Adjudication

In the matter of a request for a Change in Control of Baker's Bay Utility Ltd. in the Natural Gas Sector

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1. Introduction

The Utilities Regulation and Competition Authority ('URCA') issues this Adjudication regarding the application for a change in control of Baker's Bay Utility Ltd. ('BBUL') for the Natural Gas sector (NGS). URCA is the designated regulator of the NGS, the electronic communications, and the electricity sectors. As set out in section 92 of the Natural Gas Act, 2024 (NGA), licensees are required to obtain URCA's prior written approval to implement a change in control.

On 30 June 2026, URCA received a Notification of a Transaction ('the Transaction') from Baker's Bay Utility Ltd. ('BBUL' or 'the Licensee') to apply for URCA's approval for a change in control in relation to BBUL. The Notification advised that Baker's Bay Investors, LLC and Discovery Baker's Bay Investors, LLC (jointly 'the Seller') have by a Membership Interest Purchase Agreement agreed to sell their membership interests in Baker's Bay Associates, LLC ('BBA') to members of Baker's Bay Golf and Ocean Club (also referred to as 'the Club') in Great Guana Cay, Abaco, Bahamas. The members of the Club are homeowners within the Club. The members hold their respective membership interests in Baker's Bay Club Ltd. ('the Acquirer'), a company limited by guarantee. The Transaction will result in the members of Baker's Bay Golf and Ocean Club through the company Baker's Bay Club Ltd. acquiring control of 100% of BBA and, as a result, 100% control of BBUL. The Acquirer and the Seller are jointly and collectively referred to as 'the Parties'.

Section 93 of the NGA describes the circumstances in which a change in control takes place. As the Acquirer become the beneficial owner and voting controller of more than 30% of the voting shares of BBUL, the Transaction would constitute a 'change in control' of BBUL as set out in section 93(1)(b) and therefore requires URCA's prior written approval prior to implementing the change in control.

URCA is required under section 96(2) to give the acquirer, the licensee, and any interested persons a reasonable opportunity to make representations and for URCA to consider the representations before forming any opinion or issuing any adjudication. To fulfil this requirement, on 9 July 2026, URCA issued a public notice notifying the public of the proposed change in control and invited all interested persons to submit representations no later than 10 August 2026. URCA received no written representations during the close of the consultation period.

Having reviewed the complete notification under section and having allowed interested parties the opportunity to submit representations, URCA now issues this Adjudication under section 96 of the NGA..

1.1 Details of the Transaction

BBUL is an authorized utility company that was established in 2008 which owns, operates, and manages water, wastewater, electricity generation, telecommunication services, internet services and fuel station services within the Baker's Bay community located on Great Guana Cay, Abaco, Bahamas. On 21 December 2020, URCA issued an Authorized Public Electricity Supplier Licence, APESL-20-0002 to BBUL in accordance with the Electricity Act, 2015 (now repealed and replaced by the EA 2024). The licence has an expiration date of 21 December 2045, if not renewed.

BBUL is the sole provider of electricity to the residential and commercial consumers within the private Baker's Bay community which includes Baker's Bay Golf and Ocean Club. BBUL recently converted its electricity generation from diesel production to the use of Liquefied Natural Gas (LNG). Due to BBUL's transition to LNG, URCA issued a Liquefied Natural Gas (LNG) Importer Licence (Commercial Only – subject to self-use restriction) NILCO-26-01 and an LNG Terminal Operator Licence (self-use restriction) NTOL-26-01 to BBUL on 12 June 2026. Both LNG licences have an expiration date of 12 June 2041.

Baker's Bay Club Limited is a non-profit company duly incorporated by the laws of the Commonwealth of The Bahamas since 14 December 2004. The company's specific purpose is to own and operate a golf, beach, tennis, spa, fitness, swim, and social club for the pleasure and recreation of its members, their families, their guests, and other designated users.

On 30 June 2026, BBUL applied to URCA for the members of the Club to purchase 100% of the ownership of BBUL from Baker's Bay Investors, LLC and Discovery Baker's Bay Investors, LLC. Baker's Bay Associates, LLC ('BBA') is the entity that owns and controls all the Baker's Bay companies affiliated with the Club including BBUL. Regarding the current ownership of BBA prior to the proposed change in control, Baker's Bay Investors, LLC currently holds a 94.74 ownership stake and Discovery Baker's Bay Investors, LLC currently owns 5.26%.

The sale contemplated in the Transaction will place Baker's Bay Club Limited at the top of the Baker's Bay corporate structure with its proposed 100% ownership of BBA resulting in ownership and control of all affiliated Baker's Bay companies. Presently, there are 384 members who hold their respective membership interests in Baker's Bay Club Limited. The 384 members will have equal interest in Baker's Bay Club Limited which will be presided over by a Board of Directors.

The following items were provided as part of the application:

i. A signed merger notification form
ii. Amended and Restated Memorandum and Articles of the Association for Baker's Bay Club Limited
iii. Certificate of Incorporation for Baker's Bay Club Limited
iv. BBUL's 2025 Audited Financial Statements
v. BBUL's Register of Shareholders
vi. Summary of the Membership Interest Purchase Agreement
vii. Ownership structure charts of the Baker's Bay group of companies before and after the proposed change in control
viii. Current register of Club members

ix. Biographies of the incoming Club Board of Directors

1.2 Structure of the Remainder of the Document

The remainder of the document is set out as follows:

- Section 2 provides the legal and regulatory framework relevant to this Adjudication.
- Section 3 contains URCA's Analysis.
- Section 4 provides URCA's decision.
- Section 5 contains the conclusion.

2. Legal and Regulatory Framework

This section sets out the legal and regulatory framework under which URCA has exercised its powers to issue this Adjudication.

Section 93 of the NGA states that a person shall not implement a change in control of a licensee without obtaining the prior written approval of URCA.

Under section 92(2), failure to obtain prior written approval of URCA makes the acquirer and licensee liable to: (a) prosecution for an offence under section 92(7); (b) an adjudication by URCA and an order under section 92 for the acquirer to divest or procure the divestment of the licensee or any part of the licensee as a going concern to a purchaser on terms of sale approved by URCA; or both (a) and (b).

Section 92(3) requires that the acquirer or the licensee must apply for approval by notifying URCA within seven calendar days of concluding an agreement, or announcing a public bid, that would result in a change in control of a licensee.

Under section 93 of the NGA, a change in control in relation to a licensee where a person, either alone or with an affiliated company - occurs when a person, either alone or with any affiliated company:

(a) acquires control (including by the acquisition of voting shares), by virtue of any powers conferred by the memorandum or articles of association or other instrument regulating the licensee or any other corporation or otherwise, to ensure that strategic decisions of the licensee are conducted in accordance with the wishes of that person;

(b) becomes the beneficial owner or voting controller of more than thirty percent of the voting shares in the licensee; or

(c) becomes the beneficial owner or voting controller of more than fifteen percent of the voting shares but not more than thirty percent of the voting shares in the licensee concerned unless that person, either alone or with any affiliated company

    (i) is not, or does not concurrently become, the beneficial owner or voting controller of more than five percent of the voting shares in any other licensee; and

    (ii) does not have the power (including by the holding of voting shares), or does not concurrently acquire control (including by the acquisition of voting shares), by virtue of any powers conferred by the memorandum or

> articles of association or other instrument regulating any other licensee or any other corporation or otherwise, to ensure that the affairs of such other licensee are conducted in accordance with the wishes of that person."

The requirements of the share threshold test in section 93(b) are satisfied in that the Acquirer will become the beneficial owner (and voting controller) of more than thirty percent of the voting shares in the Licensee.

As stated above, the Licensee is the holder of an LNG Importer Licence (Commercial Only) and an LNG Terminal Operator Licence issued by URCA under the NGA. Accordingly, the Transaction is a change in control of a licensee which, pursuant to section 92 of the NGA may not be implemented without having obtained the prior written approval of URCA.

Section 96 of the NGA provides that:

(1) Where URCA, on receiving a notification given under section 92(3) –

  (a) forms an opinion that the proposed change of control would not have the adverse effects set out in section 94(a) or (b), URCA shall issue an adjudication giving consent to the merger; or

  (b) forms an opinion that the proposed change would have the adverse effects set out in section 94(a) or (b), URCA shall issue an adjudication giving consent to the merger; or

    (i) declare the merger incompatible with the adverse effects URCA has formed the opinion it would have and deny its consent;
    (ii) give consent subject to an order that the acquirer or the licensee concerned takes the action that URCA considers necessary to eliminate or avoid any such effects; or
    (iii) give consent without issuing an order under subsection (ii) if URCA is satisfied that any substantiated and likely efficiencies put forward by the acquirer or the licensee are necessary and outweigh any potential harm to consumers and citizens.

(2) URCA shall, within thirty calendar days of receiving a complete notification, and, before forming any opinion or issuing any adjudication under subsection (1) –

    (a) give the acquirer, the licensee and any interested persons a reasonable opportunity in accordance with section 9 to make representations; and
    (b) consider the representations, if any, made under paragraph (a).

(3) URCA shall, by notice in writing, inform the acquirer and the licensee of –

    (a) the adjudication made under subsection (1); and

(b) where an adjudication is made under subsection (1)(b)(ii), the action that URCA orders the acquirer or the licensee to take.

(4) The acquirer in an application for a change in control must –
   (a) be a legal entity incorporated in The Bahamas;
   (b) conduct the administration and management of the business which is the subject of the application from premises within The Bahamas;
   (c) be a fit and proper person to establish, maintain and operate an electricity service;
   (d) demonstrate to the satisfaction of URCA that the applicant has sufficient intention, financial strength and resources to meet obligations under this Act and to provide electricity services in an effective manner consistent with the sector policy objectives; and
   (e) meet any other requirements of URCA, including but not limited to the provision of information and data.

Section 97 of the NGA states that URCA shall promptly review a complete notification under section 92(3) and shall within thirty calendar days of receiving representations pursuant to section 96(2) -

(a) issue its adjudication under section 96(1)(a) or 96(1)(b)(ii) or 96(1)(b)(iii); or
(b) inform the acquirer and relevant licensee or licensees that it is opening an in-depth investigation under section 97(2).

URCA may open an in-depth investigation where it considers that there is a significant prospect that the change in control is likely to have one or both of the adverse effects set out in section 94 of the NGA and the parties have not volunteered any proposals to address URCA's concerns. In the event that URCA opens an in-depth investigation, URCA must issue its adjudication within ninety (90) days.

Under section 97(4) of the NGA, the timetable for URCA to issue its adjudication is paused if further information is requested and will restart from the date when URCA receives a complete response to its request.

The notification must be submitted in the form prescribed by URCA's Competition Guidelines (URCA 05/2024)[1] and include specifics of the transaction, information about the acquirer and the licensee, financial information of the persons involved in the transaction, contact information, information about the companies and market information.

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[1] URCA's Competition Guidelines (URCA 05/2024) can be found here: https://urcabahamas.bs/wp-content/uploads/2026/05/URCA-Final-Competition-Guidelines-3-May-2024.pdf.

3. URCA's Approach and Assessment

Section 94 of the NGA provides that URCA, on receiving a notification of a change in control of a license under section 94 shall form an opinion on whether a proposed change of control of a licensee –

(a) would have, or be likely to have, the effect of substantially lessening competition in a market in The Bahamas; and
(b) in the case of a change in control involving a media public interest, whether the change in control would have an effect, or would be likely to have an effect contrary to the public interest."

In this part of the document, URCA will set out its approach to forming an opinion on whether the proposed Transaction would result in the detailed above.

3.1 Market Definition

Market definition focuses on the substitutability of differentiated products or services. There are two main dimensions to market definition: (i) relevant product market; and (ii) relevant geographic market. Under standard market analysis, a relevant product market comprises all those differentiated products or services that are regarded as sufficiently interchangeable or substitutable by customers or suppliers by reason of product characteristics, intended use and pricing, such that that a hypothetical monopolist in the provision of one product could not profitably increase the price of that product from the competitive level.

3.1.1 Product Market Definition

While a formal SSNIP test was not conducted, URCA applied the general principles of the Small but Significant Non-transitory Increase in Price ('SSNIP') framework otherwise known as the Hypothetical Monopolist Test ('HMT') using alternative qualitative and analytical indicators. The SSNIP framework evaluates customer (demand-side substitution) and supplier (supply-side substitution) behaviour in response to a hypothetical 5–10% price increase above competitive levels. This helps determine whether customers or producers have the ability and incentive to switch to alternative products, thereby establishing which products belong in the same relevant economic market as the focal product.

- When assessing *demand-side substitutability*, the question is whether the price increases provoke a sufficient number of customers to switch to alternative products offered by any existing supplier such that it would make the hypothetical price increase of the focal product unprofitable. If sufficient subscribers would switch to the alternate product thereby making the price increase unprofitable, then the alternative product is included in the relevant product market (i.e., it is deemed to be a demand-side substitute of the focal product).

- For *supply-side substitutability*, the SSNIP test assesses whether the price increase could provoke an existing supplier that is currently not producing the focal product to switch production capacity and start supplying the focal product. Such supply-side substitution would only constitute an effective constraint were it to make the price increase of the focal product unprofitable for the hypothetical monopolist. In this case, the alternative product is included in the relevant product market (i.e., it is deemed to be a supply-side substitute of the focal product).

The SSNIP test is carried out for any given number of alternative products, which by their characteristics, prices and intended use, may constitute an effective substitute to the product in question. If switching to these alternative products is sufficient to also render the SSNIP unprofitable, then these are also included in the definition of the relevant product market.

While such economic tests can usefully be employed to examine demand- and supply-side substitution possibilities, it is also important to ensure that the approach to market definition is pragmatic and exhibits commercial common-sense. Given that conducting a SSNIP test formally is often not possible (including in this instance, given the lack of quantitative information on potential switching), URCA has examined, in this case, the likely response of consumers and producers to a price increase by examining the below four factors listed for product market definition analysis, namely:

- evidence of previous substitution;
- consumer preferences;
- barriers and switching costs; and
- quantitative studies (including surveys, studies of other markets).

When determining the relevant market for Baker's Bay Utility Ltd.'s (BBUL) natural gas sector licenses specifically its Liquefied Natural Gas (LNG) Importer and LNG Terminal Operator licenses it is also necessary to evaluate the customer market dimension. In typical utility sectors, this involves segmenting customers by category or contract type; however, in BBUL's case, the imported natural gas is dedicated solely to self-use (captive use) as a fuel input for its own power generation plant. As a result, demand-side substitution does not apply, as there are no external end-users or separate customer segments (such as residential or commercial buyers) participating in a merchant market. Furthermore, given the specialized, dedicated infrastructure designed exclusively for captive generation, supply-side substitutability is constrained, as BBUL does not supply or route gas to third-party markets

3.2 URCA's Findings

In analysing the market dynamics surrounding BBUL's natural gas licenses URCA notes that BBUL operates under a self use restriction. The natural gas imported is dedicated exclusively as a fuel source for BBUL's own power generation plant, there are no external purchasers of natural gas, and thus no instances of demand-side substitution in a merchant gas market.

URCA acknowledges the broader industry trend toward integrating renewable energy technologies to displace fossil fuels. However, in BBUL's case, any shift toward solar or alternative energy sources affects the power generation level rather than creating a competitive, multi-supplier market for natural gas import and terminal capacity. Given that the underlying LNG infrastructure is built for exclusive self-use, off-grid or alternative fuel options do not present a viable commercial substitute for BBUL's dedicated gas operations.

Additionally, while power generators face no legal impediments to adopting alternative fuel inputs or renewable energy systems, replacing, or supplementing natural gas with alternative fuels entails substantial upfront capital investments that require multi-year cost recovery periods compared to relying on BBUL's established captive gas facilities.

Consequently, URCA defines the relevant product market as the market for Captive (Self-Use) Liquefied Natural Gas (LNG) Importing and Terminal Operating Services.

3.2.1 Geographic Market Definition

The geographic market is defined with respect to the scope of service within a defined region or territory within which competitive conditions are sufficiently homogenous or similar. The relevant geographic market considers the degree to which demand/supply-side substitutes for products vary by geography. The geographic boundaries are considered within the SSNIP test and the reach of any demand and/or supply-side substitutes identified. The test is applied on a product-by-product basis, meaning if particular products are offered in different geographic areas, the product market definition may vary by geography.

There are also instances where the geographic market coincides with the territory in which the Licensees are licensed to operate their networks or provide their service.

URCA has supplemented the SSNIP tests (demand/supply-side substitution) with other relevant information including the listed criteria below to further inform and refine its geographic market definition analysis:

- past evidence of consumers diverting orders to suppliers in other areas;
- basic demand characteristics;
- barriers to switching; and
- views of third parties.

URCA's Findings

The physical infrastructure for natural gas importation, regasification, and terminal handling is fixed to its specific site and directly integrated with BBUL's power generation facilities. The imported natural gas is physically restricted by the absence of subsea gas pipelines or localized transport links to other cays or the mainland, and legally constrained by a self-use restriction in BBUL's license that restricts the use and handling of natural gas strictly to its designated location, there is no ability to physically transport or commercially route gas beyond this boundary.

Geographic Boundary: Therefore, URCA defines the relevant geographic market as the Development Service Territory of Baker's Bay Golf and Ocean Club, Great Guana Cay, Abaco, The Bahamas.

3.3 Competitive Assessment and Market Dynamics

Having defined the market as captive LNG import and terminal services for self-use electricity generation in Great Guana Cay, URCA evaluates whether the proposed change in control creates, enhances, or facilitates the exercise of market power, or results in a Substantial Lessening of Competition (SLC) pursuant to Section 94(a) of the NGA. URCA notes that the natural gas activities authorized under NILCO-26-01 and NTOL-26-01 do not serve a general merchant market. Since the licenses contain mandatory self-use restrictions, the Licensee does not hold commercial market share in the open natural gas retail, merchant terminal, or commercial gas supply markets in The Bahamas.

The change in ownership of the parent entity to Baker's Bay Club Limited (comprising 384 homeowners) represents an internal realignment of ownership over a captive micro-grid energy supply chain. Because the Acquirer does not hold competing natural gas import or terminal infrastructure elsewhere in The Bahamas, the Transaction does not combine overlapping market shares, create horizontal market concentration, or foreclose competing gas suppliers from downstream off-takers.

3.3.1 Barriers to Entry and Expansion

As part of its merger assessment under URCA's Competition Guidelines, URCA considers the extent to which there may be barriers that adversely affect the likelihood, timeliness, and sufficiency of other players' ability to enter (or expand in) the market. URCA notes that LNG terminals and fuel import logistics entail high capital requirements and specialized technical standards under the NGA, the self-use nature of the respective licenses means the facilities were never established as an open-access or multi-user commercial hub. The transfer of equity control does not heighten entry barriers or foreclose access to any pre-existing public natural gas market.

3.4 Public Interest Analysis

Pursuant to Section 94(b) of the NGA, URCA must evaluate whether the proposed change in control is likely to have an effect that is contrary to the public interest. URCA examines wider economic public interest factors, including grid reliability, infrastructure sustainability, customer alignment, and national energy policy objectives:

- Alignment of Utility and Consumer Interests: The acquisition of 100% control by Baker's Bay Club Limited aligns the incentives of the utility operator directly with those of the primary end-users (the homeowners). This eliminates structural agency conflicts typical of third-party utility ownership and encourages long-term capital reinvestment into grid performance and service quality.
- National Energy Policy Alignment: The National Energy Policy (NEP) emphasize grid modernization, energy security, and environmental sustainability. Transitioning utility ownership to local homeowners enhances accountability for transitioning toward cleaner, resilient micro-grid infrastructure in island environments.
- Operational Continuity and Financial Stability: Capitalization by the collective membership provides stable financial backing, safeguarding operational continuity and localized power stability for the Great Guana Cay community.

URCA concludes that the Transaction does not pose a threat to the public interest. Rather, it yields positive structural efficiencies that support the long-term governance, modernization, and stability of the local electricity supply.

3.5 The Counterfactual

In order to assess whether a change in control is likely to result in a substantial lessening of competition, URCA considers what would happen if the parties did not proceed with the Transaction. This is known as the counterfactual. URCA begins with the presumption that the counterfactual scenario is the status quo prior to the proposed transaction.

In analysing the counterfactual, URCA compared the potential effects of the Transaction with the pre-transaction scenario, where Baker's Bay Investors, LLC (94.74%) and Discovery Baker's Bay Investors, LLC (5.26%) retain ultimate control of BBA and BBUL. URCA finds that in this instant case, shifting to a member-owned entity (Baker's Bay Club Limited acquiring 100%) does not alter market concentration or result in a substantial lessening of competition in the domestic Natural Gas Sector compared to the status quo.

3.6 Closing Statement

URCA notes that localized natural gas import and terminal markets exhibit high structural barriers to entry such that the proposed transaction representing a transfer of 100% membership control does not materially alter the existing market structure. Furthermore, because the imported natural gas is restricted under BBUL's license strictly to self-use as fuel for its own electricity generation, and BBUL remains the sole authorized public electricity supplier within its defined geographic service territory, the change in control does not eliminate any active competitive constraints or increase market concentration.

After careful review, URCA is satisfied that the proposed change in control of BBUL will not have, nor is it likely to have, the effect of substantially lessening competition in a market in The Bahamas, nor is it contrary to the public interest.

4. URCA's Decision

This Adjudication is issued by the Utilities Regulation and Competition Authority ('URCA') pursuant to section 92 of the Natural Gas Act, 2024 (NGA).

***WHEREAS**:*

On 30 June 2026, URCA received a Notification of a Transaction ('the Transaction') from Baker's Bay Utility Ltd. ('BBUL' or 'the Licensee') to apply for URCA's approval for a change in control in relation to BBUL.

The Notification advised that Baker's Bay Investors, LLC and Discovery Baker's Bay Investors, LLC (jointly 'the Seller') have by a Membership Interest Purchase Agreement agreed to sell their membership interests in Baker's Bay Associates, LLC ('BBA') to members of Baker's Bay Golf and Ocean Club (also referred to as 'the Club') in Great Guana Cay, Abaco, Bahamas. The members of the Club are homeowners within the Club. The members hold their respective membership interests in Baker's Bay Club Ltd. ('the Acquirer'), a company limited by guarantee.

Section 92(1) of the NGA states that a person shall not implement a change in control of a licensee without obtaining the prior written approval of URCA.

Under section 93 of the NGA, a change in control in relation to a licensee where a person, either alone or with an affiliated company - occurs when a person, either alone or with any affiliated company:

(b) becomes the beneficial owner or voting controller of more than thirty percent of the voting shares in the licensee

Section 96 (2) provides that where URCA, on receiving a notification given under section 92(3) –

(c) forms an opinion that the proposed change of control would not have the adverse effects set out in section 94(a) or (b), URCA shall issue an adjudication giving consent to the merger; or

NOW:

URCA having considered the relevant matters set out in the NGA and URCA's Competition Guidelines 05/2024, URCA has concluded that the change in control of BBUL as set out in the Notification and approval request of the Acquirer Notification would not have either of the adverse effects set out in section 94 of the NGA, namely the effect of substantially lessening competition in a market in The Bahamas; or would have an effect, or would be likely to have an effect, contrary to the public interest.

Having regard to the above, URCA has determined that approval is granted provided that the transaction is implemented strictly in accordance with the structure and terms presented to URCA and subject to the following conditions to ensure continued compliance and regulatory oversight:

1. Prompt written notification to URCA of the completion of the transaction and copies of the agreement(s), no later than seven (7) calendar days following completion).

2. URCA's approval caveats that any material deviation from the structure and terms presented to URCA shall render the issued approval null and void.

3. URCA's approval is granted without prejudice to any other approvals or requirements that may be necessary under applicable laws or regulations.

4. URCA reserves the right to take any regulatory, supervisory, or enforcement action it deems necessary or appropriate to discharge its duties in accordance with section 8 of the NGA.