General Projects		
Review of Consumer Protection Regulations	T2, 2018	T3, 2019
URCA Organisational Performance Indexes	T2, 2018	T3, 2019
Draft Annual Plan 2020	T3, 2019	T3, 2019
Electronic Communications Sector Projects		
ICTs for Disaster Preparedness and Management	T1, 2017	T2, 2019
Review of ECS Policy	T1, 2017	T2, 2019
Identification of Spectrum for Digital Switchover	T1, 2017	T2, 2019
Review of Wholesale Internet Access	T1, 2018	T2, 2019
Review of Broadcasting Content Code	T2, 2018	T3, 2019
Market Review – Mobile Services	T1, 2019	T3, 2019
Review of Interconnection Rates	T1, 2019	T3, 2019
Electricity Sector Projects		
SSRG Advancement Program	T1, 2018	Ongoing

Project	Start Period	End Period
Promotion of Energy Efficiency and Conservation	T2, 2019	Ongoing
Framework for the Procurement of Power Generation Resources	T1, 2019	T3, 2019
Establishment of ADR Scheme(s) for the ES	T1, 2019	T2, 2019
Review of BPL Fuel Charge 2018	T2, 2019	T3, 2019

Description for the Tier I projects that URCA will commence in 2019 are set out below. Where a project was commenced in 2018 or earlier, the descriptions are available in section **Error! Reference source not found.** above.

General Projects

Draft Annual Plan 2020

During October through November 2019, URCA will commence work on its draft Annual Plan for 2020, to ensure publication for consultation before the end of 2019 as required by the URCA Act.

Electronic Communications Sector Projects

Review of Wholesale Internet Access

In 2014, URCA conducted a full market review of the critical retail communications services in The Bahamas, including retail broadband services (ECS 14/2014) which confirmed, amongst others, BTC's and CBL's SMP designations in retail broadband services. Given the focus on retail services, URCA at that time did not review the competitive dynamics in the relevant wholesale markets and consequently only imposed resale broadband obligations. In 2018, based on the feedback regarding the Broadband Resale Obligation that the existing remedies are inadequate, URCA commenced work on the possible expansion of the scope of the *ex-ante* remedies imposed on SMP operators providing wholesale broadband access. This work will continue in 2019.

Review of Broadcasting Content Code

The Content Regulation & Industry Group (CRIG) met during 2017 and completed a review of the Code of Practice for Content Regulation (the Code). Based on the CRIG's input and changes to the country's overall

legal framework since the code was published, URCA has been reviewing the Code to further develop the complaints handling processes and to align the Code with environmental changes. URCA has now scheduled this work as a Tier I project for completion in T3, 2019.

Market Review – Mobile Services

Since there are now two mobile operators in the market, URCA will conduct a market review on the mobile phone market for the first time. Given the overlap between retail and wholesale markets, URCA will examine the wholesale market for call and SMS origination on mobile networks. The review will determine whether any operator has significant market power and if so, which appropriate remedies should be applied.

Review of Interconnection Rates

URCA will conduct a review of the interconnection rates to determine if the rates should be adjusted and whether they are in line with current costs and relevant benchmarks. The review will cover the URCA-approved interconnection rates for BTC, CBL/SRG and Aliv.

Electricity Sector Projects

SSRG Advancement

Part V of the EA addresses Renewable Energy and Liberalisation of the Electricity Sector. In this vein, to date URCA has approved and operationalized the Small Scale Renewable Generation (SSRG) of BPL's Renewable Energy Plan. While this plan has made access to 100kW or less systems available to residential and small commercial subscribers, the uptake is lagging behind National Energy Plan (NEP) goals and targets does not reflect the anticipated demand based on the benefits of the plan. In this regard, URCA intends to enhance its efforts to promote the SSRG program by taking the RE message to the end user. URCA will seek to stimulate stakeholder participation by providing access to subject matter experts via pop-ups, social media and apps, and also to consider other more tangible measures for increasing participation in this programme and generally increasing the small scale use of renewable energy in The Bahamas.

Framework for the Procurement of Power Generation Resources

As per the EA s.38(1)(c), the intention is to establish rules and approve competitive processes for procurement of power generation resources conducted by Public Electricity Suppliers, and ensure such

rules are fair, consistent and compatible with the objectives and principles of the EA, electricity sector and national energy policies. The framework will be designed to provide the certainty, accountability, and transparency necessary to ensure stakeholder confidence in the process and the deployment of the best practices in the procurement of goods and services.

Establish Alternative Dispute Resolution Scheme(s) for the Electricity Sector

As per the EA s.40(10), the intention is to establish one or more Alternative Dispute Resolution (ADR) schemes for disputes between licensees and consumers and between licensees and independent power producers or approve a scheme or schemes proposed by licensees. The rules will be established via a consultative process with all stakeholders, and will provide guidelines for the resolution of disputes between stakeholders in contentious situations. The intention is to provide a mechanism where all stakeholders are held accountable; and, the rules are clear, fair, and publicized.

Promotion of Energy Efficiency and Conservation

In accordance with URCA's responsibility under section 39 of the EA, URCA will continue to promote the establishment of energy efficiency programs by PESLs and consumers throughout the country. It is an industry accepted viewpoint that conservation, a consumption tool, plays just as important a role as eco-friendly production measures in the sector's sustainability model. It is noted that conservation measures can be implemented at little to no cost to the end user; and, as it seeks to modify behaviours, it presents the greatest potential in terms of longevity, participation, and enhancement of the consumer's energy experience. In this regard, URCA intends to ramp up its energy efficiency campaign, which promotes all aspects of responsible consumption inclusive of equipment selection, usage patterns, and the inherent socio-economic benefits associated with such measures. URCA views this as a multi-sector promotion opportunity, since many conservation and energy management devices leverage the ICT infrastructure that falls within its Electronic Communications Sector remit.

Review of BPL Fuel Charge

During URCA's consultation on the draft Annual Plan 2019, several respondents at URCA's public meetings noted that the cost of electricity in areas serviced by BPL had increased significantly following fires experienced at BPL's Clifton Pier facility. It had been noted in various press statements by BPL that this was due to an increase in the Fuel Charge and respondents questioned whether URCA was seeking to address this issue, noting that it seemed unfair for consumers to pay the cost occasioned by matters which

may be due to failures by the Utility. URCA noted comments and has committed to a review of the fuel charge to determined the extent to which:

- The fuel charge accurately reflects the actual cost of fuel used by BPL in providing electricity to its customers; and
- The fuel charge only reflects the fair and efficient costs of fuel used, and does not pass on costs resulting from failures by BPL to properly manage its electricity system.

URCA has scheduled this review as a T1 project to be completed by the end of 2019.

2.2.3   Tier II Projects

The projects set out in this section are those which URCA intends to work on during 2019. URCA considers these projects to be of significant importance to the organisation or the regulated sectors directly. Hence, URCA will endeavour to complete these projects in the shortest possible timeframe.

Table 2 – 2019 Tier II Projects

Project	Start Period	End Period
General Projects		
Market Surveys	T3, 2018	T3, 2019
Electronic Communications Sector Projects		
Framework for Internet Exchange Points (IXP) for The Bahamas	T1, 2018	T3, 2019
ICTs for Persons with Disabilities	T2, 2018	T3, 2019
Review of Project – Market Reviews Implementation of Price Caps	T1, 2019	T3, 2019
Framework for Public Service Broadcasting	T1, 2019	2020
Market Review – Fixed Services (Incl. Pay TV)	T3, 2019	2020

Project	Start Period	End Period
Electricity Sector Proposals		
ES Licensee Data Reporting and Performance Monitoring	T2, 2019	T3, 2019
Framework for Public Electricity Supplier Inspection	T2, 2019	T3, 2019

General Projects

Market and Consumer Protection Surveys

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. 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 regulate these sectors in the interests of the public more effectively. It should be noted that the survey results will also be used as an input to URCA's Performance Indices.

Electronic Communications Sector Projects

Internet Exchange Point for The Bahamas

Internet exchange points, or IXPs, are pieces of critical infrastructure that provide points of physical interconnection between the networks that make up the global internet. By connecting these networks locally, an IXP can significantly reduce the volume of internet traffic that is routed through international networks. Through the establishment of a local IXP, there is the potential for a more enabling internet environment that should not only reduce internet costs but also improve transmission efficiencies and foster the development of the local internet eco-system and economy. Therefore, URCA has commenced a project to establish a fair, non-discriminatory regulatory framework for the establishment of IXPs in The Bahamas.

ICTs for Persons with Disabilities

In 2018 URCA commenced work on an initiative to identify policies and regulatory measures within URCA's mandate which would optimise the use of ICTs in The Bahamas by and for persons with disabilities. URCA intends to complete this project during 2019 as a Tier II project.

Review of Project - Market Reviews Implementation of Price Caps

Implementation of price cap regulation was an outcome of URCA's 2014 market review. The framework has been completed. However, URCA delayed the public consultation process in 2016 due to mobile liberalisation. In 2017, URCA resumed the project, but in 2018 no substantive progress was made on the project. Based on the feedback from stakeholders there are questions regarding the appropriateness of this project in the current market environment and URCA has decided to review the underlying basis for this project during 2019 before conducting further work.

Framework of Public Service Broadcasting

Section 60 of the Communications Act requires URCA to prepare and submit for approval by the Minister a framework for Public Service Broadcasting in The Bahamas. This project has been delayed previously pending clear guidance from the Government regarding the policy framework within which public service broadcasting should occur in The Bahamas. URCA will resume work on this initiative in 2019, as a Tier II project.

Market Review – Fixed Services

Fixed Services (incl. Pay TV): Given that four years has passed since the last market review, URCA will conduct a review of the retail markets for fixed voice telephony and Pay TV services to determine whether operators possess significant market power and if so, which appropriate remedies should be applied.

Electricity Sector Projects

Licensee Data Reporting and Performance Monitoring

Consistent with EA s.38, URCA intends to construct a reporting framework for its licensees, which will be used to enable effective monitoring of licensees. This framework will ensure the timely reporting of standardized data to monitor the operations of the licensee in an effort to ensure compliance with various regulations and conditions, which support the overarching goal of efficient operations within the sector. The empirical data gathered will enable the development of metrics for use by both local and international bodies in terms of key performance indicators, which will also be utilized to facilitate decision making at both the operational and regulatory levels.

Framework for Public Electricity Suppliers Inspection

The intention is to develop the framework for executing the requirements outlined in the EA s.32 for the inspection of Public Electricity Suppliers in the Family Islands. These inspections include, among other things: the use of goods granted special treatment by Bahamas Customs; safe working practices; accounting practices; and overall compliance with the license conditions. The established inspection procedures will support the EA's goals of ensuring a safe, reliable, and affordable supply of electricity, while providing the service providers with a checklist from which to chart their operations.

2.2.4 Tier III Projects

URCA Green Project

URCA has launched an organization wide Green Initiative with the overarching goal of reducing the organization's impact on the environment, demonstrating first-hand its commitment to the goals of the EA, ES Policy and the NEP, sustainability principles and practices via the development of in-house energy efficiency, recycling, and water management programs. Having conducted an energy audit of URCA's office at Frederick House during 2018, URCA now proposes to commence concrete activities to implement changes which will reduce URCA's energy use consistent with the initiatives being carried out by URCA as regulator of the ES. Proposed 2019 activities will include:

- *Office Energy Conservation* - URCA intends to reduce its consumption of electricity by both minimizing demand and improving efficiency in keeping with recognized international best practices.

- *URCA Solar Generation Initiative* - URCA intends to incorporate solar generation facilities in its own operations consistent with the SSRG programme. At this stage, URCA is considering solar generation of approximately 55 kW.

URCA Northern Bahamas Office

URCA will continue plans to establish a Northern Bahamas office, on a pop-up basis during 2019.

2.2.5 Public Awareness Activities

Throughout the year, a key initiative of URCA will be to enhance the impact of URCA's work by ensuring that the public and stakeholders are aware of URCA, its role, mandate, vision and mission.

Much of URCA's Public Awareness activities will be focused on the ES in support of projects identified above, including public awareness campaigns aimed at providing consumers with the tools they need to better conserve and manage their energy consumption, and to encourage participation in the SSRG programme. URCA will also conduct intensive consultation with the public on the revised Consumer Protection Plan, and Code of Practice for Content Regulation in Broadcasting.

URCA will seek to enhance and increase the use of electronic media particularly social media channels, to support its public awareness initiatives.

In late 2019 URCA will hold its second ICT Competition, building on the success of its inaugural competition in 2017. This event serves to create a deeper awareness in young people of the important role ICTs play and can play in the provision of essential services and the improvement of their quality of life and also the wider community see ICTs and its role in the fulfilment of the UN's sustainable development goals.

2.2.6   Building Capacity

In 2018 URCA completed its third year as a multisector regulator, balancing its regulatory responsibility between the Electronic Communications and Utilities and Energy sectors. URCA's mission statement *"improving lives through effective utilities regulation"* is also indicative of the organization's commitment to continuous development of its people and investing in building its regulatory capacity. The organization's Strategic Plan continued to drive efforts especially in the area of learning and development and employee engagement.

URCA will continue recruitment efforts to bring on board additional talent, focussing on entry and mid-level staff with key basic skills and education in URCA's core work areas, who can be trained to engage on the specialist work which URCA undertakes. To complement this approach, learning and development opportunities focused on upskilling in the areas of energy regulation, electronic communication regulation and leadership will continue, with URCA working in 2019 on a major initiative to redesign the organisation's learning and growth function.

URCA will also continue to improve its records and information management function, with the completion of its Records Management implementation project.

2.2.7 Other On-going Activities

In addition to the projects and initiatives 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; and,
- Handling consumer complaints regarding regulated services as they arise.

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. Consequently work objectives are kept under review to anticipate impact, and to address any need to reschedule projects to accommodate unforeseen work.

2.2.8 2019 Consultation Timelines

While URCA will carry out several activities during 2019 as noted in the previous section, not all of these will involve public engagement and consultation throughout the process. Table 3 below outlines the major public consultations proposed for 2019, including anticipated publication dates.

Table 3 - 2019 Consultation Schedule

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
Identification of Spectrum for Digital Switchover	T1, 2019	T1, 2019

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
Review of Consumer Protection Regulations	T2, 2019	T2, 2019
URCA Organisational Performance Indexes	T2, 2019	T2, 2019
Review of Wholesale Internet Access	T2, 2019	T2, 2019
Review of ECS Policy	T2, 2019	T3, 2019
Review of Interconnection Rates	T2, 2019	T3, 2019
ICTs for Persons with Disabilities	T3, 2019	T3, 2019
Review of Broadcasting Content Code	T3, 2019	T3, 2019
Framework for the Procurement of Power Generation Resources	T3, 2019	T3, 2019
Establishment of ADR Scheme(s) for the Electricity Sector	T3, 2019	T3, 2019
Market Reviews – Mobile Services	T2, 2019	T2, 2019
URCA Draft Annual Plan 2020	T3, 2019	T1, 2020

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.

KPIs for URCA's work completed in 2018 will be tabulated and included in URCA's 2018 Annual Report, which will be published by the end of April 2019. URCA provides below in Table 4 the indicators which will be adopted for 2019.

Table 4 - 2019 Performance Indicators

Statutory/Regulatory	Finance	HR	IT
Draft Annual Plan & Strategy published before end of financial year	Cost of Finance function as a percentage of total operating expenditure	Cost of HR function as a percentage of expenditure	Cost of IT function as a percentage of total expenditure
Annual Report and final Annual Plan published within 4 months of year end	Period-end cycle time (working days to close)\n\nYear-end cycle time (working days to close)	Cost of HR function per employee	Organizational ICT spend (investment in ICT infrastructure & hardware across the organization)
Final Determinations to be published within one month from closing date for comments on Preliminary Determination	Forecasting accuracy	Ratio of employees (full time equivalent) to HR staff	Percentage who are able to access the network and system remotely
Percentage of public consultations started within period stated in Annual Plan	Cost of Licensee invoicing	Average days for full time employee per year invested in learning and development	
Time to publish results, decisions, and other regulatory measures after close of consultation:	Debtor Days	Cost of learning and development activity as percentage of total payroll	

45-60 days 60-90 days >90 days			
<u>Consumer Complaints</u> Number of complaints received Percentage of total complaints resolved Average time taken to resolve complaints	Number and Value of Creditor Notes and Adjustments	Cost of advisors as a percentage of the total payroll	
Licenses issued within: 30 days - individual licences 45 days - class licences Volume of licences processed in the year	Long outstanding debt (>90 days) as a percentage of total debt	Percentage of roles filled by permanent and contract staff	
		Average lapse time (working days) from vacancy/advertisement occurring to the acceptance of an offer for the same post	
		Percentage of people in role after 12 months of service	
		The percentage of employees who left the organization during the year	

4.   URCA's Final Budget 2019

4.1   Overview

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 2019 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 5 below.

Table 5 - URCA Budget 2019

Category	2017	2018	2019
Staff Costs	2,513,293	2,405,714	2,139,810
Non-Executive Compensation	225,184	229,000	226,400
Executive Compensation	494,970	478,652	514,128
Professional Services	1,140,360	1,536,000	1,077,000
Conferences, Training, and Travel	1,138,452	553,400	513,130
Premises Costs and Utilities	598,373	304,900	483,840
Consumer Education and Public Relations	443,000	202,000	214,600
Office Services	309,131	322,600	308,590
Information Technology	111,81	103,300	155,500
General and Administrative Expenses	483,879	370,830	482,495
Total Operations Expenditure (OPEX)	**7,458,460**	**6,506,396**	**6,115,493**
Depreciation	740,884	472,342	538,984
Total Operating Budget Recovered through URCA fees	**8,199,344**	**6,978,738**	**6,654,477**
Capital Expenditure	5,210,000	491,300	758,000

Overall, URCA's proposes to decrease its operating budget (excluding depreciation) for 2019 by approximately 6% compared to 2018. Some of the key changes are explained in the following:

- URCA's Staff Costs will reduce by 11% reflecting continued efforts to more accurately forecast staff changes and compensation.

- Forecast for Executive Compensation has increased based on URCA entering 2018 with all executive positions filled, compared to previous years during which URCA had vacancies in executive positions.

- Spending on Professional Services will decrease significantly in 2019, based on URCA's review of likely expenses having regard to anticipated litigation which has not materialised and review of other consulting expenditure.

- Spending on Conferences, Training and Travel will decrease marginally based on reduction in the international travel anticipated, offset by the proposed hosting of small workshops on Internet Governance and other matters during 2019.

- URCA's expenditure on Premises costs will increase significantly due to higher than anticipated maintenance costs of Frederick House, though the overall cost remains lower than URCA's costs as a tenant.

- Information technology expenditure is expected to increase due to enhanced reliance on and upgrade of technology including LAN maintenance, cloud backup monitoring and a gradual shift to software/cloud based productivity software.

- General and administrative expenses are expected to significantly increase to cover the recurring costs of staff and professional memberships, communications and automobile costs, as well as an allocation for a special project to celebrate the 10th anniversary of regulatory oversight by URCA.

- URCA's Capital Expenditure budget is proposed to increase by approximately $266,700 to $758,000. Major capital projects in 2019 will include URCA's Green Project (solar installations and other energy efficiency measures at URCA's offices), development of an URCA App, installation of a fire suppression system at Frederick House. Other noteworthy capital projects include the commencement of rehabilitation for URCA's spectrum monitoring sites, and acquisition of power quality monitoring equipment.

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

Sections 5.2 and 5.3 below set out URCA's budgets for the ECS and the EC, respectively, together with notes on changes in specific items from the previous year.

4.2   Electronic Communications Sector Budget 2019

Table 6 contains a summary of URCA's 2019 budget for its regulatory activities in the ECS.

Table 6 - ECS Budget 2019

Category	2017	2018	2019
Staff Costs	1,797,072	1,495,484	1,395,371
Non-Executive Compensation	146,129	141,855	181,120
Executive Compensation	287,378	230,800	229,333
Professional Services	687,588	1,256,000	688,250
Conferences, Training, and Travel	879,242	400,350	414,080
Premises Costs and Utilities	424,716	204,134	372,065
Consumer Education and Public Relations	287,950	148,470	189,680
Office Services	228,460	209,111	221,643
Information Technology	83,863	82,640	124,400
General and Administrative Expenses	408,409	343,194	419,049
Total Operations Expenditure (OPEX)	**5,230,807**	**4,512,038**	**4,234,991**
Depreciation	530,363	367,566	448,928
Total Operating Budget Recovered through URCA fees	**5,761,170**	**4,879,604**	**4,683,919**
Capital Expenditure	3,619,000	393,040	487,200

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

- Total operating expenditure (OPEX) exclusive of depreciation is anticipated to decrease in 2019 by just over 6% when compared to the previous year. This reflects the overall expenditure containment efforts and reduction in URCA's overall budget, adjusted for reallocation of some indirect expenses between the Electronic Communication and Electricity sectors, explained in more detail under the relevant categories.

- Overall staff costs for the ECS have decreased by 7% due to an increase in the percentage allocation of shared staff compensation to the Electricity Sector, following the increased volume of work expected in the ES during 2019.

- Non-Executive Compensation has increased significantly for the ECS due to a reduction in the percentage allocation of shared non-executive compensation to the Electricity Sector following the increased capacity in URCA's ES team.

- Professional services expenditure is anticipated to decrease significantly by 45% due to work performed on regulatory projects extending into 2019 and the continuing litigation that has not concluded.

- Conferences, training and travel costs are budgeted to increase by 3% due to continued commitment to develop and upskill our staff through structured training and providing opportunities to participate in regional regulatory workshops and conferences. URCA has committed moving forward to separately identify costs related to its representation of the Government of The Bahamas at the ITU. The costs will be separately identified from URCA's 2020 budget onwards. These expenses have not been separately identified in the 2019 table, however for 2019 URCA has budgeted the sum of $40,440 for expenses relating to URCA's representation of The Bahamas at ITU Council.

- Premises costs and utilities increased compared to 2018 by 82% due to anticipated repairs/maintenance requirements of Frederick House and increases in insurances premiums and taxes.

- Consumer Education and Public Relations is anticipated to increase by 28% due to renewed emphasis on educating and informing consumers on the regulatory regime in the ECS, continued hosting of public relations initiatives (Girls in ICT Day) and increased public consultations on sector issues, community outreach, and the utilizing of other advertising media.

- Information technology expenditure is expected to increase by 50% due to enhanced reliance on and upgrade of technology including LAN maintenance, cloud backup monitoring and a gradual shift to software/cloud based productivity software.

- General and administrative expenses which are expected to increase by 22% to ensure that budgeted costs have been allocated to cover the recurring costs of staff and professional membership, communications and automobile costs. In addition, there is an allocation for a special project to celebrate the 10th anniversary of regulatory oversight by URCA.

4.3   Electricity Sector Budget 2019

Table 7 contains a summary of URCA's 2019 budget for its regulatory activities in the ES.

Table 7 - ES Budget 2019

Category	2017	2018	2019
Staff Costs	751,351	910,230	744,438
Non-Executive Compensation	79,055	87,145	45,280
Executive Compensation	207,592	247,852	284,795
Professional Services	452,772	280,000	388,750
Conferences, Training, and Travel	224,080	153,050	99,050
Premises Costs and Utilities	173,657	100,766	111,775
Consumer Education and Public Relations	155,050	53,530	24,920
Office Services	80,671	113,489	86,948
Information Technology	27,954	20,660	31,100
General and Administrative Expenses	75,471	27,636	63,446
Total Operations Expenditure (OPEX)	**2,227,653**	**1,994,358**	**1,880,502**
Depreciation	210,521	104,776	90,056
Total Operating Budget Recovered through URCA fees	**2,438,174**	**2,099,134**	**1,970,557**
Capital Expenditure	1,591,000	98,260	270,800

Explanations of changes in the major expense categories are as follows:

- Total operating expenditure (OPEX) exclusive of depreciation is anticipated to decrease in 2019 by 6% when compared to the prior year. This reflects the general decrease in URCA's expenditure, as adjusted due to the recalculation of the allocated percentage of indirect expenses between the Electronic Communication and Electricity sectors based on trends experienced over the previous years, and work anticipated in 2019.

- Professional services expenditure is anticipated to increase significantly by 39% due to the enhancing of the regulatory oversight of the sector and scheduling of significant regulatory projects during the year when compared to 2018.

- Conferences, training and travel costs are budgeted to decreased by 35% notwithstanding continued commitment to develop and upskill our staff through structured training and providing opportunities to participate in regional regulatory workshops and conferences.

- Premises costs and utilities increased compared to 2018 by 11% due to increased repairs/maintenance requirements of Frederick House and increases in insurances and taxes.

- Information technology expenditure is expected to increase by 50% due to ongoing enhancements in the use of technology by URCA.

- General and administrative expenses are expected to increase by 130% as a result of the inclusion of anticipated bad debt in URCA's budget for the first time, and an increase in the share of professional memberships, communications and the other administrative costs attributed to the ES.