



# **Regulatory Fees Methodology for The Natural Gas Sector in The Bahamas**

Statement of Results and Final Decision

**NGS 24/2024**

**Publication Date: 20 December 2024**

**Contents**

1 Introduction.....2

2 Purpose of this Statement of Results and Final Decision .....3

3 Overview on the Consultation Document.....4

4 URCA’s Final Decision .....5

5 Appendix A .....6

# 1 INTRODUCTION

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The Utilities Regulation and Competition Authority (“URCA”) issues this Statement of Results and Final Decision on its “Regulatory Fees Methodology for The Natural Gas Sector in The Bahamas” (NGS 24/2024), in the exercise of its powers under section 8(1)(a), 9(1)(2) and section 16 of the Natural Gas Act (NGA). URCA also has published its finalized text of the Regulatory Fees for Natural Gas Sector (“NGS”) in The Bahamas as a separate document concurrently with the publication of this Statement of Results and Final Decision, which is attached as Appendix A to this document.

On 8 October 2024, URCA published the Consultation Document (NGS 20/2024) and established 8 November 2024 as the closing date for submitting responses. The Consultation Document states that the NGA grants URCA the power to issue regulatory and other measures to regulate the ES. URCA has the regulatory remit to determine and assess fees on licensed entities to cover the costs of regulating the ES.

The Consultation Document was specific to the fees URCA will impose on licensed entities to cover the costs allocable to the regulation of the NGS. URCA did not pose any specific questions under this Consultation Document. However, URCA invited general submissions and comments on its approach to determining fees for the NGS. URCA encouraged submissions and comments on the methodological principles and terms and conditions in the Consultation Document.

URCA received no written responses from interested parties.

This Statement of Results and Final Decision outlines URCA’s reasons for determining fees it will impose on licensed entities in the NGS.

## 2 PURPOSE OF THIS STATEMENT OF RESULTS AND FINAL DECISION

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The purpose of this Statement of Results and Final Decision is to:

1. Provide an overview of the Consultation Document.
2. Set out the fees for the NGS.

### 3 OVERVIEW ON THE CONSULTATION DOCUMENT

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URCA initiated the consultation process with the publication of the Consultation Document (NGS 20/2024). This provided members of the public and interested parties with the formal means to make written submissions on the subject matter of the document. At the close of the submission period, URCA received no written submissions.

URCA understands the importance of an open and transparent consultation process and is, therefore, satisfied that it has complied with its statutory duty under the NGA by affording all persons interested in the subject matter of the Consultation Document a reasonable opportunity to make submissions.

## 4 URCA'S FINAL DECISION

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**With regard to the Natural Gas Act of The Bahamas of 2024; and**

**With regard to the consultation on Regulatory Fees Methodology for the Natural Gas sector in The Bahamas (ES 20/2024) issued by the Utilities Regulation and Competition Authority on 8 October 2024**

**The Utilities Regulation and Competition Authority, in the exercise of its powers pursuant to Sections 8(1)(a), 9(1)(2), and Section 16 of the NGA, hereby makes the following final decision:**

For the reasons set out in the foregoing Statement of Results and Final Decision, the Utilities Regulation and Competition Authority (URCA) determines that:

Fees and charges imposed on Licensees contained in Appendix A to this Final Decision are final and shall take effect from the date of publication on the URCA website;

This Final Decision will be reviewed when conditions, as determined by URCA, warrant it;

This Final Decision is without prejudice to URCA's powers under the Natural Gas Act, 2024, the outcome of any ongoing or future consultation, regulatory or other measures carried out by URCA pursuant to such powers

This Final Decision shall come into effect from the date of its issuance; and

Except in so far as the context otherwise requires, words or expressions shall have the meaning assigned to them in the Natural Gas Act of 2024.

**5 APPENDIX A – REGULATORY FEES FOR THE NATURAL GAS SECTOR IN THE BAHAMAS**

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- 1 INTRODUCTION .....7
  - 1.1 Structure of the Document .....7
- 2 REGULATORY FRAMEWORK .....8
- 3 REGULATORY FRAMEWORK FOR SETTING FEES IN THE NGS .....9
  - 3.1 The Fees Established in the NGA.....9
  - 3.2 Principles Established in the NGA..... 10
- 4 URCA ANNUAL FEES ..... 10
  - 4.1 Entities Subject to Paying the URCA Annual Fees ..... 11
  - 4.2 Methodology for Calculating the URCA Annual Fees ..... 11
  - 4.3 URCA Annual Fee for 2024 -25 ..... 12
- 5 OTHER FEES ..... 13
  - 5.1 Application Fees ..... 13
    - 5.1.1 Licence application and license renewal application fees..... 14
    - 5.1.2 Fees for Changes in Control of licences..... 14
    - 5.1.3 Fees for URCA Publications ..... 15
    - 5.1.4 Inspection and Monitoring Fees..... 16
  - 5.2 The Tribunal Fee ..... 16
- 6 EFFECTIVE DATE..... 16

# 1 INTRODUCTION

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The Utilities Regulation and Competition Authority (URCA) was appointed under the Natural Gas Act, 2024 (NGA) as the independent regulator for the Natural Gas Sector (NGS) in The Bahamas. URCA is responsible for licensing the activities in the NGS value chain throughout The Bahamas. URCA's powers and functions are set out in the NGA, including issuing licenses and collecting fees for any NGS activities URCA determines necessary. Additionally, URCA can issue regulatory and other measures to effectively and efficiently regulate the NGS. URCA shall evaluate and assess fees on licensed entities as required to cover the costs allocable to the regulation of the NGS. This document, amongst other things, explains URCA's methodology for setting fees in relation to the NGS.

URCA issued a Consultation Document, "Regulatory Fees Methodology for The Natural Gas Sector in The Bahamas" (NGS 20/2024), to comply with Sections 8(1)(a), 9(1)(2), and Section 16 of the NGA, which require URCA to consult the public on measures of public significance and which gives URCA the power and duty to charge and collect fees from licensees in the NGS in the Bahamas, among other things, cover URCA's annual budgeted costs of performing URCA's functions and carrying out its remit under the NGA. Following the consultation, a Statement of Results and Final Decision (NGS 24/2024) was published on 20 December 2024.

Setting fees significantly impacts the gas importer, transporter, terminal operator, retailer, shipper, and gas service worker, so it can be considered a measure of public significance.

This document sets out the types of fees that URCA can levy under the NGA and the methodology used to set them.

## 1.1 STRUCTURE OF THE DOCUMENT

The remainder of this document consists of the following:

- Section 2 describes the legal framework that allows URCA to issue this Final Decision.
- Section 3 describes the legal framework that allows URCA to charge regulatory fees.
- Section 4 explains the methodology used to calculate the URCA Annual Fees
- Section 5 lists all the other fees URCA will charge.
- Section 6 sets the effective date for the methodology.



## 2 REGULATORY FRAMEWORK

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This section outlines the regulatory framework under which URCA has exercised its powers to issue this Consultation Document. URCA considers that the sections listed below require URCA to consult persons with sufficient interest in regulatory fees.

Section 7 of the NGA establishes URCA as the independent regulator of the Natural Gas Sector (NGS) and empowers it to exercise and perform its functions and power under the provisions of the NGA and the URCA Act.

Under Section 8 (3) (c) of the NGA, URCA has the authority to issue regulations, directions, decisions, statements, instructions, and notifications. Section 123 of the NGA further authorizes URCA to prescribe regulations necessary for achieving the NGA's objectives. These regulations have the force of law stipulated in Section 8(4).

In accordance with Section 6 of the NGA, URCA has a statutory obligation to introduce regulatory or other measures proportionate to their purpose and in a transparent, fair, and non-discriminatory manner.

Further, regulatory and other measures must best use the economic and other resources available to URCA and be calculated to promote any natural gas sector policy objectives as contained in the NGA.

Section 16 of the NGA allows URCA to charge fees and impose charges upon Licensees to fund its operations.

Section 9(2)(a) of the NGA establishes that URCA shall allow a person with sufficient interest to comment on measures of public significance. URCA will consider the comments received before introducing the regulatory and other measures. As required in Section 9(2)(c), this document details the standard procedures for seeking and receiving comments.

Section 9(5) of the NGA provides that a regulatory measure is likely to be of public significance where it relates to gas supply systems or services and can lead to one or more of the following:

- a) a major change in the activities carried out by URCA;
- b) a significant impact on persons carrying out activities in areas regulated by URCA; and
- c) a significant impact on the public in The Bahamas.

Setting regulatory fees is considered a regulatory measure of public significance because it significantly impacts those operating in the natural gas value chain. As such, URCA allows interested parties to comment on this Consultation Document.

URCA considers that the cumulative effect of the above-cited provisions will provide the legal basis for it to issue the regulatory measures consequential to this consultation process.

### 3 REGULATORY FRAMEWORK FOR SETTING FEES IN THE NGS

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This section describes the legal framework that allows URCA to charge regulatory fees.

Section 3.1 summarises the fees that URCA can charge per the NGA. It identifies two costs that URCA will charge: (i) the annual URCA Fees; and (ii) fees for specific services.

Section 3.2 describes the principles to be followed for setting these fees.

#### 3.1 THE FEES ESTABLISHED IN THE NGA

Section 16(2) of the NGA sets out the following fees that URCA may levy:

- a) charges for services rendered by URCA in performing and exercising its functions and power under the Act.
- b) fees for processing any application to URCA are required under the Act.
- c) fees for providing copies of documents.
- d) annual URCA fees are based on the Licensee's relevant turnover for the year in question.
- e) fees for processing merger applications under Section 57 and related adjudications and orders under Section 107; and
- f) fees and charges for administration services rendered by URCA in performing and exercising URCA functions and powers under the Act.

Based on Section 16(2) of the NGA and consequential to this consultation process, URCA will charge the fees and payments as contained in the provisions of Section 16 of the NGA.

URCA will separate the fees it will charge into two categories:

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

The annual URCA Fee will be a revenue-based fee imposed on Licensees to cover URCA's budgeted regulatory costs. Sections 16(2)(a) and 16(2)(d) allow URCA to charge fees to cover day-to-day costs that can be anticipated and budgeted. These annual fees are calculated based on the Licensee's relevant turnover<sup>1</sup>. The second group is composed of fees and charges URCA will levy as it undertakes actions that entail extra costs. These are mainly one-off fees. The NGA states that URCA may charge for processing general applications under Section 16(2)(b) and merger applications under Section 16(2)(e). URCA can also charge for providing copies under Section 16(2)(c).

URCA will also levy charges for the following:

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<sup>1</sup> Means the gross receipts in money or money's worth of the licensee, or any person in respect of whom an exemption determination has been made.

- **Inspection and Monitoring Fees:** Costs associated with the inspection and monitoring of facilities to ensure compliance with regulatory standards.

## 3.2 PRINCIPLES ESTABLISHED IN THE NGA

Section 16(3) of the NGA sets out the following high-level guiding principles upon which the fees should be levied:

- be set on an objective, non-discriminatory, transparent, and proportionate basis.
- be published by URCA on its website and in any other form as URCA considers appropriate.
- seek only to cover a proportionate share of the relevant operating costs of URCA for the performance of its regulatory functions under the Act.
- in respect of the issuance or renewal of a licence, be proportionate and published in an appropriate and sufficiently detailed manner to be readily accessible.
- be set to:
  - cover the annual budgeted costs of performing and exercising its functions and powers under the NGA and the URCA Act.
  - exclude costs attributable to the performance of its functions under any legislation not about the regulation of the Natural Gas Sector (NGS).
  - recover/offset any deficit/surplus from previous years; and
- take account of any surplus in URCA's accounts carried over from the previous accounting year.

The NGA stipulates that the fees should be transparent and proportionate. URCA considers that this entails the fees being published and easily accessible to the public under Sections 16(3)(a), 16(3)(b) and 16(3)(d). The fees should also be the same where they apply to the same condition, regardless of the involved party, and should be proportional to the service offered.

The NGA also highlights the principle of cost recovery. The fees and charges should provide sufficient funds to cover URCA's total costs from regulating the NGS, pursuant to Section 16(3)(e). They should also contribute to URCA's general operations, which are general costs incurred by URCA regardless of the regulated sector. URCA, therefore, considers that the fee to cover general costs should be proportional to the amount of work and resources URCA will allocate to regulating the NGS.

## 4 URCA ANNUAL FEES

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This section describes how URCA calculates its annual Fees. Section 4.1 identifies the entities subject to the Fees. Section 4.2 describes the methodology used to calculate the Fees. Section 4.3 presents the URCA proposed method for estimating the 2025 Annual Fee Rate. URCA incorporates the principles and legal requirements outlined in Sections 2 and 3 into the methodology used to calculate the Fees. URCA uses a simple and objective equation to calculate these fees.

## 4.1 ENTITIES SUBJECT TO PAYING THE URCA ANNUAL FEES

URCA will collect the Annual Fees from all relevant Licensees involved in the NGS value chain. These are Gas Importers, Gas Transporters, Terminal Operators, Gas Retailers, Gas Shippers, and Gas Service Workers. The Annual Fees imposed on Licensees will vary depending on the type of Licensee. Collecting the Annual Fees from all relevant NGS Licensees has the following advantages:

- Fairness—Licensees pay according to size, type, and relevant turnover. These distinctions are germane to the costs URCA incurs. Gas Importers, Transporters, Terminal Operators, Retailers, and Shippers will likely contribute to most of URCA’s regulatory activities and would likely pay most of the Annual URCA Fee. Gas Service Workers are comparatively simple to regulate since URCA must only determine whether the Gas Service worker meets the terms established in the licence.
- Transparency—URCA will consult on and publish the regulatory fees for the NGS. This ensures the fees are easily accessible to all Licensees connected to or wishing to connect to the NGS infrastructure.
- Non-discriminatory—all Licensees share the burden of regulation by paying a rate proportional to the regulatory burden imposed on URCA.
- Simplicity—Licensees of the same type pay the same rate.

## 4.2 METHODOLOGY FOR CALCULATING THE URCA ANNUAL FEES

Regulatory fees will be charged based on the following methodologies:

### **Regulatory Fee for the NGS**

URCA will treat the regulatory fee for NGS as independent but proportionate<sup>2</sup> to the regulatory cost for the other sectors that URCA regulates, namely the Electricity Sector (ES) and the Electronic Communication Sector (ECS).

The NGA highlights the principle of cost recovery. The fees and charges should provide sufficient funds to cover URCA’s total costs from regulating the NGS, pursuant to Section 16(3)(e).

URCA may also levy other fees under 16 (2)(b), (c), (e), and (f) of the NGA for services rendered by URCA in performing its functions and exercising its powers. The fees are payable each time an application is submitted or for the supply or making of copies of documents.

In determining the NGS regulatory actual annual and estimated projected costs for the year 2024 - 2025, URCA will rely upon:

- available estimates about the budgets of URCA for its relevant functions;
- benchmark the annual payments made by the Electronic Communications and Electricity Sectors in previous years for similar activities undertaken by URCA;
- details of how costs were attributed to each industry sector; and
- <sup>3</sup>annual URCA fees, based on the licensee's relevant turnover<sup>4</sup> for the year in question.

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<sup>2</sup> A requirement of section 16(3)(a) of the NGA.

<sup>3</sup> See section 16(2)(d) of the NGA

<sup>4</sup> Means the gross receipts in money or money’s worth of the licensee, or any person in respect of whom an exemption determination has been made.

### **Gas Service Workers (Class A and Class B)**

Gas Service Workers will be proportionately charged a flat Annual URCA Fee based on URCA's relevant net operating cost for the performance of its regulatory functions relating to the Gas Service Worker license subject to section 16(3)(c) of the NGA.

In determining the actual base fee for Gas Service Worker Licensee 2024/25 and estimated 2025 – 2026, URCA will rely upon the:

- a) actual 2024/2025 and estimated 2025/2026 regulatory costs; and
- b) budgeted estimated costs for the 2024/2025 year.

### **Base Amount**

Licensees in the NGS value chain, except the Gas Service Workers (Class A and Class B), will be levied a variable Annual URCA Fee. The annual variable fee will be derived from a calculated rate, which will be applied to the licensee's relevant turnover. The rate measures URCA's NGS-related costs against NGS licensees' relevant turnovers. This calculation will yield a much higher annual fee than that of the Gas Service Workers licensee. It is expected that the Gas Importers, Gas Transporters, Terminal Operators, Gas Retailers, and Gas Shippers will pay most of the cost of regulation.

URCA will subtract fees charged to Gas Service Workers from URCA's NGS-related costs to calculate the base rate applied to NGS. The rate that NGS will be required to pay is calculated to cover URCA's remaining NGS-related costs. The following equation will be used to determine the rate used to calculate the Annual URCA Fee for the NGS:

$$x = \frac{\text{NGS related Costs} - \text{Gas Service Workers related Cost}}{\text{NGS relevant turnover}}$$

*x = The rate used to calculate the Annual URCA Fee*

Thus, URCA determines that NGS Licensees multiply their relevant turnovers by the rate from the above equation. The resulting dollar amount shall be paid to URCA each year.

URCA notes that the NGS Licensees have not commenced activities in The Bahamas, so the relevant turnover may not be available for URCA's budget year 2025- 2026.

The annual URCA Fee becomes payable before a Licensee commences activities within a regulated sector and will be charged on a pro rata basis, where necessary. This particularly applies to a new Licensee that has been issued an Individual Licence by URCA under the NGA. When URCA issues a new license, the Licensee will be subjected to an annual fee per Section 16(2) of the NGA.

## **4.3 URCA ANNUAL FEE FOR 2024 -25**

URCA will issue invoiced annual URCA Fee using the following method:

In determining the NGS regulatory actual (2024–25) and estimated (2025–26) costs, URCA will rely upon:

- available estimates about the budgets of URCA for the activities undertaken and its relevant functions; and
- the annual payments made by the ECS and ES Sectors in previous years for similar activities undertaken by URCA.
- If available, the licensee's relevant turnover<sup>5</sup> for the year in question.

NGS Licensees with less than \$0.5 million in annual relevant turnover will be charged a flat fee commensurate with the charges for services rendered by URCA in the performance and exercise of its functions and powers. Gas Service Workers will also be charged a flat fee per Table 4.1 below.

Table 4.1 summarizes URCA's proposed fee methodology for the NGS Licensees.

**Table 4.1 – Annual URCA Fee – NGS Licensees**

Licence Type	URCA Fee <sup>6</sup>
Gas Importer Licence	x% of annual relevant turnover
Gas Transporter Licence	x% of annual relevant turnover
Gas Shipper Licence	x% of annual relevant turnover
Gas Retailer Licence	x% of annual relevant turnover
Gas Terminal Operator	x% of annual relevant turnover
Gas Service Worker (Class A)	\$350
Gas Service Worker (Class B)	\$250

## 5 OTHER FEES

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

- Application fees.
- Publication fees.
- Merger Control Application fee.
- Tribunal fee.

### 5.1 APPLICATION FEES

The applicant will pay license application fees when applying for or renewing a license.

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<sup>5</sup> Means the gross receipts in money or money's worth of the licensee, or any person in respect of whom an exemption determination has been made.

<sup>6</sup> Payable under s.16(2)(d) of the Natural Gas Act, 2024.

### 5.1.1 Licence application and licence renewal application fees

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

- Gas Importer Licence
- Gas Transporter Licence.
- Terminal Operator Licence.
- Gas Retailer Licence
- Gas Shipper Licence
- Licensing of Gas Service Workers A and B

URCA has adopted a standard approach for all licensees except Gas Service Workers, for whom it proposed a differentiated approach. The amount for each type is based on URCA’s costs to process an application. The information requirements on the application forms for the different licensees are similar. Table 5.1 lists the fees for licence applications. The highest fee will be charged to the NGS value chain licence applicants.

URCA believes that Section 16(3)(a) and (c) of the NGA allows the proportionate benchmarking of the application fees against the fees established for the ES. URCA has based its application fees on its experience in the Electricity Sector. This experience relates to processing Public Electricity Supplier Licences, and Independent Power Producer Licences. Gas Service Worker Licences are based primarily on the typical administrative burden of similar types of licences.

**Table 5.1: Licence Application and Licence Renewal Application Fees**

Type of Natural Gas service for which application form is submitted	Application fee <sup>78</sup>
Gas Importer Licence	\$2,500
Gas Transporter Licence	\$2,500
Gas Shipper Licence	\$2,500
Gas Retailer Licence	\$2,500
Gas Terminal Operator	\$2,500
Gas Service Worker (Class A)	\$250
Gas Service Worker (Class B)	\$350

### 5.1.2 Fees for Changes in Control of Licences

Section 93 of the NGA states that changes in control of licences happen in three cases:

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

<sup>7</sup> Payable under s.16(2)(b) of the Natural Gas, 2024.

<sup>8</sup> proportionately benchmarked against the electricity sector established Application fees

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

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

**Table 5.2: Fees for Review of Change in Control**

Combined relevant turnover of acquiring parties and target Licensee	Fee <sup>9</sup>
Less than or equal to \$5 million	\$5,000
More significant than \$5 million and less than or equal to \$10 million	\$10,000
More significant than \$10 million and less than or equal to \$50 million	\$15,000
More significant than \$50 million and less than or equal to \$100 million	\$25,000
More significant than \$100 million	\$35,000

Fees for changes in control are much higher than the fees for licence applications. This is for two main reasons<sup>10</sup>.

- Licensing providers, while imposing an additional cost on URCA, is an expected part of Natural Gas regulation. URCA must issue some licences to allow Natural Gas supply in The Bahamas and encourage the competition envisioned in the NGA. However, licence control changes are an additional cost beyond normal operations in the NGS.
- Especially when a change in control of a license involves two entities with permits in the Natural Gas sector, a detailed study and in-depth investigation may be required to determine whether the change would substantially lessen and/or negatively affect competition in the relevant market.

### 5.1.3 Fees for URCA Publications

URCA determines that the interested party pay a nominal fee to URCA to obtain hard copies of publications.

The fee is listed in the following table:

**Table 5.3: URCA Publications**

Service	Fee <sup>11</sup>
Copy of URCA Publication	\$5

<sup>9</sup> Charges applied in accordance with section 16(2)(e) of the Natural Gas Act.

<sup>10</sup> Adopted from: <https://urcabahamas.bs/wp-content/uploads/2017/02/ES-05-2016-Regulatory-Fees-for-the-Electricity-Sector-in-The-Bahamas-1.pdf>

<sup>11</sup> s16(2)(c) of the Natural Gas Act, 2024.



### 5.1.4 Inspection and Monitoring Fees

Licensees will be charged for the costs associated with inspecting and monitoring facilities to ensure compliance with regulatory standards.

**Table 5.4: URCA Inspection and Monitoring**

Service	Fee
Inspection and Monitoring	\$500

## 5.2 THE TRIBUNAL FEE

URCA shall levy, demand, and collect a Tribunal Fee under the provisions of the Utilities Appeal Tribunal Act (UAT). However, URCA has no authority to determine this fee because the Tribunal Fee is determined under the UAT's jurisdiction.

Once the Tribunal has determined its annual budget, the Registrar is required by Schedule 3 of the UAT Act to publish and certify its anticipated relevant expenditure as reasonable. Under Schedule 3 or as soon as reasonably practicable and in any event within three (3) months after the publication of the Registrar's estimate per the UAT Act, URCA is required to invoice and collect the Tribunal Fee from Licensees or regulated persons in the regulated sectors.

Upon publication of the UAT's Budget, URCA will apportion the budget between the NGS, ECS, and the ES, using the same proportions applied by URCA in apportioning its budget, and to that end, will bill and collect from NGS, ECS, and ES Licensees the sum of the published budget. The fees will be charged to Licensees liable to pay the annual URCA Fee, using the same methodology used to devise the annual URCA Fee, that is, based on the relevant turnover of those Licensees.

## 6 EFFECTIVE DATE

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Having consulted on the proposed **Regulatory Fees Methodology for the Natural Gas Sector in the Bahamas** (see NGS 20/2024), this document takes effect per the Statement of Results and Final Decision (NGS 24/2024).