



BPL Fuel Tariff Review

Statement

ES 21/2026

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1. Background

This Statement sets out the Utilities Regulation and Competition Authority's (URCA) ex-post review of Bahamas Power and Light Company Ltd.'s (BPL) fuel glide path and fuel adjustment charge that took place from 2022 to 2024.

It is issued in line with URCA's authority under Section 14 (3) of the Electricity Act, 2024, which give URCA the power to issue "regulations directions decisions statements instructions and notifications"¹.

On 4 October 2022 BPL publicly announced a special "glide path" to recover its fuel costs through fuel charge price increases that would be implemented from October 2022 to September 2023². URCA consequently reviewed information concerning the proposed fuel adjustment charge and was satisfied BPL had made an adequate case for the rate increases. However, URCA stated its intent to revisit the matter ex-post to ensure BPL was operating efficiently and charging customers appropriately. Consistent with that commitment, URCA included the BPL Fuel Tariff Review/Audit project in its Annual Plan 2024 to examine:

1. Whether BPL operates efficiently; and
2. Whether BPL charged customers appropriately.

In 2023, URCA engaged an independent consultant to carry out a performance audit of financial, operational, and quality of service metrics of the BPL. In 2025 URCA engaged an independent consultant to conduct a review / audit of BPL's fuel tariff as was outlined in the Addendum to the Annual Plan 2024³. Elements of both reports were utilized to conduct the ex-post assessment of BPL's glide path. In both instances URCA has published

¹ <https://urcabahamas.bs/wp-content/uploads/2024/06/Electricity-Act-2024.pdf>

² https://www.thenassauguardian.com/home/bpl-announces-increase-to-monthly-fuel-charge/article_aa1ed7c8-fe5b-544d-962f-5d14e98e676d.html

³ <https://urcabahamas.bs/wp-content/uploads/2024/11/URCA072024-ADDENDUM-TO-THE-2024-ANNUAL-PLAN.pdf>

a summary of its findings due to the extensive scope, complexity, and confidentiality of the contents in accordance with section 73 of the Electricity Act, 2024.

This document provides a summary of the aforementioned assessment and sets out the next steps per URCA’s Draft Annual Plan 2026⁴. The objective of the investigation was to ensure BPL delivers value for money to consumers and operates with a framework that can sustain its operation in compliance with the law and regulations, establishing best practices for public electricity suppliers.

Timeline of BPL Fuel Charges 2017-2024

In order to provide context for URCA’s findings, set out below is a general timeline of the fuel charges leading up to and following the implementation of BPL’s glide path strategy. The consultant’s review covered the period of January 2022 to March 2024.

Date/Period	Summary
January 2017 – April 2020	Actual fuel charges ranged from approximately 11.5 cents/kWh to 21.7 cents per kWh over this period.
July 2020 – September 2022	BPL held the fuel adjustment charge constant at \$0.105 per kWh.
October 2022	BPL announced and began the implementation of its glide path (see table below ⁵).

⁴ <https://urcabahamas.bs/wp-content/uploads/2025/12/URCA-042025-Draft-Annual-Plan-2026.pdf>

⁵ <https://www.bplco.com/corporate-news/statement-on-fuel-charge-amendments/>

Phases	<800 kWh (increases of 2 cents increments per quarter)	>800 kWh (increases of 4.3 cents increments per quarter)
October 1 to November 30, 2022	12.5 cents	14.8 cents
December 1, 2022 to February 28, 2023	14.5 cents	19.1 cents
March 1 to May 31, 2023	16.5 cents	23.3 cents
June 1 to August 31, 2023	18.5 cents	27.6 cents
September 1 to November 30, 2023	18.5 cents	25 cents
December 1, 2023 to February 28, 2024	17 cents	18 cents

June 2023	Planned glide path increases reached their maximum (rates varied by tier and customer class).
September 2023	Glide path rates reduced from maximum levels for commercial customers.
December 2023	Glide path rates reduced for all customers.
March 2024	Glide path came to an end.
June 2024	The Government of The Bahamas brought into force the Electricity Act, 2024 (EA) on 1 June, which outlines BPL's statutory obligation to make a tariff review application to URCA prior to the start of 2027.

2. Findings

Was BPL Operating Efficiently?

URCA conducted an audit of BPL's efficiency⁶. It found BPL did not consistently follow its "merit order" approach where the most efficient units are generally intended to be used first to meet the demand for electricity. Following a strict merit order approach would have helped minimize fuel costs; however, there were extenuating factors such as generator demand response and reliability requirements. In the summer when demand for electricity is highest, BPL is forced to run its less efficient machines to maintain supply to its customers. It was concluded that BPL's actions reflected a compromise required to maintain reliable service.

The fuel hedge that began in 2020 saved BPL customers a significant amount during the 2022 price spike, but there were legitimate reasons not to layer in additional hedge positions in 2021 and early 2022 due to automotive diesel oil's (ADO) separation from Brent crude oil (an accepted price benchmark), which was the hedged commodity, and concerns about buying into a rising market. Over the course of the study period, the hedge produced a net benefit to BPL customers.

Were BPL's Customers Charged Appropriately?

The investigation found that BPL's accounts used to manage fuel purchases and related costs appeared to be reflective of actual fuel cost eligible charges.

During the study period, BPL held the fuel adjustment charge constant at \$0.105/kWh from January through September of 2022. In October 2022, the Glide Path was implemented with step wise increases reaching a maximum in June 2023. The consultant

⁶ [URCA-Audit-of-the-Performance-and-Organizational-Maturity-of-BPL-Efficiency-Audit-SoR-and-Next-Steps.pdf](#)

found that during the Glide Path, BPL then reduced rates from the maximum levels for commercial customers in September 2023 and all customers in December 2023.

The 800-kWh tier boundary for the fuel cost adjustment introduced as part of the Glide Path had a material effect on the relative contribution of different rate classes towards BPL’s fuel costs. Nearly all consumption for the Large Commercial and Major Loads classes fell into the higher tiered rates for the Glide Path. As a result, the average unit costs experienced by each rate class diverged from each other upon Glide Path implementation (see figure 1 below). The consequence of this was that commercial customers subsidized residential customers.

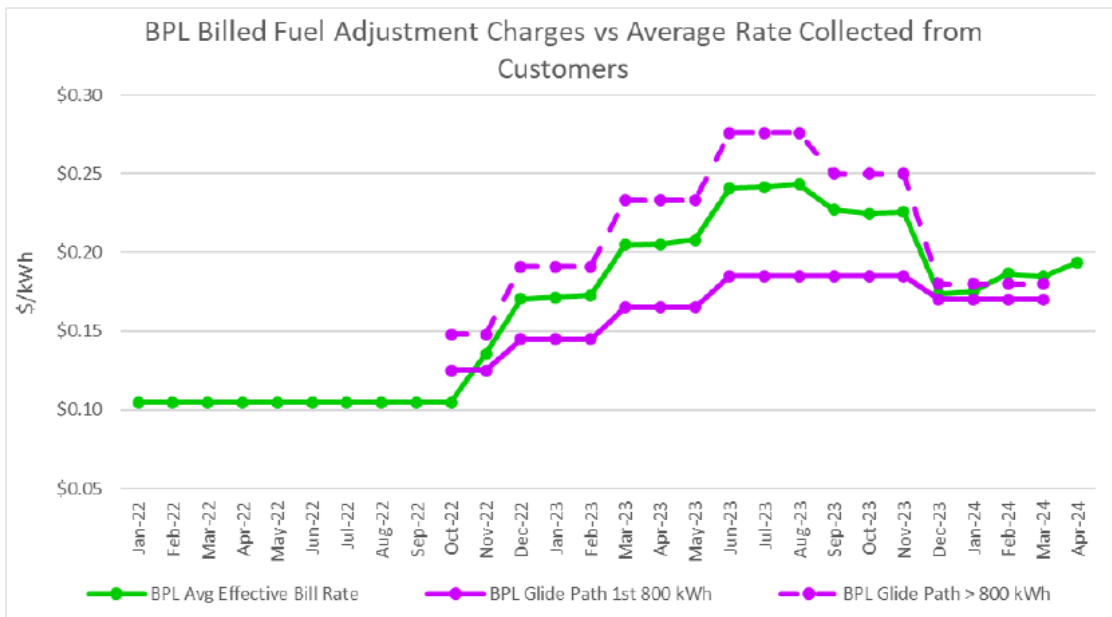


Figure 1:

While BPL did increase the fuel charge rate in accordance with its glide path, it did not meet its objectives in recovering its current and accumulated fuel costs. At no point during the study period did BPL’s billed fuel adjustment charges reflect the actual cost of fuel. At the end of the glide path period (March 2024) the cumulative remaining under-recovered fuel balance was reported by the independent consultant to be approximately \$37.6M (see figure 2 below).

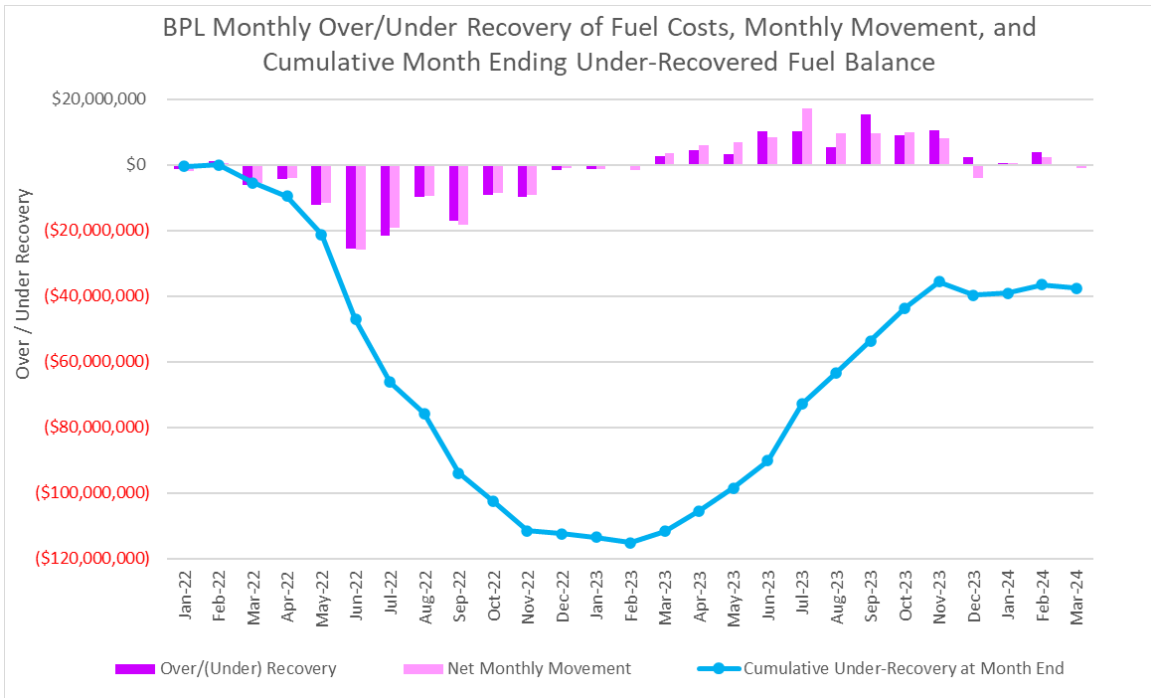


Figure 2

URCA conducted town hall meetings in Exuma, Long Island, Abaco, and other islands, to, among other things, discuss the impact of the glide path charges on customers. It found the increased electricity usage in the summer months, coupled with the peak in fuel charges, led to widespread consumer complaints of high electricity bills. Due to the timing of the charge, the burden placed on customers was magnified and became onerous.

3. Next Steps

In summary, URCA's ex post review found that while BPL's glide path responded to real fuel cost pressures, the approach did not consistently align billed fuel charges with actual fuel costs and created distributional impacts across customer classes. The review also underscored that reliability constraints and operational realities can drive higher fuel use during peak periods, reinforcing the need for a clearer, more predictable framework for fuel cost recovery.

URCA intends to take regulatory action as a consequence of the BPL Fuel Tariff Review. The findings will be factored into BPL's tariff submission in accordance with Section 38 (9) of the EA. URCA will conduct a full analysis of BPL's tariff review submission, which will include fuel charges, to take effect in 2027. Prior to this URCA will establish new fuel charge regulations. Some of the items to be considered in the regulations include

1. changes to the costs to be included in the fuel charge;
2. the use of the fuel charge revenue;
3. the timing of when fuel charges will be passed through to customers, primarily to avoid excessive accumulation;
4. the way in which the cost will be passed through to smooth out cost recovery; and
5. incentives and/or penalties regarding the efficient procurement and use of fuel.