



Regulatory Fees Methodology for The Natural Gas Sector in The Bahamas

Consultation Document

NGS 20/2024

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1.0 INTRODUCTION

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 has the power to 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 issues this 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.

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 also sets out the types of fees that URCA would levy under the NGA and the methodology used to set the fees. URCA has not posed any specific questions under this Consultation Document. However, URCA invites general submissions and comments from interested parties on its approach and methodology to setting regulatory fees.

1.1 HOW TO RESPOND TO THIS CONSULTATION DOCUMENT

URCA invites and welcomes written submissions and comments from interested parties with sufficient interest in matters in this Consultation Document. The written submissions and comments must be submitted to URCA by the Response Date shown on the cover of this document. The written submissions and comments should be forwarded to URCA by email to info@urcabahamas.bs; or

Due to ongoing renovations, URCA advises that its office will be inaccessible during this consultation process. As such, URCA is unable to receive responses by hand, and respondents are encouraged to submit their responses as requested above. URCA apologizes for any inconvenience caused in this regard. Persons may obtain copies of this document by downloading it from the URCA website at www.urbahamas.bs.

URCA will carefully consider all submissions and comments received before the Response Date. URCA intends to publish all responses on the URCA website (www.urbahamas.bs) as soon as possible after the deadline.

URCA shall issue a Statement of Results and Decision, published within thirty calendar days from the Response Date.

1.2 CONFIDENTIALITY

URCA may treat responses marked “confidential” (in part or whole) as confidential. The submitter shall justify why the information submitted is considered confidential. URCA has the sole discretion to determine whether to publish any submission marked as confidential.

1.3 STRUCTURE OF THE DOCUMENT

The remainder of this Consultation Document consists of the following:

- Section 2 describes the legal framework that allows URCA to issue this Consultation Document.
- 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 discusses the next steps following this consultation.

2 REGULATORY FRAMEWORK

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 provides interested parties the opportunity to comment on this Consultation Document.

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

3 REGULATORY FRAMEWORK FOR SETTING FEES IN THE NGS

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 is proposing to charge the fees and payments as contained in the provisions of section 16 of the NGA.

URCA is also proposing to 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 the URCA's regular activities but entail extra costs for the URCA.

The annual URCA Fee is proposed as 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 turnover¹. The second group is composed of fees and charges URCA may 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 is also proposing to levy charges for the following:

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

¹ 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.

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:

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

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 Annual Fee Rate 2025. 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 proposed collecting the Annual Fees from all relevant Licensees involved in the NGS value chain. These are Gas Importers, Gas Transporters, Terminal Operators, Gas Retailers, and Gas Shippers, and Gas service workers.

The proposed 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 proposes to treat the regulatory fee for NGS as independent but proportionate² 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 is proposing to 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
- ³annual URCA fees, based on the licensee's relevant turnover⁴ for the year in question.

² A requirement of section 16(3)(a) of the NGA.

³ See section 16(2)(d) of the NGA

⁴ 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.

To calculate the base rate applied to NGS, URCA proposed subtracting fees charged to Gas Service Workers from URCA's NGS-related costs. The proposed rate that NGS will be required to pay is calculated to cover URCA's remaining NGS-related costs. The following equation is proposed 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 proposes 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. This particularly applies to a new Licensee that has been issued an Individual Licence by URCA under the NGA. When URCA issues a new licence, the Licensee will be subjected to an annual fee per Section 16(2) the NGA.

4.3 URCA ANNUAL FEE FOR 2024 -25

URCA proposes to issue invoiced annual URCA Fee using the following method:

In determining the NGS regulatory actual (2024–25) and estimated (2025–26) costs, URCA is proposing to 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 turnover⁵ 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 proposed fee methodology for the NGS Licensees.

Table 4.1 – Annual URCA Fee – NGS Licensees

Licence Type	URCA Fee ⁶
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

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 must pay licence application fees when applying for or renewing a licence.

⁵ 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.

⁶ 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 licences 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 ⁷⁸
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.

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

⁸ proportionately benchmarked against the electricity sector established Application fees

- A person or an affiliated company becomes a beneficial owner or controls more than 30 percent of voting shares.
- 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 are proposed:

Table 5.2: Fees for Review of Change in Control

Combined relevant turnover of acquiring parties and target Licensee	Fee ⁹
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 reasons¹⁰:

- 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 may be required to determine whether the change would negatively affect competition in the relevant market.

5.1.3 Fees for URCA Publications

URCA is proposing 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 ¹¹
Copy of URCA Publication	\$5

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

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

s16(2)(c) of the Natural Gas Act, 2024.

5.1.4 Inspection and Monitoring Fees

URCA proposes that Costs associated with the inspection and monitoring of facilities to ensure compliance with regulatory standards be levied on licensees.

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 Utilities Appeal Tribunal Act (UAT) provisions. URCA has no authority to determine this fee because the Tribunal Fee is determined under the jurisdiction of the UAT.

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 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. URCA has no authority to determine the Tribunal fee because the determination of the UAT’s budget falls under the authority of the Utility Appeals Tribunal.

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 NEXT STEPS

After the period for receipt of comments closes, URCA will carefully consider all submissions and shall issue its Statement of Results and Final Determination, setting out the regulatory fees it will charge. The Statement of Results and Final Determination will be issued within thirty (30) calendar days from the submission deadline.