



Electricity System Operator Licence

Consultation Document

ES 06/2024

Issue Date: 02 August 2024

Response Date: 02 September 2024

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1 Introduction

The Utilities Regulation and Competition Authority (URCA) is the independent regulator and competition authority for the Electricity Sector (ES) in The Bahamas, pursuant to The Electricity Act, 2024 (EA). The EA establishes that the main goal of the electricity sector policy is the creation of a regime for the supply of safe, least-cost, reliable, and environmentally sustainable electricity throughout The Bahamas. URCA considers a clear and transparent licensing system, including exemptions where appropriate, is a necessary precondition for the attainment of this goal.

Entities who conduct generation, transmission, distribution, or supply functions in the electricity sector require a licence issued by URCA¹. URCA determines the conditions contained in the licences², and as part of the determination process, URCA consults with persons who have a sufficient interest in the subject matter³. In addition to transparency, this aids in ensuring URCA's regulatory documents and actions are fit for purpose.

URCA has established and issued licenses in the sector, including Public Electricity Supplier Licenses to the Bahamas Power and Light and Grand Bahama Power Company. A full listing of the types of licenses and licence holders is available on URCA's website at www.urbahamas.bs. As the sector has matured it has become necessary to develop new licence types. In this case, URCA has developed a System Operator Licence⁴.

Objective of this consultation document is to publish a draft of the licence, provide some context concerning its issuance, and receive feedback on the contents of the licence, including how it may be improved.

¹ EA sections 22, 23, 30, and 14(1)(e and g)

² EA section 28

³ "The Utilities Regulation and Competition Authority's Standard Consultation Procedures", URCA 05/2021, *URCA*, 20 October 2021

⁴ In accordance with section 30 of the EA.

1.1 How to Respond

URCA invites persons to review the document and provide comments via written submissions on the subject, per the guidance provided in this document. These should be submitted to URCA by email to info@urcabahamas.bs.

The deadline for receiving the submissions is 5:00 p.m. on **02 September 2024**.

1.2 Structure of the remainder of this document

The structure of the remainder of this document is as follows:

- Section 2: *Background* provides the background to this consultation document.
- Section 3: *Regulatory Framework* sets out the regulatory (legal) framework under which URCA has exercised its powers to issue this Consultation Document.
- Section 4: *Overview of the System Operators Licence* provides an overview of the components of the proposed licence.
- Section 5: *Fees and Payments* sets out the costs associated with the application for and maintenance of the licence.
- Section 6: *Next Steps* sets out the next steps to be taken, following this consultation, to establish the licence.
- Annex A: *Draft System Operator Licence* contains the draft conditions for the proposed licence.
- Annex B: *List of questions posed by URCA* provides a complete list of the questions included as part of the consultation.

1.3 Confidentiality

URCA believes that, as a matter of transparency and good regulatory practice, it is important for the public and interested parties to this consultation process to have sight of the views and positions expressed by all respondents. As such, as soon as reasonably practicable after the close

of the response date for this consultation, URCA intends to publish all responses on the URCA website at www.urbahamas.bs. However, URCA may treat as confidential responses that are clearly marked (in part or full) as being confidential. An explanation should be provided to justify any information that is submitted on a confidential basis. In such circumstances, a redacted version should also be submitted to URCA. URCA has the sole discretion to determine whether to publish any submission marked as confidential.

1.4 Intellectual property

In submitting their responses, URCA assumes that persons are expressly permitting URCA to use those responses as part of the consultation process. Where this does not apply, persons should indicate so in their response so that they may be redacted by URCA.

1.5 Interpretation

Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this consultation document and otherwise words and expressions shall have the same meaning assigned to them under the Electricity Act, and otherwise the Interpretation and General Clauses Act, Chapter 2.

2 Background

The Electricity Act of 2015 established the Electricity Sector and the Utilities Regulation and Competition Authority (URCA) as the regulator for the sector. That Act mandated that Public Electricity Supplier Licenses, explained later, be issued to Bahamas Power and Light (BPL) and Grand Bahama Power Company (GBPC), which were the two incumbents in the sector. BPL is Government-owned and is the default provider of electricity services throughout The Bahamas, with the exception of the Port Area on the island of Grand Bahama. GBPC is the default provider in the Port Area. The Act envisaged the liberalization of the sector.

The Electricity Act, 2015 was repealed and replaced by the Electricity Act, 2024 (EA) with effect from 1 June 2024.

A licence, issued by URCA, is required for any person who wishes to generate, transmit, distribute, or supply electricity within, into, from, or through The Bahamas. This includes the operation and management of those activities. To date, URCA has developed four types of licenses for the sector.

1. *Public Electricity Supplier Licence (PESL)*, authorizes and gives the Licensee the right to generate, transmit, distribute and supply electricity for sale to the public in its Service Territory and to operate, construct, reconstruct, modify or replace the generation, transmission, distribution and supply facilities for these purposes subject to the Licence conditions, the Electricity Act and any other relevant law for the time being in force. Combined BPL and GBPC cover the entire Bahamas and are the default providers of electricity services.
2. *Authorized Public Electricity Supplier Licence (APESL)*, is essentially the same as a PESL. The difference being that the PESL has to grant approval for the APES to operate in the Service Territory described in the APESL. Within that Service Territory, the APES has the same rights to perform as the PES.
3. *Independent Power Producer Licence (IPPL)*, authorizes and gives the Licensee the right to generate electricity for sale to a PES or APES subject to the Licence conditions, the Electricity Act and any other relevant law for the time being in force. The energy produced

is delivered to the grid pursuant to a negotiated power purchase and grid interconnection agreement entered into with the PES or APES.

4. *Generation Licence (GL)*, authorizes and gives the Licensee the right to generate electricity solely for his own private use and self-supply in the event of a temporary failure of the electrical grid, subject to the Licence conditions, the Act and any other relevant law for the time being in force. This licence is required for all stand-by generating plant with a combined capacity in excess of one mega-watt.

More information on the above is available on URCA's website at www.urcabahamas.bs under the Licensing tab, including;

- Licence conditions
- How to apply
- Licence fees
- Register of Licensees

The EA has built-in exemptions to the requirement for a licence for standby generation one mega-watt or less and for certain renewable energy systems⁵. These types of systems require permits. URCA may also determine that an entity can be exempted from the requirement for a licence⁶.

With the recent passage of the EA, URCA is developing two new licence types required under the EA. These include the transmission and distribution licence⁷, and the system operator licence⁸.

3 Regulatory Framework

URCA undertakes various roles and duties in the ES in The Bahamas with the primary role being that of the regulation of the electricity sector in accordance with the goals, objectives and principles underpinning the national energy and electricity sector policies⁹.

⁵ EA section 22(3)

⁶ EA sections 32 and 33

⁷ EA section 26(1)(c)

⁸ EA sections 29 and 30

⁹ EA section 13(1)

3.1 Policy Objectives

The National Energy Policy 2013 established a Strategic Framework with priority attention on, inter alia:

The “Development of a comprehensive governance/regulatory framework to effectively support the advancement of the energy sector to be effectively able to facilitate the introduction of renewables and the diversification of fuels.”¹⁰

Goal two of the National Energy Policy establishes that:

“The Bahamas will have a modern energy infrastructure that enhances energy generation capacity and ensures that energy supplies are safely, reliably, and affordably transported to homes, communities. And [sic] the productive sectors on a sustainable basis.”¹¹

3.2 Electricity Act, 2024

The Electricity Act, 2024 (EA) section 22 requires persons who wish to enter the electricity sector to be licensed by URCA. And, sections 14(1)(e), 26(1)(d), and 30(1) permit URCA to issue a licence to persons to engage in the management and operation of the sector activities listed in section 30(2); which primarily covers generation, transmission, distribution, and supply. Section 14(1)(g) permits URCA to collect fees for licensees to cover the cost of regulation of the sector.

The EA section 28(1) requires URCA to determine the appropriate terms, conditions, and restrictions to be included in a licence. Section 24 outlines the process for application and renewal.

¹⁰ National Energy Policy 2013 para 5

¹¹ National Energy Policy 2013 Section 2, page 16 para 1

For regulatory matters of public significance such as this, URCA has duty to consult with the public¹², which it does so via a consultation procedure established in accordance with the EA section 49¹³. Section 28(2) requires URCA to publish the standard conditions of the licence.

4 Overview of the Electricity System Operator Licence

The major parts of the licence (see Annex A) are described briefly below:

- *Part A* – Is primarily administrative. It lists who the licence is being granted to and when, acceptance of the terms, and identifies any subsidiaries.
- *Part B, General Conditions* – Provides definitions of terms used in the licence, which are complementary to those used in the EA. The duration of the licence is included here, and guidance is provided on matters such as renewal, change in control, assignment, and communication.
- *Part C, General Obligations* – Explains broad obligations of the licensee such as; requirement to comply with the law and regulations, reporting, planning, maintaining standards, and protecting customers.
- *Part D Price Controls Mechanisms and Tariff* – Addresses tariff principles, reviews and use of separated accounts.

5 Fees and Payments to URCA

This section sets out, inter alia, the fees URCA proposes to apply to a System Operator Licensee;

- *Licence application fee*¹⁴, the charges of which are expected to defray the administrative cost in processing an application for a System Operator Licence. This excludes the cost of any site visits (if necessary) to verify details of the application.

¹² EA sections 19 and 20

¹³ “The Utilities Regulation and Competition Authority’s Standard Consultation Procedures”, URCA 05/2021, URCA, 20 October 2021

¹⁴ See the EA 39(2)(b)

- *Annual licence fee*¹⁵, the charges of which are expected to defray the costs of URCA in exercising its functions under the EA, including administrative costs. URCA’s activities may be directly related to the licensee (such as site inspections), and/or sector regulations that indirectly impact the licensee (such as incentivizing the use of renewable energy).
- *Tribunal fee*, the charges of which will be applied to the cost of the Utilities Appeal Tribunal in accordance with schedule 3 of the Utilities Appeal Tribunal Act. The Tribunal has exclusive jurisdiction to hear appeals made against certain decisions by URCA or a public electricity supplier (such as Bahamas Power and Light).¹⁶

The proposed fees and charges levied by URCA are, inter alia, (i) “objective, non-discriminatory, and transparent”, and (ii) “seek to cover a proportionate share of the relevant operating cost of URCA for the performance of its regulatory functions”. URCA considers (at this time) that the following proposed fees will be consistent with the requirements of section 54 of the EA.

Fee	Amount, B\$	Frequency
Licence application	2,500.00	One time, per application
Annual licence	Less than or equal to \$5 million = B\$10,000 Greater than \$5 million and less than or equal to \$10 million = B\$20,000 Greater than \$10 million and less than or equal to \$50 million = B\$40,000	Annually, invoiced in December

¹⁵ See the EA 39(2)(a, c, and f)

¹⁶ See the EA s64

	Greater than \$50 million and less than or equal to \$100 million = B\$75,000 Greater than \$100 million = B\$150,000	
Tribunal	\$360.00	Annually, invoiced in December

The aforementioned fees, once determined by URCA, will be reviewed annually and the URCA published *Fee Schedule* updated accordingly.

6 Next Steps

This section sets out the “next steps” to be taken in this consultation process by URCA towards issuing the proposed System Operator Licence.

After the period for responses closes, URCA will carefully consider all submissions and shall issue its Statement of Results and Final Decision within thirty (30) calendar days from the close of responses by interested parties.

After the issuance of the Statement of Results and Final Decision, URCA will simultaneously publish the finalized System Operator Licence on its website at: www.urbahamas.bs.



Annex A: Draft Electricity System Operator Licence

Annex B: List of Questions Posed by URCA

Interested persons are invited to provide general comments on any aspect of the Consultation Document or the terms and conditions of the proposed licence. URCA is particularly interested in responses to the following questions.

1. Do you consider the fees as outlined in section 5 of the Consultation Document to be appropriate?
2. Are there any Conditions in the draft System Operator Licence that you consider ought to be modified? Please list those provisions, giving full reasons and/or justifications for the suggested modifications.
3. Are there any Conditions that should be added that are not currently included?
4. Should the System Operator Licensee be required to provide surety to cover the cost of environmental remediation? And, if so, who would be the responsible body to undertake that remediation in the case of insolvency?

Please provide support for your responses including evidence where appropriate.