



URCA Draft Annual Plan 2017

URCA 02/2016

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Table of Contents

1.	Background	4
1.1	Introduction	4
1.2	Responding to this Draft Plan	4
2.	Review of URCA's Achievements in 2016	6
2.1	Overview	6
2.2	Electronic Communications Sector	6
2.2.1	Highlights of URCA's Achievements.....	6
2.3	Electricity Sector	10
2.3.1	Establishment of the Utilities and Energy Department	10
2.3.2	Issuing an Interim Licence to BPL.....	11
2.3.3	Establishing Regulatory Fee Structure	12
2.3.4	Review of BPL Consumer Protection Plan.....	12
2.3.5	Review of BPL Renewable Energy Plan	12
2.4	International Participation and Engagement.....	13
2.5	Building Regulatory Capacity and Human Capital	14
2.6	Educating and Supporting Our Stakeholders.....	15
2.7	Protecting Our Stakeholders.....	16
2.8	Legal Matters	17
2.8.1	Litigation	17
2.8.2	Legislative and Regulatory Reform	18
2.9	Summary of URCA's 2016 Workplan Outcomes	18

4.	URCA’s Plan for 2017	21
4.1	Strategic Outlook	21
4.1.1	URCA’s Vision and Mission.....	21
4.1.2	URCA’s Strategic Goals.....	21
4.2	URCA’s Key Projects for 2017	21
4.2.1	2017 Projects Carried over from 2016.....	21
4.2.2	Projects for 2017, by Trimester	22
4.2.3	URCA Project Timelines for 2017	27
5.	Evaluating Our Effectiveness	31
6.	URCA’s Draft Budget 2017	34
6.1	Overview	34
6.2	Electronic Communications Sector Budget 2017.....	36
6.3	Electricity Sector Budget 2017	39

1. Background

1.1 Introduction

The Utilities Regulation and Competition Authority (“URCA”) is pleased to publish its Draft Annual Plan for 2017. The remainder of this document outlines:

- A brief review of URCA’s achievements in 2016;
- URCA’s focus areas and key priorities for 2017;
- URCA’s key projects for 2017, including its planned consultation schedule for the year;
- A series of the key performance indicators which URCA shall use to measure its performance during the year; and
- URCA’s budget for the forthcoming financial year.

URCA hereby invites and welcomes comments and submissions from members of the public, licensees and other interested parties on the matters contained in this Draft Annual Plan. Details on how to respond are provided in section 1.2 below.

1.2 Responding to this Draft Plan

The timetable for responses to this Draft Annual Plan is as follows:

- All submissions to this consultation should be submitted by 5pm on 10 February 2017;
- URCA shall endeavour to publish these responses by 5pm on 17 February 2017; and,
- URCA shall endeavour to publish the final version of its Annual Plan by 31 March 2017.

In addition, prior to publication of the Annual Plan and as part of the consultation on this draft Annual Plan, URCA will hold at least one stakeholder forum as a hearing to present the draft Annual Plan and to allow interested parties an opportunity to provide input. URCA will communicate the date and venue, with advance notice, for this hearing in early 2017.

Persons may obtain copies of this document by downloading it from the URCA website at www.urbahamas.bs.

Persons may deliver their written submissions or comments on the public consultation document to the Chief Executive Officer, URCA either:

- by hand, to URCA's office at Frederick House, Frederick Street, Nassau;
- by mail, to P.O. Box N-4860, Nassau, Bahamas; or
- by fax, to 242 393 0237; or
- by email, to info@urcabahamas.bs

2. Review of URCA's Achievements in 2016

2.1 Overview

The final version of URCA's 2016 Annual Plan was published on 30 April 2016 together with URCA's Annual Report for 2015. In the Annual Plan URCA set out several projects which would be undertaken with proposed timelines.

2016 was a year of significant change for URCA. With the passage on 31 December 2015 of the Electricity Act 2015, and the URCA (Amendment) Act 2015, and their coming into force on 28 January 2016, URCA assumed responsibility for regulation of a new sector of the Bahamian economy, the Electricity Sector (ES), which comprises all activities in the Generation, Transmission, Distribution and Supply of electricity. While URCA anticipated this change, it took place earlier in 2016 than expected, resulting in an unexpected adverse impact on other work streams.

During 2016, URCA also oversaw significant changes in the Electronic Communications Sector (ECS) heralded by the introduction of competition in the cellular mobile market, resulting in additional responsibilities, particularly in relation to monitoring and SMP based regulatory measures.

Finally, during 2016, URCA also weathered internal reorganisation connected to the changes in regulated sectors, increased workload, and material changes in staff at all levels.

Accordingly, URCA's achievements were significantly impacted by matters outside URCA's direct control. Notwithstanding this, URCA achieved several significant milestones in both the ECS and the newly regulated ES. The work that was undertaken is set out briefly below in the context of each regulated sector, and URCA's identified priorities:

2.2 Electronic Communications Sector

2.2.1 Highlights of URCA's Achievements

Some of the key projects undertaken by URCA in the ECS during 2016 are discussed briefly below.

Cellular Mobile Liberalisation

Undoubtedly URCA's most significant achievement in the ECS during 2016 is URCA's work to further the introduction of cellular mobile competition, which became a reality in The Bahamas on 1 October 2016.

On 7 April 2014, following the expiry of the exclusivity afforded to the Bahamas Telecommunications Company Ltd. (BTC) in the provision of cellular mobile services, the Prime Minister appointed the Cellular Liberalisation Task Force (the "Task Force") to consider and make recommendations on the process for selection of a new cellular provider.

Consequent to the Prime Minister's decision upon receipt of the Task Force's recommendations, a "Request for Proposals to Operate a Cellular Network and Provide Cellular Services in The Bahamas" (the "RFP") was issued by the Government of The Bahamas on 13 November 2014. The RFP envisaged a 2 phase process in which the first phase comprised a technical and financial evaluation of proposals submitted by interested persons to determine pre-qualified applicants, while Phase 2 would comprise an auction of the available spectrum among the pre-qualified applicants, to determine the successful applicant. URCA's role in the process was to conduct the second Phase on behalf of the Government.

Three applicants sought to compete for the right to operate the second cellular mobile network in The Bahamas: Cable Bahamas Limited (CBL), Digicel (Bahamas) Holdings Limited, and Virgin Mobile (Bahamas) Limited. At the end of the selection process, CBL emerged as the successful applicant, committing to a financial bid of \$62,500,000. In April 2016 the Prime Minister, as Minister with responsibility for the ECS, wrote to URCA to advise that it should proceed to award the necessary licences to NewCo 2015 Limited (NewCo), the company established by CBL and the Government to operate the second cellular mobile network in The Bahamas.

On 30 June 2016, having collected the licence fees in the amount of \$62,500,000 from CBL, URCA granted to NewCo the following licences:

- An Individual Operating Licence (IOL) authorising the operation of an electronic communications network and provision of carriage services;
- An Individual Spectrum Licence (ISL) authorising the use of specified blocks of radio frequency spectrum for the operation of a cellular mobile network and provision of cellular mobile service.

In accordance with the obligations set out in its licences, on 1 October 2016 NewCo began a soft launch phase for its cellular mobile network on the islands of New Providence with 99% coverage, and Grand Bahama with 89% coverage. On 23 November 2016, NewCo's full service offering was launched in those islands under the brand name "Aliv".

In parallel with its work on the Selection Process, and to ensure robust regulation of the competitive cellular service market, during 2015 URCA developed several other regulatory measures to facilitate cellular liberalisation, including:

- ✓ Infrastructure Sharing
- ✓ Revision of the Access and Interconnection Regime
- ✓ SMP Assessment for New Mobile Operators
- ✓ Review of BTC's RAIO, to address:
 - a. National Roaming
 - b. Points of Interconnection
 - c. Interconnection of Short Message Services (SMS)
 - d. Introduction of a Domestic Mobile Termination Rate
- ✓ Review of Retail Pricing Rules – Mobile Services

As at the end of 2016, URCA continued its work with BTC and NewCo to ensure that services are delivered seamlessly to customers on both networks, and that competition takes place between both licensees on a fair, non-discriminatory, level playing field.

Improving Quality of Service

A key aspect of protection of consumers is ensuring a high quality of service, where competitive pressures are inadequate to do so. During 2016 URCA completed work that it commenced in 2014 on Network Quality of Service Regulations. The final Quality of Service Regulation and Network Performance Metrics (ECS 42/2016) was published on 23 December 2016. The standards set out in the regulations will be implemented during 2017 in accordance with the provisions of the document.

Implementation of Price Cap Remedies in Retail Markets

URCA's economic regulation of competition in the ECS is centred around its processes for regulation of licensees with Significant Market Power (SMP) which processes were based on the transitional provisions contained in the Comms Act. During 2014 URCA completed the process to review key retail markets. The purpose of this market review was to review previous decisions as to which Licensees have SMP in the identified services markets.

During 2015 URCA commenced a project to introduce the remedies that were recommended based on the 2014 market review, in particular, price caps on key retail services which would enable increased flexibility for operators while preserving regulatory certainty. This project was postponed in 2016, due to its anticipated adverse effect on the process to introduce competition in the cellular mobile market. Competition having been introduced, the project has been rescheduled for completion in 2017.

Resolving Disputes in the ECS

Having completed its Alternative Disputes Resolution (ADR) Schemes for disputes between licensees (ECS 20/2014), URCA had expected to publish its ADR Schemes for disputes between consumers and licensees during 2015. However, this work was delayed and unable to be completed in 2015 due to human resource constraints. The document has been scheduled for publication in 2017.

Licensing Operators of Network; Providers of Services and Users of Spectrum

In 2015 URCA intended to review and revise its Licensing Framework, having regard to the knowledge gained by URCA in the five (5) years since the framework was introduced in 2009. It was not possible to complete this work due to other competing priorities. Unfortunately, completion in 2016 continued to be a challenge due to the anticipated adverse effect on cellular mobile liberalisation. The document has, however been completed and is undergoing final review and is scheduled to be published in the first Trimester of 2017.

Promoting Affordable Access to Services throughout The Bahamas

Since 2012, URCA has worked assiduously on the Universal Service Obligations (USO) as contemplated by the Comms Act. In 2013, URCA published its Statement of Results and Final Decision (ECS 01/2013) on the

“Framework for the Clarification and Implementation of Existing Universal Service Obligations under section 119 and Schedule 5 of the Comms Act”.

URCA had scheduled work on the additional regulatory measures which would comprise this framework for 2016. However, recent reviews of the universal framework proposals has highlighted that the proposals on which these documents are founded may not be appropriate for the evolving environment in The Bahamas. It is noteworthy that the universal service framework which URCA intended to implement is based on transitional provisions contained in the Comms Act, and the then sector policy. Technological and market changes in the intervening seven years have rendered those provisions dated and ineffectual. URCA notes that 2017 will see the conduct of a review of the Electronic Communications Sector Policy pursuant to section 6 of the Communications Act, which may have direct implications for the universal service framework.

In those circumstances, URCA proposes to halt further work on the universal service documents in favour of a revision of the universal framework together with the review of the ECSP. URCA has scheduled the policy review for commencement in 2017, and will schedule the resulting universal service work pending completion and approval of the revised ECSP.

2.3 Electricity Sector

URCA took on regulation of the Electricity Sector when the Electricity Act 2015 and the URCA (Amendment) Act 2015 came into force on 28 January 2016. Within URCA, we established the Utilities and Energy Department to lead regulation of this new sector. We have also begun to put in place the framework of regulations needed for the electricity sector by granting Bahamas Power and Light (BPL) an interim licence, establishing a regulatory fee structure, reviewing BPL’s Customer Protection Plan, and reviewing BPL’s Renewable Energy Plan.

2.3.1 Establishment of the Utilities and Energy Department

Within URCA, a new Executive member of URCA’s Board, the Director of Utilities and Energy (DUE), will assume overall responsibility for regulation of the Electricity Sector. The DUE will be supported by a team of professionals in areas of Engineering (with an emphasis in power systems), Economic Regulation and Law. Accompanying this change, the previous Policy and Regulation Department has been restructured as

the Electronic Communications Department, headed by the Director of Electronic Communications (DEC), and that department will retain responsibility for regulation of the ECS.

To ensure efficient and cost effective use of resources, both the Utilities and Energy and Electronic Communications departments will be expected to share resources to the greatest extent possible, to maximise efficiencies of scope and scale gained by URCA as a multi-sector regulator.

URCA's recruitment efforts in the UE Department have been slowed by the limited availability of locally trained resources. However, significant progress is anticipated in the first trimester of 2017. As such, URCA has made extensive use of external consultants to supplement its ES resource needs in 2016, and we anticipate continuing to do so in 2017 with gradual reduction in reliance on external consultants from 2018 onwards.

2.3.2 Issuing an Interim Licence to BPL

The Electricity Act 2015 requires anyone who generates, transmits, distributes, or supplies electricity to have a licence. The Act applies to incumbent as well as future suppliers. URCA's role is to ensure compliance with this provision in the Act, and that licences are consistent with the overarching framework for licensing and regulation in the electricity sector.

To ensure legal compliance and allow flexibility, URCA issued BPL a Public Electricity Supplier Licence on 5 August 2016 (PESL-16-0001). The licence will last up to one year from the date it is issued. The licence provides further details on BPL's right to supply electricity in all of The Bahamas (except for the Port Area of Grand Bahama), and its obligations to customers and to the public.

The existing Public Electricity Supplier Licence will be replaced in 2017 by a 15-year licence. URCA is currently working on drafting this longer-term licence, along with the other licence types that will be available in the electricity sector.

URCA also sought to regularise the status of Grand Bahama Power Company Ltd. (GBPC) the public electricity supplier in Grand Bahama. However, GBPC applied to the court to challenge URCA's jurisdiction to regulate utilities in the Freeport area, and to challenge the decisions taken by URCA in the remainder of Grand Bahama based on the franchise agreements made between GBPC and the Government. During 2017 URCA will be seeking to progress this matter in the best interests of persons in The Bahamas.

2.3.3 Establishing Regulatory Fee Structure

URCA has taken the necessary steps to fund regulation of the electricity sector in 2017 by imposing fees on licensees in the electricity sector as required under the Electricity Act. On 26 September 2016 URCA issued document ES 03/2016, which sets out the types of fees that URCA will charge in the electricity sector. ES 03/2016 also states that URCA may in the future charge for additional services, and that all fees and charges will be published on the URCA website.

URCA will shortly publish the schedule of fees that URCA will charge for 2017. There are two main types of fees: annual URCA fees and fees for specific services in the electricity sector. Annual URCA fees are charged to licensees that are connected to the grid, and are based on the licence type and the licensee's relevant turnover. The annual fees will be designed to cover URCA's expected costs for regulating the electricity sector for 2017. URCA will re-calculate annual fees every year to adjust for changes in licensees' relevant turnover and URCA's electricity-related costs. Fees for services are set amounts charged to licensees for administrative services.

2.3.4 Review of BPL Consumer Protection Plan

On 29 April 2016, BPL submitted a draft Consumer Protection Plan (CPP) to URCA as required under section 40 of the Electricity Act 2015. The purpose of the CPP is to set the service standards that BPL aims to provide to its customers, as well as BPL's protocols for hearing and responding to customer complaints.

URCA has reviewed the draft CPP against the criteria in the Electricity Act and against consumer protection standards in other jurisdictions in the Caribbean. Based on this review, URCA has been working with BPL to develop the CPP into a plan that best meets customers' interests.

2.3.5 Review of BPL Renewable Energy Plan

One of the Government's main policy objectives in the electricity sector is to increase generation from renewable sources. The National Energy Policy (2013-2033) establishes the Government's target that by 2030, 30 percent of electricity generation in The Bahamas will come from renewable sources. The Electricity Act 2015 furthers this policy objective by requiring BPL and other Public Electricity Suppliers to develop ongoing plans to increase renewable generation.

BPL submitted its draft Renewable Energy Plan (REP) in July 2016. The draft REP had two main components: increasing generation from small-scale renewable sources owned and operated by customers, and building utility-scale renewable resources owned by BPL or independent power producers. In its review of the REP, URCA determined that the strategy for increasing small-scale renewable generation was considerably more developed than the utility-scale strategy.

To move forward with the small-scale plan as quickly as possible, URCA released an Initial Decision and Preliminary Determination on the Small-Scale Renewable Generation Plan (ES 04/2016) on 12 December 2016. The decision allows BPL to move forward with a phased approach to incorporate small-scale renewables onto the grid. The first phase is to begin immediately, and will allow BPL to pilot its proposed interconnection agreement and process. BPL will report on the progress and propose adjustments for Phase 2 in T2 2017. Phase 2, which will include a standardized process for customers to apply to provide small-scale renewable generation to the BPL grid, will begin in T3 2017. In the meantime, URCA continues to invite public comments on ES 04/2016 until 31 March 2017.

URCA will be providing feedback to BPL on the additions to the utility-scale component of the REP that are needed for it to comply with the Electricity Act and with the Government's targets for renewables in the electricity sector. URCA expects to publish the REP before the end of T1 2017, and for BPL to begin implementing utility-scale projects immediately upon publishing the REP.

2.4 International Participation and Engagement

To implement and encourage development within The Bahamas, it is necessary to be part of the international community of regulators and governments that are seeking to develop information and communications technologies (ICT) on a global level. Thus, URCA has during 2016 continued its work to cement The Bahamas as an integral part of the international discussion on ICT, and to do its part toward establishing The Bahamas as the regional centre of excellence for ICT.

International Telecommunication Union (ITU)

The ITU is the United Nations' specialized agency for ICTs. The ITU allocates global radio spectrum and satellite orbits, develops the technical standards that ensure networks and technologies seamlessly interconnect, and strive to improve access to ICTs to underserved and unserved communities worldwide.

The Bahamas is a member country of the ITU by virtue of being a signatory of the ITU Convention, and URCA, by virtue of a delegation by the Minister under section 7(c) of the Comms Act, represents the Government of The Bahamas at the ITU.

During 2016, a Bahamas delegation headed by Senator Allyson Maynard Gibson, Attorney General, supported by URCA attended the ITU World Telecom Forum in Bangkok, Thailand. The Bahamas sponsored refreshment breaks on one of the days of the Forum at which the delegation highlighted The Bahamas' achievements and future plans in ICT development, including the Smart Bahamas initiative. Perhaps the highlight of the forum was the signing by the Attorney General on behalf of the Government, and Mr. Houlin Zhao, Secretary General of the ITU, of an agreement for The Bahamas to host the Global Symposium for Regulators 2017 in The Bahamas from 14 – 17 July, 2017. The ITU announcement can be viewed at <http://telecomworld.itu.int/daily-highlights-3/signing-host-country-agreement-bahamas-hosting-gsr-17/>.

URCA also participated in conferences, fora and other activities conducted by several other international organisations during 2016 relating to both the ECS and the ES, including:

- ✓ *Inter-American Telecommunications Commission (CITEL)*
- ✓ *Organisation of Caribbean Utilities Regulators (OOCUR)*
- ✓ *Caribbean Telecommunications Union (CTU)*

2.5 Building Regulatory Capacity and Human Capital

Our People

As noted above, URCA experienced many significant changes in 2016. The organization assumed the responsibility of regulating the ES and experienced a change in Leadership. Throughout the changes URCA remained committed to one of its main objectives; developing its people.

Organizational Restructuring

With the new responsibility to regulate the ES, the organizational structure required various changes to accommodate this function. The Policy and Regulation division was split into two new departments; Utilities and Energy, and Electronic Communications. Each department is responsible for the policy and

regulation functions for its respective sector. Consistent with the amendments to the URCA Act which were passed in 2015 and brought into force concurrently with the Electricity Act 2015, each department is headed by a Director (the Director of Electronic Communications and the Director of Utilities and Energy) both of whom are executive members of URCA's Board.

Recruitment and Staffing

With a new office and additional space designed for growth, URCA resumed its recruitment activities to source highly qualified talent to fill the various positions. The addition of the Utilities and Energy department, also required additional recruitment efforts to ensure that the department is staffed appropriately. The search process continues due to the limited supply of candidates available locally with the requisite knowledge, skills and experience.

URCA's staff complement at the close of 2016 was nineteen, which is a significant decrease from 2015. This total comprised eleven staff members in the Electronic Communications department (formally Policy and Regulation) and eight within the various operational departments.

Performance Management, Learning and Development

URCA continued its commitment to providing a performance management system that encourages the alignment of organizational and employee objectives. The Performance Management Framework provides a holistic approach to performance management and includes, career paths, development plans, coaching and more.

2.6 Educating and Supporting our Stakeholders

URCA is keenly aware of its mandate under the Electronic Communications Sector Policy, the Electricity Sector Policy (ESP) and National Energy Policy (NEP), all of which highlight the important role URCA must play in ensuring that citizens and residents of The Bahamas can fully participate in and benefit from growth and development in both the ECS and the ES.

Heightened efforts in 2016 to provide regular opportunities for consumer education resulted in visits to five family islands which included visits to schools, presentations to various civic organizations, and scheduled appearances on talk shows to discuss matters of interest to stakeholders. During these

initiatives, URCA visited and engaged almost 900 students and teachers in 14 high schools and approximately 170 residents at five town meetings in Abaco, Eleuthera, Andros, Cat Island and Exuma. The reception from the residents of these islands was extremely encouraging as residents enthusiastically participated in discussions and asked questions about their electronic communications services.

The family island visits will continue as URCA continues to educate its stakeholders about the sectors it regulates.

Another of the year's highlights for URCA's consumer education activities, was the 2nd observance of the ITU's "*Girls in ICT Day*" held in April in Nassau. Participation in the event increased by more than 50%, with URCA sponsoring the participation of students from each of the family island schools visited by URCA's team during the year. This event continues to enjoy the support both in attendance and sponsorship of licensees in the electronic communication sector with major sponsorship by from BTC and CBL. URCA was also pleased this year to have had the patronage and support of the Honourable Attorney General who gave the opening address.

Stakeholders were further engaged during URCA's annual Oral Hearing held for the first time this year on URCA's premises. The purpose of the Oral Hearing is to provide an opportunity for interested persons to learn more about the operations of URCA, and to be informed as to how and why it plans to do what is stated in its Annual Plan. The Hearing also provides an opportunity for attendees to request further information and or clarification about URCA's work for the previous year.

Activity on, and contact with URCA via social media, particularly Facebook continues to increase as this social media platform becomes a key medium through which consumers can voice their concerns and complaints about the services they receive in the sectors regulated by URCA.

2.7 Protecting Our Stakeholders

During 2016, URCA received complaints from consumers and other stakeholders in both the ECS and the ES, as set out in Table 1 below:

LICENSEE	BILLING	DISCONNECTION	REFUND	FEEs	SERVICE*	QOS**	INFO/ GUIDE	OTHER	CONTENT	TOTAL
CBL-PAYTV	17	1	1	0	8	0	0	1	2	30
CBL-FIXED	0	0	0	0	0	1	0	0	0	1
CBL-Internet	1	0	0	1	2	1	0	0	0	5
CBL GENERAL	3	0	0	0	2	0	0	3	0	8
BTC - Fixed	7	2	0	0	13	0	0	2	0	24
BTC - Mobile	2	0	1	0	2	0	0	0	0	5
BTC Internet	0	0	0	0	7	0	0	0	0	7
BTC - General	0	0	0	0	0	0	0	0	0	0
BEC/BPL	0	0	0	0	0	0	0	7	0	7
Radio	0	0	0	0	0	0	0	3	3	6
Television	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0
Total	30	3	2	1	34	2	0	16	5	93

Table 1 - Summary of Complaints

2.8 Legal Matters

During 2016 URCA's Legal Department advised on matters to ensure that URCA complied with the requirements of discharging its functions in accordance with regulated sector legislation, in order to maintain an effective and efficient regulatory environment.

2.8.1 Litigation

The Legal Department had carriage of five (5) litigation matters, comprised of: three (3) before the Supreme Court of The Bahamas, and two (2) before the Utilities Appeal Tribunal (UAT).

The following lists the Supreme Court matters: (i) *Clarke & Co. et al v Cable Bahamas Ltd., the Public Utilities Commission/URCA and the Attorney General*; (ii) *Cable Bahamas Ltd. v URCA*; and (iii) *Grand Bahama Power Company Ltd. v URCA*. The following lists the matters before the UAT: (i) *Frederick Mitchell v URCA* (re Sale of BTC); and (ii) *BTC v URCA* (re URCA’s Adjudication on the sale of calling cards).

It is anticipated that these matters will carry into 2017.

2.8.2 Legislative and Regulatory Reform

Consistent with its advisory role in matters related to the regulation of utility services in The Bahamas, URCA’s Legal Department reviewed and provided extensive comments on various utility sector Acts and draft Bills. In relation to the electronic communications sector, comments were provided on the Communications Act, 2009 and the Utilities Regulation and Competition Act, 2009. In relation to the Government’s water sector legislative reform process, comments were provided on the following draft Bills: (i) Water Services Bill, 2016; (ii) Water and Sewerage Regulation Bill, 2016; and (iii) the Environmental Regulatory Authority Bill, 2016.

URCA, with the assistance of its Legal Department, anticipates and looks forward to continuing its advisory role in 2017.

2.9 Summary of URCA’s 2016 Workplan Outcomes

Table 2 below presents a summary of URCA’s completion of work that was proposed for 2016.

Project	Start Date	2015 Anticipated End Date	End Date	Revised End Date
Review of Content Codes	Commenced in 2014	T1, 2016	T2, 2016	
ADR Schemes for Disputes between Consumers and Licensees	Commenced in 2014	T2, 2016	Delayed to 2017	T1, 2017
Network Quality of Service Regulations	Commenced in 2014	T2, 2016	T3, 2016	

Project	Start Date	2015 Anticipated End Date	End Date	Revised End Date
Universal Service Affordability Guidelines	Commenced in 2014	T2, 2016	Cancelled	
Licensing of New Cellular Mobile Operator	Commenced in T2, 2015	T1, 2016	T2, 2016	
FM Broadcasting Technical Standards	Commenced in T1, 2015	T1, 2016	Delayed to 2017	T1, 2017
Market Review – Implementation of Price Caps	Commenced in T1, 2015	T3, 2016	Delayed to 2017	T2, 2017
Review of BTC RAIO	Commenced in T2, 2015	T2, 2016	T2, 2016	
SMP in Call Termination for New Mobile Operator	Commenced in T2, 2015	T2, 2016	T2, 2016	
Monitoring and Managing the Introduction of Cellular Mobile Competition	Commenced in T2, 2015	Ongoing	Ongoing	
Review of 2014 Accounting Separation Results of SMP Operators (BTC)	Commenced in T2, 2015	T1, 2016	Delayed to 2017	T1, 2017
Annual Plan 2016	Commenced in T3, 2015	T1, 2016	T1, 2016	
Review of Pricing Rules – Mobile Competition	T3, 2015	T2, 2016	T3, 2016	
Mobile Number Portability	T1, 2016	T2, 2016	Delayed to 2017	T1, 2017
URCA Annual Report 2015	T1, 2016	T1, 2016	T1, 2016	
Review of Consultation Procedures	T1, 2016	T1, 2016	Delayed to 2017	T1, 2017
Temporary Public Electricity Supplier Licence for BPL	T1, 2016		T2, 2016	

Project	Start Date	2015 Anticipated End Date	End Date	Revised End Date
Establishing Regulatory Fees for the Electricity Sector	T2, 2016		T3, 2016	
Review of BPL Consumer Protection Plan	T2, 2016		Ongoing	T2, 2017
Review of BPL Renewable Energy Plan	T2, 2016		Ongoing	T1, 2017
Licensing Package for the ES	T2, 2016		Ongoing	T2, 2017
Universal Service Implementation Plan	T2, 2016	Ongoing	Cancelled	N/A
Net Neutrality and OTT services	T2, 2016	T3, 2016	Delayed to 2017	T2, 2017
Digital Switchover – Identification of Available Spectrum	T2, 2016	T3, 2016	Delayed to 2017	
Review of Accounting Separation Results (CBL)	T3, 2016	T3, 2016	Rescheduled to 2017 (Change in CBL Financial Year)	T2, 2017
Draft Annual Plan 2017	T3, 2016	T1, 2017	Ongoing	T1, 2017

Table 2 - URCA's Achievements in 2016

4. URCA's Plan for 2017

4.1 Strategic Outlook

Having been completed in late 2013, URCA's Strategic Plan 2014 – 2019 took effect from the beginning of 2014 and continues to provide a framework for URCA's Annual Planning for 2016. As a result of URCA's assumption of responsibility for regulation of the ES, URCA commenced a review of the Strategic Plan in 2016, which will be completed in early 2017.

As a result of the environment of change which URCA is currently experiencing, projects for 2017 have been selected based primarily on the need to complete work already commenced in previous years. The only new projects being commenced are those required or mandated by URCA's enabling legislation, and those projects which need to be completed to progress the introduction of regulation into the ES.

A summary of URCA's revised Strategic Plan will be incorporated into the final Annual Plan when it is published in T1, 2017.

4.2 URCA's Key Regulatory Projects for 2017

Section 4.2.1 identifies the projects URCA proposes to undertake through each trimester of 2017. It must be noted that the proposed projects do not represent all the work that will be undertaken by URCA. More specifically, the myriad of secondary issues, complementary competition investigations and research activities that lend support to the achievement of URCA's overall goals are not included below, and the identified proposed projects are those which have major significant public impact.

4.2.1 2017 Projects Carried over from 2016

This section provides details, including time schedules of the projects carried over from 2016.

The following projects commenced in 2016 or earlier are currently on-going and will be continued during 2017.

- Electronic Communications Sector
 - Review of Licensing Guidelines

- FM Broadcasting Technical Standards
- Market Review – Implementation of Price Caps
- Mobile Number Portability
- Review of 2014 Accounting Separation Results of SMP Operators (BTC)
- Review of URCA Position on Net Neutrality and Regulation of OTT Services
- Electricity Sector
 - Review and Consultation on BPL Consumer Protection Plan
 - Review of BPL Renewable Energy Plan
 - Licensing Guidelines for the ES
 - Development of Licence types
 - BPL Efficiency Assessment
 - Small-Scale Renewable Generation Plan
- General
 - Review and Revision of URCA Website
 - Alternative Dispute Resolution (ADR) Schemes for Disputes between Consumers and Licensees

4.2.2 Projects for 2017, by Trimester

In 2016 URCA will continue to focus on matters pertaining to the introduction of competition in the mobile sector. More specifically, URCA intends to dedicate most of its resources to ensuring that the full roll out of services by the new cellular mobile operator occurs as efficiently and expeditiously as possible.

January to April 2017

During the first four months of 2017, URCA expects to commence or continue work on the following projects:

Annual Report 2016 and Final Annual Plan 2017

Section 41 of the URCA Act, 2009 requires that URCA, no later than four months after the end of each year, prepare and publish a plan of its proposed objectives for the forthcoming year; and a report of the carrying out of its functions during that financial year. As such, URCA will during the first trimester of 2016,

seek to complete its Annual Report for 2016, as well as to publish the final version of this Annual Plan for 2017.

Consultation Procedure Guidelines

In August 2009, as the newly formed regulator for the electronic communications sector, URCA issued a consultation document on *Consultation Procedure Guidelines* that it wished to adopt in its engagement with the public, licensees and other stakeholders in consultation exercises. The goal of the Consultation Procedure Guidelines is to standardise the process by which consultations are conducted by URCA. During the third trimester of 2016, URCA re-issued the Guidelines, with amendments to reflect URCA's experience over the past six (6) years, as well as the assumption of responsibility for the ES. Comments were received from interested stakeholders, which are being reviewed and responded to, and any necessary amendments made to the Guidelines. URCA expects to publish the final document in the first trimester of 2017.

ICTs for Disaster Preparedness and Management

In October 2015, Hurricane Joaquin made landfall in The Bahamas and had a devastating impact on the south-eastern islands of The Bahamas, particularly Crooked Island, Acklins, Long Island and San Salvador. Along with physical damage to infrastructure and personal property, the breakdown of essential communications in some parts of these islands occurred as a result of this Hurricane. Communications services are vital to the dissemination of early warnings, emergency response and disaster relief efforts. In 2016 URCA scheduled work to develop a multi-stakeholder initiative to ensure that critical communications remain operational when disaster strikes, however this was interrupted due to human resource shortages at URCA. This work will be resumed early in 2017, and completed in the third trimester.

Review of the ECS Policy

Section 6 of the Communications Act mandates URCA to present to the Minister with responsibility for the ECS its recommendations for a revised Electronic Communications Sector Policy (ECSP) within three years of each publication of each ECSP. The current ECSP was published on 23 April 2014, and therefore URCA will, during the first trimester of 2017, formulate and make its recommendations to the Minister for a revised ECSP.

Digital Switchover – Identification of Available Spectrum

The transition from analogue to digital broadcasting involves the conversion of analogue to digital terrestrial television to free up scarce spectrum for other uses such as wireless broadband communications. Spectrum efficiency gained by digital switchover will result in consumer and industry benefits such as more choices in television services as well as new revenue streams. This work was intended to be completed during 2016, however it was delayed due to resource challenges. URCA will now commence the digital switchover process in 2017 by identifying available spectrum in line with Guidelines introduced by the ITU for the transition from analogue to digital broadcasting.

Publishing the final BPL Consumer Protection Plan

URCA will continue to work with BPL to produce a plan that will best protect the interests of its customers. The CPP will include standards that apply to each customer, such as connection times, time and process for resolving billing disputes, and others. It will also include overall standards for the entire system, including a standard for the reliability of supply across the BPL grid. An important goal of the CPP is to set common standards for evaluating the service that BPL delivers to customers.

URCA expects to present an updated draft for public consultation in T1 2017. Based on feedback from the public, URCA will direct BPL to make final revisions to the CPP so that it can be published in T2 2017.

Publishing and Implementing the final BPL Renewable Energy Plan

As noted above, URCA is providing feedback to BPL on its utility-scale portion of the Renewable Energy Plan (REP). BPL will begin implementing the small-scale portion of the REP in January 2017. URCA expects to publish the final REP before the end of T1 2017, and for BPL to begin implementing utility-scale projects immediately upon publishing the REP.

Market Survey

URCA has identified that a significant hindrance to its regulatory effectiveness is a lack of adequate information about stakeholder sentiments and behaviours within the regulated sectors. During 2017 URCA intends to address this issue by commissioning one or more surveys to assess the markets in both

the ES and ECS (including the broadcasting sector). URCA is confident that this will significantly enhance URCA's ability to effectively regulate these sectors in the interests of the public.

May to August 2017

Licensing Package for the Electricity Sector

The complete licensing package for the Electricity Sector will include all licences, applications for each licence, and licensing Guidelines that describe the licences required for each activity in the sector. In 2016, URCA began working on the licensing Guidelines and licences for independent power producers and Public Electricity Suppliers.

In T1 2017, URCA will complete drafts of all licences, the manual, and applications, and publish them for public consultation. After public comments, URCA will publish the final licensing package in T2 2017. This will allow BPL to apply for, and for URCA to grant a 15-year Public Electricity Supplier Licence before BPL's current licence expires in August 2017.

BPL Efficiency Assessment

The reliability and cost of the electricity supply in The Bahamas is a source of considerable concern for residents and businesses which operate in The Bahamas. The NEP identifies that Government's key objective is the creation of a "modern, diversified and efficient energy sector, providing Bahamians with affordable energy supplies and long term energy security towards enhancing international competitiveness and sustainable prosperity".

The reliability and cost of electricity provided by BPL, in particular, is subject to significant challenges which may be due to inefficiencies in BPL's systems, and URCA therefore intends in 2017 to commence a study of the efficiency of the BPL system which will assist URCA to determine any efficiency improvement measures that can reasonably be undertaken in the current environment. URCA will commence this work in the second trimester of 2017, and to complete the project in late 2017 or early 2018.

September to December 2017

Review of Accounting Separation Results of SMP Operators

The Separated Accounts of SMP operators are submitted to URCA annually and are reviewed by URCA to ensure that they have been prepared consistently with URCA's Accounting Separation Guidelines, and to identify any regulatory impact. The review will commence on submission of the accounts and is expected to continue for approximately six to nine months in each instance.

Phase 2 of the Small-Scale Renewable Generation Programme, including Updated Net Billing Rate

On 1 September 2017, BPL will report on progress in Phase 1 of its Small-Scale Renewable Generation Programme, and propose adjustments for Phase 2. Phase 2 will begin in T3, 2017.

As part of Phase 2, URCA will consider for approval a net billing rate that considers the full value of generation from small-scale renewables. The net billing rate is the rate at which small-scale renewable generators are paid for electricity they supply to the grid. For Phase 1 of the BPL Programme, this rate will be set at BPL's avoided cost of fuel. During T2, 2017, URCA will study the value of small-scale renewable generation in more detail. The net billing rate that URCA approves for Phase 2 will be based on this study.

Draft Annual Plan 2018

During October through November 2017, URCA will commence work on its draft Annual Plan for 2018, to ensure publication before the end of 2017 as required by the URCA Act.

On-going Activities

In addition to the list of projects that URCA has outlined above, there are additional activities which URCA is obliged to undertake in the fulfilment of its responsibilities under the URCA Act, the Comms Act and the Electricity Act. These activities are particularly related to administrative functions and the handling of ad hoc regulatory matters. These include, but are not limited to the following:

- Statutory duties such as satisfying URCA's accountability to its stakeholders by publishing its work plans and annual reports within the statutory periods;

- Monitoring compliance by licensees with licence conditions and regulatory measures and taking enforcement action where appropriate;
- Investigations and enforcement in respect of complaints of anti-competitive behaviour;
- Spectrum monitoring activities;
- Reviewing and investigating complaints under the Content Code;
- Handling consumer complaints regarding regulated services as they arise; and
- Various consumer awareness and publicity initiatives undertaken by URCA to ensure that members of the public are aware of key issues and URCA’s role in the regulation of the ECS and ES.

These activities have been considered as far as practicable in estimating the above timeframes. However, the nature of URCA’s duties is such that unforeseen work may impact on URCA’s ability to complete or even commence the projects.

4.2.3 URCA Project Timelines for 2017

Based on the foregoing, the schedule of projects which URCA proposes to focus on in 2017 are set out in tabular form below.

2017 Project Schedule

Based on the foregoing, URCA’s project plan for 2017 is set out in Table 3 below. It should be noted that the table provides URCA’s total work period on the project, and therefore reflects time taken on internal development policy and regulatory positions, the external engagement on any initiative and the publication of a final regulatory measure (where relevant).

Project	Start Date	End Date
ADR Schemes for Disputes between Consumers and Licensees	Commenced in 2014	T2, 2016
FM Broadcasting Technical Standards	Commenced in T1, 2015	T1, 2016
Market Review – Implementation of Price Caps	Commenced in T1, 2015	T3, 2017

Project	Start Date	End Date
Monitoring and Managing the Introduction of Cellular Mobile Competition	Commenced in T2, 2015	Ongoing
Revised Licensing Guidelines	T2, 2015	T2, 2016
Review of 2014 Accounting Separation Results of SMP Operators (BTC)	Commenced in T2, 2015	T1, 2016
Annual Plan 2017	Commenced in T3, 2016	T1, 2017
Mobile Number Portability	Commenced in T1, 2016	T2, 2016
Review of Consultation Procedures	Commenced in T1, 2016	T1, 2017
Net Neutrality and OTT Services	Commenced in T1, 2016	T2, 2017
Review of URCA Website	Commenced in T1, 2016	T1, 2017
Review of BPL Renewable Energy Plan	Commenced in T2, 2016	T1, 2017
Review of BPL Consumer Protection Plan	Commenced in T2, 2016	T2, 2017
Licensing Guidelines for the ES	Commenced in T2, 2016	T2, 2017
URCA Annual Report 2016	T1, 2017	T1, 2017
Review of ECS Policy	T1, 2017	T1, 2017
Market Survey (ECS and ES)	T1, 2017	T3, 2017
Review of 2015/2016 Accounting Separation Results (CBL)	T1, 2017	T3, 2017
ICTs for Disaster Preparedness and Management	T1, 2017	T3, 2017
Digital Switchover – Identification of Available Spectrum	T1, 2017	T3, 2017

Project	Start Date	End Date
Review of 2015 Accounting Separation Results (BTC)	T1, 2017	T3, 2017
Review of 2016 Accounting Separation Results (BTC)	T3, 2017	T2, 2018
BPL Efficiency Assessment	T2, 2017	T1, 2018

Table 3 - 2017 Project Schedule

Planned Consultation Schedule for 2017

While URCA will carry out several activities during 2017, not all of these will involve public engagement and consultation throughout the process. Table 4 below outlines the major public consultations proposed for 2017, including anticipated publication dates.

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
URCA Annual Plan 2017	Published in 2016	T1, 2017 ¹
BPL Small-Scale Renewables Plan	Published in 2016	T1, 2017
ADR Schemes for Disputes between Consumers and Licensees	T1, 2017	T2, 2017
Market Review – Implementation of Price Caps	T1, 2017	T2, 2017
ICTs for Disaster Preparedness and Management	T2, 2017	T3, 2017
Digital Switchover – Identification of Available Spectrum	T2, 2017	T3, 2017

¹ URCA is statutorily required to complete its Annual Plan by 30 April 2017.

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
Review of BPL Consumer Protection Plan	T1, 2017	T2, 2017
Licensing Guidelines for the ES	T1, 2017	T2, 2017
Net Neutrality and OTT Services	T1, 2017	T2, 2017
Annual Plan 2018	T3, 2017	T1, 2018

Table 4 - URCA Planned 2017 Consultation Schedule

5. Evaluating Our Effectiveness

In line with good corporate practice, and to ensure accountability to relevant stakeholders, URCA proposes to evaluate its effectiveness through:

- Identification and adoption of appropriate key performance indicators (KPIs), based on statutory requirements and regulatory and management best practices;
- Measurement and monitoring of those KPIs; and,
- Publication of an Annual Report on its operations and performance.

KPIs for URCA's work completed in 2016 will be tabulated and included in URCA's 2016 Annual Report, which will be published by the end of April 2017.

As noted above in section 4, URCA is in the process of revising its Strategic Plan to accommodate the changes that have occurred in 2016. Thus, the KPIs which will be used to measure URCA's performance in 2017 have not been finalised as at the end of 2016 for inclusion in this draft plan, but will be available in time for the publication of the final Annual Plan, in late March 2017. In the meantime however, URCA provides below in Table 5 the indicators which were used to measure performance in 2016, as an indicator of the KPIs which will be adopted for 2017.

Statutory/Regulatory	Finance	HR	IT
Draft Annual Plan & Strategy published before end of financial year	Cost of Finance function as a percentage of total operating expenditure	Cost of HR function as a percentage of expenditure	Cost of IT function as a percentage of total expenditure
Annual Report and final Annual Plan published within 4 months of year end	Period-end cycle time (working days to close) Year-end cycle time (working days to close)	Cost of HR function per employee	Organizational ICT spend (investment in ICT infrastructure & hardware across the organization)
Final Determinations to be published within one month from closing date for comments on Preliminary Determination	Forecasting accuracy	Ration of employees (full time equivalent) to HR staff	Percentage who are able to access the network and system remotely

Statutory/Regulatory	Finance	HR	IT
Percentage of public consultations started within period stated in Annual Plan	Cost of Licensee invoicing	Average days for full time employee per year invested in learning and development	
Time to publish results, decisions, and other regulatory measures after close of consultation: 45-60 days 60-90 days >90 days	Debtor Days	Cost of learning and development activity as percentage of total payroll	
	Number and Value of Creditor Notes and Adjustments	Cost of advisors as a percentage of the total payroll	
<u>Consumer Complaints</u> Number of complaints received; Percentage of total complaints resolved; Average time taken to resolve complaints	Long outstanding debt (>90 days) as a percentage of total debt	Percentage of roles filled by permanent and contract staff	
Licenses issued within: 30 days - individual licences 45 days - class licences Volume of licences processed in the year		Average lapse time (working days) from vacancy/advertisement occurring to the acceptance of an offer for the same post	
		Average lapse time (working days) from when there is a decision	

Statutory/Regulatory	Finance	HR	IT
		to fill a vacancy to submission of advertisement	
		Average lapse time (working days) from a vacancy announcement to selection of a candidate or reposting of the vacancy advertisement	
		Average lapse time (working days) from selection of candidate to the acceptance of an offer for the post	
		Percentage of people in role after 12 months of service	
		Percentage of staff who received face to face performance appraisal	

Table 5 - URCA Performance Indicators 2016/17

6. URCA's Draft Budget 2017

6.1 Overview

URCA's overall budget during 2017 will increase over the 2016 budget to take account of the full assumption of responsibilities for regulation of the ES, and as a reflection of URCA's ongoing augmentation of its ECS regulatory capacity. To that end, URCA's full-time staff complement during 2017 is anticipated to grow to thirty-six (36) in 2017, up from nineteen (19) persons at the end of 2016. The proposed new hires represent URCA's continuous efforts to improve its effectiveness and to secure the desired levels of knowledge transfer.

It should be noted that the 2017 budget also reflects Capital Expenditure and Depreciation expense increases due to URCA's proposed acquisition of its office premises at Frederick House. During 2015 and 2016, URCA took steps to manage its medium to long term space requirements and to that end URCA identified in Frederick House an opportunity to manage its medium to long term property costs by acquiring premises in lieu of rental. Frederick House provides ample space for URCA's immediate needs, adequate space for anticipated expansion, and additional space which can generate rental income. URCA has calculated that the acquisition, while creating a one off increase in budget in 2017, will result in significant cost savings, due to rental income opportunities in the short to medium term, and additional savings once URCA has repaid the loan financing which URCA proposes to engage to effect the acquisition. These cost savings should lead to reductions in URCA fees once realised.

URCA will ensure that it has sufficient finances to meet its regulatory mandate and will make sure that it delivers the best possible service to its stakeholders. In so doing, URCA will also ensure that it provides full accounting of its activities as required by Section 41(1)(b) of the URCA Act.

URCA's draft 2017 Budget is separated into discrete budgets for each of the ECS and the ES, in accordance with section 39 of the URCA Act. These budgets have anticipated the level of expenditure necessary to provide regulatory supervision of both sectors and as such, the budgets seek to recover same through the imposition of fees on licensees in the ECS and the ES respectively, in accordance with section 92 of the Communications Act 2009 and section 54 of the Electricity Act 2015.

The combined draft budget for URCA's activities (including both ECS and ES regulation) is set out in Table 6 below.

	2017
Staff Costs	3,183,263
Professional Services	1,140,360
Conferences, Training, and Travel	1,188,636
Premises Costs and Utilities	598,373
Consumer Education and Public Relations	443,000
Office Services	309,131
Information Technology	111,818
General and Administrative Expenses	483,879
Total Operations Expenditure (OPEX)	7,458,460
Depreciation	740,884
Total Operating Budget Recovered through URCA fees	8,199,344
Capital Expenditure	5,210,000

Table 6 - URCA Draft Budget 2017

Based on the relevant provisions of the empowering legislation, URCA is required to allocate its expenses between the ECS and the ES, in accordance with the following principles:

- Directly incurred costs and expenses that relate to one sector only are allocated to the regulated sector to which they relate in their entirety;
- Directly incurred costs and expenses that relate to both the ECS and the EC, and indirectly incurred costs and expenses, have been allocated proportionately based on the estimated burden from each of the ECS and the ES.

Sections 6.2 and 6.3 below set out URCA’s budgets for the ECS and the EC, respectively.

6.2 Electronic Communications Sector Budget 2017

Table 7 contains a summary of URCA’s draft 2017 budget for its regulatory activities in the ECS.

	2016	2017
Staff Costs	2,448,504	2,195,450
Professional Services	1,265,444	687,588
Conferences, Training, and Travel	902,800	914,371
Premises Costs and Utilities	614,429	424,716
Consumer Education and Public Relations	250,000	287,950
Office Services	242,500	228,460
Information Technology	81,300	83,863
General and Administrative Expenses	324,629	408,409
Total Operating Expenditure (OPEX)	6,129,606	5,230,807
Depreciation	269,717	530,363
Total Operating Budget Recovered through URCA fees	6,399,323	5,761,170
Capital Expenditure	385,000	3,619,000

Table 7 – Draft ECS Budget 2017

Further explanation of each expense category in the ECS budget is set out below:

- The budgeted operating expenditure inclusive of depreciation is included in the budget for 2017, and is therefore factored into the calculation of the URCA fee. In 2017 the depreciation expense is anticipated to increase by approximately \$261,000 due to the anticipated acquisition and the resulting depreciation of URCA’s permanent accommodation at Frederick House. These premises are currently leased by URCA. However, it should be noted that the size of the building exceeds URCA’s current requirements by approximately 12,000 sq. ft. It is anticipated that once the

purchase of the building is complete, tenants will be sought for the space in the building in excess of URCA's own needs and the resulting rental income will assist in defraying the expenditure for URCA premises, which is currently recovered through the URCA fee. Having regard to the purchase price, even if no tenants were secured, the building would have ample room for future growth, at an operating cost (inclusive of depreciation) which is only marginally higher than the rental paid by URCA in previous years.

- Non-executive members' compensation includes honoraria for 4 non-executive members of the Board, and business related travel expenses for the non-executive member who is resident overseas. When compared to 2016 budget, this expenditure decreased 15% notwithstanding continuation of Board involvement in regulatory oversight of sector and the increase of the number of non-executive members from 3 to 4, due to the allocation of a portion of non-executive expenses to the ES.
- Executive members' compensation includes salaries and other benefits for executive members and represents approximately 7% (2016: 6%) of the operating expenditure for the period;
- Staff costs decreased to 32% of the total operating budget (2016: 34%) and is anticipated to decrease approximately 13% compared to 2016, due to allocation to ES of a portion of the staff costs as indirect staff costs.
- Professional services expenditure is anticipated **to decrease by 46%** due to a reduction in new regulatory projects in the ECS during 2017 and the significant progress made in 2016 on major regulatory projects.
- Conferences, Training and Travel is anticipated to remain relatively constant (1% increase) over the previous year; it is anticipated that there will be travel for Executives and other staff related to training and engagement with international organizations, through attendance at meetings, conferences, seminars and workshops. Significant funds had been allocated in the 2016 budget for preparatory work relative to hosting of the 2017 ITU's GSR conference.
- Premises costs and utilities decreased notwithstanding anticipated ownership of Frederick House due to allocation of costs to both sectors. Included in the budgeted expenses are the costs

associated with the ownership of Frederick House (property insurance and real property taxes) which although resulting in expenditure increases in the short term, is expected to deliver cost savings in the future through the realisation of rental income.

- Consumer Education and Public Relations is anticipated to increase by 15% due to an increased focus on educating and informing consumers on the regulatory regime in the ECS. This will continue to include public consultations on sector issues, community outreach, and utilizing other advertising media.
- Office services are budgeted to decrease by 7% over prior year due to allocation of cost associated with the security of Frederick House, office supplies, printing, general insurance and miscellaneous items to both ECS and ES;
- Information technology expenditure includes LAN maintenance, cloud backup monitoring and numerous software renewals.
- General and administrative expenses are budgeted to increase by 25%, which is anticipated to cover the funding of contributions and participation at international regulatory bodies, professional memberships and subscriptions.

6.3 Electricity Sector Budget 2017

Table 8 contains a summary of URCA’s 2017 draft budget for its regulatory activities in the ES.

	2016	2017
Staff Costs	582,341	1,022,943
Professional Services	240,000	452,772
Conferences, Training, and Travel	35,000	239,135
Premises Costs and Utilities	32,752	173,657
Consumer Education and Public Relations	32,500	155,050
Office Services	35,072	80,671
Information Technology	4,114	27,954
General and Administrative Expenses	15,281	75,471
Total Operating Expenditure (OPEX)	977,060	2,227,653
Depreciation	16,190	210,521
Total Operating Budget Recovered through URCA fees	993,250	2,438,174
Capital Expenditure	68,700	1,591,000

Table 8 – Draft ES Budget 2017

2017 will represent the first full year for URCA’s ES budget, compared to the 9-month period covered by the 2016 budget allocation. Explanations of the major expense categories are as follows:

- The depreciation category includes a proportionate share of the acquisition costs for Frederick House, and other capital expenditures anticipated for the sector.
- Staff costs increased significantly (by 75%) due to hiring of new dedicated ES staff, as well as the allocation of a proportion of expenses for other staff to the ES.

- Professional services expenditure is anticipated to increase by 87% due to potential litigation concerning URCA's jurisdiction, commencing an efficiency/operational audit of the sector and other regulatory projects during the year. It is anticipated that in future years, there will be a reduced reliance on external consultants as URCA engages new experienced staff in the ES department.
- Conferences, Training and Travel allocation is anticipated to increase by \$204K over the previous year. It is anticipated that there will be travel for newly hired staff in ES participating in necessary training opportunities, as well as engagement with international organizations, through attendance at meetings, conferences, seminars and workshops.
- Premises costs and utilities increased due to allocation of Frederick House costs to the ES. Included in the budgeted expenses are the costs associated with the ownership of Frederick House (property insurance and real property taxes). Although this increases the expenditure in the short term, it is expected that ownership of Frederick House will deliver cost savings in the future through the realisation of expected rental income of space in excess of URCA's immediate requirements.
- Consumer Education and Public Relations is anticipated to increase by \$123K in order to fund significant initiatives to educate the public on URCA's role as regulator of the ES, and the ES' proportionate share of other general education initiatives.
- Capital Expenditure has increased significantly to include the ES' allocated portion of the purchase of Frederick House and other capital items purchased specifically for use in the sector.