



Utilities Regulation and Competition Authority

Annual Report 2020

AND

2021 Annual Plan

URCA 01/2021

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Introduction

The Utilities Regulation and Competition Authority (“URCA”) presents the 2020 Annual Report and 2021 Annual Plan in compliance with section 41 of the URCA Act 2009. The Report which must be published by 30th April each year provides a detailed accounting of the work of the authority including its audited financial reports for the preceding year, and, following consultation with critical stakeholders, a work plan for the current year. This 2020 Annual Report provides the following information:

- A report on the performance of URCA’s regulated sectors during 2020;
- Highlights of the objectives that URCA accomplished during 2020;
- A report on URCA’s fiscal performance for 2020, accompanied by URCA’s Audited Financial Statements for the year; and
- URCA’s performance against Key Performance Indicators (KPIs) for 2020.

Further and in compliance with the requirements of the URCA Act, URCA’s Annual Plan for 2021 was first published in December 2020 for public consultation. Following consideration of the feedback received from stakeholders during the consultation period, the final plan is included in this document. The Plan provides an overarching strategic focus which takes into account regional and international trends in the regulated sectors, which can influence the successful achievement of URCA’s work plan. The annual plan included in this document outlines the following:

- URCA’s key projects for 2021 including its consultation schedule;
- The KPIs that URCA will use to measure its performance during 2021; and
- URCA’s budget for the 2021 financial year.

The URCA Act also mandates, in furtherance of the requirement for accountability, that URCA must arrange at least one oral hearing during which the annual report and annual plan are presented, and questions from interested parties answered. The hearing is held each year during the second trimester and is open to all stakeholders.

A quarterly report of URCA’s activities is provided to the Minister responsible for relations with URCA and published on the Authority’s website. These statutory requirements and practices ensure that URCA’s work is at all times reflective of its core values, i.e., fairness, integrity, accountability, transparency, one-team,

people-centred and professionalism, and that its activities are always *“Improving lives through effective utility regulation.”*

CHAIRMAN’S MESSAGE

It is with a debt of gratitude that I along with the other members of the Board of the Utilities Regulation and Competition Authority, URCA, take this opportunity to thank the Leadership and all team members for the outstanding support and unwavering commitment to the organization during a globally unprecedented year.

At the beginning of 2020, URCA was about to embark on the execution of several regulatory and general projects, quite a number of which proposed moderate gatherings and other in-person interactions. As the world and The Bahamas responded to the COVID-19 pandemic with lockdowns and restrictions, so did URCA. The management team quickly pivoted to working remotely thereby ushering a new era for the organization as the implementation of URCA’s Disaster Management Policy and Protocols went into full and immediate effect.

URCA is the independent regulator of two critical sectors in the country, energy and electronic communications, both of which underpins the country’s key economic pillars, tourism and financial services. Service providers in the regulated sectors had to quickly adapt to the demands of its customers while embracing innovation and emerging technology at an incredible speed. As the regulator, URCA had to also adapt and exercise flexibility in its regulatory management role. This resulted in the reprioritization of URCA’s 2020 work plan so that it could respond effectively to the needs of its licensees and other stakeholders.

Notwithstanding the interruption by the pandemic, URCA was still able to execute several critical projects in both sectors, some planned and others spawned by the needs arising from the pandemic. The Board is pleased to report that though delayed, URCA has executed the URCA/International Telecommunications Union (ITU) Hurricane Dorian Relief Agreement. As a result of the generous donation by the ITU in partnership with URCA, more than 2,500 mobile telecommunications vouchers valued at \$10, \$15 and \$20 were distributed to persons impacted by Hurricane Dorian on the islands of Abaco and Grand Bahama. Almost 200 mobile wifi devices, each preloaded with a two-month plan, were donated to the Ministry of

Education for distribution to students on the same islands. URCA's performance of other projects, particularly in the regulated sectors are presented in greater detail later in this report.

URCA worked with its licensees to ensure that they were able to meet the increased demands of customers, whether it was meeting the basic energy needs of residents, facilitating online learning enabling remote work and/or some level of commercial/retail activity which was brought to a standstill by the pandemic restrictions.

URCA's work in educating consumers and engaging in community projects for the advancement of the regulated sectors, were also impacted by the pandemic. The second in the series of regulatory basics seminars for senior and technical officers was the only in-person event held in February 2020 just before the pandemic struck. As the regulator of the electronic communications sector (ECS), URCA had to demonstrate its readiness to embrace existing and emerging technologies. Beginning with the annual observation of the International Girls in ICT Day, URCA launched a series of virtual forums and webinars to keep stakeholders engaged, informed and educated. A highlight of the series was the staging of URCA's first information and communication technology (ICT) basics for seniors. The event attracted almost 200 individuals.

In addition to the pandemic, the organization also underwent a leadership change following the resignation and departure of two key officers, the Chief Executive Officer (CEO) and the Human Resources Manager during the first trimester.

I along with other non-executive members of URCA's Board thank each member of the hard working team of URCA for their unwavering support to both the Director of Utilities and Energy Shevonn Cambridge and former ECS director Carlton Smith for their leadership during the first half of 2020. The Board engaged in a rigorous and extensive search to fill the CEO's post and in September, the Board confirmed Carlton Smith in the post of CEO. Mr. Smith joined URCA in December of 2018, following a distinguished career as a member of the Executive Leadership team of the Broadcasting Corporation of The Bahamas, the initial Station Manager of Guardian Radio 96.9FM and an independent communications consultant. We look forward to his leadership as the organization personifies its mission and vision.

The Board was also pleased to welcome the newest board member, Mrs. Deborah Kelly. An Engineer by profession, Mrs. Kelly has extensive work experience in leadership in the telecommunications sector. Mrs. Kelly was appointed in succession of Mr. Jeffery Paul Morgan, who sadly passed away in January 2020. He

had served as a Board Member since URCA's inception. The Board also saw a change in leadership for the Audit Committee, an important organ in the governance structure of the organization. Following many years of service, Philip Stubbs retired from the position. We welcomed his successor Ms. Jacqueline Hunt.

During the third trimester, URCA appointed a new Human Resources and Learning Manager and created a Facilities and Administration Department, separating the function from the Human Resources remit.

The pandemic conditions are likely to be with us throughout 2021 resulting in less time away from the office for travel and less in-person activities. While we complete those projects that are foreshadowed such as the important market reviews and stakeholder satisfaction surveys, the Board sees benefits in supporting the organization in activities which focuses on capacity building and optimizing organization performance. The team is always the most valuable resource. Therefore, we look forward to supporting the organization's work in the execution of the new Culture Code.

The team at URCA has proven to be resilient, adaptive and flexible all at the same time and the Board takes this opportunity to thank them all publicly for their professionalism, expertise and dedication.

On behalf of deputy chairman attorney Serfent Role, businessman Kendal Culmer, and businesswoman Deborah Kelly, we are thankful for the opportunity to serve in this capacity during this time and remain committed to the organization's vision of becoming"

"A globally respected regulator, championing the interests of people in The Bahamas and of the sectors we regulate".

ABOUT URCA

The Utilities Regulation and Competition Authority (URCA), is an independent multi-sector regulator currently with responsibilities for the Electronic Communications Sector (ECS) and Electricity Sector (ES). Established through the passage of the Utilities Regulation and Competition Authority Act 2009 (the URCA Act), and the Communications Act, 2009 (Comms Act), URCA assumed responsibility for the regulation of the ECS on 1 September 2009. The ECS comprises fixed and mobile telecommunications services, internet, pay TV, broadcasting and management of the radiofrequency spectrum. With the passage of the Electricity Act, 2015 (EA) and consequent amendments to the URCA Act, URCA's regulatory responsibilities were expanded to include the regulation of the generation, transmission, distribution and supply of electricity throughout The Bahamas.

In addition to the governing legislation, URCA's responsibilities as a regulator are guided by the government's policies applicable to each regulated sector, namely the Electronic Communications Sector Policy (ECSP) and the National Energy Policy (NEP).

Governance

URCA's corporate governance structure supports the key tenets of good governance, namely transparency, fairness and accountability throughout the organization. URCA's activities are governed by a Board which comprises four (4) non-executive members, including the Board's chairperson, and three (3) executive members; namely the Chief Executive Officer (CEO), the Director of Utilities and Energy (DUE) and the Director of Electronic Communications (DEC). Non-executive members are appointed by the Governor General, while the executive members are appointed by the non-executive members following a competitive selection process.

URCA's Board:

Neville Wilchcombe, Chairman

Serfent Rolle, Deputy Chairman

Kendal Culmer, Non-executive Member

Deborah Kelly, Non-executive Member

Carlton Smith, Chief Executive Officer

Shevonn Cambridge, Director of Energy and Utilities

Dr. Waldon Russell, Director of Electronic Communications (Acting)

The CEO has overall executive responsibility for URCA's day-to-day activities, including overall strategy and responsibility for URCA's four operational units namely: Legal; Human Resources and Administration; Finance; and Corporate and Consumer Relations.

URCA has the specific legal requirement to collaborate with the following Ministers of Government concerning its mandate, and for the effective execution of that aspect of its work, governed by Government Policies:

- The Attorney General, who has overall responsibility for Government's relations with URCA, and with whom URCA engages in respect of its operations including its budget and reporting, including financial statements and audit;
- The Minister with responsibility for the ECS in respect of matters outlined in the Communications Act, which include the ECSP, and specific activities related to the allocation and pricing of spectrum, public service broadcasting, and universal services;
- The Minister with responsibility for the administration of the Electricity Act;

URCA is also required from time to time to engage with the Ministers of Government with responsibility for licensees owned and operated by Government, such as the Broadcasting Corporation of The Bahamas (BCB) and Bahamas Power and Light Ltd (BPL).

The Audit Committee

An additional key component of the organisation's governance structure is the Audit Committee, currently chaired by Jacqueline Hunt. The Audit Committee's work includes:

- Review of the monthly financial reports prepared by management;
- Review, monitoring and implementation of recommendations made by the internal and external auditors; and

- Review of the annual financial statements, including the assessment of the accounting policies

The Audit Committee also has oversight of the work of the internal auditor, whose work during the year continued to focus on and ensure the organization's compliance with internal controls and external legal and regulatory requirements.

CHIEF EXECUTIVE OFFICER'S MESSAGE

Carlton Smith

My colleagues and I are privileged to serve our licensees and other stakeholders during these unprecedented times. The Coronavirus (COVID-19) disrupted the normal process of life and challenged global societies to identify and implement appropriate responses to minimize impact. National restrictions, social interaction protocols, and health and safety requirements characterized societal operations. This disruptive health crisis redefined the lifestyle we once knew as normal and forced global migration to the new digital era. The ubiquitous deployment of ICTs has facilitated the transition, resulting in a return to some degree of normalcy. This major paradigm shift, embracing ICTs to facilitate remote working and other business initiatives, online delivery of education, e-commerce, e-banking, the emergence of the use of digital currencies, and other government and emergency services, demonstrate the significant role of technology in the emerging global society. The unanticipated major disruption caused by COVID-19, came as The Bahamas continued to grapple with electronic communications and electricity challenges in Abaco and Grand Bahama following the devastating impact of Hurricane Dorian in September 2019. It is encouraging to note, however, that the sectors responded to the challenge and positioned the country to continue its internal public and private sector operations as well as its international business transactions and social networks.

Internationally, URCA continued its representation of The Bahamas as a council member of the International Telecommunications Union (ITU) and an Executive Committee member of Inter-American Telecommunications Commission (CITEL), the telecommunication arm of the Organization of American States (OAS). The Bahamas participated in a number of virtual meetings and conferences hosted by the ITU and remained fully engaged in the ongoing discussions at the working group level. I am pleased to advise that The Bahamas was elected Vice-Chair for the Americas on the ITU Council's Working Group for Financial and Human Resource Matters. The Bahamas continues to participate in various working groups at CITEL, following the issues, participating in internal discussions on The Bahamas' position and collaborating with the Caribbean Telecommunications Union (CTU) on regional positions on these issues. The Bahamas' first term as a CITEL Executive Committee member ends in 2021 and its membership on the ITU Council ends in 2022.

Here at home, the pandemic signaled the beginning of URCA's second decade as the independent utilities regulator in the country. It provided the perfect opportunity to assess the progress made, particularly in the

electronic communications sector (ECS) through its internal use of ICTS as an integral part of its work strategy. While the experience has not been without challenges, it has, for the most part proven reliable, particularly in the execution of our remote working protocol. Our virtual platforms became the source of internal and licensee collaborations as well as our public engagements. Our stakeholder interactions included URCA's initial virtual hosting of its annual Oral Hearing, attracting one of its larger audiences to date with more than 40 participants. We also hosted a series of public education webinars on aspects of our work in the ECS and ES, facilitated a forum on ICT Basics for Seniors, as well as an education session on Cyber Security, and a very successful virtual Girls in ICT Day with the largest attendance in the six-year history of holding the event in The Bahamas. Virtual stakeholder engagements will become a part of URCA's normal operations moving forward.

Internally, the impact of COVID-19 forced URCA to adjust its 2020 work plan. The national lockdowns and subsequent remote working arrangements challenged the team to execute the plan as originally envisaged. Managing the regulatory response to issues arising out of the pandemic became the new priority and required a review in the context URCA's annual work plan. It required URCA to balance its priorities and address the immediate regulatory demands of the pandemic without neglecting the project work necessary for the continued growth and expansion of the sectors. URCA, deferred the majority of its proposed 2020 projects to 2021, allowing the team to complete projects, which began in prior years and were either nearing or earmarked for completion in 2020.

In the ECS, the team concentrated initially on the completion, approval and publication of the Electronic Communications Sector Policy and the National Spectrum Plan, two vital documents in the execution of its regulatory mandate. Several other regulatory documents were completed and published, among them, the Review of Wholesale Broadband Access Services, the Disaster Management Regulations, the Framework for Internet Exchange Points and the Review of the Code of Practice for Content Regulation. The ECS team provided guidance on the Universal Service Obligations (USO) included in the Communications Act (2009) with certain amended provisions in the ECS Policy 2020-2023. The advice assisted the Government in its approach to addressing the broadband availability and accessibility challenge facing sectors of the population. The team also provided input on the Government's development of its e-commerce policy to avoid possible conflict with the ECS Policy.

The Energy Sector's (ES) provision of improved levels of sustainable electricity supply in 2020 played a major role in the country's ability to transition to the ubiquitous use of digital technology as the national modus

operandi, in response to the pandemic. In 2020, the ES intended to continue the build out of its Regulatory Framework to facilitate greater access to affordable electricity supply. To that end, the team published Regulations establishing the framework for procurement of generation resources by licensees, inclusive of transmission, distribution, storage, and supply assets and services. We also issued Guidelines for the Approval of Renewable Energy Self Generation (RESG) Projects, which provides for the Government and small commercial or businesses to generate electricity using renewable energy technologies. The RESG capacity ranges from 100kW to 1MW. The team also responded to requests for review and feedback on several industry financing initiatives by one of its major licensees. The team evaluated and consulted with stakeholders on the Rate Reduction Bond and Fuel Hedging initiatives. The team also completed several work streams, which began in 2019.

At URCA, our people are our most valued resource. They are the reason URCA continues to play an integral role in the social and economic development of the country through its work in the Electronic Communication and Utilities and Energy sectors. During the pandemic, without direct supervision and oversight, our team executed their work very efficiently, hence the reason we can highlight the organization's achievement, not only during a period of crises, but also during a period of leadership transition. The One Team concept is evolving and URCA is committed to the continued upskilling of all employees to position the organization to more effectively and efficiently regulate the sectors and together with our stakeholders improve the lives of all in our country through effective utilities regulation.

URCA's Achievements in 2020

Overview

The final version of URCA's 2020 Annual Plan was published on 9 May 2020 together with URCA's Annual Report for 2019. In the 2020 Annual Plan, URCA set out several projects, which URCA intended to undertake within the proposed timelines. URCA takes this opportunity to note that the document was published later than anticipated in the Draft Annual Plan 2020 and advise that the COVID-19 pandemic impacted URCA's publication of the work plan and its ability to achieve the proposed timelines.

Notwithstanding the challenges, the pandemic highlighted the significance of the Electronic Communications and Electricity sectors to the country's sustainable operation, particularly in times of crisis.

Electronic Communications and Electricity were integral to the country's response to the pandemic. The protracted restrictions and health and safety protocols accelerated the country's acknowledgement and acceptance of the value of a comprehensive, structured, and systematic transition to a more digitally inclusive society. The heightened demand for sustainable electronic communications services reinforced the significance of a robust and resilient national telecommunications infrastructure supported by a reliable electricity supply.

New and emerging technologies are essential components of this global digital revolution and were essential to the country's ability to pivot and transition to the radical shift in its operations strategy in 2020. URCA recognizes that investment in new and emerging technologies, influenced by the rapidly evolving digital global society, does not only require visionary and strategic industry leadership to ensure the continued growth and expansion of the sectors, but a regulatory regime with the agility to respond and adapt to the ever-changing national and international societal demands.

The pandemic created opportunities for a major societal paradigm shift, from the normal operations to technology-based platforms. ICTs facilitated establishing the new virtual environment that embraced the full spectrum of online communications applications, platforms, and methodologies required to sustain business operations and social interactions. Incorporating remote working and full virtual operations infused with creativity and innovation resulted in current and new business ventures exploring and employing new approaches to business development, expansion, and sustainability.

While ICTs encourage creativity and innovation, they are also vital to the virtual delivery of, inter alia, the full range of Government and Private Sector services, inclusive of Healthcare, Education, Social Services, Banking, Finance, and Business transactions. It supports the concept of the ease of doing international business transactions. It facilitates professional engagements, inclusive of virtual meetings, conferences, education, and training, etc.

In 2020, URCA began the year focused on its regulatory agenda driven by its annual work plan. However, prior to publishing the 2020 Annual Plan, the concentration shifted to the emerging telecommunications and electricity requirements initiated by the COVID-19 pandemic that demanded immediate attention. URCA engaged with key stakeholders, the Government, and its Licensees to provide the appropriate ancillary support, assistance, and response necessary to address the serious national concerns emanating from the Pandemic while facilitating continued activity in the economy. It required flexibility and adaptability to the rapidly evolving “new normal” that signalled the need for a fluid approach to the regulatory process.

With its second and third most important economic centres already challenged, the COVID-19 reality placed additional burden on The Bahamas. Abaco and Grand Bahama are still recovering from the devastating impact of Hurricane Dorian. Despite significant progress, the service providers on both islands are still rebuilding and restoring their telecommunications and electricity infrastructure, impacting the availability and accessibility of essential services. The country's archipelagic geography further exposes deficiencies, particularly the inaccessibility of reliable telecommunications services and electricity supply to unserved and under-served family island communities.

URCA and its key stakeholders must consider the pandemic experience and the corresponding ECS and ES responses as a beta test of the national electronic communications and electricity infrastructure's capacity to sustain service levels required for the normal operation of society during challenging circumstances. Consequential to that assessment is the need to consider the country's archipelagic geographic layout, with its unique economic challenges in the sparsely populated islands. The concerns of quality, diversity, availability, accessibility, and affordability of electronic communications and electricity services require a comprehensive review that incorporates progressive and innovative approaches. Ultimately, the analysis of the pandemic response should contemplate The Bahamas' capacity, inclusive of all islands, access and fully utilize telecommunications and electricity services during times of crisis for the continued execution of the economic and social activity and management of the country's affairs within the national and global context.

It is anticipated that the impact of the COVID-19 pandemic will continue well into 2021 and possibly beyond. URCA reaffirms its commitment to the continued evolution of the ECS and ES, working collaboratively with its licensees and other stakeholders to ensure that the country's electronic communications and electricity infrastructure can adequately address the growing and rapidly changing dynamics throughout the country.

URCA recognises the relevance of its project work, the impact on its licensees and other stakeholders, and its importance to the availability and accessibility of telecommunications and electricity services to all current and potential subscribers. URCA remains committed to the development of enhanced measurement of its performance, which is vital to the effective ongoing assessment of its regulation of the two sectors. In 2021, URCA will continue its work on the Organisational Performance Index (OPI) and will rely on responses to its public consultation and ongoing engagement with licensees to inform the rollout of its implementation plan.

URCA also remains committed to its international relations (IR) function as the representative of the Government of The Bahamas at various international organisations. In 2020, URCA participated in numerous virtual sessions, inclusive of the International Telecommunication Union (ITU), Council meetings, Inter-American Telecommunications Commission (CITEL), as well as regional meetings of the Organisation of Caribbean Utilities Regulators (OOCUR) and the Caribbean Telecommunications Union (CTU). URCA continues to develop its capacity and approach to effectively executing the IR obligation in a manner that facilitates the advancement of its regulatory mandate.

Market Review 2020

This section of our report provides a snapshot of the market for the Electronic Communications Sector (ECS).

The major operators of electronic communication networks and services within The Bahamas are:

- Be Aliv Limited ("Aliv") - provides mobile cellular voice and mobile data services.
- The Bahamas Telecommunications Company Limited ("BTC") - operates Internet Protocol TV services, fixed voice and broadband services, data and connectivity services, and cellular/mobile voice and data services.
- Cable Bahamas Limited ("CBL") – operator of pay TV, high-speed data services and fixed voice services.
- ZNS - a state-owned corporation providing national radio and TV services.

Following is a summary of the sector performance for the last year and tables providing statistical market information.

Electronic Communications Sector and Impact of COVID-19

The COVID-19 pandemic has highlighted the fundamental importance of telecommunications and ICTs in all aspects of people's lives, such as health, education, work and entertainment. The impact of COVID-19 will affect the path to economic recovery for The Bahamas and many other countries for years to come and the electronic communications sector will play a critical role in this recovery.

During the onset of COVID-19, many homes were still recovering from the impact of Hurricane Dorian that occurred in September 2019. As the pandemic prolonged, the magnitude of these two unforeseeable events would have left a number of workers on reduced hours or unemployed. As a result, many homes were forced to put a squeeze on finances resulting in a reduction of disposable income. Amid a reduction in household spending, the government also imposed protocols that required daily life activities to now be carried out remotely such as work and school. These protocols ushered in an opportunity for consumers to invest in faster Internet speeds and increased usage of mobile data services. However, ECS market information for 2020 did not show a positive performance for all services in the mobile and fixed markets. While the longer term impact of the pandemic is still hard to predict, setbacks in the ECS are expected to show a rebound in the short to medium term as operators seek to ensure that consumers make optimum use of services and devices.

While recovery efforts remain underway, spending on telecommunication services and devices along with operator revenues faced pressure from adverse economic fallouts that stemmed from the pandemic and continued recovery efforts from Hurricane Dorian. These circumstances resulted in a decline for ECS revenues which landed at an estimated 355,000, a near 14 percent decline versus past year¹. Amid a falloff in revenues, employment in the sector still grew by 2.1 percent for the period in review. In some instances, data also showed an increase in capital investments across networks and services for 2020, particularly for Fixed Broadband Services.

¹ Total ECS Revenue calculations for 2019 were revised and therefore reflect a year over year change.

It should be noted that not all trends that showed a decline in these markets were primarily as a result of COVID-19.

Mobile Services

Mobile Voice

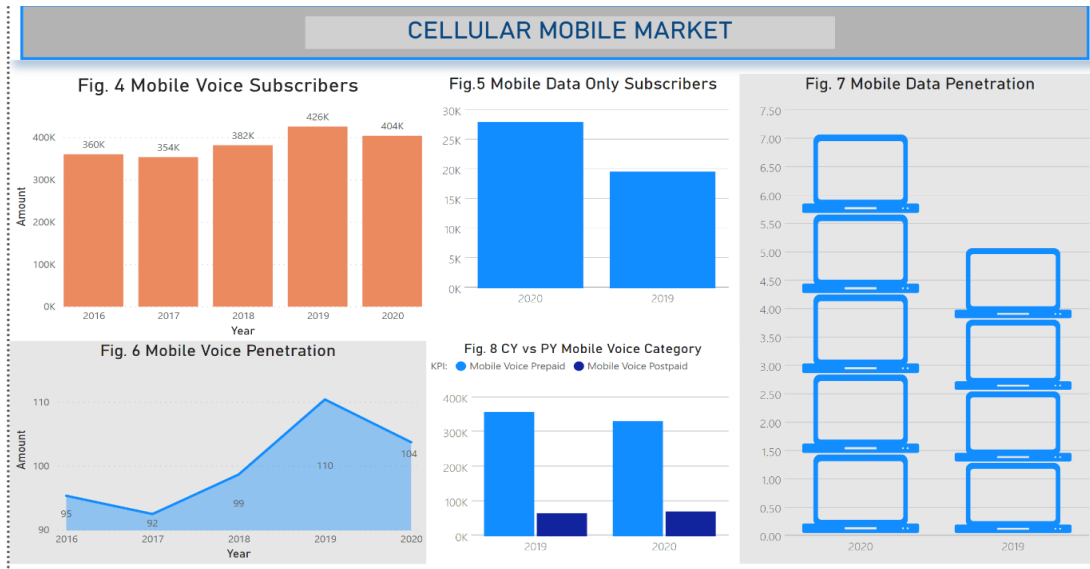
Cellular/mobile voice and data services in The Bahamas are provided by Aliv and BTC. BTC is the incumbent operator of mobile services and is designated by URCA as having SMP within the domestic mobile telephone market. As seen in Figure 4 below, mobile voice subscribers showed an uptick in the past four years with the exception of 2017. However, this trend did not occur in 2020, likely as a result of the economic impact of the pandemic. To this end, data collected from mobile operators revealed a 5% decline, landing the number of subscribers at 403,759 in 2020. Simultaneously, mobile voice penetration for 2020 compared to 2019 fell by 6%.

While mobile voice subscribers showed an overall decline, there was a year-over-year (YoY) increase in the amount of post-paid subscribers by 8% which suggested that the fall in total subscribers was contributed by a decline in prepaid subscribers at 7.5%.

Mobile Data

Mobile data only services is another growing market and relates to the total number of active subscribers to mobile Internet service via a laptop, tablet with 3G/4G connectivity or a USB dongle. Mobile data only subscribers is a useful indicator to monitor as the service can be a potential substitute for fixed broadband Internet. In 2020, mobile data (as seen in Figure 5) showed a strong 43% increase in total subscribers². It is not clear if this trend is expected to continue but gains in this indicator could be pinned to a number of reasons such as an increased use of mobile data to share information and remain informed on latest COVID-19 updates and protocols.

² For Mobile Data Only Subscribers, revisions were made to previous data collected and will therefore only show data for the years 2019 and 2020. A trend could be not computed due to this revision.



Fixed Services

Fixed Broadband Services

BTC, CBL and a number of smaller independent Internet Service Providers (ISPs) offer fixed Internet services through broadband infrastructure in The Bahamas. CBL holds SMP for their provision of high speed Internet and connectivity services in New Providence, Grand Bahama, Eleuthera and Abaco. In the islands that CBL does not provide broadband Internet services, BTC has been designated by URCA as having SMP. URCA examines these services from standalone broadband connections and multi-broadband connections. Overall, fixed Broadband services showed a slight decline to the tune of 80,913 (2020) from 83,403 (2019), representing a 3% drop. Conversely, the penetration rate went from 21.64% (2019) to 20.78% (2020).

Fixed Voice Telephone Services

For this service, operators recorded a near 9% percent decline in subscribers when compared to the past year (see Figures 11 and 12). This decline is consistent with data for the past four years which show a continuous downward trend. This trend is reflective of global trends as consumers move to more modern voice communication technologies. Therefore, the adverse economic impact of COVID-19 should not be pinned as a leading factor for the YoY reduction.

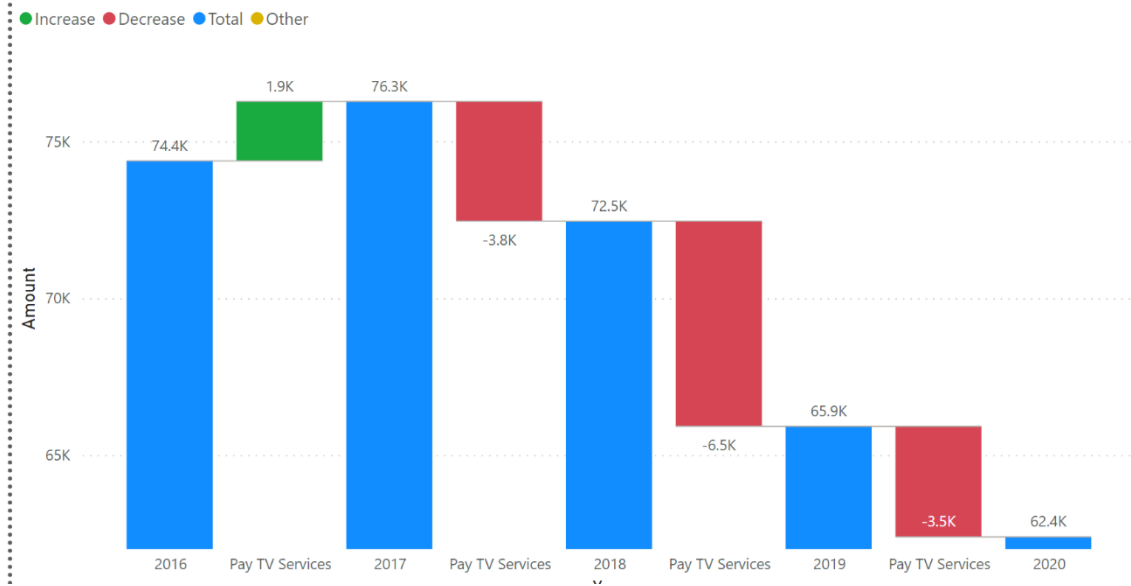
Fixed Services Performance



Pay TV Services

CBL retains the position as the leading provider for pay TV services in The Bahamas, notwithstanding BTC's challenge commenced in 2016 with its provision of FLOW TV services to selected islands. CBL continues to offer pay TV nationwide. But despite competition entering the market for this service, five years of data shows that there has not been a consistent growth trend and subscriptions have declined in the past four years. The trend seen below in Figure 13 indicates that this service has been on a downward trend prior to COVID-19. In 2020, this service saw a further 5% percent decline in subscriptions compared to 2019. This followed a 9% decline when looking at 2019 vs. 2018 subscriptions.

Fig. 13 Pay TV Services Trend



Electricity Sector Market Review

Unlike the competitive markets in the Electronic Communications Sector, the Electricity Sector’s market consists of several monopoly operators, each tasked with providing generation, transmission, distribution, and supply services across distinct networks throughout the country. While several of these networks are the responsibility of individual service providers, each presents a unique market scenario due to their respective logistical and socioeconomic conditions. In the second trimester of 2020, URCA completed and published the **ES Licensee Data Reporting and Performance Monitoring guidelines**. This regulation will facilitate the collection and interpretation of relevant data which will enable a more robust assessment and reporting on the sector’s performance. It is envisioned that this assessment of the ES’ market would afford the opportunity for the individual and collective performance of the sector’s service providers to be assessed, with due consideration being given to their characteristics and respective territories. This would also allow for a more comprehensive ES market review in future reports.

Below a brief synopsis of the ES market in terms of existing licensees for the year under review and the progress of our Renewable Energy initiatives are provided below:

Name of Licensee	Address of Licensee	Service Territory	License Type	Duration	License Commencement Date	License Expiration Date	License Number
Bahamas Power and Light	Blue Hill and Tucker Roads, Nassau, Bahamas	The Commonwealth of The Bahamas, except for the Port Area of Grand Bahama	Public Electricity Supplier	25	01 May 2018	01 May 2043	PESL-18-0001
Grand Bahama Power Company	The Mall Drive, Freeport, Bahamas	Grand Bahama	Public Electricity Supplier	25	01 May 2016	01 May 2041	PESL-18-0002
St. George's Cay Power Company Ltd.	101 Power House Road, Russell Island, Eleuthera, Bahamas	St. George's Cay, Russell Island; West End Cay; Charles Cay; and Royal Island	Authorized Public Electricity Supplier	20	01 December 2018	01 December 2038	APESL-18-0003
RAV Bahamas Ltd.	4 George St., Mareva House, Nassau, Bahamas	Bimini Bay Subdivision, North Bimini	Authorized Public Electricity Supplier	2	04 November 2019	04 November 2021	APESL-19-0001
Gekabi Chub Cay Utilities (2013) Ltd.	1425 Lake Front Circle, The Woodlands, Texas,	Chub Cay, The Berry Islands	Authorized Public Electricity Supplier	25	17 February 2020	17 February 2045	APESL-20-0001

Name of Licensee	Address of Licensee	Service Territory	License Type	Duration	License Commence ment Date	License Expiration Date	License Number
	United States						
Shell Bahamas Power Company Inc.	St. Andrew's Court, Frederick Street Steps, Nassau, Bahamas	Bahamas Power and Light transmission grid.	Independent Power Producer	15	05 October 2020	05 October 2035	IPPL-20-0001
Baker's Bay Utility Ltd.	Front Street, Marsh Harbour, Abaco, Bahamas	Baker's Bay Golf and Ocean Club, Great Guana Cay, Abaco	Authorized Public Electricity Supplier	25	21 December 2020	21 December 2045	APESL-20-0002

In addition to the integrated electricity supplier licensees listed above, the ES' generation component as of 2017 has been supplemented by the Small Scale Renewable Generation (SSRG) programme. The SSRG programme affords residential and small commercial entities to supplement their personal electricity consumption via renewable energy means up to a capacity of 100kW. URCA's suite of renewable energy programmes was expanded in early 2020 to allow commercial and government entities the opportunity to participate with generation capacities up to 1 MW. As of 31 December 2020, the renewable energy statistics were as follows:

	Number Online	Combined System Capacity, kW
--	---------------	------------------------------

Residential	170	1214
Commercial	44	3173
Total	214	4387
	Number Online	Combined System Capacity, kW
New Providence	203	3495
Abaco	0	0
Eleuthera	10	142
Exuma	1	750
Total	214	4387

Performance Against URCA's 2020 Annual Plan

In the 2020 Annual Plan, URCA prioritised projects into three tiers (Tier I, Tier II, and Tier III). The rationale for the placement of projects in a specific tier was as follows:

- Tier I projects are of significant importance and urgency to the regulated sectors, in respect of which URCA sought to ensure that it directs all available resources to achieve completion in accordance with scheduled dates during the current year, which may adversely impact the completion of lower-tiered projects. Generally, for Tier I projects, URCA sought to set forth and commit to a specific trimester for completion within the year.
- Tier II projects are also of significant importance to the organisation or the regulated sectors directly, and URCA endeavoured to complete these projects in the shortest possible timeframe, though with lower priority than the Tier I projects. URCA did not commit to completion of Tier II projects during a specific period for one or more of the following reasons:
 - There is heavy dependence on external stakeholder input or approval;
 - the availability of adequate resources to complete the project in a specific timeline is uncertain; and/or
 - URCA has limited control over the completion date (for example, approval is external to URCA).
- Tier III projects address emerging regulatory or management issues that URCA is desirous of addressing and will complete as soon as resource availability dictates, but which are of lower priority than Tier I or Tier II Projects. URCA did not commit to any specific timeframe for completion of Tier III projects.

1.1.1 General Projects

While most of URCA's regulatory work relates to a specific regulated sector, URCA is continuously seeking ways to achieve economies that can be realised through harmonised approaches between regulated sectors, reflected in regulatory measures that have "General" applicability to multiple regulated sectors. URCA's organisational initiatives, including its Annual Report and Annual Plan, also fall into this "General" category.

During 2020, URCA worked on the following General projects:

Tier I Projects

Review of Consumer Protection Regulations

In December 2019, URCA published its review of the Consumer Protection Regulations (CPR) for public consultation. The review of the CPR sought to incorporate necessary provisions for the Electricity Sector while reviewing the provisions for the ECS. The stakeholder responses to the proposed revised regulations led URCA to reconsider its approach of a single CPR document to facilitate both the ECS and ES. In 2020, URCA published an explanatory statement indicating its intention to develop regulations specific to the ES and defer the review of the provisions of the CPR for the ECS to a date to be determined. On 9 December 2020, URCA published its Statement of Results (SoR) and CPR (ES 12/2020) for the Electricity Sector.

URCA Organisational Performance Indexes – Phase 1

In 2020, URCA committed to initiating the phased implementation of its Organisational Performance Indexes (OPIs) as an initial step toward the achievement of URCA's strategic objective to establish more appropriate and meaningful methods of measuring its performance. URCA has completed the OPI Implementation Plan which was approved by the Board earlier this year. As a result, URCA anticipates initiating a phased implementation in 2021, with full implementation scheduled for 2022. URCA will also publish its Final Decision and Statement of Results on the Addendum to the *Market Information Reporting Requirements for Specified Licensees in the Electronic Communications Sector* (ECS 16/2020).

Market and Consumer Satisfaction Surveys

In 2020, URCA intended to address what is considered a lack of adequate information about stakeholder sentiments and behaviours within the regulated sectors. The inadequacy is described as a significant hindrance to URCA's regulatory effectiveness. URCA intended to commission surveys to begin the assessment of markets in the ES and ECS during 2020. However, the COVID-19 pandemic made it difficult for the planning and execution of surveys. This Tier I project is now scheduled to begin in 2021, with completion anticipated in 2022.

1.1.2 Electronic Communications Sector (ECS) Projects

In 2020, URCA continued its strategic approach to achieving its ECS policy objectives and regulatory priorities. Ordinarily, Tier I and Tier II projects inform URCA's primary areas of concentration in its efforts to provide consistent and sustainable growth in the sector. Having embarked on the tiered, structured approach to project prioritisation and execution, URCA ensured that intentional focus and required resources supported the commitment to complete its priority projects in 2020. Notwithstanding the established work plan agenda and the allocated resources, the COVID-19 pandemic forced a re-ordering of priorities. URCA's primary concentration shifted to completion of its carryover Tier I and Tier II projects scheduled for completion in 2020 while periodically assessing its ability to initiate new projects earmarked for 2020. The decision was ultimately taken to defer ALL new projects planned for 2020 to 2021. A brief discussion of URCA's achievements against the carryover 2020 Tier I and Tier II Projects is set out below:

2020 Tier I and Tier II Projects

The following projects were designated as Tier I and Tier II projects for 2020; however, the COVID-19 health and safety protocols prevented the execution of the projects and led to the reorganization of the 2020 workplan. The projects were deferred to 2021 as carryover projects in Tiers I and II and are outlined in greater detail in the relevant section of this report.

- Universal Service Framework Review
- Framework for Public Service Broadcasting
- ECS Market Surveys (Pay TV and FM Broadcasting)
- Monitoring and Compliance
- Market Review – Fixed Services (incl. Pay TV)
- ICTs for Persons with Disabilities

Projects Carried Over from 2019

Review of ECS Policy

In compliance with section 6 of the Comms Act, URCA drafted the revised Sector Policy for the Minister's publication in the Gazette. The revised Sector Policy sets out the strategic aims of the Government for the achievement of the electronic communications policy objectives outlined in section 4 of the Comms Act. The Minister with responsibility for the ECS, published the Sector Policy in the Gazette on 19 March 2020. URCA published the document on its website on 17 June 2020.

National Spectrum Plan

On 20 March 2020, in fulfilment of the requirements set out in Part V of the Comms Act, URCA published the National Spectrum Plan (2020-2023) (the "Spectrum Plan"). The Spectrum Plan pertains to the use of all wireless communication systems and devices in The Bahamas. The Plan addresses the regulatory, technical, financial, and geographical elements that must be taken into consideration to effectively allocate, plan, price, authorise, and monitor and enforce the use of radio spectrum in The Bahamas per the policy objectives of the Comms Act.

Review of Consumer Protection Regulations

On 30 December 2013, URCA issued its Consumer Protection Regulations (the Regulations), which were aimed at ensuring that consumers of electronic communications services in The Bahamas benefited from the highest possible standards of service provided by Licensees. The Regulations were designed to provide consumers with clear guidelines regarding the way they should expect to be treated by service providers and what consumers should do in cases where the providers did not meet certain expectations. In 2019, URCA decided to undertake a review of the Regulations to include provisions relating to the electricity sector. On 14 February 2020, URCA published and initiated its public consultation process on the Consumer Protection (Amendment) Regulations - URCA 01/2020. Responses to the consultation were received on 29 May 2020. Upon review, URCA decided that amendments to the electronic communications sector were not necessary and focused primarily on the development of regulations relative to the electricity sector.

ICTs for Disaster Preparedness and Management

In 2019, Hurricane Dorian was a sobering reminder of the devastating consequences natural disasters could have on a country's infrastructure. It reinforced the need for regulatory measures that will encourage the establishment of a more robust and resilient telecommunications infrastructure throughout the archipelago. In 2020, the major telecommunications licensees continued investing in the rebuilding and

restoration of their infrastructure on Abaco and Grand Bahama, the islands hardest hit by the storm. While significant progress has been made with the greater percentage of residents having access to telecommunications services, URCA and its key stakeholders continued its efforts in 2020 to complete the work on Disaster Management Regulations with emphasis on, inter alia, infrastructure strengthening, and resilience. On 11 December 2020, URCA, having consulted with key Public Sector Disaster Management Agencies, industry stakeholders, and the public, published the Statement of Results and Disaster Management Regulations as ECS 17/2020 and ECS 18/2020, respectively.

Review of Wholesale Internet Access

On 8 September 2020, URCA published its Final Determination on its Review of Wholesale Broadband Access Services as ECS 13/2020. The review concentrated on the competition dynamics in the wholesale internet access services markets in The Bahamas, more specifically the Wholesale Fixed Access (WFA) and the Wholesale Broadband Access (WBA) services. URCA's review determined that Dedicated Internet Access (DIA) is a wholesale product required by Other Licensed Operators (OLOs) as part of the WBA market. URCA imposed regulatory obligations on the wholesale Dedicated Internet Access (DIA) services provided by BTC and CBL up to a Point of Presence which the OLOs then use to provide retail broadband services to customers. The wholesale prices charged by BTC and CBL to the OLOs will now be subject to cost-based regulation.

Review of Broadcasting Content Code

On 17 August 2020, URCA published its revised Code of Practice for Content Regulation as ECS 08/2020. The review addressed three areas of the Code: Political Broadcasts, Advertising, and Complaints Handling. In 2018, URCA began its review of the Code, informed by the delayed closure of polls during the 2017 General Elections, the legalisation of gaming in The Bahamas, and stakeholder feedback on the complaints handling process. URCA engaged the Content Regulation Industry Group (CRIG) and other key stakeholders in the consultation process and subsequently sought external legal opinion on potential challenges to the constitutionality of proposed amendments to the gaming provisions of the Code. The revised changes include, inter alia, an amendment to section 7.9.1 of the gaming provisions, which introduces a broadcasting watershed period for gaming advertising as a measure to protect under-aged children from exposure to potential harm.

Market Review of Mobile Services

In 2020, URCA began work on its first Market Review of Mobile Services since the liberalisation of the market in 2016. However, the review required market information that could only be sourced through survey reports that could not be executed during 2020 as a result of the COVID-19 Pandemic. This review will include examining the wholesale market for call origination and termination and reviewing whether any of the mobile operators have Significant Market Power. This workstream is scheduled to continue in 2021 as a Tier 1 project.

Review of Interconnection Rates

On 10 June 2020, URCA published an Addendum to its Final Determination on its Review of Wholesale Fixed and Mobile Termination Rates for SMP Licensees (ECS 74/2019) as ECS 05/2020. It completed the review that sought to identify a more efficient method of determining fixed and mobile termination rates. The Final Determination established a three-year glide path based on benchmarking for determining fixed and mobile termination rates. The addendum established URCA's position on a Long Run Incremental Cost (LRIC) model to more efficiently determine fixed termination rates and the use of benchmarking to determine mobile termination rates.

Framework for Internet Exchange Points in The Bahamas

On 21 August 2020, URCA published its Statement of Results and Final Decision on the Framework for Establishing Internet Exchange Points (IXPs) in The Bahamas as ECS 11/2020. This priority objective of the revised Sector Policy paves the way for the continued expansion of the telecommunications sector. IXPs can serve multiple purposes, including the establishment of an Internet Exchange (IX) to further the growth and development of the telecommunications sector. Also, IXPs can facilitate the exchange of local traffic, inspire the creation of a local content industry, and assist in attracting international business to the country. It is also considered a support infrastructure for the Government's objective of transforming Grand Bahama into a Technology Hub.

1.1.3 Electricity Sector (ES) Projects

The Utilities and Energy (UE) department's primary focus for the year 2020 was to continue its efforts to enact regulations to enhance licensee accountability, access to renewable energy, and consumer protection. However, the pandemic has resulted in significant changes to the UE department's filed 2020 work plan and procedures. In this regard, URCA had to reprioritize scheduled projects due to the shifting demands brought

on by the various COVID-19 mitigation measures. Fortunately, several opportunity projects were spawned by the COVID-19 mitigation measures, which have boded well for all stakeholders as we continue to traverse this uncharted territory.

In addition to the above, the UE department was called upon to assist the sector by evaluating and consulting with various stakeholders on financing initiatives such as the evaluation of a rate reduction bond, fuel hedging, and billing options. These measures were advanced in an effort to finance maintenance and efficiency upgrades, leverage current market fuel prices, and to dampen the economic shocks emanating from the local and global responses to the ongoing pandemic. These matters and the completed projects are expounded on in greater detail below.

Tier I Projects

Framework for the Procurement of Power Generation Resources

On 15 July 2020, URCA published its Procurement Regulations for Electricity Licensees, 2020. These Regulations were issued in pursuance of URCA's obligations under the Electricity Act, 2015 (EA), specifically section 38 (1)(c).

The Regulations established the framework for procurement by licensees of generation resources, transmission, distribution, storage, and supply assets and services to ensure compliance with economic purchasing obligations under each licensee's respective licence. Further, the Regulations seek to ensure a consistent, efficient, fair, and transparent approach in the economic acquisition of goods, work, and services by licensees in the Electricity Sector. The minimum set of rules contained in the Regulations are aimed at engendering trust in the procurement process resulting in the best economic outcome.

The Procurement Regulations apply to licensees, where the value of goods, services, and works to be procured is B\$500,000 or more or generation capacity is at least 1MW. Licensees are required to implement procurement rules within 60 days of the entry into force of the Procurement Regulations or within 60 days of issuance of the relevant licence if obtained post the coming into force of the Procurement Regulations.

The Procurement Regulations were published on URCA's website along with URCA's Statement of Results and Final Decision, as ES 07/2020 and ES 06/2020, respectively.

Renewable Energy Self Generation (RESG) Launch

In 2019, based on the critical importance of renewable energy integration and the identified demand for larger renewable energy installations than those accommodated by the SSRG programme, URCA sought to introduce opportunities for increased participation in renewable energy generation in The Bahamas. The RESG project work commenced in September 2019 as a Tier II project and was carried over into 2020 as a Tier I initiative.

On 10 March 2020, URCA issued its Statement of Results and Final Decision on Guidelines for the Approval of Renewable Energy Self Generation Projects, ES 03/2020, which in accordance with the requirement of section 28 of the Electricity Act, provides for the Government and small commercial or business enterprises to self-generate using renewable energy technologies. The generation capacity range afforded to RESG participants spans from 100kW to 1MW.

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.

In this regard, URCA commenced work in 2019 to comply with the said statutory requirement. A consultation document was published in T2, 2019; however, based on the feedback to that document, a decision was made to revise the consultation document and start the process afresh. The revised consultation document has been drafted; however, due to competing resources, the advancement of this work has been rescheduled to T1 2021 as a Tier I initiative.

Fuel Charge Cost Recovery Regulation

As stated in the 2020 Annual Plan, URCA considers it necessary to ensure that there is clear regulatory oversight of the fuel charge approach wherever it is employed in The Bahamas. Therefore, URCA had proposed to develop a comprehensive methodology for the derivation and application of Fuel Charges within the sector as a Tier I project for 2020. Unfortunately, the vagaries of 2020 resulted in a diversion, which resulted in URCA providing some consultation advice with regard to the Fuel Charge as the

Government and BPL had to adapt to address electricity supply affordability rapidly and, by extension, accessibility in the height of the pandemic.

On 17 April 2020, BPL made a presentation to URCA on a proposed hedging initiative that they were considering in an effort to capitalize on the then relatively low market price for the fuels utilized for power production. The presentation addressed their proposed policy, methodology, and anticipated targets. URCA notes that while the authority to approve the composition of the Fuel Adjustment Charge (FAC) and other tariff-related matters ordinarily falls within the purview of energy sector regulators, URCA is statute-barred from doing so with regard to BPL until 2021 by virtue of a tariff holiday enacted by section 20 of the EA.

Notwithstanding the above, URCA was consulted on the hedging initiative and subsequent FAC amendments, and its advice is considered to have been fairly persuasive as signified by the substantial adoption of the technical and economic recommendations provided. BPL announced the commencement of its hedging program in July 2020, which was accompanied by the application of the targeted FAC to its billings.

URCA is proposing to revisit the original intent of this project as a Tier II project in 2021, given that the need remains to ensure that the Fuel Charge mechanism utilised by all licensees:-

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

ES Licensee Data Reporting and Performance Monitoring

As it is important that URCA effectively monitors and evaluates Licensees' performance, the captioned project was undertaken in 2020 to provide the framework for the collection, recording, analysis, and reporting of the metrics necessary for comparing and tracking the performance of the sector's service providers.

From a regulatory standpoint, URCA's goal is to incentivize a PESL to improve its performance relative to operational, dynamic, and consumption efficiencies, as well as other policy objectives.³ Accordingly, it is important that URCA effectively monitor and evaluate a PESL's performance. In general, the recommended indicators will serve as a tool for:

- establishing baseline indicators of a PESL's performance;
- monitoring a PESL's performance over time;
- assessing a PESL's performance against other electric utilities in The Bahamas and overseas; and
- providing the framework for a PESL to report to URCA in respect of its performance.

On 15 July 2020, URCA issued the Statement of Results and Final Decision, ES 06/2020, and the Public Electricity Supply Licensees Reporting Obligations Procedures and Guidelines, ES 07/2020, in relation to the captioned matter.

Tier II Projects

The following projects were designated as Tier II projects for 2020; however, due to the reorganization of the 2020 Workplan to accommodate the immediate needs arising as a result of the pandemic, the opportunity did not present to address any of them fully. In this regard, a few of the 2020 projects have been carried over and elevated to 2021 Tier I projects and are outlined in greater detail in the relevant section of this report.

- Framework for Public Electricity Supplier Inspections
- Efficiency Audit (BPL) & Tool Development
- Tariff Studies & Setting Procedures
- SSRG Advancement Program
- Promotion of Energy Efficiency and Conservation

³ Based on http://mitei.mit.edu/system/files/Electric_Grid_8_UTILITY_Regulation.pdf

Other 2020 ES Projects

Rate Reduction Bond

In late 2019, Bahamas Power and Light (BPL) and the Government of The Bahamas proposed a bond offering to provide the funding required to address legacy debt and capitalization for the Government-owned power utility. In this regard, in January 2020, a compendium of Rate Reduction Bond (RRB) documents were submitted for URCA's regulatory review and possible approvals. The UE Department was given and successfully met an aggressive timeline in which to turnaround its assessment of the RRB documents, which included the Rate Reduction Bond legislation and the proposed Bond Fee calculation methodology.

It is noted that the bond offering was subsequently delayed due to the onset of the unfavourable prevailing economic conditions as a result of the Coronavirus pandemic. Further, as these conditions have materially changed the technical and economic dynamics of the electricity sector, it is anticipated that the advice given in January 2020 may be dated and should be revisited prior to any restart of this initiative.

Consumer Protection Regulations for the Electricity Sector in The Bahamas

On 9 December 2020, URCA published the "Consumer Protection Regulations for the Electricity Sector in The Bahamas" (ES 13/2020). The Licensees and Consumers in the ES are to be guided by these regulations and the procedures established therein. The main objectives of the Regulations include, but are not limited to, the following:

- to provide guidelines relating to specific practices of the mentioned licensees, including contract terms, billings and complaints handling;
- outline the obligations and responsibilities that are conferred on Consumers when utilising electricity supply services provided by licensees; and
- establish a series of reporting requirements on the licensees so that URCA can survey the effectiveness of the ES CPR when implemented and take appropriate action to address any deficiencies consequential to their application in the ES.

URCA will revise the Consumer Protection Regulations for the Electricity Sector from time to time, consequential to industry experiences, developing law, best practices, and any changes to URCA's powers and responsibilities.

Cost-Based Pricing for Renewable Energy Generation Projects

In keeping with its plan to establish appropriate methodologies to economically calculate the fair price point for renewable energy under the RESG and SSRG programs, URCA accepted the Inter-America Development Bank's (IDB) offer for technical assistance with the development of the same. The primary objective of the IDB's assistance, based on the Terms of Reference developed in consultation with URCA, was to provide support to the Electricity Regulator of The Bahamas with the determination of the real costs for the installations of distributed generation in the Bahamas.

In this regard, the development of the Levelized Cost of Electricity (LCOE) financial calculator tool development started in earnest in January 2020, and the tool was operationalized in September 2020. The UE Department envisions utilizing the tool to revisit the compensation schemes in the renewable energy programs and determine the fair economic price that will incentivize the desired participation of renewable energy generation.

Tariff Review Framework & Tariff Setting Procedures

In accordance with the EA, URCA may develop and enforce regulation and conditions with respect to rates, tariffs and other charges for the provision of utility services in the ES.

In 2020, having regard to among other things, the end of BPL's rate holiday as set out in the EA, URCA began to prepare a proposed framework that would outline the principles, methodologies and procedures that URCA proposes to use in the rate-setting exercise and to elicit comments and inputs from all stakeholders.

The objectives of the Tariff Review function include the protection of consumers from more than necessary so that they pay only that which is a fair, just, and reasonable amount for the services they receive and commodities they consume; and ensuring that utility providers charge only that which is necessary and to receive a fair rate of return on their investment.

URCA published the consultation document for the proposed tariff review framework in March 2021.

1.2 International Participation and Engagement

In 2020, URCA continued its obligation as the Bahamas' representative on the Council of the ITU and the Executive Committee of CITEL. The recruitment of the International Relations Officer (IRO) in 2019 provided a level of continuity following the departure of the former CEO who led URCA's international work. In 2020, the IRO was elected as Vice-Chair of the ITU Working Group on Human Resources, a significant achievement for The Bahamas. The IRO was also instrumental in drafting The Bahamas' contribution on the expansion and availability of ITU Fellowships to Small Island Developing States (SIDs), which was adopted by the ITU and will benefit developing countries in the future.

This year, the international work shifted to the virtual platform, and URCA continued its participation. Virtual engagement is expected to remain the approach to meetings and conferences for the ITU and CITEL for at least the first six months of 2021, thereby reducing URCA's financial requirement to fulfil the obligations.

In 2020, URCA also continued its commitment to collaborating and engaging with its regional regulatory counterparts, participating in virtual meetings and events organized by the Caribbean Telecommunications Union (CTU) and the Organization of Caribbean Utilities Regulators (OOCUR).

URCA is currently developing, and in 2021 will implement, a revised approach to the execution of its international work. While the IRO remains a key contributor, URCA's Board recently approved the creation of an International/Government Relations team that will receive occasional support from other ECS and ES team members to more effectively manage the international obligations across the two sectors.

1.3 Building Regulatory Capacity and Human Capital

In 2020, URCA committed to implementing a more intentional approach to developing its Human Resource capital with an emphasis on improving its regulatory capacity. However, the events of the past year resulted in the delay and subsequent deferral of the project to 2021.

URCA recognises that its people are its most valuable resource, and the high turnover of regulatory staff does not augur well for the sustainable growth and development of the regulator with the capacity to provide the regulatory expertise required for both sectors in a rapidly evolving era. The need to create and retain highly qualified, professional career regulators is vitally important to URCA's strategic vision of becoming "a globally respected regulator" and a champion for its regulated sectors and the people of The Bahamas.

In its 2020 Annual Plan, URCA emphasized the importance of investment in its human resource capital to its ability to achieve the organization’s mission of *“improving lives through effective utilities regulation”*. That ideal informs the organisation’s intentional decision to invest in the development of its people and build the regulatory capacity while improving the skills of employees across the organization. URCA will continue to build and strengthen its workforce to ensure that all departments are adequately resourced with competent team members to assist the organization in achieving its mandate.

Creating an environment that is conducive to productivity and the delivery of consistently high-quality work demands a culture that supports and facilitates this aspiration. In 2020, URCA continued its work toward transforming the organisational culture. In 2021, the organisation will focus on the implementation of the new culture code to ensure that the organisation’s core values, vision, and mission are reflected in a qualified, competent, highly motivated, and respected team thriving in a new evolving environment.

The organisation remains committed to Learning and Development as a fundamental pillar to its continued evolution. Work on the establishment of the framework and curriculum are priority agenda issues in 2021. In order to achieve a high level of organisational performance and retain quality team members, capacity building is critical. The new learning and development concept allows for a more strategic approach towards employee development with a view to significantly improving the capacity and career prospects of employees.

1.4 Educating and Supporting our Stakeholders

In 2020, URCA anticipated the continued expansion of its consumer education initiative. The renewed and expanded focus was supported by the engagement of a Consumer Education Officer. URCA intended to increase emphasis on Family Island Pop-Up offices and other public engagements such as town meetings and focus group sessions while improving its online digital presence. Despite the COVID-19 pandemic, URCA remained committed to creating more enlightened consumers. After the launch of its Family Island initiative in Eleuthera and the successful hosting of the second Regulatory Forum for Senior and Technical Public Officers, URCA revised its communications strategy, diverting ALL of its public and stakeholder engagements to the virtual environment.

Regulatory Forum for Senior and Technical Public Officers

Building on the success of the Regulatory Basics Forum launched in 2019, the Public Utility Research Centre of the University of Florida (PURC) facilitated the February 2020 session that exposed another group of public and private sector officials to the regulatory process. More than 30 senior public and private sector officials participated. The general feedback highlighted the need for similar sessions in the future. URCA is committed to resuming this initiative once conditions allow.

Pop-Up Office and Focus Groups

In 2020, URCA fully intended to continue its initiative to provide increased focus to stakeholders on Grand Bahama and the Family Islands. URCA intended to build on its 2019 Pop-Up Office and Town Meeting concept to involve additional islands. However, URCA was only able to execute its Pop-Up Office on two islands, Eleuthera and Grand Bahama, prior to the interruption by the COVID-19 pandemic.

One highlight of the Grand Bahama visit was a special “URCA Connect” activity, affording URCA the opportunity to expand its engagement opportunity with consumers.

URCA’s Digital Engagements

As part of its response to the pandemic restrictions, URCA organized two webinars dedicated to enlightening the public on its regulatory work in the Electronic Communications and Electricity sectors. The sessions provided a brief synopsis of URCA’s role in national development through the regulation of the sectors and gave participants the opportunity to engage with URCA representatives on issues of concern.

URCA also moved its annual observance of the ITU’s International Girls in ICT Day and URCA’s Oral Hearing to the virtual platform. Both events realized increased participation. URCA used the virtual platform to host its first “ICT Basics for Seniors” in observance of International Day of Older Persons, attracting more than 200 seniors. Presenters addressed such topics as e-Health, online banking, e-Government Services, Social Media, and ICT basics. URCA plans to host the event in 2021. Finally, URCA hosted a cyber-security webinar engaging national cyber-security experts to share on this vital topic in a rapidly emerging digital world. In 2021, URCA digital platforms will become an integral aspect of its public awareness campaign.

Other Activities

While URCA did not engage in many of its usual Community Outreach Activities in 2020, of note is URCA’s partnership with the ITU to bring relief through mobile telecommunications services to hundreds of

displaced residents, students, and relief workers following the devastation inflicted by hurricane Dorian in 2019. The ITU and URCA committed matching funds to provide services to affected residents and members of the non-governmental organizations (NGOs) on the islands assisting with the rebuilding efforts. In partnership with the major telecommunications service providers, URCA was also able to support families on Abaco and Grand Bahama with internet-connected devices to assist school students with access to online learning.

1.5 Legal Matters

In accordance with its mandate, URCA's Legal Department advised on various matters of legal significance during 2020 and assisted with URCA's compliance in the discharge of its statutory obligations and regulatory functions relative to the ECS and the ES. The Legal Department continues its oversight of URCA's litigation, engaging with and managing external counsel. The Legal Department also lends salient support in building and fostering an effective and efficient regulatory business environment.

Oversight of Litigation

The Legal Department had carriage of two (2) significant Supreme Court litigation matters in 2019, as follows:

- *Cable Bahamas Ltd.(CBL) v URCA; and*
- *Grand Bahama Power Company Ltd. (GBPC) v URCA;*

The trial for the Grand Bahama Power Company matter was scheduled for March 2020. However, the national restrictions and corresponding health protocols affected the court's ability to facilitate the trial. Consequential to the impact of the Covid-19 pandemic, the trial was postponed. The CBL matter is also pending, and it is anticipated that the trial will follow the GBPC matter. Both matters, which commenced in 2016, remain of significant importance to URCA as the legally established regulator of electronic communications, and utilities, and energy in The Bahamas. The Communications Act and the Electricity Act empowers URCA with the statutory and regulatory mandate to regulate both sectors. The ongoing litigation of these matters continues to challenge URCA's legal jurisdiction to regulate electronic communications and electricity in the Freeport/Lucaya areas of Grand Bahama. The resolution of these matters is essential to URCA's ability to fully comply with its sector-specific legislation and serve the interests of stakeholders

across the archipelago. Protecting the interest of residents in every settlement on every island of The Bahamas, inclusive of Grand Bahama, remains a paramount mandate and objective of URCA.

Advisory and Facilitative Functions

Appropriate and relevant legal advice is absolutely necessary as URCA executes its regular operations and regulatory functions. The Legal Department remains vital to URCA's normal operations functions and its corporate governance. During 2020, the department continued to provide the internal legal support required while facilitating the execution of contracts and management and maintenance of the contracts register. The department also continued its provision of legal advice and operations support to the ECS and ES teams.

Risk Management

Risk Management is a key function of organizational governance and is vital to the health and effectiveness of the organization. Identification and mitigation of risks are fundamental to URCA's ability to effectively and proficiently execute its regulatory and operations functions in its pursuit of achieving its mission of *"improving lives through effective utilities regulation"*. URCA's Risk Management Program continues to evolve with regular reviews of existing and implementation of new mitigation strategies. The process is committed to the consistent achievement of mitigation milestones across both sectors and in the operations areas.

In 2021, both sectors are committed to enhancing their Monitoring and Compliance processes. The sectors will embark on Monitoring and Compliance projects to establish guidelines that will strengthen the existing ex-ante and ex-post approach to compliance without the imposition of any additional burdensome requirement on licensees. It will assist both sectors in measuring impact and achieving licensee compliance with established regulations.

The General Counsel's dedicated oversight of this key initiative is incrementally yielding the anticipated organizational improvement results reflective of a culture committed to good governance.

1.6 Summary of 2020 Outcomes

URCA performance in respect of Tier I and Tier II projects in the 2019 Annual Plan is set out in Table 1 and Table 2 below.

Table 1 - Performance, 2019 Tier I Projects

Project	Start Period	End Period (2020 Annual Plan)	Status as of 21 December 2020
General Projects			
Review of Consumer Protection Regulations	T2, 2018	T3, 2020	Completed
Implementation of URCA Organisational Performance Indexes	T2, 2020	T, 2022	Ongoing
Draft Annual Plan 2020	T3, 2020	T3, 2020	Completed 21 December 2020
Electronic Communications Sector Projects			
ICTs for Disaster Preparedness and Management	T1, 2017	T3, 2020	Completed 11 December 2020
Review of ECS Policy	T1, 2017	T1, 2020	Completed 17 June 2020
Project	Start Period	End Period (2020 Annual Plan)	Status as of 21 December 2020

National Spectrum Plan	T1, 2019	T1, 2020	Completed 20 March 2020
Review of Wholesale Internet Access	T1, 2018	T3, 2020	Completed 8 September 2020
Review of Broadcasting Content Code	T2, 2018	T2, 2020	Completed 17 August 2020
Market Review – Mobile Services	T1, 2019		Carryover to T3, 2021
Addendum to Review of Interconnection Rates –Proposed Cost Model	T1, 2019	T2, 2020	Completed 10 June 2020
Electricity Sector Projects			
SSRG Advancement Program	T1, 2018	Ongoing	Ongoing.
Promotion of Energy Efficiency and Conservation	T2, 2019	Ongoing	Ongoing.
Framework for the Procurement of Power Generation Resources	T1, 2019	T3, 2019	Completed 15 July 2020
Establishment of ADR Scheme(s) for the ES	T1, 2019	T2, 2019	Carryover to T1, 2021.
Review of BPL Fuel Charge 2018	T2, 2019	T3, 2019	Completed May 2020

Table 2 - Performance, 2019 Tier II Projects

Project	Start Period	End Period	Status as of 21 December 2020
General Projects			
Market Surveys	T3, 2018		Scheduled for 2021 as Tier I.
Electronic Communications Sector Projects			
Framework for Internet Exchange Points (IXP) for The Bahamas	T1, 2018	T2, 2020	Completed 21 August 2020
ICTs for Persons with Disabilities	T2, 2018		Rescheduled for 2021 as Tier 2.
Review of Project – Market Reviews Implementation of Price Caps	T1, 2019	T3, 2019	Completed
Framework for Public Service Broadcasting	T1, 2019		Rescheduled for 2021 as Tier I.
Market Review – Fixed Services (Incl. Pay TV)	T3, 2019	2022	Rescheduled to 2021.
Electricity Sector Proposals			
ES Licensee Data Reporting and Performance Monitoring	T2, 2019	T3, 2019	Completed 15 July 2020

Project	Start Period	End Period	Status as of 21 December 2020
Framework for Public Electricity Supplier Inspection	T2, 2019	T3, 2019	Rescheduled for 2021 as Tier 1

Table 3 below presents URCA's actual expenditure against its budgeted expenditure for 2020.

CONSOLIDATED			
Category	Actual FY- 2020	Budget FY- 2020	Inc/(Dec)
Revenue	5,763,230	6,518,351	(755,121)
Other income	451,547	-	451,547
Total Income	6,214,777	6,518,351	(303,574)
Expenses:			
Staff Costs	2,396,679	2,395,531	(1,148)
Non-Executive Compensation	177,607	206,613	29,006
Executive Compensation	538,652	528,543	(10,109)
Professional Services	702,451	857,000	154,549
Conference, training and travel	166,521	573,292	406,771
Premises Costs and Utilities	404,603	478,487	73,884
Conference hosting	35,466	20,890	(14,576)
Consumer education and Public Relations	109,918	320,250	210,332
Office Services	150,431	323,505	173,074
Information Technology	137,449	173,326	35,877
General and Administrative Expenses	304,925	329,251	24,326
Provision for doubtful accounts	231,910	20,000	(211,910)
Depreciation	392,267	304,814	(87,453)
Total Operating Expenses	5,748,879	6,531,502	782,623
Gain on sale of property, plant and equipment	18,776	-	18,776
Re-measurement of pension asset	47,683	-	47,683
Comprehensive Income	532,357	(13,151)	545,508
Capital Expenditure	74,507	758,000	683,493

ELECTRONIC COMMUNICATIONS

Category	Actual FY- 2020	Budget FY- 2020	Variance
Revenue	3,934,387	4,340,205	(405,818)
Other income	55,841	-	55,841
Total Income	3,990,228	4,340,205	(349,977)
Expenses:			
Staff Costs	1,250,223	1,433,089	182,867
Non-Executive Compensation	142,086	123,968	(18,118)
Executive Compensation	225,934	256,506	30,572
Professional Services	350,595	746,750	396,155
Conference, training and travel	103,019	388,251	285,232
Premises Costs and Utilities	286,388	311,016	24,628
Conference hosting	24,826	10,345	(14,481)
Consumer education and Public Relations	52,524	160,125	107,601
Office Services	112,823	249,629	136,806
Information Technology	109,892	121,328	11,436
General and Administrative Expenses	253,274	273,088	19,814
Provision for doubtful accounts	48,837	15,000	(33,837)
Depreciation	324,927	250,595	(74,332)
Total Operating Expenses	3,285,347	4,339,690	1,054,343
Gain on sale of property, plant and equipment	15,926	-	15,926
Re-measurement of pension asset	33,378	-	33,378
Comprehensive Income	754,185	515	753,670
Capital Expenditure	52,155	577,660	525,505

UTILITIES AND ENERGY

Category	Actual FY- 2020	Budget FY- 2020	Variance
Revenue	1,828,843	2,178,146	(349,303)
Other income	395,706	-	395,706
Total Income	2,224,549	2,178,146	46,403
Expenses:			
Staff Costs	1,146,456	962,442	(184,015)
Non-Executive Compensation	35,521	82,645	47,124
Executive Compensation	312,718	272,037	(40,681)
Professional Services	351,856	110,250	(241,606)
Conference, training and travel	63,502	185,041	121,539
Premises Costs and Utilities	118,215	167,471	49,256
Conference hosting	10,640	10,545	(95)
Consumer education and Public Relations	57,394	160,125	102,731
Office Services	37,608	73,876	36,268
Information Technology	27,557	51,998	24,441
General and Administrative Expenses	51,651	56,163	4,512
Provision for doubtful accounts	183,073	5,000	(178,073)
Depreciation	67,340	54,219	(13,121)
Total Operating Expenses	2,463,532	2,191,812	(271,720)
Gain on sale of property, plant and equipment	2,850	-	2,850
Re-measurement of pension asset	14,305	-	14,305
Comprehensive Loss	(221,828)	(13,666)	(208,162)
Capital Expenditure	22,352	101,940	79,588

Key Performance Indicators

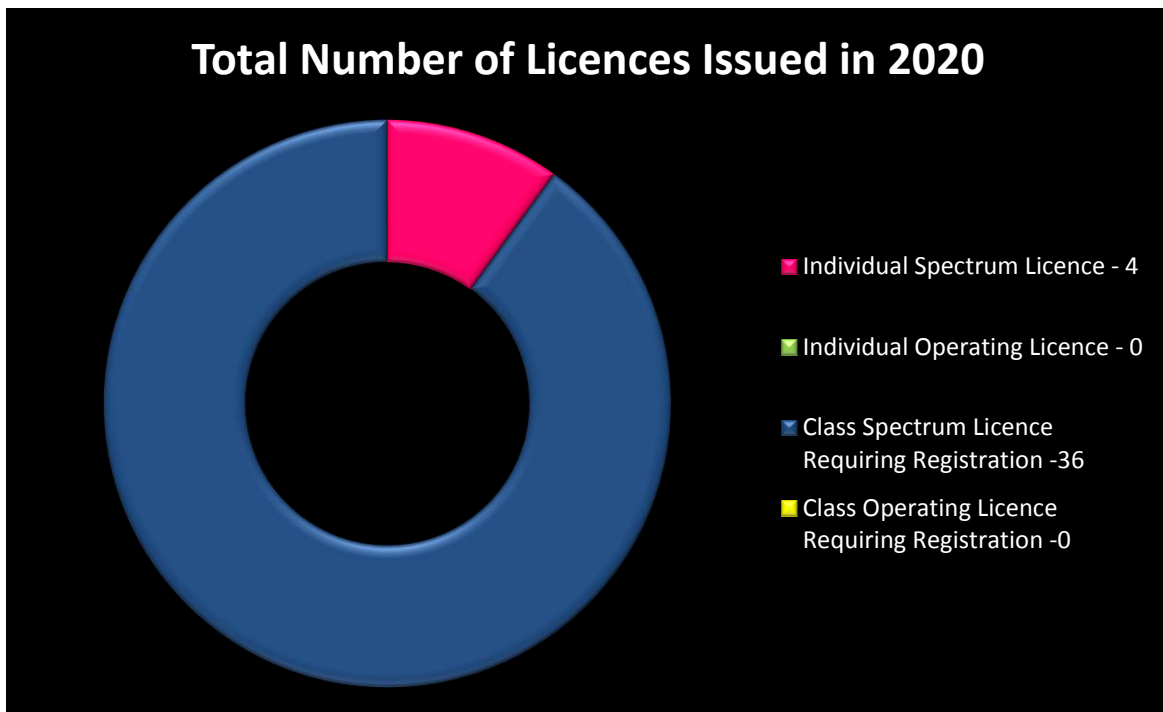
Table 4

Ref.	Category	Description	KPI Result 2020
S1	Statutory	Draft Annual Plan and Strategy published before end of financial year	Draft Annual Plan 2020 published on 24 December
S2	Statutory	Annual Report and final Annual Plan published within four months of year end	Annual Report 2018 and Annual Plan 2019 published on 30 April 2019
R1	Regulatory	Final determinations to be published within one (1) month from closing date for comments on Preliminary Determination	R1 (a) 6 R1 (b) 1
R2	Regulatory	Percentage of public consultations started within period stated in Annual Plan	R1 (a) 60% R1 (b) 33.3%
R3	Regulatory	Time to publish results, decisions, and other regulatory measures after close of consultation: <ul style="list-style-type: none"> ☐ 45 – 60 days ☐ 60 – 90 days • >90 days 	R1 (a) R1 (b) 2 2 1 1 3 1
R4	Regulatory	Licenses issued within: <ul style="list-style-type: none"> • 30 days – individual licences • 45 days – class licences 	R1 (a) R1(b) 4 36
R5	Regulatory	Volume of licences processed in the year	R1 (a) R1 (b) 40 3
CR1	Consumer Relations	No of Complaints	75
CR2	Consumer Relations	Percentage of Complaints Resolved	81.33%
CR3	Consumer Relations	Average time taken to resolve complaints	18 days
F1	Finance	Cost of Finance (% of Opex)*	6.8%

Ref.	Category	Description	KPI Result 2018
F2	Finance	Period end Cycle time (Working days)*	35
F3	Finance	Year end Cycle time	24
F4	Finance	Budgeting Accuracy *	25.66%
F5	Finance	Cost of license invoice	\$135.56
F6	Finance	Debtor Days	60.4
F7	Finance	Number of Adjustments	1
F8	Finance	Value of Adjustments	\$262,277
F9	Finance	Long outstanding Debt	100%
HR1	Human Resources	Cost of HR function (as a % of total operating expenses)	6.42%
HR2	Human Resources	Cost of HR function per employee	\$12,100.80
HR3	Human Resources	Ratio of employee to HR staff	10:1
HR4	Human Resources	Annual average learning and development days per employee	9.0
HR5	Human Resources	Turnover rate	9.8%
HR6	Human Resources	Annual average sick days per employee	1.8
HR7	Human Resources	Investment in learning and development as a % of payroll	1.6%
HR8	Human Resources	Cost of advisors as a % of total payroll	12.5%

Ref.	Category	Description	KPI Result 2019
HR9	Human Resources	% of roles held by permanent employees	92%
HR10	Human Resources	Average length of vacancy	180
HR11	Human Resources	Average cost of recruitment per vacancy	\$9349.47
HR12	Human Resources	% of new employees still in their post after 12 months of service	100.0%
HR13	Human Resources	% of eligible employees receiving an annual performance appraisal	N/A*
IT1	Information Technology	Percentage of overall organizational cost spent on Information and Communication Technology support annually.	1.66%
IT2	Information Technology	Percentage of overall organizational cost invested in Information and Communication Technology annually (upgrades, new equipment etc.)	0.68%
IT3	Information Technology	The average dollar amount Invested in Information Communication and Technology per employee/user annually.	\$1,768.45
IT4	Information Technology	Percentage of employees with the ability to access URCA's network remotely when out of the office.	100%

Licence Type	Statutory Timeframe	Average Processing Timeframe	Total Licences Issued
Individual Spectrum Licence	30 days	6 days	4
Individual Operating Licence	30 days	0 days	0
Class Spectrum Licence Requiring Registration	45 days	days	36
Class Operating Licence Requiring Registration	45 days	20 days	0
Total Number of Licences Issues			40



In comparison to the previous year, there was notable decline in the amount of applications that were received and approved for the various types of electronic communications services. The main cause of this was the Covid 19 pandemic which halted normal business activities.

Table 5 Licences Statistics - ECS

Individual Spectrum Licence													
Month	Total Number of Application Forms Received	Total Number of Application Forms Processed within Thirty (30) days	Total Number of Application Forms Processed outside of Thirty (30) days	Total Number of Pending Application Forms Processed from previous month (s)	Total Number of Incomplete Application Forms Processed from previous month (s)	Total Number of Days Taken To Respond to Rejected Application	Processing Time [Days]	Average Processing Time [Days]	Target (Percentage % of Application Forms Processed in Thirty (30) Days	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
Application Forms brought forward from 2019										0			
Jan-20	2	2	0	0	0	0	14	7	100%	0	0	0	2
Feb-20	0	0	0	0	0	0	0	0	0%	0	0	0	0
Mar-20	0	0	0	0	0	0	0	0	0%	0	0	0	0
Apr-20	0	0	0	0	0	0	0	0	0%	0	0	0	0
May-20	1	0	0	0	0	0	0	0	0%	1	0	0	0
Jun-20	0	0	0	0	0	0	0	0	0%	0	0	0	0
Jul-20	1	1	0	0	0	0	2	2	100%	0	0	0	1
Aug-20	0	0	0	0	0	0	0	0	0%	0	0	0	0
Sep-20	1	0	0	0	0	0	16	16	100%	1	0	1	0
Oct-20	0	0	0	1	0	0	0	0	0	0%	0	0	1
Nov-20	0	0	0	0	0	0	0	0	0	0%	0	0	0
Dec-20	0	0	0	0	0	0	0	0	0	0%	0	0	0
TOTAL	5	3	0	1	0	0	32	6	100%	0	0	1	4

Class Spectrum Licence Requiring Registration

Month	Total Number of Application Forms Received	Total Number of Application Forms Processed within Forty Five (45) days	Total Number of Application Forms Processed outside of Forty Five (45) days	Total Number of Pending Application Forms Processed from previous month (s)	Total Number of Incomplete Application Forms Processed from previous month (s)	Total Number of Days Taken To Respond to Rejected Application	Processing Time [Days]	Average Processing Time [Days]	Target (Percentage % of Application Forms Processed in Forty Five (45) Days)	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
Application Forms brought forward from 2019										5			
Jan-20	11	2	0	4	0	0	129	22	100%	9	0	0	6
Feb-20	4	0	0	9	0	0	199	22	100%	4	0	0	9
Mar-20	2	1	0	4	0	0	118	24	100%	1	0	0	5
Apr-20	3	0	0	0	0	33	0	33	0%	3	0	1	0
May-20	0	0	0	0	0	0	0	0	0%	0	0	0	0
Jun-20	3	1	0	3	0	0	67	17	100%	2	0	0	4
Jul-20	6	0	0	2	0	0	43	22	100%	6	0	0	2
Aug-20	0	0	0	1	0	0	1	1	100%	0	0	0	1
Sep-20	1	0	0	0	0	0	0	0	0%	1	0	0	0
Oct-20	1	0	0	6	0	0	89	15	100%	1	0	0	6
Nov-20	1	0	0	1	0	0	29	29	100%	1	0	0	1
Dec-20	8	1	0	1	0	0	37	19	100%	7	0	0	2
TOTAL	40	5	0	31	0	33	712	20	100%	8	0	1	36

Individual Operating Licence													
Month	Total Number of Application Forms Received	Total Number of Application Forms Processed within Thirty (30) days	Total Number of Application Forms Processed outside of Thirty (30) days	Total Number of Pending Application Forms Processed from previous month (s)	Total Number of Incomplete Application Forms Processed from previous month (s)	Total Number of Days Taken To Respond to Rejected Application	Processing Time [Days]	Average Processing Time [Days]	Target (Percentage % of Application Forms Processed in Thirty (30) Days	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
Application Forms brought forward from 2019													
Jan-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Feb-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Mar-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Apr-20	0	0	0	0	0	0	0	0	0	0	0	0	0
May-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Jun-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Jul-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Aug-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Sep-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Oct-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Nov-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Dec-20	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0

Class Operating Licence Requiring Registration

Month	Total Number of Application Forms Received	Total Number of Application Forms Processed within Forty Five(45) days	Total Number of Application Forms Processed outside of Forty Five (45) days	Total Number of Pending Application Forms Processed from previous month (s)	Total Number of Incomplete Application Forms Processed from previous month (s)	Total Number of Days Taken To Respond to Rejected Application	Processing Time [Days]	Average Processing Time [Days]	Target (Percentage % of Application Forms Processed in Forty Five (45) Days	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
Application Forms brought forward from 2019													
Jan-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Feb-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Mar-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Apr-20	0	0	0	0	0	0	0	0	0	0	0	0	0
May-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Jun-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Jul-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Aug-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Sep-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Oct-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Nov-20	0	0	0	0	0	0	0	0	0	0	0	0	0
Dec-20	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0	0	0	0	0	0	0	0

AUDITED FINANCIAL REPORT

**THE UTILITIES REGULATION
AND COMPETITION AUTHORITY**

**Financial Statements For The
Year Ended 31 December 2020**

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

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Independent auditors' report

To the Board of Directors of The Utilities Regulation and Competition Authority

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Utilities Regulation and Competition Authority (the Authority) as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

What we have audited

The Authority's financial statements comprise:

- the statement of financial position as at 31 December 2020;
- the statement of income over expenditure and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management is responsible for the other information. The other information comprises all the information in The Utilities Regulation and Competition Authority 2020 Annual report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially

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misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those in charge of governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report, including the opinion, has been prepared for and only for the Authority in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

**Chartered Accountants
Nassau Bahamas**

30 April 2021

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

(Expressed in Bahamian dollars)

	Notes	2020	2019
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	\$ 4,536,659	\$ 4,854,641
Pension asset	4	<u>205,546</u>	<u>160,430</u>
Total non-current assets		<u>4,742,205</u>	<u>5,015,071</u>
CURRENT ASSETS:			
Cash on hand and at banks		1,884,459	1,985,488
Accounts receivable	3	486,149	281,922
Prepaid expenses and other assets		<u>694,377</u>	<u>514,749</u>
Total current assets		<u>3,064,985</u>	<u>2,782,159</u>
Total assets		<u>\$ 7,807,190</u>	<u>\$ 7,797,230</u>

(Continued)

The notes on pages 10 – 29 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020**

(Expressed in Bahamian dollars)

	Notes	2020	2019
LIABILITIES			
CURRENT LIABILITIES:			
Long term debt	6	\$ 103,998	\$ 91,115
Accounts payable and accrued expenses		<u>295,556</u>	<u>522,824</u>
Total current liabilities		<u>399,554</u>	<u>613,939</u>
NON-CURRENT LIABILITY:			
Long term debt	6	<u>389,142</u>	<u>697,155</u>
Total liabilities		<u>788,696</u>	<u>1,311,094</u>
Net assets		<u>\$ 7,018,494</u>	<u>\$ 6,486,136</u>
NET ASSETS REPRESENTED BY:			
Contributed capital	7	\$ 1,537,891	\$ 1,537,891
URCA Fund:			
- Not immediately required	7	3,455,603	2,963,735
- Immediately required	7	<u>2,025,000</u>	<u>1,984,510</u>
Total equity		<u>\$ 7,018,494</u>	<u>\$ 6,486,136</u>

(Concluded)

These financial statements were approved by the Board of Directors on 30 April 2021 and signed on its behalf by:


Chairperson


Chief Executive Officer

The notes on pages 10 - 29 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF INCOME OVER EXPENDITURE AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
REVENUE:			
Electronic communications operating licence fees	7	\$ 3,934,387	\$ 4,204,202
Energy sector licence fees	7	1,828,843	1,651,486
Telecommunications, radio communications, energy and other fees	7	<u>69,193</u>	<u>44,936</u>
Total revenue		<u>5,832,423</u>	<u>5,900,623</u>
EXPENSES:			
Salaries and benefits	4	3,111,128	2,828,864
Legal, professional and consultancy fees		702,451	944,120
Depreciation	5	392,267	428,132
Provision for doubtful accounts		231,911	153,705
Premises occupancy costs		226,090	216,683
Premises repairs and maintenance		183,370	95,551
Professional membership		174,564	204,516
Office services		167,262	303,663
Information technology		137,449	139,388
Travel		121,717	206,704
Advertising and public relations		86,419	151,656
Communications		68,430	78,690
Training		46,570	195,727
Donations		33,423	36,688
Interest charges	6	27,813	35,524
Regulatory Workshop/Conference hosting		25,542	35,390
Automotive maintenance		<u>12,473</u>	<u>13,597</u>
Total expenses		<u>5,748,879</u>	<u>6,068,598</u>

(Continued)

The notes on pages 10 - 29 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF INCOME OVER EXPENDITURE AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
OPERATING INCOME/(LOSS)		\$ 83,544	\$ (167,975)
OTHER INCOME AND EXPENSES:			
Fines		380,706	261,574
Gain on disposal of assets		18,776	-
Other income		<u>1,647</u>	<u>-</u>
Total other income		<u>401,129</u>	<u>261,574</u>
INCOME OVER EXPENDITURE		484,673	93,600
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of pension asset	4	<u>47,683</u>	<u>(36,143)</u>
COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 532,356</u>	<u>\$ 57,457</u>

(Concluded)

The notes on pages 10 - 29 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER 2020**

(Expressed in Bahamian dollars)

	Notes	URCA Fund			Total
		Contributed Capital	(Not immediately required)	(Immediately required)	
Balance as of 1 January, 2019		\$ 1,537,891	\$ 3,039,888	\$ 1,850,900	\$ 6,428,679
Excess of income over expenditure-ECS		-	166,732	-	166,732
Excess of expenditure over income-ES		-	(73,132)	-	(73,132)
Funds not required for immediate use		-	(133,610)	133,610	-
Other comprehensive income		-	(36,143)	-	(36,143)
Balance at 31 December, 2019		1,537,891	2,963,735	1,984,510	6,486,136
Excess of income over expenditure - ECS		-	720,807	-	720,807
Excess of expenditure over income - ES		-	(236,132)	-	(236,132)
Funds not required for immediate use		-	(40,490)	40,490	-
Other comprehensive income	4	-	47,683	-	47,683
Balance at 31 December, 2020		\$ 1,537,891	\$ 3,455,603	\$ 2,025,000	\$ 7,018,494

The notes on pages 10 - 29 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of income over expenditure		\$ 484,673	\$ 93,600
Adjustments for:			
Depreciation	5	392,267	428,132
Provision for doubtful accounts	3	231,911	153,705
Interest expense		27,813	35,524
Gain on sale of property, plant and equipment		(18,776)	-
(Increase) decrease in operating assets:			
Accounts receivable		(436,137)	(269,326)
Prepaid expenses and other assets		(179,628)	(103,294)
Pension asset		2,567	(1,354)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		<u>(227,268)</u>	<u>130,513</u>
Net cash from operating activities		<u>277,422</u>	<u>467,500</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	5	(74,507)	(197,850)
Proceeds from the sale of property, plant and equipment		<u>19,000</u>	<u>-</u>
Net cash used in investing activities		<u>(55,507)</u>	<u>(197,850)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long term debt principal repayments	6	(295,130)	(87,553)
Interest paid	6	<u>(27,813)</u>	<u>(35,390)</u>
Net cash from financing activities		<u>(322,943)</u>	<u>(122,943)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		(101,028)	146,707
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,985,488</u>	<u>1,838,781</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 1,884,459</u>	<u>\$ 1,985,488</u>

The notes on pages 10 – 29 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

1. GENERAL

The Utilities Regulation and Competition Authority (the “Authority” or “URCA”) was established on 1 August 2009, as a corporate body, under the Utilities Regulation and Competition Authority Act, 2009 (the “Act”). The offices of the Authority are located at Frederick House, Frederick Street, New Providence, Bahamas.

The functions of the Authority are to: i) regulate the electronic communications sector (ECS) to further the interests of consumers in accordance with the electronic communications policy objectives; ii) regulate the energy sector (ES) in accordance with the goals, objectives and principles underpinning the national energy sector policies; iii) to represent the Government of the Commonwealth of The Bahamas (the “Government”) in regional and international organisations as provided for in the legislation; iv) charge and collect licence fees from regulated entities in accordance with relevant legislation, including billing and collecting communications licence fees and spectrum fees on behalf of the Government; and vi) perform any other duties or functions assigned to it under relevant legislation.

The ECS is regulated by URCA in accordance with the Communications Act, 2009 (the “Communications Act”) and the Electronic Communications Sector Policy. With the passing of the Electricity Act 2015 and the URCA (Amendment) Act 2015, on 28 January 2016 URCA commenced regulating the ES in addition to the ECS. As the independent regulator of the ES, URCA is responsible for the development of a regulatory regime which governs the generation, transmission, distribution and supply of electricity throughout The Bahamas as well as encourage an environment that promotes renewable energy.

URCA has a responsibility to ensure that funds related to and expenses attributable to each regulated sector are separated. The financial performance of the Authority is the result of the regulation of both the ECS and ES. The results of operations of both sectors are allocated to “the Fund”. It should be noted that the regulation of other sectors of The Bahamas economy may be added to URCA’s responsibility as determined by the Government, and consequent to the passing of legislation governing the regulation of any such sectors.

URCA’s decisions are appealable to the Utilities Appeal Tribunal, which was formed pursuant to the Utilities Appeal Tribunal Act, 2009. URCA is also responsible for billing and collection of the Tribunal Fee, through which the Tribunal is funded, on behalf of the Tribunal.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This is the first set of financial statements prepared by the Authority in accordance with the “IFRS for Small and Medium-sized Entities” issued by the International Accounting Standards Board. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities (IFRS *for SMEs*). They have been prepared under the historical cost convention. The preparation of financial statements in conformity with the IFRS for SMEs requires management to exercise its judgment in the process of applying its accordance accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Notes 2(d), 2(e) and 2(f).

(b) Basis of transition to the IFRS for SMEs

The Authority’s financial statements for the year ended 31 December 2020 are its first annual financial statements prepared under accounting policies that comply with the IFRS for SMEs. URCA’s transition date is 1 January 2019 and prepared its opening IFRS for SMEs statement of financial position as at that date. For periods up to and including year ended 31 December 2019, the Authority prepared its financial statements in accordance with International Financial Reporting Standards (IFRS)

In preparing these financial statements in accordance with IFRS for SMEs, the Authority has applied all of the mandatory exceptions and none of the optional exemptions from retrospective application of the IFRS for SMEs.

No adjustments were required to be made by the Authority to restate its IFRS financial statements, including the balance sheet as at 1 January 2019 and the financial statements for the year ended 31 December 2019. Accordingly, no reconciliations have been presented for comparative amounts of equity or profit or loss in the Authority’s financial statements as reported under IFRS with those amounts reported under IFRS for SMEs at the transition date and at 31 December 2019.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Cash and cash equivalents

For the purposes of statement of cash flows, Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

(d) Foreign currency translation

The financial statements are presented in Bahamian dollars, which is the Authority's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognised in the statement of income over expenditure and other comprehensive income.

(e) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets:

It is the Authority's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

The Authority's financial assets include account receivables and cash and bank balances as they are held with the objective to collect contractual cash flows. They are included in current assets, except for maturities greater than 12 months after the reporting date.

Account receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of income over expenditure and comprehensive income.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial Instruments (continued)

If in a subsequent period, the amount of the provision decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. When an account receivable is uncollectible, it is written off against the provision for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the statement of income over expenditure and other comprehensive income.

Financial liabilities:

Financial liabilities of the Authority are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs.

The Authority's financial liabilities include accounts payable and long-term debt. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	20 years
Information systems	3 - 5 years
Vehicles	5 years
Furniture and office equipment	5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date or when an event has occurred that indicates a need to re-evaluate useful lives. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of income over expenditure.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

2, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Income and expense recognition

Revenue is measured based on the consideration that the Authority expects to be entitled to in a contract with a licensee.

Licence fees

Revenue from licensing activities is recognised over the period of the applicable licence and is assessed based on licensee revenue recognition criteria which includes consideration of whether the licensee has the intent or ability to pay the bill when it becomes due. In instances where the Authority has commenced determination procedures against licensees, but revocation has not been completed, the amounts billed during the year have not been recognised in the statement of financial position.

Certain licence fees are fixed and others are based on the revenues of the licensees. For licence fees based on licensee revenue, the Authority makes an estimate of the fee based on the latest available financial information of the licensee and recognises any increase or decrease in that estimate upon receipt of the final revenue amounts of the licensee for the applicable licence period. The applicable revenues for fee purposes are those earned in the licensee's fiscal year ending within the licence period.

All other income and expenses are recognised on the accrual basis of accounting.

(h) Pension benefits

The Authority operates both defined contribution and defined benefit pension plans. Effective 2016, all new hires' participation in the defined contribution pension plan is mandatory. The defined contribution plan requires that contributions by URCA equals a stipulated percentage of each participant's salary. The defined benefit plan requires contributions, determined by periodic actuarial calculations, to be made to a separately administered fund.

A defined contribution plan is a pension plan that defines the amount of the contributions to be made by the plan sponsor (URCA) and participant (employee). These contributions are placed in individual accounts maintained at a financial institution to the credit of the participant. The participant determines how the funds are invested and any amount that the participant receives on exiting the plan is not guaranteed but is determined by the quantum of contributions made by both sponsor and participant, vesting rules of the plan and how well the credited funds have been invested and the return of the investment.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Pension benefits (continued)

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset/liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related pension liability.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in salaries and benefit expense in the statement of profit or loss

The costs of providing benefits for the defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Past-service costs are recognised immediately in salaries and benefits expense, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Payments to the defined contribution plan are recognized as an expense when employees have rendered service entitling them to the contributions.

(i) Taxation

The Authority is established under the laws of the Commonwealth of The Bahamas and therefore, is not subject to income, capital gains or other corporate taxes.

(j) Fiduciary activities

The Authority collects certain fees from licensees on behalf of the Government. The assets associated with these activities are excluded from these financial statements, as they do not belong to the Authority. Under the Communications Act, the Authority is responsible for the granting of class spectrum licences requiring registration; enforcing conditions attached to such licences; billing and collecting fees consequential thereto and

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Fiduciary activities (continued)

remitting all spectrum licence fees to the Consolidated Fund. The Authority and the Bahamas Maritime Authority (BMA) signed a memorandum of agreement effective 30 August 2010 in which there was a delegation of authority from the Authority to BMA to issue spectrum licences to maritime vessels registered under the Bahamian flag on behalf of the Authority.

Under the terms of the memorandum, BMA will bill, collect and remit spectrum fees on behalf of the Authority for the Government. Additionally, under the terms of this memorandum neither party will be compensated for the services performed regarding the billing, collection and remittance of spectrum fees on behalf of the Government.

(k) Segment reporting

The Authority uses as its basis for segmentation and reporting, the results of operations and the financial position of its separately managed business components for which management review the financial results.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

(Expressed in Bahamian dollars)

3. ACCOUNTS RECEIVABLE

	2020	2019
<i>Accounts receivable:</i>		
Electronic Communications	\$ 730,856	\$ 675,427
Energy	<u>610,243</u>	<u>229,535</u>
Subtotal	1,341,099	904,962
<i>Provision for doubtful accounts:</i>		
Electronic Communications	(671,877)	(623,040)
Energy	<u>(183,073)</u>	<u>-</u>
	<u>\$ 486,149</u>	<u>\$ 281,922</u>

Movements in Provision for Doubtful Accounts are as follows:

	2020	2019
As at 1 January	\$ 623,040	\$ 469,335
Increase in Provision for doubtful accounts		
Electronic Communications	48,837	153,705
Energy	<u>183,073</u>	<u>-</u>
As at 31 December	<u>\$ 854,950</u>	<u>\$ 623,040</u>

4. PENSION BENEFITS

The Authority has established and funds two pension plans, one of which is a non-contributory defined benefit pension plan (the Plan) established for the provision of pension benefits to the members of the Plan. During 2016, the Plan was amended to allow active participants the option to transfer to the newly created defined contribution plan (DC Plan) and to be closed to new participants. Sixteen (16) active participants voluntarily transferred from the Plan to the DC Plan. The amount transferred for each member (Settlement) was the estimate of what would have accumulated to their credit had a defined contribution plan been in place from their start of employment with the Authority. As of 31 December 2020, there are 2 (2019: 2) members and 3 retired members participating in the Plan. All assets of the Plan are invested in a fund managed and administered by an independent investment manager. An actuarial valuation was performed by an independent actuary as of 31 December 2019.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2020	2019
Discount rate	5.50%	5.00%
Future salary increases	2.50%	2.50%

Mortality rates have been taken from the 1994 Group Annuity Mortality Table.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

4. PENSION BENEFITS (Continued)

The following tables summarise the components of net pension benefit expense and the funded status and amounts recognised in the statement of financial position for the Plan as determined as of the date of the last actuarial review.

Pension benefit expense (income) comprises:

	2020	2019
Current service cost	\$ 27,734	\$ 25,729
Administrative costs	\$ 4,409	\$ 5,456
Net interest income	<u>(7,087)</u>	<u>(9,797)</u>
Total included in salaries and benefits	<u>\$ 25,056</u>	<u>\$ 21,388</u>

The pension plan asset is analysed as follows:

	2020	2019
Fair value of plan assets	\$ 1,163,656	\$ 1,119,481
Present value of benefit obligations	<u>(958,110)</u>	<u>(959,051)</u>
Asset in the statement of financial position	<u>\$ 205,546</u>	<u>\$ 160,430</u>

Movements in the asset in the statement of financial position comprise:

	2020	2019
Asset as of beginning of year	\$ 160,430	\$ 195,219
Pension benefit expense	(25,056)	(21,388)
Amount recognized in other comprehensive (loss) income	47,683	(36,143)
Contributions	<u>22,489</u>	<u>22,742</u>
Asset as of end of year	<u>\$ 205,546</u>	<u>\$ 160,430</u>

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

4. PENSION BENEFITS (Continued)

Movements in the present value of the benefit obligations comprise:

	2020	2019
Present value of benefit obligations as of beginning of year	\$ 959,051	\$ 899,144
Interest cost	48,743	49,741
Current service cost	27,734	25,729
Actuarial loss/(gain) on benefit obligations	(53,563)	25,409
Benefits paid	<u>(23,855)</u>	<u>(40,972)</u>
Present value of benefit obligations as of end of year	<u>\$ 958,110</u>	<u>\$ 959,051</u>

Movements in the fair value of plan assets comprise:

	2020	2019
Fair value of plan assets as of beginning of year	\$ 1,119,481	\$ 1,094,363
Expected return on plan assets	55,830	59,538
Contributions	22,489	22,742
Administrative costs	(4,409)	(5,456)
Actuarial loss on plan assets	(5,880)	(10,734)
Benefits paid	<u>(23,855)</u>	<u>(40,972)</u>
Fair value of plan assets as of end of year	<u>\$ 1,163,656</u>	<u>\$ 1,119,481</u>

The major categories of plan assets are as follows:

	2020	2019
Cash	\$ 37,776	\$ 6,213
Fixed Deposit	20,000	101,970
Bahamas Government Bonds	1,022,595	919,400
Other Fixed Income Securities	24,856	38,463
Preferred Shares	<u>88,400</u>	<u>79,400</u>
Total Cash and Investments	<u>\$ 1,193,627</u>	<u>1,145,446</u>

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2020**

(Expressed in Bahamian dollars)

4. PENSION BENEFITS (Continued)

Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected salary increase. The sensitivity analysis below has been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Benefit obligations as at 31 December 2020 due to 1% change in the discount rate and future salary increases are shown below:

	31 December 2020		31 December 2019	
	1% p.a.	1% p.a.	1% p.a.	1% p.a.
	Increase	Decrease	Increase	Decrease
Discount rate	\$ (109,323)	\$ 130,728	\$ (116,949)	\$ 141,240
Future salary increases	\$ 57,580	\$ (53,580)	\$ 64,630	\$ (59,630)

- \$127,023 (2019: \$140,503) of the benefit obligation is due to salary increases.
- If all members lived one year longer, the benefit obligation would be \$981,076 (2019: \$983,120).
- The duration of the benefit obligation is 12.4 (2019:13.3) years.

The Plan is responsible for making full pension payments to public officers transferred to the Authority for their period of employment in the Public Service and the PUC (that is, the pension will be based on combined employment with the Public Service, the PUC and the Authority). The Plan has the right to claim reimbursement from the Government for pension payments made to these persons in relation to the period of employment in the Public Service. Currently, no pension payments are being made to these persons.

Defined Contribution Plan

The Authority established a defined contribution plan during 2016. Employees are required to contribute a minimum of 5% and the Authority contributes 10%. The Authority's contributions totaled \$84,996.66 (2019: \$77,533) and there were 17 (2019:16) participants in the Plan at 31 December 2020.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Building	Information Systems	Vehicles	Furniture and Office Equipment	Total
COST:						
Balance at 1 January 2019	\$ 1,313,500	\$ 4,029,136	\$ 2,355,709	\$ 187,085	\$ 588,708	\$ 8,474,138
Additions	-	80,742	7,473	49,995	59,641	197,851
Disposals	-	-	(147,785)	-	-	(147,785)
Balance at 31 December 2019	1,313,500	4,109,878	2,215,397	237,080	648,349	8,524,204
Additions	-	21,948	40,210	-	12,350	74,507
Disposals	-	-	(8,823)	(50,000)	-	(58,823)
Balance at 31 December 2020	\$ 1,313,500	\$ 4,131,826	\$ 2,246,783	\$ 187,080	\$ 660,699	\$ 8,539,888
ACCUMULATED DEPRECIATION:						
Balance at 1 January 2019	\$ -	\$ 634,850	\$ 2,282,341	\$ 128,953	\$ 343,071	\$ 3,389,215
Depreciation expense	-	232,862	38,889	33,932	122,449	428,132
Disposals	-	-	(147,785)	-	-	(147,785)
Balance at 31 December 2019	-	867,712	2,173,445	162,885	465,520	3,669,562
Depreciation expense	-	233,869	33,499	30,032	94,868	392,266
Disposals	-	-	(8,599)	(50,000)	-	(58,599)
Balance at 31 December 2020	\$ -	\$ 1,101,581	\$ 2,198,344	\$ 142,917	\$ 560,388	\$ 4,003,229
CARRYING VALUE:						
As at 31 December 2020	\$ 1,313,500	\$ 3,030,245	\$ 48,439	\$ 44,163	\$ 100,311	\$ 4,536,659
As at 31 December 2019	\$ 1,313,500	\$ 3,242,166	\$ 41,951	\$ 74,196	\$ 182,829	\$ 4,854,641

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

6. LONG TERM DEBT

The Authority entered into a long-term financing agreement with First Caribbean International Bank in 2017 for \$1,000,000 to assist with the purchase of URCA's current premises, Frederick House. The term of the debt is 5 years with a 10-year amortization at an interest rate of Bahamian Dollar Prime (currently 4.25%) and is secured by Frederick House. Interest charges of \$27,813 (2019: \$35,524) were recognized on this loan in 2020. Principal payments made in 2019 were \$295,130 (2019: \$87,420). Principal payments due in 2021 is \$103,998 and due in 2022 is \$389,142.

	2020	2019
As at 1 January	\$ 788,270	\$ 875,690
Repayment of debt	<u>(295,130)</u>	<u>(87,420)</u>
As at 31 December	<u>\$ 493,140</u>	<u>\$ 788,270</u>
Current portion of long term debt	\$ 103,998	\$ 91,115
Non-current portion of long term debt	<u>\$ 389,142</u>	<u>\$ 697,155</u>
	<u>\$ 493,140</u>	<u>\$ 788,270</u>

7. OPERATING SEGMENTS - FUND BALANCES

Contributed capital

The net assets transferred to the Authority were designated as contributed capital based on legislation enacted at the time; and revenue earned from transferred deferred revenue relating to regulatory activities no longer performed or from which fees are no longer earned by the Authority, net of any expenses associated with the net assets transferred from the PUC, are allocated to contributed capital.

Utilities Regulations and Competition Authority Fund (URCA Fund)

Under the Communications and Electricity Acts, charges and fees levied by the Authority are to be determined in order to: cover the annual budgeted costs of its functions under the Communications and Electricity Acts; recover any deficit from previous years; and take into account any surpluses. As disclosed in Note 1, the Amendment Act (2013) repealed and replaced section 37 of the principal Act with the following conditions relative to the Electronic Communications Fund (EC Fund): monies paid into the EC Fund that are not immediately required by the Authority are to be considered surplus funds; the Minister of Finance at the end of the financial year may authorize the Authority to reserve from the surplus funds such sums as the Minister may determine; subject to the aforementioned, at the end of each financial year the Authority shall pay into the Consolidated Fund all surplus funds standing to the credit of the Authority.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

7. OPERATING SEGMENTS - FUND BALANCES (Continued)

Utilities Regulations and Competition Authority Fund (URCA Fund) (continued)

The Amendment Act (2013) also repealed section 40 of the principal Act, which provided for the Authority to impose sufficient fees and charges to carry out its duties including anticipated costs for the forthcoming financial year and allowed it to retain surplus funds to be applied for subsequent years.

The CEO assesses the performance of the operating segments of the Authority. Management has determined the operating segments based on the reports reviewed by the CEO in making strategic decisions. The CEO considers the business based on the following operating segments.

- Electronic communications sector;
- Energy (Electricity) sector.

The operating segments derive their revenue primarily from licence fees issued to sector participants. All of the Authority's business activities and operating segments are reported within the above segments. The segment information provided to the CEO for the operating segments, (which also represent the reportable segments) is as follows:

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

7. OPERATING SEGMENTS - FUND BALANCES (Continued)

Utilities Regulations and Competition Authority Fund (URCA Fund) (continued)

Results of Operations for the Year End 31 December 2020	Electronic Communication	Energy (Electricity)
Revenue	\$ 3,934,387	\$ 1,828,843
Other income	<u>55,841</u>	<u>395,706</u>
Total income	<u>\$ 3,990,228</u>	<u>\$ 2,224,549</u>
Expenses:		
Staff costs	\$ 1,617,155	\$ 1,493,971
Professional services	350,595	351,856
Depreciation	324,927	67,340
Premises occupancy costs	286,388	118,215
General and administrative services	253,274	51,651
Office services	112,823	37,608
Information technology	109,892	27,557
Conference, training and travel	104,106	64,226
Consumer education and public relations	52,524	57,394
Conference hosting	24,826	10,640
Provision for doubtful accounts	48,837	183,073
Gain on sale of property, plant and equipment	<u>(15,926)</u>	<u>(2,850)</u>
Total expenses	<u>3,269,421</u>	<u>2,460,681</u>
Excess of income over expenditure	720,807	(236,132)
Other comprehensive gain	33,378	14,305
Opening Fund Balance - 1 January 2020	<u>4,591,935</u>	<u>356,310</u>
Closing Fund Balance - 31 December 2020	<u>\$ 5,346,120</u>	<u>\$ 134,482</u>

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

7. OPERATING SEGMENTS - FUND BALANCES (Continued)

Utilities Regulations and Competition Authority Fund (URCA Fund) (continued)

Results of Operations for the Year End 31 December 2019	Electronic Communications	Energy (Electricity)
Revenue	\$ 4,204,201	\$ 1,651,485
Other income	<u>70,677</u>	<u>235,835</u>
Total income	<u>\$ 4,274,878</u>	<u>\$ 1,887,320</u>
Expenses:		
Staff costs	\$ 1,595,439	\$ 1,233,425
Professional services	671,561	272,559
Conference, training and travel	333,373	69,062
Depreciation	330,067	98,064
General and administrative services	302,867	55,554
Premises occupancy fees	280,655	82,892
Office services	165,182	55,316
Loss allowance	153,705	-
Consumer education and public relations	142,138	50,773
Information technology	111,511	27,880
Conference hosting	<u>21,648</u>	<u>14,927</u>
Total expenses	<u>4,108,146</u>	<u>1,960,452</u>
Excess of income over expenditure	166,732	(73,132)
Other comprehensive loss	(36,143)	-
Opening Fund Balance - 1 January 2019	<u>4,461,346</u>	<u>429,442</u>
Closing Fund Balance - 31 December 2019	<u>\$ 4,591,935</u>	<u>\$ 356,310</u>

Prior to 1 January 2017, the URCA Fund consisted of surplus funds that have been accumulated since the commencement of operations of the Authority. These surplus funds at 31 December 2016 totaled \$3,175,638 are assigned to the Electronic Communications Sector and until 1 January 2017 was included in the financial statements as the Electronic Communications Fund.

The Authority will determine, at the end of each financial year, whether any fund balances include amounts that are required in respect of existing contracts, planned projects and other commitments which are anticipated to arise and become payable during the first quarter of the following year. Such amounts will be designated as funds immediately required by the Authority. As at 31 December 2020 \$2,025,000 (2019: \$1,984,510) has been designated as funds immediately required. Additionally, under section 40 of the Communications Act, the Authority was to retain any excess sums collected for application to the following financial year(s). In previous years, 2009-2012 (prior to the repeal of section 40), the Authority utilized surpluses in the fund to amend charges and fees in subsequent years levied on the licensees by the Authority.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise: i) Government ministries and departments; ii) Government corporations and agencies; iii) entities controlled by the Government; iv) entities in which the Government has a significant ownership interest; and v) key management personnel. Balances and transactions with related parties, not otherwise disclosed in the financial statements, are as follows:

	2020	2019
<i>Assets</i>		
Cash at banks	\$ 164,894	\$ 691,669
Accounts receivable	<u>317,123</u>	<u>5,082</u>
	<u>\$ 482,017</u>	<u>\$ 696,751</u>
<i>Liabilities</i>		
Accounts payable and accrued expenses	<u>\$ 8,070</u>	<u>\$ 889</u>
<i>Revenue</i>		
Electronic communications operating licence fees	\$ 2,140,937	\$ 2,639,202
Energy sector licence fees	1,797,396	1,634,556
Telecommunications, radio communications, energy application and other fees	1,000	-
Fines	<u>380,706</u>	<u>229,535</u>
	<u>\$ 4,320,039</u>	<u>\$ 4,503,293</u>
<i>Expenses</i>		
Salaries and benefits	\$ 58,925	\$ 56,419
Communications	36,721	60,250
Premises occupancy costs	<u>120,226</u>	<u>86,040</u>
	<u>\$ 215,872</u>	<u>\$ 202,709</u>
<i>Other expenses</i>		
Donations	<u>\$ 26,510</u>	<u>\$ -</u>

Key Management Compensation - Key management personnel comprise the members of the Board, the chairman of the Audit Committee and members of the Executive Committee. The executive members of the Board and five other members of the Authority's management constitute the Executive Committee. Compensation of key management personnel for the year for salaries and other short-term benefits amounted to \$1,381,815 (2019: \$1,198,506).

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

9. COMMITMENTS AND CONTINGENCIES

Contingencies

The Authority is party to several legal cases involving its major licensees in the electronic communications sector, including a related party. In most instances, the cases involve breaches of the Telecommunications Act and Telecommunications Sector Policy, or challenges against the rulings by the Authority brought by licensees. Costs associated with these legal cases are uncertain, and will depend on whether or not the Authority is successful; which is not possible to predict. Accordingly, no provisions have been made in these financial statements relative to the legal proceedings.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments utilised by the Authority include the recorded financial assets and liabilities, and their estimated fair values approximate their carrying value due to the relatively short-term nature of these instruments.

11. CAPITAL MANAGEMENT

The Authority's objectives when managing capital are to: i) safeguard its ability to continue as a going concern; and ii) maintain a capital base sufficient to support the expected expansion of its regulatory powers and associated operations.

12. IMPACT OF COVID-19

The novel coronavirus ("COVID-19") pandemic has spread across various regions globally, causing disruptions to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The authorities, both domestic and international, have announced various measures across the globe to counter possible adverse implications.

The Authority continues to closely monitor the situation and take certain measures to ensure the safety and security of the Authority's staff and uninterrupted service to consumers. The Authority is taking these measures with the objective to maintain services levels, address consumer complaints as they may arise, and continue to regulate licensees as they would do in normal scenario.

To mitigate possible adverse effects of restrictions in working capital of licensees, the Authority in 2020, and continued in 2021 extended to licensees an opportunity to participate in an URCA fee installment payment plan. Licensees electing to participate in this plan are allowed to settle the fee in monthly installments without incurring interest charges so long as the payments are made as agreed. In the event the licensee does not abide by the agreement, the unpaid fees become payable and interest charges are assessed on outstanding balances.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2020

(Expressed in Bahamian dollars)

12. IMPACT OF COVID-19 (Continued)

Even with the existence of vaccines, there remain significant uncertainties in assessing the duration of the COVID-19 pandemic its economic impact. At the statement of financial position date, the Authority has not experienced a significant impact to its financial performance or operations, however, the Authority continues to monitor the situation closely given the prolonged nature of the pandemic and is ready to take additional mitigating actions that may be required.

13. SUBSEQUENT EVENTS

Management has evaluated the possibility of subsequent events existing in the financial statements through 30 April 2021, the date financial statements were made available to be issued. Management has determined that there are no material events that would require adjustment in the financial statements.

2021 Annual Plan

URCA's 2021 annual plan outlines its vision, goals and strategies for the forthcoming year in fulfilment of its role as regulator of the ECS and ES in a changing and thriving Bahamian regulatory environment

Strategic Outlook

In 2021, URCA's Strategic focus will not change dramatically from its 2020 focus, based on the organization's inability to execute its scheduled initiatives during the past year due to the impact of the Pandemic.

Three major core initiatives that the organisation will continue to focus on are:

- the implementation of URCA's Organisational Performance Indexes;
- the development and implementation of the Learning and Development framework and curriculum, and the implementation of the Culture Renewal process.

These priority objectives remain critical to the continued evolution of the organization into a progressive, highly skilled, and efficiently responsive regulator that is cognizant of the needs of its stakeholders. URCA recognises and appreciates that its people are its most valuable resource, and investment in their intentional development will position the organisation to significantly improve its employee recruitment and retention capability, resulting in the creation of career regulators and ultimately introduce a succession plan that facilitates sustainable organizational growth.

This focused investment in URCA's team is intended to improve URCA's regulatory capacity and reinforce the quality standards which defined the organization's regulatory output and its reputation. This requires the strategic use of URCA's experience and expertise to establish the new benchmarks, based on global industry standards, that will challenge the new cadre of regulators and inspire a renewed focus and commitment throughout the organization for the consistent production of high-quality regulatory outputs.

Additional focus areas for the organization in 2021 are defined below:

- As the ECS continues its second decade of URCA's regulatory oversight, it faces the reality of an emerging digital landscape that will continue to influence rapid transformation within the sector.

However, there is still the need for URCA to measure its impact on the sector and the extent to which the ECS is delivering on the objectives of the Communications Act and identifying the areas where further regulatory intervention is needed to enhance URCA's effectiveness.

In this same vein, URCA has provisioned spectrum for the emerging 5G technology in the National Spectrum plan published on 20 March 2020. It is hoped that, in 2021, working in tandem with the Government, licensees and other stakeholders both locally and internationally, URCA will organize forums to enhance the general public's understanding of this technology and how it may contribute to the advancement of the socio-economic status of the country. This would hopefully result in preparation of a policy position in 2022.

- The ES will continue its focus on building out the necessary framework to fulfil the statutory requirements and provide the regulatory oversight required to manage the sector effectively. In addition to the strengthening of the Utilities and Energy Department's documentary knowledge base as demonstrated in the list of projects outlined below, the UE Department is also tasked with building regulatory capacity at the personnel level as it is on track to fill several key vacancies early in 2021.

Admittedly, the UE Department's plans are quite ambitious and are contingent on a return to some degree of normalcy as the world endeavours to gain control of the current pandemic and its effects on our lives. In this regard, the UE Department has strived to prepare a work plan that is not only conducive to the possibility of having to work remotely but flexible enough to allow our team to innovate and adapt as necessary to address any curveball that 2021 may toss our way.

- URCA's mission of *"improving lives through effective utilities regulation"* will once again serve as the catalyst for URCA's public education initiatives in 2021. Inadequate consumer education, a lack of understanding of the complaints handling process, and the need for stakeholder engagements are among the responses URCA receives regarding its work and stakeholder understanding and appreciation of its mission. In 2021, URCA will explore new and innovative ways to engage with its stakeholders. URCA's intentional interaction with the public is crucial to

its ability to improve the lives of its stakeholders. In 2021, URCA reiterates its 2020 strategy to significantly enhance its public education and awareness program to ensure that all stakeholders in The Bahamas are aware of URCA's ongoing work and how stakeholders can take advantage of and benefit from URCA's work. URCA is confident that this will drive more interactions with URCA's complaint handling processes as well as those of URCA's licensees, enabling and incentivising licensees and URCA to provide better services to the public. This will be underpinned by surveys, which will help provide additional information regarding consumer needs.

- URCA also renews its 2020 commitment to embark on a marketing initiative intended to strengthen URCA's brand identity across The Bahamas. URCA will invest in the creation of an URCA App, and a renewed focus on its digital presence, including its continued online engagements through webinars and other public education initiatives.
- Organisationally, URCA reaffirms its intention to begin the implementation of its OPIs, which will provide a robust framework for enhanced focus on URCA's performance within the organisation, and for the measurement of achievements. In 2021, the organisation will begin implementing the Regulatory features of the OPI, ensuring a more accountable framework within which regulatory projects are identified, designed, developed, and implemented. This will ensure that projects conducted by URCA deliver optimal results moving forward. Alongside the regulatory OPI framework, URCA will also migrate its organisational KPIs into the OPI framework starting with the 2021 KPIs.
- Also within the organisational sphere is the continuation of initiatives designed to ensure that URCA, as a people-centered organisation, optimises the effectiveness and engagement of its staff. That focus on the people is endorsed by the organization's departmental structural adjustment that separates Human Resources and Administration. Human Resources and Learning is the new department that will focus on ensuring that URCA evolves into a people-centered organization. To that end, we will continue to the Culture Renewal process commenced in 2019 and begin implementation of our new Learning and Development curriculum.

- Records Management is extremely important to the organization’s ability to efficiently research required information and remove the need for the individual creation of filing systems and archives. In 2021, URCA will provide focused attention to the implementation of its online digital records management system. Emphasis will be placed on the regulatory departments in year one.

1.7 Key Projects for 2021

This section identifies the Tier I and Tier II projects URCA proposes to work on during 2021 and includes projects brought over from 2020.

1.7.1 2020 Projects Carried Over

The following Tier I projects were either delayed beyond the anticipated completion date or were scheduled as multi-year projects and will be carried over from 2020 into the 2021 Annual Plan:

- Review of Universal Service Framework
- Framework for Public Service Broadcasting
- ECS Comprehensive Market Surveys
- Mobile Assessment – Feasibility of a 3rd Operator
- Review of Mobile Services
- Review of Fixed services including Pay TV
- Review of Spectrum Management
- Review of Monitoring and Compliance
- SSRG Advancement Program
- Promotion of Energy Efficiency and Conservation

1.7.2 Tier I Projects

During 2021, URCA expects to work on and complete the projects listed in Table 3:

Table 3 – 2021 Tier I Projects

Project	Start Period	End Period
General Projects		
Implementation of URCA OPIs	T1, 2020	T3, 2021
Market and Consumer Protection Surveys	T3, 2020	T3, 2021
URCA 2021 Annual Plan	T3, 2020	T3, 2020
Electronic Communications Sector Projects		
ECS Comprehensive Market Surveys	T1, 2017	T3, 2021
Mobile Assessment – Feasibility of a 3 rd Operator	T1, 2021	T2, 2021
Market Review – Mobile Services	T1, 2019	T3, 2021
Review of Spectrum Management	T1, 2020	T3, 2021
Review of Monitoring and Compliance	T1, 2020	T2, 2021
ECS Market Surveys	T1, 2017	T3, 2021
ICTs for Persons with Disabilities	T2, 2018	T2, 2021
CBL Repacking Application	T1, 2021	T1, 2021
Electricity Sector Projects		
SSRG Advancement Program	T1, 2018	Ongoing
Promotion of Energy Efficiency and Conservation	T2, 2019	Ongoing
Establishment of ADR Scheme(s) for the ES	T1, 2019	T1, 2021

Project	Start Period	End Period
Electricity Sector Framework Development		
Technical Standards for the Electricity Sector	T1, 2021	T2, 2021
Consultation Procedures (w/ consideration of the ES)	T1, 2021	T2, 2021
Competition Guidelines for the ES	T2, 2021	T3, 2021
Guidelines on the Assessment of Fines for Breaches	T2, 2021	T3, 2021
Licensees Annual Plant & Operations Inspections	T2, 2021	T3, 2021
Renewable Energy Progression / Advancement Program		
Utility Scale Development Regulations	T1, 2021	T3, 2021
Battery Storage Integration	T3, 2021	T1, 2022
Guidelines for Regulatory Accounting	T2, 2021	T1, 2022

A description of Tier I projects that URCA will commence in 2021 is set out below. Where a project was commenced in 2020 or earlier, the descriptions are available in the 2020 Annual Plan.

General Projects

Draft Annual Plan 2022

During October through November 2021, URCA will commence work on its draft Annual Plan for 2022 to ensure publication for consultation before the end of 2021 as required by the URCA Act.

Electronic Communications Sector Projects

ECS Comprehensive Market Survey

The ECS sector, which comprises telecommunications and broadcasting, has expanded during the last ten years to facilitate a more liberalised competitive environment with a view to stimulating economic

expansion. After a decade of establishing and implementing measures to effectively regulate the sector, URCA will embark on a comprehensive sector-wide survey to gauge the impact of its regulatory work. This will involve conducting multiple surveys and assessments explained in greater detail below.

Mobile Market Assessment – The feasibility of a 3rd Operator

As set out in the draft electronic communications sector policy, the Government of The Bahamas will consider whether further liberalisation of the mobile telephone market should be undertaken in the form of a third mobile operator. The policy requires that URCA provide advice and recommendations to the Government on this matter, including a feasibility and market analysis to support any recommendations made.

Market Review of Mobile Services

In 2020, URCA began work on its first Market Review of Mobile Services since the liberalisation of the market in 2016. However, the review required market information that could only be sourced through survey reports that could not be executed during 2020, as a result, of the COVID-19 Pandemic. This review will include examining the wholesale market for call origination and termination and reviewing whether any of the mobile operators have Significant Market Power. This workstream will continue in 2021 as a Tier 1 project.

ECS Market Surveys (Pay TV and FM Broadcasting)

URCA carried out significant internal preparatory work to advance this project to conduct surveys of the Pay TV and FM Broadcasting markets in The Bahamas. This project requires URCA engaging an experienced external consultant to, *inter alia*, conduct public surveys to obtain empirical data that can provide representative parameters on the listening and watching habits of consumers and their opinions on the quality of available services and programming provided to consumers over Pay TV and Radio in The Bahamas. However, despite URCA's best efforts to advance and complete this project in 2020, the public health restrictions imposed by the Government of The Bahamas in 2020 consequential to the COVID-19 Pandemic prohibited URCA from completing this project. In 2021, URCA has categorized this as a Tier 1 project and will be guided by the public health protocols in order to responsibly and safely engage with

members of the public to complete the surveys of the Pay TV and FM Broadcasting markets in The Bahamas.

Spectrum Management Project

URCA is cognisant that spectrum management is one of its primary obligations and that the planning, allocation/assignment, monitoring, and inspection functions are essential to the overall objective of optimising the use of the radiofrequency spectrum. Hence, URCA launched the Review of Spectrum Management in Tier 1 of 2020. The project is a three-phase, multi-year initiative that includes a comprehensive review of URCA's spectrum management functions and resources. Phase 1 of the Spectrum Management project involved restoring the functional and operational status of the Elizabeth Estate Spectrum Monitoring Site. URCA completed Phase 1 of the project in December 2020 and will commence work on Phases 2 and 3 in early 2021.

Monitoring and Compliance

In 2021, URCA will conduct a comprehensive review of the monitoring and compliance processes to determine and identify measures to strengthen these regulatory functions. This review will begin with a compliance analysis of the radiocommunication equipment of Spectrum Licensees throughout The Bahamas and expand to monitor the compliance of Licensees with other regulatory measures.

ICTs for Persons with Disabilities

Persons with disabilities represent a growing community of residents in The Bahamas with limited or no access to telecommunications services. Advancements in technology are creating new opportunities for affordable access to services. Still, it requires intentional leadership to ensure that vulnerable consumers with specialised needs receive every opportunity to access products, devices and services that can potentially improve the quality of their lives. URCA included this Tier 1 project as a priority in consecutive years (2019 & 2020) with limited progress. URCA is currently in the process of research and data collection efforts to assist with the project's expected outcomes. Work on the project is expected to be completed in the third trimester of 2021.

CBL Repackaging Application

In November 2020, CBL submitted an application to URCA requesting approval for the repackaging of its REVTV service. URCA believes the repackaging application will be of significant interest to Pay TV consumers in The Bahamas. Therefore, prior to deciding on the application, URCA will conduct a public consultation to allow consumers a reasonable opportunity to comment on the proposed decision. URCA will conduct the public consultation on this matter during the first trimester of 2021.

Electricity Sector Projects

ELECTRICITY SECTOR FRAMEWORK DEVELOPMENT

Technical Standards for the Electricity Sector

In the investigation of several recent complaints, it became apparent that the standards in place prior to the enactment of the Electricity Act, 2015 were not saved or expressly incorporated in the new legislation. While it is held that these standards may still be relied upon based on the principles of implied terms in continuous contracts, the Department intends to incorporate and update as necessary those standards to eliminate any ambiguity that may exist as a result of the current state of affairs regarding the same.

Consultation Procedures (w/ consideration of the ES)

URCA has existing consultation procedures in the form of URCA 05/2017. While the existing consultation procedures were comprehensively developed to be broad enough to accommodate the anticipated expansion of URCA's remit, as the same were put forward for stakeholders' consideration prior to the regulation of the Electricity Sector commencing in earnest in 2017, it is deemed prudent to review and, if necessary, revise the existing procedures in consideration of the needs of the regulated sectors. It is noted that to date, the ES has adopted and conducted its consultation exercises in accordance with the existing procedures; however, in the spirit of transparency, it was deemed prudent to provide an opportunity for the Electricity Sector stakeholders to consider and provide any input deemed necessary with regard to the consultation process.

Competition Guidelines for the ES

While it is noted that the ES is currently comprised of monopolistic holdings, the EA, 2015 as constructed does allow for the unbundling of the industry and inherent competition. As at least one of the major PESLs in the country is actively considering a power purchase agreement and/or a possible merger, the ES Department deems it necessary to establish the guidelines on the application of the competition and merger control provisions set out in Parts XI and XII of the Electricity Act at the earliest possible opportunity. It is for this reason that the development of the Competition Guidelines has been include in the 2021 proposed schedule of works.

Guidance on the Assessment of Fines for Breaches

In imposing financial penalties, URCA's objectives are generally two-fold: to impose fines that reflect the gravity of the infringement; and, to deter or disincentive certain acts and/or behaviours. In light of recent challenges to the application of fines in the ES, the Department deems it beneficial to issue guidance with respect to its powers under sections 63 and 72 of the EA. It is anticipated that such guidance will be similar in form and function to that present in ECS Comp. 8, which will foster consistency and certainty across the regulatory sectors.

Licensees Annual Plant & Operations Inspections

The Electricity Act, 2015 section 37(2)(n) stipulates that URCA shall:

“engage inspectors as required, at the costs of the licensees, to conduct inspections of public electricity suppliers for compliance with the terms and conditions of their licenses.”

While section 32 of the EA speaks specifically to an “annual” inspection of public electricity suppliers in the Family Islands, it goes even further to outline those aspects of the licensees’ plants and operations that should be inspected. In this regard, the need exists for the framework for such inspections to be established in order to ensure compliance with the statutory requirements, as well as certainty, clarity, and fairness in the process.

The UE Department anticipates the production of a set of guidelines that will outline various aspects of such inspections, including, inter alia, the following:

- rights of entry and inspection;
- verification of the use of materials for which customs duties exemption or refunds have been given;
- safety measures and safeguards compliance;
- accounting and maintenance records; and
- general housekeeping.

Renewable Energy Progression / Advancement Program

One of our key responsibilities at URCA is to promote increased use of Renewable Energy in The Bahamas. In keeping with that responsibility, the UE Department proposes the continued promotion of the operationalized Small Scale Renewable Generation and Renewable Energy Self Generation programs (See 3.2.1 above), and the development of regulations to address Utility Scale Renewable Generation, which is viewed as the next phase in the suite of programs. In addition to the aforementioned phases, there is also a need to address the integration of complementary emerging technologies such as Battery Storage.

Utility Scale Development Regulations

The development of regulations to accommodate the integration of Utility Scale Renewable Generation (USRG) into the electricity sector is the next step in URCA’s rollout of BPL’s Renewable Energy Plan; however, similar provisions, albeit appropriately scaled, will be required for other licensees in the sector. In this regard, the UE Department proposes the development of guidelines to facilitate the USRG in the respective utilities’ network.

URCA’s review and assessment of BPL’s and others’ REP submissions are guided by the requirements of Section 25 and Section 26 of the EA. Section 25(3)(a) of the EA requires BPL to:

“include a provision for facilitating persons, including public electricity suppliers, to apply to URCA to be licensed as independent power producers to participate in utility electricity generation to the relevant grid using renewable energy resources and technologies.”

While section 26 of the EA requires a PES to submit a competitive procurement process for URCA’s approval, it is envisioned the proposed USRG guidelines would bring a degree of certainty to the determination, procurement, and where necessary Power Purchase Agreement (PPA) processes. Section

26(3) charges URCA to ensure that a competitive procurement process is “designed to attain and promote the electricity sector policy objectives and national energy policy goals.”

Battery Storage Integration

Section 25(3)(d) states that a PES’ REP should include:

“provisions to ensure the reliability of intermittent resources, taking into account the availability of cost-effective storage technologies.”

Given the increased potential for intermittent resources to adversely impact grid stability when implemented on a Utility Scale basis, it is envisioned that rules and/or regulations pertaining to complementary battery storage and/or spinning reserves may also be required as the suite of Renewable Generation programs advances and matures.

Guidelines for Regulatory Accounting

Condition 54 of the Public Electricity Supplier Licence requires the licensee to maintain separated accounts for generation, transmission, distribution, and supply services. The main aim of accounting separation is to increase the amount of information available to the regulator. URCA will be able to examine generation, transmission, distribution, and supply as if they were two separate businesses while allowing the PESL to remain vertically integrated.

A licensee’s operating licence embodies three principles which are the basis that should form the regulatory accounting framework, namely:

- the licensee is obliged to purchase its inputs economically, that is, whenever possible.
- the licensee must purchase inputs at a fair and reasonable market price.
- there should be a prohibition on anti-competitive behaviour including subsidies between a licensee and associated parties

To ensure these requirements are met, a licensee will be required to adopt rules for completing the regulatory accounts for submission to URCA.

1.7.3 Tier II Projects

The projects set out in this section are those which URCA intends to work on during 2020. URCA considers these projects to be of significant importance to the organisation or the regulated sectors. Hence, URCA will endeavour to complete these projects in the shortest possible timeframe.

Table 4 – 2021 Tier II Projects

Project	Start Period	End Period
General Projects		
Normal Implementation of URCA OPIs	T1, 2020	2022
Normal Market and Consumer Protection Surveys	T1, 2021	T3, 2021
Electronic Communications Sector Projects		
Market Review – Fixed Services (Incl. Pay TV)	T3, 2019	2022
Review of Universal Service Framework	T1, 2021	T3, 2023
Framework for Public Service Broadcasting	T1, 2019	T3, 2022
Electricity Sector Projects		
Efficiency Study/Audit	T3, 2021	T2, 2022
Promotion of BPL’s Consumer Protection Plan & ES Consumer Protection Regulations	T1, 2021	T3, 2021

General Projects

Implementation of URCA OPIs

In 2020, URCA committed to initiating the phased implementation of its Organisational Performance Indexes (OPI) as an initial step toward the achievement of URCA’s strategic objective to establish more

appropriate and meaningful methods of measuring its performance. URCA has completed the OPI Implementation Plan which was approved by the Board earlier this year. As a result, URCA anticipates initiating a phased implementation in 2021, with full implementation scheduled for 2022. URCA will also publish its Final Decision and Statement of Results on the Addendum to the Market Information Reporting Requirements for Specified Licensees in the Electronic Communications Sector (ECS 16/2020).

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

Market Review – Fixed Services (Incl. Pay TV)

This Tier 2 project was impacted by two Tier 1 projects, one of which was completed in September 2020 while the other is still ongoing. URCA recognises the need for a review of Fixed Services, i.e. fixed voice, fixed broadband and pay TV, therefore URCA has listed it as a Tier 2 project to be commenced in the third trimester of 2021.

Review of Universal Service Framework

This review is to give effect to the revised universal service obligations as per the sector policy. The revisions to USO include broadband Internet access to all locations and specified institutions that serve members of the public and public access pay terminals at easily accessible locations. URCA will also seek to vigorously enforce those USO that is not subject to revisions – multi-channel television services, public payphones, and voice telephony access. URCA proposes to commence the review this year and to complete the entire exercise over a three-year period.

Framework for Public Service Broadcasting

Countries such as the United Kingdom and Canada have enjoyed the benefits of Public Service Broadcasting (PSB) for many years through the BBC and CBC, respectively. On 7 July 2011, URCA published its Statements of Results in relation to PSB in The Bahamas and published a report with recommendations to the Minister responsible for Broadcasting about:

- the role of Public Service Broadcasting (PSB);
- the remit and corporate governance rules of the Broadcasting Corporation of The Bahamas;
- the preferred method of funding any PSB obligations that are recommended; and
- necessary amendments to the Broadcasting Act.

URCA proposes to engage with the Government and consult with other key stakeholders in relation to the implementation of a Public Service Broadcasting (PSB) framework for The Bahamas. This work will be furthered in 2021 as a Tier I project, with completion anticipated in T3 2022.

Electricity Sector Projects

Efficiency Study/Audit

Management and operational audits are best viewed as a diagnostic examination of how well an organization is being managed and operated. In recent years BPL has been faced with problems across the full range of its Generation, Transmission, Distribution, and Supply (GTDS) services, which have resulted in diminished quality of services, increased costs, and overall value for money concerns. In this regard, URCA proposes to conduct an Efficiency Study for BPL, and in doing so, to develop a tool or procedure that would facilitate similar audits of BPL and other licensees going forward.

The primary objective of the Efficiency Study/Audit would be to provide comprehensive and objective insights into how the utility operates, highlight any adverse performance consequences of its current approaches and practices, and to inform the “efficiently incurred costs” analysis envisioned by the EA with regard to tariff reviews. The Audit should clearly delineate the areas that are well managed and those where there are opportunities for improvements. Additionally, the proposed audit should also gather and evaluate the baseline data and information that will be used to measure performance improvements in

future years and to facilitate benchmarking against utilities of similar characteristics and the industry's Best Practices.

It is proposed that the Audit will examine practices and processes in the areas such as corporate governance, operations management, financial management, debt and asset management, human resources, and to the extent that they exist, related party transactions. The Audit is expected to evaluate the extent to which there are opportunities for fundamental improvement in the business of the company to the benefit of all stakeholders.

Promotion of BPL's Consumer Protection Plan & ES Consumer Protection Regulations

BPL's Consumer Protection Plan was finalized in T3 2019; therefore, in accordance with section 40 of the Electricity Act, there is a need to promote or ensure that the public is aware of BPL's CPP if it is to be implemented and enforced effectively.

The ES Consumer Protection Regulations, which sets the minimum requirements for all public electricity suppliers, were developed in T3 2020 and will also require promotion. As this document and BPL's CPP complement each other, it is envisioned that the promotion of the same will take the form of a joint campaign.

1.7.4 Tier III Projects

URCA Green Project

In 2018, URCA launched an organisation-wide Green Initiative with the overarching goal of reducing the organisation's impact on the environment, demonstrating first-hand its commitment to the efficiency objectives of the sectors that we regulate, as well as sustainability goals in general. It is noted that while there was not much advancement on URCA's internal green projects for 2020 due to the time spent away from our offices, anecdotally, the introduction of the remote working procedure has yielded significant benefits in terms of workforce productivity and a reduction in the production of greenhouse gases as a result of minimal travel requirements for our team members.

Notwithstanding the above, we will continue our initiatives to make our workspace more environmentally friendly and safe for our employees as we adapt to incorporate emerging health and safety protocols. In

this regard, the two major projects planned for 2021 will be carryovers as they stem from multiyear initiatives, which were disrupted during the events of 2020. It is envisioned that both the Car Park Solar Array Project and the Frederick House Refurbishment Project will go a long way towards demonstrating URCA's commitment to optimizing the uses of its resources for the betterment of all stakeholders. A brief status update with regard to each project is provided below:

Car Park Solar Array Project (CPSA)

The Car Park Solar Array Project (CPSA) will consist of the installation of approximately 52kW of grid-tied renewable energy at URCA's offices and was scheduled for completion in T1, 2020. Unfortunately, as this project requires the erection of a structure that entails town planning approvals and physical construction, both of which experienced significant disruption during the curfew periods in 2020, the CPSA project has been pushed to T1, 2021. However, the project delay has not been all bad news, as the same has now resulted in more efficient inverter technology being made available to the project at no additional course, which will result in enhanced energy production and an inherent greater return on investment. It is also noted that this project includes an Electric Vehicle charging station, which is a prelude of things to come in URCA's go green crusade.

Frederick House Refurbishment Project

In an effort to reduce its operating costs over time, in 2016, the Authority purchased and commenced the refurbishment of its current offices, Frederick House, at Frederick St. in the downtown area of New Providence. In keeping with that initiative, the first two floors of the building were renovated to meet the Authority's immediate needs, with plans to remodel the remaining floors thereafter. As our team has settled into the existing space and continues to grow to meet the needs of the sectors that we serve, the time has come for us to prepare the remainder of the premises to make the most efficient use of the premises. Additionally, the events of the last year have resulted in emerging protocols with regard to social distancing and other workspace requirements, which, if we are to comply with, will require consideration of our use of the remaining floors in short order.

In this regard, refurbishment works to prepare the shell of the two upper floors and to remediate a few post-purchase discovered defects have been included in the Special Projects component of the 2021 work plan. It is noted that to ensure that the Authority continues to receive value for its investment in the

Frederick House property and its surrounds, a civil engineering firm was engaged to provide a comprehensive assessment and proposed solution with regard to the recently discovered latent defects, and that firm is scheduled to provide project management services for the necessary works. It is envisioned that by mid-2021, the Authority will have an additional 10,000 sq. ft. of space suitable to be outfitted for self-occupation or in tenable condition.

1.7.5 Public Awareness Activities

URCA initiated a consistent Pop-Up Office and Town Meeting concept in 2019 with the intention of expanding to monthly trips to other family islands in 2020. The objective of this initiative was to provide greater focus and attention to the concerns within the regulated sectors not just on New Providence, but throughout the entire archipelago. As articulated in the 2020 Annual Plan, URCA committed to its mandate to protect and educate consumers and the general public, educating and informing the public about its work, and demonstrating a commitment to its mission, “Improving lives through effective utilities regulation”. In 2021, URCA will work to ensure that through its public awareness initiatives and its work in regulating the sectors, residents throughout the archipelago develop a clear understanding of and appreciation for the impact of URCA’s work and how it improves the quality of their lives.

URCA re-emphasises the value of its OPI project work, which, as articulated in the 2020 Plan, will result in URCA implementing “a more strategic approach to educational activities, aligning such initiatives with the development and implementation of regulatory measures in both sectors.”

Emerging technologies and the use of ICTs to facilitate face-to-face interactions in 2020 remains a critical feature of communications as we move into 2021. While we grapple with the possibilities of the future, URCA will continue the use of virtual communications applications as a critical platform to reach individuals and audiences across the country with a view to creating a more enlightened and informed public. URCA will renew its efforts to encourage greater participation in its consultation process. URCA recognises the need for a deeper engagement with ALL of its stakeholders, including the public, and reaffirms its commitment to exploring the expanded use of the digital platform to encourage public engagement with URCA and increase stakeholder involvement in the regulatory process.

In 2020, while URCA intended to continue its face-to-face public engagement series, inclusive of URCA Unplugged and URCA Connects, the circumstances did not lend to the traditional execution of these

initiatives. However, the experiences of our digital engagements introduced new possibilities for 2021 and beyond. While the uncertainty of face-to-face communication continues, URCA will develop a virtual strategy incorporating its social media platforms and other virtual communications applications to establish an engaging and consistent digital presence. URCA will review its Pop-Up Offices concept in the context of a regulatory mission-driven approach with structured plans and anticipated outcomes. This new approach will also consider previous objectives and will conduct feasibility studies to provide a more realistic understanding of the various family island markets and their issues.

In 2020, URCA continued and expanded its outreach activities. In addition to the observance of ITU's International Girls in ICT Day,' URCA introduced a webinar that addressed "ICTs for Seniors" and observed World Cybersecurity Day with an online session on cybersecurity. These initiatives will continue in 2021.

1.7.6 Other Ongoing Activities

In addition to the projects and initiatives that URCA has outlined above, there are additional activities that 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 the impact and to address any need to reschedule projects to accommodate unforeseen work.

1.7.7 2021 Consultation Timelines

While URCA will carry out several activities during 2021, as noted in the previous section, not all of these will involve public engagement and consultation throughout the process. Table 5 below outlines the major public consultations proposed for 2021, including anticipated publication dates.

Table 5 - 2020 Consultation Schedule

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing
CBL Repacking Application	T1, 2021	T1, 2021
ICTs for Persons with Disabilities	T2, 2021	T3, 2021
Mobile Assessment – Feasibility of a 3 rd Operator	T2, 2021	T3, 2021
Establishment of ADR Scheme(s) for the ES	T1, 2019	T1, 2021
Electricity Sector Framework Development		
Technical Standards for the Electricity Sector	T1, 2021	T2, 2021
Consultation Procedures (w/ consideration of the ES)	T1, 2021	T2, 2021
Competition Guidelines for the ES	T2, 2021	T3, 2021
Guidance on the Assessment of Fines for Breaches	T2, 2021	T3, 2021
Licensees Annual Plant & Operations Inspections	T2, 2021	T3, 2021

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing
Utility Scale Development Regulations	T1, 2021	T3, 2021

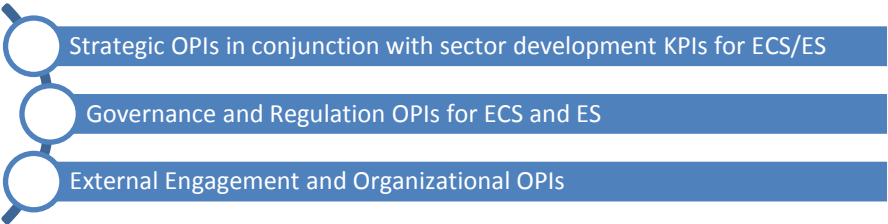
2. Evaluating Our Effectiveness

2.1 Transition to URCA’s Organisational Performance Indicators (OPI)

Having completed the OPI Implementation Plan in 2020, URCA will begin the implementation of the OPIs in 2021. This two-year process will culminate in the publication in early 2023 of URCA’s 2022 OPI results. The OPIs will provide a simple, high-level, and easy way of measuring the effectiveness of URCA’s activities as an organisation, and the reputation of URCA to its external and internal stakeholders. The OPIs will also help with the implementation of prioritisation processes and post-project evaluation reviews, along with measuring the practicability of work being done.

The OPIs will be implemented and rolled out in a three-year approach: Phase 1-*Inception*, Phase 2-*OPI Development*, and Phase 3-*Implementation*. To monitor its progress, the OPIs will need to be recorded and reported periodically by URCA. The key aim of these OPIs is to achieve regulatory excellence, which fully deploys its mission of *‘improving lives through effective regulation.’*

Below is the proposed OPI framework:



The Strategic OPI seeks to measure URCA’s performance against four strategic imperatives, including learning and growth, internal processes, stakeholder involvement, and industry impact. To implement the Strategic OPIs, URCA will need to perform a more comprehensive assessment of the regulated sectors. With the use of 20 KPIs, ECS will be assessed by looking at coverage, taking up, speed, pricing affordability, and quality of service across fixed, mobile, and broadcasting. For the ES, there will be 12 KPIs outside of

those from the National Energy Policy, which will look at the economic source, diversification, renewable electricity, pricing environmental and consumer aspects of the market. Further assessments will be made on measuring consumer and stakeholder feedback, gathering information on sectoral trends (global benchmarks), and having meetings between senior URCA staff and senior stakeholders, including government licensees.

The Governance and Regulation OPIs for ECS and ES are designed to measure the effect of URCA's Regulatory activities in each sector by reviewing each stage of the regulatory cycle and ensuring that URCA is completing the necessary processes to achieve effective regulatory measures. These OPIs use a simple 7-step approach starting with an Identification OPI, Diagnosis OPI, Regulatory decision OPI, Internal decision review OPI, Compliance OPI, and lastly, an Ex-post evaluation OPI. These assessments will look at important reactions such as recommendations, risks, milestones, consumer interest, and industry outcomes.

Lastly, External Engagement and Organizational OPIs will consider and measure the effectiveness of URCA regarding reporting, consulting, and consumer and stakeholder perception. To do this, URCA will consider OPIs for stakeholder views, consumer interest, transparency, and value-for-money.

To ensure that these OPIs become integrated, URCA has set milestones at the end of each year for the next three years. URCA will, as an ongoing cycle, use OPIs to support its work during annual planning, ad-hoc projects, before commencing regulatory intervention, after a regulatory project, and during the annual reporting activity. It is the intent to publish a full set of OPIs in the Annual Report for 2022, due for completion in T1, 2023.

URCA is preparing a fact sheet on the OPIs, and the implementation process, which URCA will publish on its website to ensure that stakeholders are aware of the ongoing internal and external processes involved in this significant initiative.

2.2 URCA's Key Performance Indicators (KPIs) for 2021

Pending completion of the OPI implementation process, in 2021 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 2021 will be tabulated and included in URCA’s 2020 Annual Report, which will be published by the end of April 2021. URCA provides below in Table 6 the indicators which will be adopted for 2021.

Table 6 - 2021 Performance Indicators

Statutory/Regulatory	Finance	HR	IT
Draft Annual Plan & Strategy published before the end of the financial year	Cost of the Finance function as a percentage of total operating expenditure	Cost of the 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 four months of year-end	Period-end cycle time (working days to close) Year-end cycle time (working days to close)	Cost of HR function per employee	Organisational ICT spend (investment in ICT infrastructure & hardware across the organisation)
Final Determinations to be published within one month from the closing date for comments on Preliminary Determination	Forecasting accuracy	The 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	Cost of Licensee invoicing	Average days for the full-time employee per	

within the period stated in the Annual Plan		year invested in learning and development	
Time to publish results, decisions, and other regulatory measures after the close of consultation: 45-60 days 60-90 days >90 days	Debtor Days	Cost of learning and development activity as a percentage of total payroll	
<u>Consumer Complaints</u> Number of complaints received Percentage of total complaints resolved and the 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 The 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 the role after 12 months of service	
		The percentage of employees who left the organisation during the year	

3. URCA's Draft Budget 2021

3.1 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 a full accounting of its activities as required by Section 41(1)(b) of the URCA Act.

URCA's draft 2021 Budget is separated into discrete budgets for 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 in accordance with section 92 of the Communications Act 2009 and section 54 of the Electricity Act 2015.

The combined draft budget for URCA's activities (including both ECS and ES regulation) is set out in Table 7 below, as compared with budgeted expenditure for the two preceding years.

Table 7 - URCA Draft Budget 2021

Category	2019	2020	2021
Staff Costs	2,139,810	2,395,531	2,550,296
Non-Executive Compensation	226,400	218,020	184,000
Executive Compensation	514,128	528,543	444,685
Professional Services	1,077,000	857,000	882,000
Conferences, Training, and Travel	513,130	569,248	12,680
Premises Costs and Utilities	483,840	478,485	372,500
Consumer Education and Public Relations	214,600	320,250	273,000
Office Services	308,591	323,505	167,300
Information Technology	155,500	173,325	224,000
General and Administrative Expenses	482,495	349,250	754,301
Total Operations Expenditure (OPEX)	6,115,493	6,213,157	5,920,762
Depreciation	538,981	304,814	296,835

Total Operating Budget Recovered through URCA fees	6,654,477	6,517,971	6,217,597
Capital Expenditure	758,000	679,600	675,500

Overall, URCA’s proposes a decrease in its operating budget (excluding depreciation) for 2021 by approximately 5% compared to 2020. Some of the key changes are explained in the following:

- In 2020 URCA’s staff grew by one to 30 at the end of the year. In 2021 URCA is seeking to achieve a further 23% increase in its staff complement, growing from 30 to 37 staff. As a result, URCA’s Staff Costs are projected to increase by 6%, reflecting continued efforts to adequately staff the organization in order to ensure that the sectors are properly regulated.
- Budgeted spending on Professional Services in 2021 will increase by 3% year over year whilst remaining steady at 14% of the total operating expenses. These expenses will be driven predominantly by regulatory projects, including scheduled surveys and market reviews, and litigation expected to be before the court for trial during 2021.
- Spending on Conferences, Training, and Travel will decrease significantly by 98% due to residual budget allocation from Budget 2020 notwithstanding renewed regulatory monitoring across The Bahamas and the implementation of Pop-Up Offices during late 2021 in specified Family Islands.
- Consumer Education and Public Relations expenditure will increase by 15% due to increase efforts to educate the consumer through increased digital presence and other new marketing and media initiatives.
- 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, which increased from 6% to 13% of total operating expenses, are expected to increase significantly over last year by 115% due to the 2021 budget allocation for bad debt resulting from the fines issued in 2020, which are currently under Tribunal review.

- URCA’s Capital Expenditure budget is proposed to remain level year over year as major capital projects planned in previous years that included URCA’s Solar Canopy installation, Frederick House media upgrades, and renovation of upper floors and exterior continue into the new budget year.

3.2 Electronic Communications Sector Budget 2021

Table 8 shows a summary of URCA’s draft 2021 budget for its regulatory activities in the ECS, as compared with its budget for the preceding two years.

Table 8 - ECS draft Budget 2021

Category	2019	2020	2021
Staff Costs	1,395,371	1,394,537	1,469,689
Non-Executive Compensation	181,120	174,416	110,400
Executive Compensation	229,333	258,258	201,049
Professional Services	688,250	746,750	503,250
Conferences, Training, and Travel	414,080	384,948	36,935
Premises Costs and Utilities	372,065	311,016	265,425
Consumer Education and Public Relations	189,680	160,125	144,000
Office Services	221,643	249,629	131,975
Information Technology	124,400	121,328	179,200
General and Administrative Expenses	419,049	288,088	317,487
Total Operations Expenditure (OPEX)	4,234,991	4,089,093	3,359,410
Depreciation	448,928	250,595	243,809
Total Operating Budget Recovered through URCA fees	4,683,919	4,339,688	3,603,219
Capital Expenditure	487,200	577,660	574,175

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 2021 by 17% when compared to the previous year. This reflects continued efforts in expenditure containment for the adjustment of reallocation proportions 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 remained flat notwithstanding the addition of new staff hires made necessary based on the volume of work expected in the ECS during 2021 and ensuring sustainable human resources through effective succession planning and continued efforts to cross-train professional staff in both sectors.
- Professional services expenditure is anticipated to decrease by 33% due to a significant amount of carryover of the previous year's budget allocation associated with regulatory projects extending into 2021, including scheduled market reviews and litigation related to the ECS.
- Conferences, training, and travel costs are budgeted to decrease by 90% due to carryover budget allocation and due to travel restrictions until mid-2021. Notwithstanding the aforementioned, there is a continued commitment to develop and upskill our staff through the development of an internal curriculum, online training, and participation in regional regulatory workshops and conferences.
- Consumer Education and Public Relations are anticipated to decrease by 10%; there will be a continued emphasis on educating and informing consumers on the regulatory regime in the ECS, continued innovative 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 increases by 48% due to continued reliance on and upgrade of technology, including LAN maintenance, cloud backup monitoring, and a gradual shift to software/cloud-based productivity software.

3.3 Electricity Sector Budget 2021

Table 9 provides a summary of URCA’s draft 2021 budget for its regulatory activities in the ES, as compared with its budget for the preceding two years.

Table 9 - ES draft Budget 2021

Category	2019	2020	2021
Staff Costs	744,438	1,000,994	1,080,608
Non-Executive Compensation	45,280	43,604	73,600
Executive Compensation	284,795	270,285	243,635
Professional Services	388,750	110,250	378,750
Conferences, Training, and Travel	99,050	184,300	31,744
Premises Costs and Utilities	111,775	167,471	107,075
Consumer Education and Public Relations	24,920	160,125	129,000
Office Services	86,948	73,876	35,325
Information Technology	31,100	51,998	44,800
General and Administrative Expenses	63,446	61,163	436,816
Total Operations Expenditure (OPEX)	1,880,502	2,124,064	2,561,353
Depreciation	90,056	54,219	53,025
Total Operating Budget Recovered through URCA fees	1,970,557	2,178,283	2,614,378
Capital Expenditure	98,260	270,800	101,325

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

- Total operating expenditure (OPEX) exclusive of depreciation is anticipated to increase in 2021 by 16% when compared to the prior year due to continued emphasis on ensuring that the regulatory mandate of the Utilities and Energy sector is adequately addressed.
- Staff Costs is anticipated to slightly increase (by 8%) as the human resource element in the Utilities and Energy Department has been enhanced to ensure appropriate oversight of the ES.

- Professional services expenditure is anticipated to increase significantly by 243% due to the budget allocations for the litigation and appeals that continue to engage URCA's resources in addition to regulatory studies and reviews.
- Conferences, training, and travel costs are budgeted to decrease due to residual budget allocation from 2020 that offset the cost of staff development through training and participation in regional regulatory workshops and conferences.
- Consumer Education and Public Relations are anticipated to increase by 543% due to renewed emphasis on educating and informing consumers on the regulatory regime in the ES, increased public consultations on sector issues, community outreach, and the utilizing of other advertising media.
- General and administrative costs have significantly increased in 2021 due to the provisioning for bad debt fines that were assessed in the sector. These assessments are currently being reviewed at the Tribunal.