



Utilities Regulation and Competition Authority

Annual Report 2019 AND 2020 Annual Plan

**URCA 02/2020
8 May 2020**

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Introduction

The Utilities Regulation and Competition Authority, URCA in compliance with section 41 of the URCA Act 2009, must prepare and publish by 30 April each year, an Annual Report for the preceding year, and following consultation with critical stakeholders, a final plan for the current year. URCA apologizes to its stakeholders for the delayed publication as a result of operation adjustments due to the Emergency Orders put in place by the Government to manage the spread of the Coronavirus (COVID-19).

This document, the 2019 Annual report and the 2020 Annual Plan, provides the following information for the public:

- A report on the performance of URCA's regulated sectors during 2019;
- Highlights of the objectives URCA accomplished during 2019
- A report on URCA's fiscal performance for 2019, accompanied by URCA's Audited Financial Statements for the year; and
- URCA's performance against Key Performance Indicators, KPI's for 2019.

Further in compliance with the requirements of the URCA Act, URCA published in December, the annual plan, which takes into consideration the feedback received from stakeholders during the consultation period. The final plan provides an overarching strategic focus which takes into account regional and international trends in the regulated sectors, which can influence the successful achievement of URCA's work plan. The annual plan included in this document outlines the following:

- URCA's key projects for 2020. Including its consultation schedule;
- The KPI's URCA will use to measure its performance during 2020; and,
- URCA's budget for the 2020 financial year.

CHAIRMAN'S MESSAGE

As we embrace the year 2020, I am honoured as Chairman of the Utilities Regulation and Competition Authority, URCA, to present this 2019 Annual Report and 2020 Annual plan on behalf of the hard-working team at URCA and my fellow board members.

We began 2019 in a celebratory mode with great expectations, following the historical and momentous election of The Bahamas to the executive council of the International Telecommunications Union (ITU) in Dubai in 2018. 2019 was full of promises as it was the year URCA reached its 10-year milestone. The executive management team, cognizant of its mandate to regulate the Electronic Communications Sector and the Electricity Sector for the entire Bahamas, launched URCA's first-ever 'Pop Up' office series, taking URCA's services on rotation to key populated islands in our archipelagic island chain. These islands included Grand Bahama, Eleuthera and Exuma. The Chief Executive Officer's Report will provide greater details on this initiative.

In addition to the PopUp Office initiative, the Board encouraged wider consultation on the Annual Plan. As a result, town hall meetings were held early in the year in Abaco and Eleuthera to gather feedback from those communities on URCA's Annual Plan for 2019. The feedback from residents on these islands was invaluable and instructive so much so that it influenced the structure of URCA's mandated Oral Hearing held at the end of May and its plans for 2019. The board commends the efforts of the executive management team and all URCA team members on the launch of these initiatives.

Other members of the Board and I looked forward to the observation of URCA's 10th Anniversary, with activities scheduled for early September. Those activities included the recognition of team members who had been with the organization from its inception. However, nature had other plans. Hurricane Dorian, a category five storm, slammed into the northern islands on 1st September, devastating the islands of Abaco and then Grand Bahama. URCA up to the preparation of this report is still working with licensees, particularly in the electronic communications sector to ensure the smooth and safe return of services to those communities affected to pre-storm service levels, which services residents have come to rely on and expect from service providers.

Notwithstanding the disruption of planned activities, we are grateful to team members Karen Bethel, Franklyn Brown, Keva Robinson, Barbara Moss, Waldon Russell and Faith Johnson for their dedicated and invaluable service to the organization during its first decade.

On another positive note, URCA welcomed its first International Relations Officer, which will allow URCA to better monitor developments around the world which impact what happens at home in the regulated sectors.

Last year, URCA began reflecting on its organizational culture and the impact on productivity, which led to a Culture Renewal initiative. A significant output of this initiative is URCA's new culture deck, the purpose of which is to provide clarity and direction as to the how's and why's of what we do as an organization daily to achieve our mandate. It is expected that the culture deck will be rolled out in early 2020.

In December, chief executive officer, Stephen Bereaux advised the Board of his resignation from URCA effective February 28, 2020. The Board thanks Stephen for his service to URCA in particular and his dedication to the development and advancement of the regulated sectors in general. Stephen joined URCA 9 years ago as a senior case officer, moving up to Director of Policy and Regulation and then CEO. He is credited for his leadership in many significant Electronic Communications Projects including, liberalization in the telecommunications sector and number portability, but most recently, his leadership of The Bahamas' campaign for a council seat at the ITU. His work with the Electricity Sector on the 'ground floor' of the regulation of that sector will also be remembered. We will miss having Stephen as a part of the URCA team, and we wish him well in his new appointment with the International telecommunications Union, ITU. However, we look forward to continuing to work with him in his new role with the ITU, since telecommunications and Information Communication Technologies are an integral part of the region's developmental plans.

Finally, it is with great sadness that I recognize the loss of Jeffrey Paul Morgan, the longest-serving non-executive member of our Board. Mr Morgan has served on successive boards since 2009 until his passing on January 19th, 2020. He was well recognized and respected in the regulatory community, both regionally and globally, and we are extremely grateful for his contributions to URCA throughout the years. He will be missed.

My fellow non-executive Board members - Serfent Rolle, deputy chairman and Kendal Culmer, and I, stand resolute with the executive team and all staff members, in our commitment to providing leadership and advice to the Government as we rebuild the utility infrastructure in our northern islands. We look forward to 2020 as we continue to improve lives ‘through effective utilities regulation’.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY
(URCA) BOARD

RESOLUTION CONCERNING THE LATE JEFFREY PAUL MORGAN
(JP)

WHEREAS JP was a founding Board Member of the Utilities Regulation and Competition Authority of the Bahamas (URCA) having been appointed at the establishment of the independent regulatory authority in August 2009. JP served on the Board with distinction from 2009 up to the time of his death on 19 January 2020.

WHEREAS, As a Board Member, JP was pivotal to the effective and successful accomplishment of many significant regulatory milestones in The Bahamas. In the electronic communications sector, these included the liberalization of the telecoms market both fixed and mobile, introduction of the competition framework; number portability; and interconnectivity regulation. In the Electricity Sector, he encouraged responsible capacity building and the use of renewables as an important part of the country's energy mix.

WHEREAS, The Chairman of URCA's Board, attorney Neville Wilchcombe, in remembering JP, said "the URCA family truly lost a treasure, and we all should be proud to have had the opportunity to know and work with him".

WHEREAS, The Electronic Communications and Electricity Sectors in The Bahamas benefitted tremendously from JP's expertise and vast knowledge as an engineer, together with his experience as a Board Member.

BE IT NOW RESOLVED THAT We, at URCA Bahamas, are forever grateful for JP's dedicated service.

NOW THEREFORE BE IT FURTHER RESOLVED That the Board passes this resolution as a tribute to the memory of Jeffrey Paul Morgan, 'JP' as he was affectionately called, and his outstanding work to URCA and by extension, the people of The Bahamas.

ABOUT URCA

The Utilities Regulation and Competition Authority (URCA), was established initially through the passage of the Utilities Regulation and Competition Authority Act 2009 (the URCA Act), and the Communications Act 2009 (Comms Act). URCA is an independent multi-sector regulator currently with responsibilities for the Electronic Communications and Electricity Sectors. On 1 September 2009, URCA assumed responsibility for the regulation of the Electronic Communications Sector (ECS) which comprises fixed and mobile telecommunications services, internet, PayTv, broadcasting and management of the radiofrequency spectrum. With the passage of the Electricity Act, 2015 (EA) and consequent amendments to the URCA Act, URCA's regulatory responsibilities were expanded to include the regulation the of the generation, transmission, distribution and supply of electricity throughout The Bahamas.

In addition to the governing legislation, URCA's responsibilities as a regulator are guided by the government's policies applicable to each regulated sector, namely the Electronic Communications Sector Policy (ECSP) and the National Energy Policy (NEP).

Governance

URCA's corporate governance structure supports the key tenets of good governance, namely transparency, fairness and accountability throughout the organization. URCA's activities are governed by a Board which comprises four (4) non-executive members, including the Board's chairperson, and three (3) executive members; namely the Chief Executive Officer (CEO), the Director of Utilities and Energy (DUE) and the Director of Electronic Communications (DEC). Non-executive members are appointed by the Governor General, while the executive members are appointed by the non-executive members following a competitive selection process.

URCA's Board:

Neville Wilchcombe, Chairman

Serfent Rolle, Deputy Chairman

J. Paul Morgan, Member (2009 – 19 January 2020)

Kendal Culmer, Member

Stephen Bereaux, Chief Executive Officer (up to 28 February 2020)

Shevonn Cambridge, Director of Energy and Utilities

Carlton Smith, Director of Electronic Communications

The CEO has overall executive responsibility for URCA's day to day activities, including overall strategy, the leadership of URCA's work in the two regulated sectors, and responsibility for URCA's four operational units namely: Legal; Human Resources and Administration; Finance; and Corporate and Consumer Relations.

URCA has the specific legal requirement to collaborate with the following Ministers of Government concerning its mandate, and for the effective execution of that aspect of its work, governed by Government Policies:

- The Attorney General, who has overall responsibility for Government's relations with URCA, and with whom URCA engages in respect of its operations including its budget and reporting, including financial statements and audit;
- The Minister with responsibility for the ECS in respect of matters outlined in the Communications Act which include the ECSP, and specific activities related to the allocation and pricing of spectrum, public service broadcasting, and universal services;
- The Minister with responsibility for the administration of the Electricity Act;

URCA is also required from time to time to engage with the Ministers of Government with responsibility for licensees owned and operated by Government, such as the Broadcasting Corporation of The Bahamas (BCB) and Bahamas Power and Light Ltd (BPL).

An additional key component of the organisation's governance structure is the Audit Committee, currently chaired by Mr. Philip Stubbs. The Audit Committee's work includes:

- Review of the monthly financial reports prepared by management;
- Review, monitoring and implementation of recommendations made by the internal and external auditors;
- Review of the annual financial statements, including the assessment of the accounting policies

The Audit Committee also has oversight of the work of the internal auditor, whose work during the year continued to focus on and ensure the organization's compliance with internal controls and external legal and regulatory requirements.

URCA is mandated to prepare and publish for consultation prior to the end of its fiscal year, its annual plan of its activities for the ensuing year. Following consideration of the responses to the plan, the plan and the audited financial statements are published together with this annual report. The URCA Act mandates publication of this report within four months of the year-end. In furtherance of the requirement for accountability, URCA must then arrange at least one oral hearing during which the annual report and annual plan is presented, and questions from interested parties answered.

A quarterly report of URCA's activities is provided to the Minister responsible for relations with URCA and published on the Authority's website. These statutory requirements and practices ensure that URCA's work is at all times reflective of its core values: fairness, integrity, accountability, transparency, one-team, people-centred and professionalism, and that its activities are always *"Improving lives through effective utility regulation"*.

CHIEF EXECUTIVE OFFICER'S MESSAGE

Shevonn Cambridge (Actg)

The year 2019 will go down in the annals of the Utilities Regulation and Competition Authority's history as one to truly be remembered. It was a year of milestones and setbacks; successes and shortcomings; and, growth and impediments, but through it all, URCA's "One Team" persevered, and the regulated sectors are all the better for it.

The year commenced with The Bahamas taking a seat on the Administrative Council of the International Telecommunication Union (ITU), the United Nations' specialized agency for information and communication technologies – ICTs. The Council's "role is to consider broad telecommunication policy issues to ensure that the Union's activities, policies and strategies fully respond to today's dynamic, rapidly changing telecommunications environment." The Bahamas has been a member of the ITU from 1974, and its election to the 2019-2022 Council as a representative for the Americas is a remarkable accomplishment for the country, reflects the maturity of The Bahamas' Electronic Communications Sector (ECS) and the confidence reposed in the local sector's professionals by their regional and international peers. URCA spearheaded the campaign that resulted in this historic achievement and continues to assist the Government in the execution of its role.

In addition to assisting with the Government's ITU duties URCA's ECS team also managed to make significant strides in sector advancing initiatives such as the completion and publication of the review of the Wholesale Fixed and Mobile Termination Rates for SMP Licensees, resulting in the implementation of the three-year rate reduction glide path. The completion and publication of the Framework and Technical Standards for FM Broadcasters. The completion and publication of the revised Regulations for Class Licences, Exemptions and Types of Fees and the corresponding Guidelines for the Type Approval Certificate of Licence - Exempt for Radio Spectrum Devices. The ECS also consulted sector licensees and other stakeholders on the proposed Framework for the Establishment of Internet Exchange Points (IXPs) in The Bahamas and completed and published for consultation the Draft Disaster Management Regulations for the ECS. They engaged in a cross-

sector review of the Consumer Protection Regulations, and in consultation with the CEO led the development of Organizational Performance Indexes (OPIs).

While our colleagues in the ECS busied themselves with enhancing the speed, accessibility, and affordability of ICT services, colleagues in the Energy Sector (ES) were just as busy implementing the ES framework and encouraging regulatory measures which would assist providers in securing a safe, reliable, and affordable supply of electricity throughout the country. However, 2019 has been a challenging year for the ES as its two largest service providers experienced a series of supply challenges stemming from catastrophic failures, fires, and hurricanes. In this regard, the ES' focus was diverted from planned projects to recovery and resilience efforts. In light of the circumstances, URCA's ES team assessed and adapted to assist and incentivize the ES in the restoration of supplies, capacity building, and hardening of their electricity supply systems as expeditiously as possible with the consideration of available resources. In the midst of it all, however, the ES team was able to expand the Renewable Energy programme's offerings, thereby facilitating the opportunity for private and Government entities to operate renewable energy systems with capacities up to 1 MW.

We are proud of our team who volunteered to provide much-needed assistance to several shelters in New Providence following Hurricane Dorian. Additional efforts in this regard will be realized in 2020.

At URCA, our staff is our number one resource. In 2019 the outgoing CEO and the Executive Team sought to grasp the opportunity to enhance and advance this essential resource. In this regard, the decision was made to explore the avenue of developing a corporate culture deck. Culture decks represent a concerted effort to define and influence a company's corporate culture by synchronizing the same with its mission, vision, and values. The intent is that the final deck would represent and facilitate the alignment of these core components of URCA's corporate culture, and serve as a beacon for our team members while providing transparency as to 'who we are and what we represent' in our working relationships with our internal and external stakeholders. I would be remiss in my duties if I didn't take the opportunity to thank the outgoing CEO for this insightful and timely initiative, as URCA prepares for its next decade and steps in our quest to become "A globally

respected regulator, championing the interests of people in The Bahamas and of the sectors we regulate”.

In closing, 2019 marks the end of URCA’s first decade of operations as the nascent regulatory authority of 2009 has developed into a full-fledged multisector champion of service quality and consumer rights. Over the course of the last ten years URCA has overseen emerging technologies from, inter alia, cellular liberalization within the ECS, and the integration of renewable energy within the ES, which while significant, represent only the beginning of a technological explosion that will propel URCA into its next decade of operations. In this regard, on behalf of the Executive Management and all of URCA’s Team Members, I thank you, our stakeholders, for your continued co-operation and support.

URCA's Achievements in 2019

Overview

The final version of URCA's 2019 Annual Plan was published on 30 April 2019 together with URCA's Annual Report for 2018. In the Annual Plan URCA set out several projects which would be undertaken with proposed timelines. URCA takes this opportunity to note that the document was published later than anticipated in the Draft Annual Plan 2019, and to signal its intent to achieve the timelines proposed.

During 2019 URCA continued to experience challenges with its regulatory impact in the Electricity Sector (ES). This was compounded by a series of significant outages experienced on the network of Bahamas Power & Light Ltd (BPL) on New Providence island resulting from shortages in BPL's generating capacity. URCA's resources have been engaged with collecting information and conducting investigations on the matters which may have contributed to these outages and expects to complete its regulatory measures in early 2020. Notwithstanding this, good progress was made in increasing renewable penetration for small scale residential and commercial users, and toward the end of 2019 URCA completed its Renewable Energy Self Generation intervention, which seeks to facilitate Government and commercial renewable projects.

2019 marked the tenth anniversary of URCA's regulation of the Electronic Communications Sector (ECS), and URCA's work was focussed on improving and enhancing its regulation of this critical sector, and ensuring that appropriate competition enhancing measures are in place and properly suited to the sector as it grows with the fast-paced changes in ICTs globally. Encouraged by the announcement that Sen. J. Kwasi Thompson, Minister of State for Grand Bahamas would assume responsibility as ECS Minister, URCA engaged the Government on various issues relating to the ECS and measures to enhance the development of ICTs in The Bahamas. More will be said about some of these initiatives further in this document.

Hurricane Dorian, the most powerful hurricane to hit The Bahamas, impacted the islands of Grand Bahama and Abaco at the beginning of September, devastating the island of Abaco and causing widespread damage in Grand Bahama, with an unprecedented loss of life for The Bahamas. The

networks and services provided by electricity and telecommunications providers in those islands were also significantly impacted, and URCA was engaged during the latter part of 2019 with monitoring and assistance with recovery efforts. Reconstruction and recovery of the impacted islands will continue into 2020 and beyond and URCA will continue to work with its licensees and other stakeholders to facilitate those efforts. URCA will also be reviewing the occurrences as a result of Dorian to determine whether and what regulatory intervention may be appropriate to ensure preparedness for future events.

Representation of the Government of The Bahamas at international organisations continued in 2019 with URCA representing The Bahamas on the Council of the International Telecommunication Union (ITU), and the Executive Council of the Inter-American Telecommunications Commission (CITEL). URCA continues to develop capacity in this area of effort to ensure that the work can be carried out without unduly impacting URCA's ability to execute other parts of its mandate. The Bahamas' increasing role in leadership on telecommunications and ICT matters internationally speaks to the Government's commitment to ICT development in The Bahamas, and The Bahamas' leadership as a center of excellence in ICT regionally and globally.

Market Review

This section of our report provides a snapshot of the market for both the Electronic Communications and the Utility and Energy Sectors. While for the ECS, we are able to show a comparative table looking at the last five years, the same information is not available for the ES sector as a new regulated sector. Following is a summary of the sector performance for the last year and tables providing statistical market information.

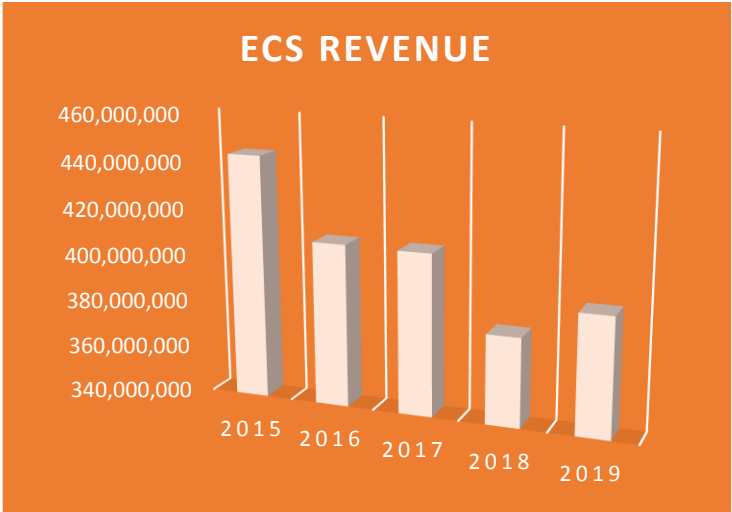
Electronic Communications Sector Update

The Electronic Communications Sector ("ECS") continues to revolutionize communication in The Bahamas and throughout the world. The rapidly evolving landscape of communication and technology continues to influence national and international commerce. Information Communication Technologies (ICTs) allows local businesses to effectively network and exchange products with global businesses while facilitating more efficient business exchanges throughout the country. Employees are no longer limited to working in one location, and interpersonal information

sharing is more efficient with just a click of a button. With the further advancement of mobile technology such as fifth-generation (5G), upload and download speeds are expected to increase exponentially, creating new experiences for consumers, businesses and ultimately, the entire economy.

In 2019, the ECS generated an estimated \$390 million within the Bahamian economy. This increase signified a 3% growth in total revenues generated by ECS relative to 2018, shown below.

Figure 1



The major operators of electronic communication networks and services within The Bahamas are:

- Be Aliv Limited (“Aliv”)- provides mobile cellular voice and mobile data services;
- The Bahamas Telecommunications Company Limited (“BTC”)- operates Internet Protocol TV services, fixed voice and broadband services, data and connectivity services, and cellular/mobile voice and data services;
- Cable Bahamas Limited (“CBL”) –operator of Pay TV, high-speed data services and fixed voice services; and
- ZNS a state-owned corporation providing national radio and TV services.

Fixed Voice Subscribers

CBL and BTC are the suppliers of fixed voice services in The Bahamas. CBL through its affiliate Systems Resource Group Limited (SRG) provides local, domestic long-distance (inter-island) and international calls to residents on the islands of New Providence, Grand Bahama, Eleuthera and Abaco. On the other hand, BTC is designated Significant Market Power (SMP) and offers fixed voice

services nationwide. It is assumed that as mobile services become more accessible and affordable, the demand for fixed telephone services will continue to decline. In 2019, fixed voice subscribers decreased to 91,129 versus 113,455 in 2018. Evidently, this result produced a decrease in the penetration rate from 29.33 in 2018 to 23.29 in 2019.

Figure 2

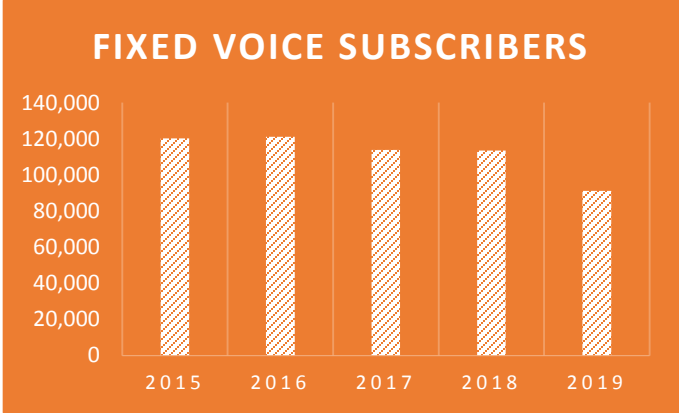
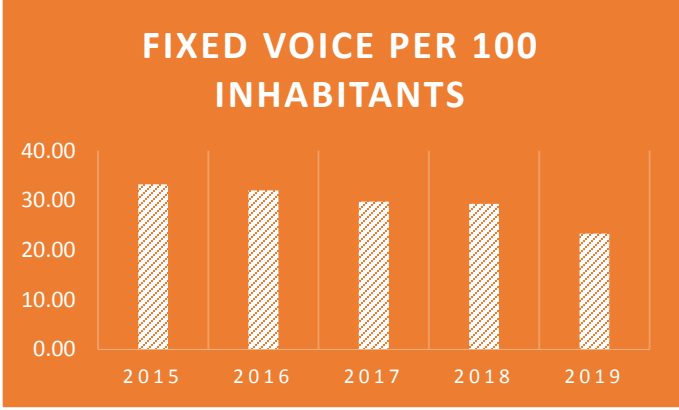


Figure 3



Fixed Broadband Services

Fixed broadband services are primarily delivered through BTC and CBL’s infrastructure. There are also smaller Internet Service Providers (“ISPs”) that supply these services through wireless networks. CBL retains SMP status for the provider of high-speed or broadband Internet services in New Providence, Grand Bahama, Eleuthera and Abaco. Contrastingly, BTC retains SMP in all remaining islands where only BTC has a network infrastructure enabling it to offer broadband

services. For 2019, the number of fixed broadband subscribers increased from 81,208 to 82,295¹. Consequently, the fixed broadband penetration rate also increased from 20.99 to 21.03 in 2019.

Figure 4

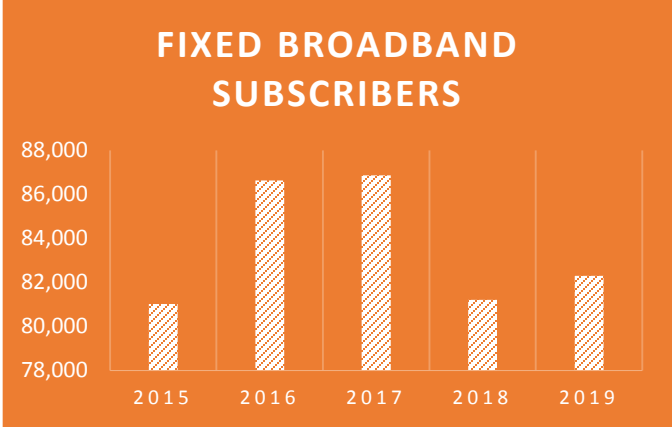
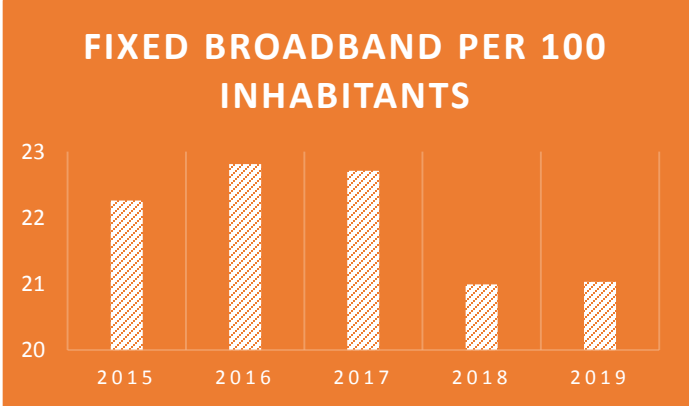


Figure 5



Mobile Voice and Data Subscribers

¹ It should be noted that the 2018 number of fixed broadband subscribers published in this 2019 Annual Report differs from that which was published in the 2018 Annual Report due to revisions made by licensees' data.

Cellular/mobile voice and data services in The Bahamas are provided by Aliv and BTC. BTC is the initiator of mobile services and is designated by URCA as having SMP within the domestic mobile telephone market. Aliv remains a strong contender in the cellular/mobile market. The total number of mobile voice subscribers in 2019 increased by 36,800 on the 2018 total (388,707)² and explained the corresponding increase in the penetration rate from 100.47 in 2018 to 108.75 in 2019. Mobile data subscribers grew from 314,419 in 2018 to 362,303³ in 2019. The mobile data penetration rate also saw growth from 81.27 to 92.60.

Figure 6

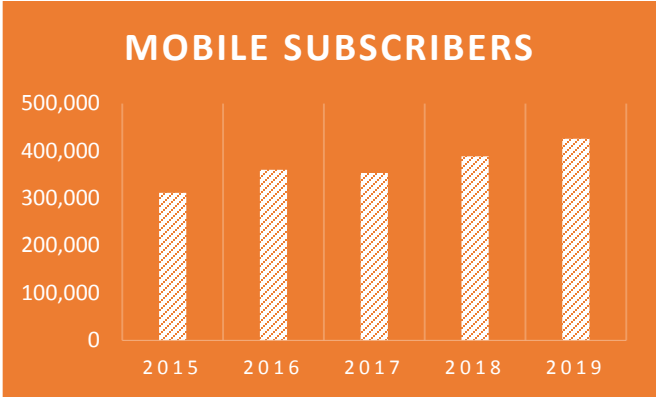
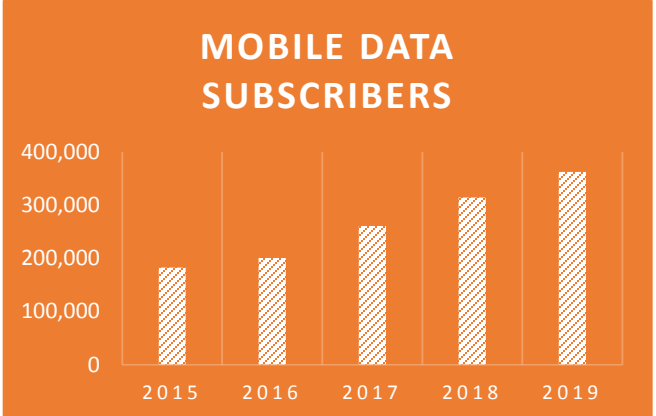


Figure 7



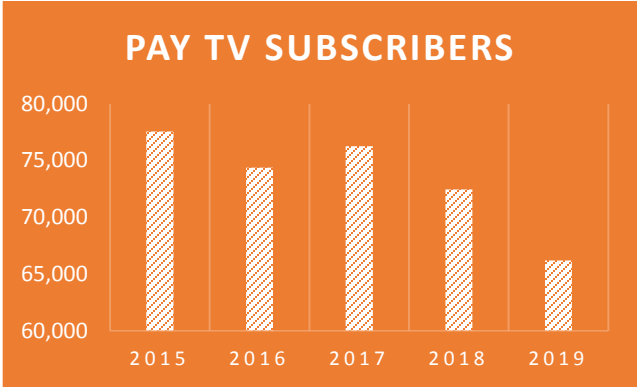
Pay TV Services

² It should be noted that the 2018 number of mobile subscribers published in this 2019 Annual Report differs from that which was published in the 2018 Annual Report due to revisions made by licensees’ data.

³ It should be noted that the 2018 number of mobile data subscribers published in this 2019 Annual Report differs from that which was published in the 2018 Annual Report due to revisions made by licensees’ data.

BTC and CBL offer Pay TV services in The Bahamas, but CBL maintains SMP designation within the sector. While CBL provides Pay TV services nationwide, BTC offers the Flow TV by way of Internet Protocol Television (IPTV) to selected islands in The Bahamas. CBL and BTC Pay TV services are available to residential, business and on-the-go TV services through mobile cellular devices. There are currently 66,188 Pay TV subscribers in The Bahamas, representing a 9% decrease on the 2018 figure (72,460).

Figure 8



Electricity Sector Market Review

In stark contrast to the competitive markets in the Electronic Communications Sector, the Electricity Sector’s market consists of several monopoly operators, each tasked with providing generation, transmission, distribution, and supply services across distinct networks throughout the country. While several of these networks are the responsibility of individual service providers, each presents a unique market scenario due to their respective logistical and socioeconomic conditions. In this regard, in 2019, the Utilities and Energy Department commenced the development of the framework required to gather and interpret the relevant data to enable the assessment and reporting on the sector’s performance. It is envisioned that this assessment of the ES’ market would afford the opportunity for the individual and collective performance of the sector’s service providers to be assessed, with due consideration being given to their characteristics and respective

territories. It is envisioned that the **ES Licensee Data Reporting and Performance Monitoring** project will be completed in T2 of 2020, which should allow for a more comprehensive ES market review in next year's report.

In this regard, a brief synopsis of the ES market in terms of existing licensees and the progress of our Renewable Energy initiatives is provided below:

Name of Licensee	Service Territory	License Type	License Commencement Date	License Expiration Date	License Number
Bahamas Power and Light	The Commonwealth of The Bahamas, except for the Port Area of Grand Bahama	Public Electricity Supplier	01 May 2018	01 May 2043	PESL-18-0001
Grand Bahama Power Company	Grand Bahama	Public Electricity Supplier	01 May 2016	01 May 2041	PESL-18-0002
St. George's Cay Power Company Ltd.	St. George's Cay; Russell Island; West End Cay; Charles Cay; and Royal Island	Authorized Public Electricity Supplier	01 Dec 2018	01 Dec 2038	APESL-18-0003
RAV Bahamas Ltd.	Bimini Bay Subdivision, North Bimini	Authorized Public Electricity Supplier	04 Nov 2019	04 Nov 2021	APESL-19-0001
Gekabi Chub Cay Utilities (2013) Ltd.	Chub Cay, The Berry Islands	Authorized Public Electricity Supplier	17 Feb 2020	17 Feb 2045	APESL20-0001

In addition to the integrated electricity supplier licensees listed above, the ES' generation component as of 2017 has been supplemented by the Small Scale Renewable Generation (SSRG) programme. The SSRG programme affords residential and small commercial entities to supplement their personal electricity consumption via renewable energy means up to a capacity of 100kW. URCA's suite of renewable energy programmes is scheduled to be expanded in early 2020 to allow commercial and government entities the opportunity to participate with generation capacities up to 1 MW. As of 31 December 2019, the renewable energy statistics were as follows:

	Number Online	Combined System Capacity, kW
Residential	142	1004
Commercial	35	2868
Total	177	3872

	Number Online	Combined System Capacity, kW
New Providence	167	2983
Abaco	0	0
Eleuthera	9	139
Exuma	1	750
Total	177	3872

Performance Against URCA's 2019 Annual Plan

In the 2019 Annual Plan, URCA prioritised projects into three tiers (Tier I, Tier II and Tier III). The rationale for the placement of projects in a specific tier was as follows:

- Tier I projects are of significant importance and urgency to the regulated sectors, in respect of which URCA therefore, sought to ensure that it directs all available resources to achieve completion in accordance with scheduled dates during the current year, which may adversely impact the completion of lower-tiered projects. Generally, for Tier, I projects URCA sought to set forth and commit to a specific trimester for completion, within the year.
- Tier II projects are also of significant importance to the organisation or the regulated sectors directly, and URCA endeavoured to complete these projects in the shortest possible timeframe though with lower priority than the Tier I projects. URCA did not commit to completion of Tier II projects during a specific period for one or more of the following reasons:

- There is heavy dependence on external stakeholder input or approval; and/or
 - the availability of adequate resources to complete the project in a specific timeline is uncertain; and/or
 - URCA has limited control over the completion date (for example approval is external to URCA).
- Tier III projects address emerging regulatory or management issues which URCA is desirous of addressing and will complete as soon as resource availability dictates, but which are of lower priority than Tier I or Tier II Projects. URCA did not commit to any specific timeframe for completion of Tier III projects.

General Projects

While most of URCA's regulatory work relates to a specific regulated sector, URCA is continuously seeking ways to achieve economies that can be realised through harmonised approaches between regulated sectors, reflected in regulatory measures which have "General" applicability to multiple regulated sectors. URCA's organisational initiatives, including its Annual Report and Annual Plan, also fall into this "General" Category.

During 2019, URCA worked on the following General projects:

Tier I Projects

Review of Consumer Protection Regulations

On 30 December 2013, URCA published its Consumer Protection Regulations (CPR) which are applicable to the ECS only. In 2018 URCA began a project to review the existing CPR, to incorporate necessary provisions for the ES, and to review the provisions for the ECS where appropriate. The review of the regulations was completed in 2019, and the Consultation Document was issued on 24 December 2019. URCA will be planning a significant public consultation on this document, which will carry on throughout the first half of 2020.

Market and Consumer Satisfaction Surveys

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 2018 URCA carried out initial work on the commissioning of surveys to assess the markets in both the ES and ECS. With the completion of URCA's OPI Indices in 2019, URCA is now in a position to schedule its surveys for commencement in 2020. The work will, therefore, be re-classified as a Tier I project in 2020, with completion anticipated in 2021.

URCA Organisational Performance Indexes

One of the key outcomes of URCA's recent Strategic Planning process has been the recognition that URCA needs more relevant and meaningful methods of measuring its performance. To that end, in 2019 URCA developed a series of Key Performance Indicators (KPI) in the form of Indices, which can be used to track URCA's performance, combining considerations such as market growth and performance, strategic focus, fiscal responsibility, consumer satisfaction and licensee performance. URCA completed the development of the OPIs which was approved by the Board in November 2019, and will schedule the phased implementation of the OPIs as a Tier I project commencing in 2020, and completing the full implementation in 2022.

Electronic Communications Sector (ECS) Projects

In 2019 URCA continued its strategic approach to achieving its ECS policy objectives and regulatory priorities. Tier I and Tier II projects informed URCA's primary areas of concentration in its efforts to provide consistent and sustainable growth in the sector. Having embarked on the tiered, structured approach to project prioritization and execution, URCA ensured that intentional focus and required resources supported the commitment to complete its priority projects in 2019. A brief discussion of URCA's achievements against the 2019 Tier I and Tier II Projects is set out below:

Tier I Projects

ICTs for Disaster Preparedness and Management

In 2019 URCA continued work on the Disaster Management Regulations with emphasis on the strengthening and resilience of the telecommunications infrastructure, and efficient recovery methods following the impact of a natural disaster. URCA engaged in widespread consultation on the draft regulations with key Public Sector Disaster Management Agencies, including the National Emergency Management Agency (NEMA), and the major telecommunications operators, Bahamas Telecommunications Company Limited, Cable Bahamas Limited and BeAliv Limited. Subsequently, the document was published for public consultation, which ended in August 2019. URCA is conducting a final review of the document ahead of publication during Trimester 1, 2020.

Review of ECS Policy

Section 6 of the Communications Act, 2009 (Comms Act) requires URCA to draft and the Minister to publish in the Gazette, a revised Sector Policy setting out the strategic aims of the Government for meeting the electronic communications policy objectives outlined in section 4 of the Comms Act. During 2019, the Government appointed a Minister with responsibility for the ECS who engaged in continual discussions with URCA on the policy to ensure it reflects the Government's strategic goals. The document was approved by the Minister in December 2019 and is expected to be published for public consultation in early 2020.

Identification of Spectrum for Digital Switchover

At the beginning of 2019, URCA intended to publish its Final Decision on the Digital Switchover. The public consultation produced no responses, and upon review, URCA engaged in further internal review on the decision having regard to the fact that the consultation document received no comments. URCA ultimately considered it appropriate to proceed with finalizing and issuing the decision, which was published on 23 December 2019 as ECS 73/2019.

Review of Wholesale Internet Access

URCA saw the need to review the competitive dynamics in the relevant wholesale broadband markets in The Bahamas. This was due to those markets not being assessed before and based on feedback that the existing Broadband Resale Obligation was inadequate. URCA commenced its review of the wholesale internet access market in late 2018 with work continuing into 2019. URCA has collected data from licensees pertaining to the market; however, the project has experienced delays due to licensees requesting extensions to submit the information requested by URCA and the need for URCA seeking further clarification from licensees based on the information received. URCA has now scheduled this work as a Tier I project for completion in Trimester 1, 2020.

Review of Broadcasting Content Code

The review of the Code of Practice for Content Regulation was identified as a necessary review to address three areas of the code impacted by varying factors, Political Broadcasts, Advertising and Complaints Handling. The 2017 General Elections delayed Poll Closure, the legalization of the Gaming industry and what was identified as an ineffective Complaints Handling process inspired the review. This project was scheduled for completion during Trimester 3, 2019. However, the need to re-establish the Content Regulation Industry Group delayed the execution of the work. The document was published for public consultation on 16 December 2019 as ECS 72/2019. This project has now been scheduled for completion during Trimester 1, 2020.

Market Review of Mobile Services

In Trimester 2, 2019, URCA began work on its first Market Review of Mobile Services since the liberalization of the sector in 2016. This review is examining the wholesale market for call origination and termination. It is also reviewing whether any of the operators have Significant Market Power. This work stream is scheduled for completion in 2020.

Review of Interconnection Rates

In 2016 following the liberalization of the mobile telephone services, symmetrical interim termination rates were established. The ultimate intention was to eventually migrate to a more efficient method of determining the rates which would ultimately result in the incremental reduction of rates. In 2019, URCA embarked on a project to address Fixed and Mobile domestic and international termination rates. This three-year project will facilitate an incremental reduction in rates based on benchmarking, ultimately producing a Long Run Incremental Cost (LRIC) model to more efficiently determine termination rates. The Final Determination was published on 24 December 2019 as ECS 74/2019.

Tier II Projects

Framework for Internet Exchange Points in The Bahamas

During 2019 URCA continued its efforts to encourage, through enabling regulations, the expansion of the Electronic Communications Sector in The Bahamas. Such measures include work towards the establishment of local Internet Exchange Points (IXPs) in The Bahamas. The consultation process for the proposed IXP framework is now complete, and finalization of the document is expected in 2020. This framework will position interested parties to establish an Internet Exchange (IX), which will further the growth and expansion of the telecommunications infrastructure required to support the country's digital economic transformation initiatives. IXPs can, amongst other things, facilitate the exchange of local traffic, inspire the creation of a local content industry and assist in attracting international business to the country. It is also considered a support infrastructure for the Government's objective of transforming Grand Bahama into a Technology Hub.

ICTs for Persons with Disabilities

The Department of Statistics in its 2010 census report, noted that there were approximately 10,138 persons in The Bahamas living with various degrees of disabilities. URCA recognizes that ICTs have the potential to be an effective equalizer as it relates to persons with disabilities (PwD). Access to, and inclusion in all things digital, can significantly improve the lives of persons with disabilities, allowing them to more fully participate in the social, educational, health and political advancement of their country.

URCA started its work to develop regulations which will ensure PwD's inclusion in and access to ICTs. The first step in this process is the production of a status paper. The progress of this project was impacted in 2019 by other organizational challenges and the passage of hurricane Dorian. The status report has been extended to the first quarter of 2020. URCA's role as regulator is to ensure that all stakeholders, including PwD, are able to access ICTs with minimal barriers. In furtherance of the process, a questionnaire has been developed and distributed to the stakeholders in the community in regards to PwD's current level of access and inclusion. Initial consultations have been held with the National Commission for persons with disabilities and representatives of The University of The Bahamas. There will be an intensive consultation with the PwD community and other appropriate stakeholders which will inform phase 2 of the project, the drafting of regulations.

Project Review - Market Review Implementation of Price Caps

In December 2019, URCA reached a decision, following a review of this project which began in 2015, to put on hold the implementation of price caps as set out in its 2014 SMP Determination pending the outcome of URCA's 2020 market reviews for pay TV, fixed voice telephony and high speed data connectivity services. The decision was communicated to operators and published on 23 December 2019. Based on the decision, URCA has set out to commence a new market review of retail fixed voice, broadband and pay TV services in T2 of 2020 with an estimated completion timeframe of 2021.

Framework for Public Service Broadcasting

This project was scheduled as Tier 2 in 2019 and scheduled to begin during Trimester 3. However, the need for further engagement with the Government on Public Service Broadcasting (PSB) and its impact on the national broadcasting industry led to URCA deferring the project to 2020. The Government subsequently included PSB in the Sector Policy as an imperative. URCA has listed it as a Tier 1 project in 2020.

Market Review – Fixed Services (incl. Pay TV)

In 2019 this Tier 2 project was impacted by two Tier 1 projects, priority Market Review projects and several other major regulatory matters. While the need for the review of Fixed Services is essential, URCA has again listed it as a Tier 2 project in 2020.

Other 2019 ECS Projects

License Exempt Type Approval

On 15 November 2019, URCA published its Final Determination on Proposed Revisions to Final Determinations Class Licences, Exemptions, and Types of Fees (ECS 24/2009) and Guidelines for the Type Approval Certificate of Licence-Exempt Radio Spectrum Devices (ECS 02/2013). This document, listed as ECS 69/2019, relates to the Type Approval of Low Power devices. It has revised Annex G of ECS 24/2009 and the Guidelines for the Type Approval of Licence-Exempt Radio Spectrum Devices (ECS 02/2013). These changes now make it possible for URCA to grant a type approval certificate for new categories of low power electronic communications devices that satisfy the requirements for exemption set out in section 17(3) of the Comms Act. It also enables members of the Bahamian public to access and use many additional everyday consumer electronic devices without the need to obtain a Licence from URCA.

Electricity Sector (ES) Projects

As noted above, the 2019 calendar year has been one of many challenges within the ES and by extension for URCA's regulation of that sector of the economy. URCA faced various challenges during 2019 from its two primary licensees, BPL and GBPC. During the second trimester, BPL suffered significant generation shortfalls in New Providence. Further challenges were caused due to the decimation by Hurricane Dorian of the electricity supply systems in Grand Bahama and Abaco, the second and third largest economic areas behind New Providence. GBPC's challenges to URCA's regulatory jurisdiction in Freeport continued in the Courts, and BPL's non-compliance with URCA's regulatory requirements resulted in URCA issuing a Final Determination and Order penalising BPL for failing to provide information in response to URCA's enquiries.

In light of those issues, some of which were before the courts, at the onset of the year it was envisioned that URCA would concentrate its ES activities on the advancement of consumer-based initiatives such as Renewable Energy and Energy Conservation, while implementing regulatory initiatives such as efficiency studies and consumer protection. However, it became evident that more significant intervention was urgently needed to address the safety, reliability, and quality of supply concerns being experienced throughout the country. URCA's resources were directed to these initiatives through investigations and regulatory intervention. As a result of the urgent interventions required, the consumer-based focus as envisioned was not achieved, but deferred to 2020.

Tier I Projects

SSRG Advancement

Promotion of the SSRG programme was a key initiative of URCA during 2019. During the 2019 calendar year, the registered capacity grew from 1.97MW to 3.61MW. URCA has worked to promote the SSRG programme through its pop-up offices, talk show appearances, and social media posts during 2019. However, due to other competing matters including a tumultuous year of power quality and reliability issues, exacerbated by the Hurricane Dorian damage to power networks on

Grand Bahama and Abaco, URCA could not conduct the extensive education and advancement programme that was planned. URCA has rescheduled this initiative as a key Tier 1 priority for 2020.

Promotion of Energy Efficiency and Conservation

URCA had planned that in 2019 it would conduct a widespread programme to promote energy efficiency programs by PESLs and consumers throughout the country. While URCA made a concerted effort to engage the public in this regard in the islands of New Providence, Grand Bahama, Abaco, and Eleuthera via town hall meetings and an active social media campaign, as with the advancement of the SSRG programme, URCA was unable to conduct the widespread campaign that was anticipated due to competing matters.

URCA has also rescheduled this initiative as a Tier 1 project for 2020.

Framework for the Procurement of Power Generation Resources

As per the EA s.38(1)(c), the intention is to establish rules and approve competitive processes for procurement of power generation resources conducted by Public Electricity Suppliers, and ensure such rules are fair, consistent and compatible with the objectives and principles of the EA, electricity sector and national energy policies.

A Request for Proposals was executed for the development of this framework, and consultants have been engaged by URCA. The contract was finalized in T3, 2019, and the project is now anticipated to be completed in T1, 2020.

Establish Alternative Dispute Resolution Scheme(s) for the Electricity Sector

During 2019 URCA commenced work to establish one or more Alternative Dispute Resolution (ADR) schemes for disputes between licensees and consumers and between licensees and independent power producers or approve a scheme or schemes proposed by licensees.

A consultation document was published in T2, 2019; however, based on the feedback to that document, a decision was made to redevelop/reconstruct the consultation document and restart

the process in T3, 2019. It is anticipated that the ADR Schemes for the ES would be in effect by the close of T1, 2020

Review of BPL Fuel Charge

URCA committed as a 2019 Tier 1 project to review BPL's Fuel Charge to:

- ensure that the fuel charge accurately reflects the actual cost of fuel used by BPL in providing electricity to its customers; and
- ensure that the fuel charge only reflects the fair and efficient costs of fuel used, and does not pass on costs resulting from failures by BPL to properly manage its electricity system.

Over the course of 2019 URCA has reviewed the gazetted rules pertaining to the calculation and application of the Fuel Charge, and tracked the posted Fuel Charge for the period noting trends which are of concern to URCA particularly in relation to costs experienced during BPL's period of supply challenges in New Providence during 2019. URCA was unable to initiate a regulatory intervention in this regard due to lack of available resources during 2019.

In reviewing the need to address any possible harm and/or mischief that may have been caused to consumers through the fuel charge during the period, URCA is currently seeking to address BPL's power quality deficiencies during 2019 through a comprehensive investigation. URCA considers that any fuel charge impact that may have been experienced during 2019 can be addressed in the context of that investigation.

Moving forward, and noting that the fuel charge mechanism can result in inefficiencies causing significant cost to consumers, URCA considers it necessary to ensure that there is clear regulatory oversight of the fuel charge approach wherever it is employed in The Bahamas. URCA, therefore, proposes during 2020 to develop a comprehensive methodology for the derivation and application of Fuel Charges within the sector. This Fuel Cost Recovery Regulation project is being proposed as a Tier 1 project for 2020.

Tier II Projects

ES Licensee Data Reporting and Performance Monitoring

The development of Reporting Obligations Procedures and Guidelines was identified in URCA's Annual Plan for 2019 as a Tier II project; however, in light of the frequency of recent major outages, load shedding, and other supply and quality of electricity challenges experienced throughout the country, it was considered timely to commence the data collection, and analysis process deemed necessary to facilitate the remediation of these issues. This project is expected to be completed T2, 2020.

Framework for Public Electricity Supplier Inspection

The Electricity Acts stipulates that URCA shall conduct inspections as required to ensure that public electricity suppliers are complying with the terms and conditions of their licences. In this regard, URCA proposes to develop the framework for such inspections so as to ensure a fair, transparent, and certain process that is consistent with the sector's best practices. It is noted that the framework would address inspections in all aspects of a PES' business, such as administration, finance, technical, and customer services. It is envisioned that the framework for PES inspections would complement the **ES Licensee Data Reporting and Performance Monitoring** project, which has been elevated to a proposed Tier 1 project for 2020.

Other 2019 ES Projects

Renewable Energy Self Generation (RESG) Guidelines

In 2019, based on the critical importance of renewable energy integration and the identified demand for larger renewable energy installations than those accommodated by the SSRG programme, URCA sought to introduce opportunities for increased participation in renewable energy generation in The Bahamas. On 27 September 2019 URCA issued its consultation on its Renewable Energy Self Generation program, which in accordance with the requirement of section

28 of the Electricity Act, provides for the Government and small commercial or business enterprises to self-generate using renewable energy technologies. The generation capacity range afforded to RESG participants spans for 100kW to 1MW.

URCA expects to complete this regulatory initiative in T1, 2020.

International Participation and Engagement

URCA began in 2019 to leverage its 2018 efforts to campaign for The Bahamas' election to the Council of the ITU and the Executive Committee of CITELE. In 2019 URCA recruited an International Relations Officer to assist with URCA's representation of The Bahamas at international organisations.

During 2019, The Bahamas made contributions at the ITU on the issues of expansion of the availability of ITU Fellowships to Small Island Developing States (SIDS), the use of ICTs for Disaster Management, and Gender mainstreaming issues within the Telecommunications Development Bureau. The Bahamas further enhanced its work on the issue of Fellowships with a paper presented to CITELE's Executive Committee (COM/CITELE).

URCA also assisted the Government with briefing notes on ICT issues for use in The Bahamas' work within the CARICOM and the UN system and ensuring that matters occurring at the ITU (study questions, forums, capacity building opportunities etc.) are brought to the attention of the relevant Government department and other stakeholders to ensure that The Bahamas is in a position to take advantage of its participation in international developments in ICTs.

As noted previously, The Bahamas' increasing role in leadership on telecommunications and ICT matters internationally speaks to the Government's commitment to ICT development in The Bahamas, and The Bahamas' leadership as a center of excellence in ICT regionally and globally.

Building Regulatory Capacity and Human Capital

URCA's mission statement "*improving lives through effective utilities regulation*" is a driver of the organization's commitment to the development of its people and investing in building its regulatory capacity. 2019 continued on this path, with a strategic focus in the area of employee engagement,

learning and development, and promoting energy efficiency. The need to attract and retain skilled people is essential to achieving URCA's mandate, therefore in 2019, URCA strengthened its workforce with the addition of new staff members across the organization.

This year, as URCA celebrated its tenth anniversary, organizational culture and employee engagement were a major focus. In recognition of the impact on organizational performance, URCA initiated a review of its organizational culture at the beginning of 2019. The result was a commitment to a culture renewal exercise that started with the creation of URCA's Culture Deck, which provides employees with clarity as to what is important for the success of URCA as an organization. The process involved a collaborative effort by both staff and management in defining and shaping URCA's ideal culture.

In order to achieve a high level of organizational performance, Learning and Development is critical. This year's work continued on the creation of a Learning and Development strategy and curriculum. This new strategy will allow for a more strategic and cost effective approach towards employee development while leveraging the knowledge and expertise already found within the organization. The new curriculum has been designed to include a combination of in-house courses created and delivered by URCA's own subject matter experts and international training opportunities. This approach will decrease the need for costly international training for staff while ensuring that URCA's institutional capacity is developed and maintained.

In 2019 URCA identified various green initiatives to demonstrate the organization's commitment to the promotion of energy efficiency and conservation. The year started with the installation of energy-efficient lights and motion sensor light switches throughout URCA's office, which will help reduce the amount of energy used on a daily basis. URCA also worked to secure a vendor to construct a Solar Canopy over the parking lot at its Fredrick Street location. The Solar Canopy will allow URCA to further increase its energy efficiency while promoting the use of renewable energy sources.

Educating and Supporting our Stakeholders

URCA began 2019 with an ambitious consumer education programme. This included, in addition to routine activities, an expanded consultation period on URCA's annual plan; a special high level regulatory forum and a two day ICT and IXP workshop.

Consultation on URCA's Annual Plan

It is customary to consult with one of our key stakeholders, the licensees, when preparing the annual plan. This year a decision was made to engage other stakeholders in the process as we educated more members of the public about URCA's work. Special town hall meetings were held in Eleuthera, New Providence and Abaco in February and March.

Regulatory Forum for Senior Policy Makers

In February URCA invited the Public Utility Research Centre, of the University of Florida (PURC) to facilitate a two day regulatory forum for Senior Policy Makers. Invitations were distributed to parliamentarians, permanent secretaries and other senior public officers to participate in the forum which was designed to broaden the understanding of URCA's role as regulator and how regulations help to advance public policy. The two day workshop was highly regarded by those who attended. A second forum, targeted at technical officers, media and representatives from civil society, will be held in 2020.

ICT and Internet Exchange Points (IXPs) Workshop

In collaboration with the Internet Corporation for Assigned Names and Numbers (ICANN), the Internet Society (ISOC) and the American Registry for Internet Numbers (ARIN) URCA hosted an ICT and Internet exchange Points, ISPs workshop under the theme "*Strengthening the Local Internet – Security, Resilience, Convergence*". The workshop highlighted practical approaches to encourage and support the development of more Internet-enabled local applications and services.

Participants from the private sector, academia and government discussed critical questions around the steps necessary to develop a robust, resilient and vibrant local Internet economy with a focus

on issues such as cybersecurity, critical internet infrastructure, IXPs, number portability and Over the Top (OTT) services.

Pop-Up Office and Focus Groups

URCA introduced its first Pop-Up offices this year, beginning in Eleuthera in February, followed by two Pop-Up Offices in Freeport, in May and in December. The December Pop-Ups were paired with several informal focus groups which presented an opportunity for URCA's executive team members to engage one-on-one with residents representing different demographic groups. URCA was able to share valuable information about its regulatory process, complaint filing and answer questions.

Other Activities

URCA continues to lead in the observation of the International Girls in ICT Day, an ITU initiative. This year's event returned to New Providence and saw participation by students from throughout New Providence and two from San Salvador. In furtherance of the goal to educate high school females about URCA's work and opportunities in ICT, the young women's experience was enhanced with lots of hands-on activities including introduction to robotics and a session on coding. This event continues to grow in popularity with students and service providers and remains a staple event on URCA's calendar.

URCA added to this year's Oral Hearing with the production of a video highlighting URCA's accomplishments for 2018 and forecasting 2019 projects. This format was a welcome change for participants and will be incorporated into URCA's work more frequently, going forward.

Legal Matters

URCA's Legal Department advises on matters of legal importance and assists with URCA's compliance in discharge of statutory obligations and regulatory functions relative to the ECS and the ES. The Legal Department oversees litigation involving URCA, including engaging and managing external counsel as needed. The Legal Department also lends salient support in building and fostering an effective and efficient regulatory business environment, perhaps most notably by maintaining URCA's contract register and managing URCA's Risk Management program.

Oversight of Litigation

The Legal Department had carriage of 2 significant Supreme Court litigation matters in 2019, as follows:

- *Cable Bahamas Ltd.(CBL) and others v URCA; and*
- *Grand Bahama Power Company Ltd. (GBPC) v URCA;*

Both matters commenced in 2016 and relate to the jurisdiction of URCA to regulate persons in the Freeport area in Grand Bahama. It is critical to URCA that these matters be resolved as soon as possible. In both cases, URCA's jurisdiction to regulate inside the Freeport area is being challenged, despite URCA's statutory and regulatory mandate under the Communications Act and the Electricity Act. URCA considers that both enactments unambiguously require URCA to regulate the relevant sectors throughout The Bahamas, inclusive of Grand Bahama, to further the interests of all persons in The Bahamas. It is URCA's intention to achieve its mission of "*Improving lives through effective utilities regulation*" throughout every island of The Bahamas, inclusive of Grand Bahama.

The *GBPC v. URCA* matter is set down for trial in early 2020 and barring any unforeseen circumstances or conditions which may arise, the trial is anticipated to proceed as scheduled. It is also anticipated that case preparations regarding the substantive trial of the *CBL and others v. URCA* matter will progress significantly during 2020.

Legislative and Regulatory Reform

During 2020, URCA has been required to review and engage with Government and BPL regarding the Rate Reduction Bond Bill, which was passed during December 2019, and which will result in URCA being called upon to oversee the introduction of the Rate Reduction Bond during 2020. URCA has also engaged with Government regarding proposals for the creation of a regulator for fair trading in The Bahamas.

Risk Management

A key initiative of URCA during 2018 was the review and improvement of URCA's approach to Risk Management, and proper oversight of risk by the office of URCA's General Counsel. The revised Risk Management Program was finalised and approved in 2018, and the full implementation of the

program was achieved in 2019, with the General Counsel being responsible for management and monitoring of the program.

Summary of 2019 Outcomes

URCA’s performance in respect of the Tier I and Tier II projects in the 2019 Annual Plan is set out in Table 1 and Table 2 below.

Table 1 - Performance, 2019 Tier I Projects

Project	Start Period	End Period (2019 Annual Plan)	Status as at 20 December 2019
General Projects			
Review of Consumer Protection Regulations	T2, 2018	T3, 2019	Consultation published 23 December 2019. Carryover to T2, 2020
URCA Organisational Performance Indexes	T2, 2018	T3, 2019	Completed. 5 November 2019
Draft Annual Plan 2020	T3, 2019	T3, 2019	Completed. 20 December 2019
Electronic Communications Sector Projects			
ICTs for Disaster Preparedness and Management	T1, 2017	T2, 2019	Carryover to T1, 2020.
Review of ECS Policy	T1, 2017	T2, 2019	Carryover T2 2020.
Identification of Spectrum for Digital Switchover	T1, 2017	T2, 2020	Completed on 15 December 2019.

Project	Start Period	End Period (2019 Annual Plan)	Status as at 20 December 2019
Review of Wholesale Internet Access	T1, 2018	T2, 2019	Carryover to T1, 2020.
Review of Broadcasting Content Code	T2, 2018	T3, 2019	Carryover to T1, 2020.
Market Review – Mobile Services	T1, 2019	T3, 2019	Carryover to T2, 2020
Review of Interconnection Rates	T1, 2019	T3, 2019	Interim Rates Implemented 23 December 2019. Cost Model Scheduled as Tier I project for 2020/2021.
Electricity Sector Projects			
SSRG Advancement Program	T1, 2018	Ongoing	Ongoing.
Promotion of Energy Efficiency and Conservation	T2, 2019	Ongoing	Ongoing.
Framework for the Procurement of Power Generation Resources	T1, 2019	T3, 2019	Carryover to T2, 2020.
Establishment of ADR Scheme(s) for the ES	T1, 2019	T2, 2019	Carryover to T1, 2020.
Review of BPL Fuel Charge	T2, 2019	T3, 2019	Delayed to 2020.

Table 2 - Performance, 2019 Tier II Projects

Project	Start Period	End Period	Status as at 20 December 2019
General Projects			

Project	Start Period	End Period	Status as at 20 December 2019
Market Surveys	T3, 2018	T3, 2019	Scheduled for 2020 as Tier I.
Electronic Communications Sector Projects			
Framework for Internet Exchange Points (IXP) for The Bahamas	T1, 2018	T3, 2019	Completed. 23 December 2019.
ICTs for Persons with Disabilities	T2, 2018	T3, 2019	Scheduled for 2020 as Tier I.
Review of Project – Market Reviews Implementation of Price Caps	T1, 2019	T3, 2019	Rescheduled to 2021.
Framework for Public Service Broadcasting	T1, 2019	2020	Scheduled for 2020 as Tier I.
Market Review – Fixed Services (Incl. Pay TV)	T3, 2019	2020	No change.
Electricity Sector Proposals			
ES Licensee Data Reporting and Performance Monitoring	T2, 2019	T3, 2019	Scheduled for 2020 as Tier I.
Framework for Public Electricity Supplier Inspection	T2, 2019	T3, 2019	Scheduled for 2020 as Tier II.

Table 3 below presents URCA's actual expenditure against its budgeted expenditure for 2018.

Table 3 - Actual vs. Budgeted Expenditure

Consolidated			
Category	Actual FY-2019	Budget FY-2019	Inc/(Dec)
Revenue	5,855,686	6,637,533	(781,847)
Other income	306,512	-	306,512
Total Income	6,162,198	6,637,533	(475,335)
Expenses:			
Staff Costs	2,138,356	2,139,810	(1,454)
Non-Executive Compensation	183,996	226,400	(42,404)
Executive Compensation	506,512	514,128	(7,616)
Professional Services	944,120	1,077,000	(132,880)
Conference, training and travel	439,010	513,130	(74,120)
Premises Costs and Utilities	363,547	483,840	(120,293)
Consumer education and Public Relations	192,911	214,600	(21,689)
Office Services	220,498	308,591	(88,093)
Information Technology	139,391	155,500	(16,109)
General and Administrative Expenses	512,126	482,495	29,631
Depreciation	428,131	538,981	(110,850)
Total Operating Expenses	6,068,598	6,654,475	(585,877)
Re-measurement of pension asset	(36,143)	-	(36,143)
Comprehensive Income	57,457	(16,942)	74,399
Capital Expenditure	197,850	758,000	560,150

Electronic Communications Sector			
Category	Actual FY-2019	Budget FY-2019	Variance
Revenue	4,204,201	4,633,425	(429,224)
Other income	70,677	-	70,677
Total Income	4,274,878	4,633,425	(358,547)
Expenses:			
Staff Costs	1,222,308	1,395,371	173,063
Non-Executive Compensation	147,197	181,120	33,923
Executive Compensation	225,934	229,333	3,399
Professional Services	671,561	688,250	16,689
Conference, training and travel	355,021	414,080	59,059
Premises Costs and Utilities	280,655	372,065	91,410
Consumer education and Public Relations	142,138	189,680	47,542
Office Services	165,182	221,643	56,461
Information Technology	111,511	124,400	12,889
General and Administrative Expenses	456,572	419,049	(37,523)
Depreciation	330,067	448,928	118,861
Total Operating Expenses	4,108,146	4,683,919	575,773
Re-measurement of pension asset		-	(36,143)
Comprehensive Income	130,589		181,083
Capital Expenditure	126,624	487,200	360,576

Utilities and Energy			
Category	Actual FY-2019	Budget FY-2019	Variance
Revenue	1,651,485	2,004,108	(352,623)
Other income	235,835	-	235,835
Total Income	1,887,320	2,004,108	(116,788)
Expenses:			
Staff Costs	916,048	744,438	(171,610)
Non-Executive Compensation	36,799	45,280	8,481
Executive Compensation	280,578	284,795	4,217
Professional Services	272,559	388,750	116,191
Conference, training and travel	83,989	99,050	15,061
Premises Costs and Utilities	82,892	111,775	28,883
Consumer education and Public Relations	50,773	24,920	(25,853)
Office Services	55,316	86,948	31,632
Information Technology	27,880	31,100	3,220
General and Administrative Expenses	55,554	63,446	7,892
Depreciation	98,064	90,056	(8,008)
Total Operating Expenses	1,960,452	1,970,558	10,106
Re-measurement of pension asset	-	-	-
Comprehensive Loss	(73,132)	33,550	(106,682)
Capital Expenditure	71,226	270,800	199,574

Key Performance Indicators

Table 4

Ref.	Category	Description	KPI Result 2018
S1	Statutory	Draft Annual Plan and Strategy published before the end of the financial year	Draft Annual Plan 2020 published on 24 December
S2	Statutory	Annual Report and final Annual Plan published within four months of year-end	Annual Report 2018 and Annual Plan 2019 published on 30 April 2019
R1	Regulatory	Final determinations to be published within one (1) month from closing date for comments on Preliminary Determination	Six (6) Final Determinations issued during 2019. 0 in 1 month
R2	Regulatory	Percentage of public consultations started within period stated in Annual Plan	50%
R3	Regulatory	Time to publish results, decisions, and other regulatory measures after close of consultation: <ul style="list-style-type: none"> • 45 – 60 days • 60 – 90 days • >90 days 	26 2 3
R4	Regulatory	Licenses issued within: <ul style="list-style-type: none"> • 30 days – individual licences • 45 days – class licences 	17 104
R5	Regulatory	Volume of licences processed in the year	ECS 121
CR1	Consumer Relations	No of Complaints	72
CR2	Consumer Relations	Percentage of Complaints Resolved	44%
CR3	Consumer Relations	Average time taken to resolve complaints	18
F1	Finance	Cost of Finance (% of Opex)*	5.39%

Ref.	Category	Description	KPI Result 2018
F2	Finance	Period end Cycle time (Working days)*	18
F3	Finance	Year end Cycle time	26
F4	Finance	Budgeting Accuracy *	20.21%
F5	Finance	Cost of license invoice	\$120.42
F6	Finance	Debtor Days	100.1
F7	Finance	Number of Adjustments	3
F8	Finance	Value of Adjustments	\$3,172
F9	Finance	Long outstanding Debt	100%
HR1	Human Resources	Cost of HR function (as a % of total operating expenses)	6.20%
HR2	Human Resources	Cost of HR function per employee	\$12,879.63
HR3	Human Resources	Ratio of an employee to HR staff	9.6: 1
HR4	Human Resources	Annual average learning and development days per employee	5.82
HR5	Human Resources	Turnover rate	14%
HR6	Human Resources	Annual average sick days per employee	4.29
HR7	Human Resources	Investment in learning and development as a % of payroll	7.04%
HR8	Human Resources	Cost of advisors as a % of total payroll	1.74%

Ref.	Category	Description	KPI Result 2019
HR9	Human Resources	% of roles held by permanent employees	93.10%
HR10	Human Resources	Average length of vacancy	98
HR11	Human Resources	Average cost of recruitment per vacancy	\$
HR12	Human Resources	% of new employees still in their post after 12 months of service	80.0%
HR13	Human Resources	% of eligible employees receiving an annual performance appraisal	100.0%
IT1	Information Technology	Percentage of overall organizational cost spent on Information and Communication Technology support annually.	1.3%
IT2	Information Technology	Percentage of overall organizational cost invested in Information and Communication Technology annually (upgrades, new equipment etc.)	0.10%
IT3	Information Technology	The average dollar amount Invested in Information Communication and Technology per employee/user annually.	\$257.68
IT4	Information Technology	Percentage of employees with the ability to access URCA's network remotely when out of the office.	100%

Table 5 Licences Statistics - ECS

Month	Total Number of Application Forms Received	Total Number of Application Forms Processed within Forty Five(45) days	Total Number of Application Forms Processed outside of Forty Five (45) days	Total Number of Pending Application Forms Processed from previous month (s)	Total Number of Incomplete Application Forms Processed from previous month (s)	Total Number of Days Taken To Respond to Rejected Application	Processing Time [Days]	Average Processing Time [Days]	Target (Percentage % of Application Forms Processed in Forty Five (45) Days	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
Application Forms brought forward from 2018													
Jan-19	0	0	0	0	0	0	0	0	0	0	0	0	0
Feb-19	0	0	0	0	0	0	0	0	0	0	0	0	0
Mar-19	0	0	0	0	0	0	0	0	0	0	0	0	0
Apr-19	0	0	0	0	0	0	0	0	0	0	0	0	0
May-19	0	0	0	0	0	0	0	0	0	0	0	0	0
Jun-19	0	0	0	0	0	0	0	0	0	0	0	0	0
Jul-19	0	0	0	0	0	0	0	0	0	0	0	0	0
Aug-19	0	0	0	0	0	0	0	0	0	0	0	0	0
Sep-19	0	0	0	0	0	0	0	0	0	0	0	0	0
Oct-19	0	0	0	0	0	0	0	0	0	1	0	0	0
Nov-19	1	0	0	0	0	0	0	0	0	0	0	0	0
Dec-19	0	0	0	1	0	0	11	11	0	0	0	0	1
TOTAL	1	0	0	1	0	0	11	0	0	0	0	0	1

AUDITED FINANCIAL REPORT

**THE UTILITIES REGULATION
AND COMPETITION AUTHORITY**

**Financial Statements For The
Year Ended 31 December, 2019**

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

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Independent auditor's report

To the Board of Directors of the Utilities Regulation and Competition Authority

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Utilities Regulation and Competition Authority (the Authority) as at 31 December 2019, and its financial performance and its cash flows for the year end 31 December 2019 in accordance with International Financial Reporting Standards.

What we have audited

The Authority's financial statements comprise:

- the statement of financial position as at 31 December 2019;
- the statement of income and expenditure and other comprehensive income for the year end 31 December 2019;
- the statement of changes in equity for the for the year end 31 December 2019;
- the statement of cash flows for the year end December; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

Management and those in charge of governance are responsible for the other information. The other information comprises all the information in The Utilities Regulation and Competition Authority 2019 Annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with

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the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those in charge of governance for the financial statements

Management is responsible for the preparation and fair presentation of the *financial* statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our



auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

This report, including the opinion, has been prepared for and only for the Authority in accordance with the terms of our engagement letter and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers

**Chartered Accountants
Nassau Bahamas**

30 April 2020

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2019

(Expressed in Bahamian dollars)

	Notes	2019	2018
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	6	\$ 4,854,641	\$ 5,084,923
Pension asset	5	<u>160,430</u>	<u>195,219</u>
Total non-current assets		<u>5,015,071</u>	<u>5,280,142</u>
CURRENT ASSETS:			
Cash on hand and at banks	9	1,985,488	1,838,781
Accounts receivable	4,9	281,922	166,302
Prepaid expenses and other assets		<u>514,749</u>	<u>411,456</u>
Total current assets		<u>2,782,159</u>	<u>2,416,539</u>
Total assets		<u>\$ 7,797,230</u>	<u>\$ 7,696,681</u>

(Continued)

The notes on pages 10 – 31 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER, 2019

(Expressed in Bahamian dollars)

	Notes	2019	2018
LIABILITIES			
CURRENT LIABILITIES:			
Current portion of long term debt	7	\$ 91,115	\$ 87,420
Accounts payable and accrued expenses	9	<u>522,824</u>	<u>392,312</u>
Total current liabilities		<u>613,939</u>	<u>479,732</u>
NON-CURRENT LIABILITY:			
Long term debt	7	<u>697,155</u>	<u>788,270</u>
Total liabilities		<u>1,311,094</u>	<u>1,268,002</u>
Net assets		<u>\$ 6,486,136</u>	<u>\$ 6,428,679</u>
NET ASSETS REPRESENTED BY:			
Contributed capital	8	\$ 1,537,891	\$ 1,537,891
URCA Fund:			
- Not immediately required	8	2,963,735	3,039,888
- Immediately required	8	<u>1,984,510</u>	<u>1,850,900</u>
Total equity		<u>\$ 6,486,136</u>	<u>\$ 6,428,679</u>

(Concluded)

These financial statements were approved by the Board of Directors on 30th April 2020, and are signed on its behalf by:



 Chairperson



 Chief Executive Officer

The notes on pages 10 – 31 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF INCOME OVER EXPENDITURE AND OTHER COMPREHENSIVE INCOME YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

	Notes	2019	2018
REVENUE:			
Electronic communications operating licence fees	8, 9	\$ 4,204,202	\$ 4,124,377
Energy sector licence fees	8, 9	1,651,486	1,700,323
Telecommunications, radio communications, energy and other fees	8, 9	<u>44,936</u>	<u>52,587</u>
Total revenue		<u>5,900,623</u>	<u>5,877,287</u>
EXPENSES:			
Salaries and benefits	5, 9	2,828,864	2,781,453
Legal, professional and consultancy fees		944,120	617,312
Depreciation	6	428,132	416,814
Office services		303,663	291,797
Premises occupancy costs	9	216,683	157,082
Travel		206,704	318,905
Professional membership		204,516	291,971
Training		195,727	202,118
Loss Allowance		153,705	143,396
Advertising and public relations		151,656	77,779
Information technology		139,388	107,967
Premises repairs and maintenance		95,551	129,065
Communications	9	78,690	79,342
Donations	9	36,688	56,784
Interest charges	7	35,524	39,155
(Recovery of) Conference hosting		35,390	(12,417)
Automotive maintenance		<u>13,597</u>	<u>13,567</u>
Total expenses		<u>6,068,598</u>	<u>5,712,090</u>

(Continued)

The notes on pages 10 – 31 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF INCOME OVER EXPENDITURE AND OTHER COMPREHENSIVE INCOME
YEAR ENDED 31 DECEMBER, 2019
(Expressed in Bahamian dollars)

	Notes	2019	2018
OPERATING (LOSS)/INCOME		\$ (167,975)	\$ 165,197
OTHER INCOME AND EXPENSES:			
Fines		261,574	81,573
Other income		<u>-</u>	<u>207</u>
Total other income		<u>261,574</u>	<u>81,780</u>
INCOME OVER EXPENDITURE		93,600	246,977
OTHER COMPREHENSIVE INCOME:			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of pension asset	5	<u>(36,143)</u>	<u>95,990</u>
COMPREHENSIVE INCOME FOR THE YEAR		<u>\$ 57,457</u>	<u>\$ 342,967</u>

(Concluded)

The notes on pages 10 – 31 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 DECEMBER, 2019
(Expressed in Bahamian dollars)

	<u>Notes</u>	URCA Fund			<u>Total</u>
		<u>Contributed Capital</u>	(Not immediately <u>required</u>)	(Immediately <u>required</u>)	
Balance as of 1 January, 2018		\$ 1,537,891	\$ 2,692,026	\$ 1,855,795	\$ 6,085,712
Excess of income over expenditure-ECS		-	287,203	-	287,203
Excess of income over expenditure-ES		-	(40,226)	-	(40,226)
Funds not required for immediate use		-	4,895	(4,895)	-
Other comprehensive income		-	95,990	-	95,990
Balance at 31 December, 2018		1,537,891	3,039,888	1,850,900	6,428,679
Excess of income over expenditure - ECS		-	166,732	-	166,732
Excess of expenditure over income - ES		-	(73,132)	-	(73,132)
Funds not required for immediate use		-	(133,610)	133,610	-
Other comprehensive income	5	-	(36,143)	-	(36,143)
Balance at 31 December, 2019		<u>\$ 1,537,891</u>	<u>\$ 2,963,735</u>	<u>\$ 1,984,510</u>	<u>\$ 6,486,136</u>

The notes on pages 10 – 31 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER, 2019
(Expressed in Bahamian dollars)

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:			
Excess of income over expenditure		\$ 93,600	\$ 246,977
Adjustments for:			
Depreciation	6	428,132	416,814
Loss allowance	4	153,705	143,396
Interest expense		35,524	39,155
(Increase) decrease in operating assets:			
Accounts receivable		(269,326)	483,517
Prepaid expenses and other assets		(103,294)	(198,248)
Pension asset		(1,354)	2,577
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		<u>130,513</u>	<u>(408,019)</u>
Net cash from operating activities		<u>467,500</u>	<u>726,169</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, plant and equipment	6	<u>(197,850)</u>	<u>(238,785)</u>
Net cash used in investing activities		<u>(197,850)</u>	<u>(238,785)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Long term debt principal repayments	7	(87,419)	(83,788)
Interest paid	7	<u>(35,524)</u>	<u>(39,155)</u>
Net cash from financing activities		<u>(122,943)</u>	<u>(122,943)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		146,707	364,441
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,838,781</u>	<u>1,474,340</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 1,985,488</u>	<u>\$ 1,838,781</u>

The notes on pages 10 – 31 form part of these financial statements.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2019

(Expressed in Bahamian dollars)

1. GENERAL

The Utilities Regulation and Competition Authority (the “Authority” or “URCA”) was established on 1 August 2009, as a corporate body, under the Utilities Regulation and Competition Authority Act, 2009 (the “Act”). The offices of the Authority are located at Frederick House, Frederick Street, New Providence, Bahamas.

The functions of the Authority are to: i) regulate the electronic communications sector (ECS) to further the interests of consumers in accordance with the electronic communications policy objectives; ii) regulate the energy sector (ES) in accordance with the goals, objectives and principles underpinning the national energy sector policies; iii) to represent the Government of the Commonwealth of The Bahamas (the “Government”) in regional and international organisations as provided for in the legislation; iv) charge and collect licence fees from regulated entities in accordance with relevant legislation, including billing and collecting communications licence fees and spectrum fees on behalf of the Government; and vi) perform any other duties or functions assigned to it under relevant legislation.

The ECS is regulated by URCA in accordance with the Communications Act, 2009 (the “Communications Act”) and the Electronic Communications Sector Policy. With the passing of the Electricity Act 2015 and the URCA (Amendment) Act 2015, on 28 January, 2016 URCA commenced regulating the ES in addition to the ECS. As the independent regulator of the ES, URCA is responsible for the development of a regulatory regime which governs the generation, transmission, distribution and supply of electricity throughout The Bahamas as well as encourage an environment that promotes renewable energy.

URCA has a responsibility to ensure that funds related to and expenses attributable to each regulated sector are separated. The financial performance of the Authority is the result of the regulation of both the ECS and ES. The results of operations of both sectors are allocated to “the Fund”. It should be noted that the regulation of other sectors of The Bahamas economy may be added to URCA’s responsibility as determined by the Government, and consequent to the passing of legislation governing the regulation of any such sectors.

URCA’s decisions are appealable to the Utilities Appeal Tribunal, which was formed pursuant to the Utilities Appeal Tribunal Act, 2009. URCA is also responsible for billing and collection of the Tribunal Fee, through which the Tribunal is funded, on behalf of the Tribunal.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2019

(Expressed in Bahamian dollars)

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS)

In the current year, the Authority has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for the year ended 31 December, 2019. The adoption of the following standards and interpretations has not led to any changes in the Authority's accounting policies, and has not had any material impact on the disclosure or on the amounts reported in the financial statements.

a. New Accounting Standards / Amendments And IFRS Interpretations That Are Effective For The Year Ended 31 December, 2019

IFRS 16	Leases	1 January 2019
IAS 19	Plan Amendments, Curtailment or Settlements	1 January 2019
IAS 28	Long-term interests in Associates And Joint Ventures	1 January 2019
IFRS 9	Prepayment features with negative compensation (Amendments)	1 January 2019
IFRS 11	Annual improvements to IFRSs 2015-2017 cycle	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

2. ADOPTION OF NEW AND AMENDED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AND INTERNATIONAL ACCOUNTING STANDARDS (IAS) (Continued)

b. New Accounting Standards And IFRS Interpretations That Are Not Yet Effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them.

New and amended Standards		Effective for annual periods beginning on or after
IFRS 10 & IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	(*)
IFRS 17	Insurance contracts	1 January 2021

(*) The IASB decided in December 2015 to defer the effective date indefinitely; nevertheless, the amendments are available for earlier adoption.

The application of new standards, amendments and interpretations to existing standards that have been published but are not yet effective are not expected to have a material impact on the Authority's accounting policies or financial statements in the period of initial application.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and under the historical cost convention. The preparation of financial statements in accordance with IFRS requires management to exercise its judgment in the process of applying its accounting policies. It also requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Notes 3(d), 3(e), 3(g) and 3(h).

(b) Foreign currency translation

The financial statements are presented in Bahamian dollars, which is the Authority's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from translation of monetary assets and liabilities at year-end exchange rates are recognised in the statement of income over expenditure and other comprehensive income.

(c) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2019

(Expressed in Bahamian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial Instruments (continued)

Financial assets:

It is the Authority's policy to initially recognise financial assets at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss which are expensed in profit or loss.

Classification and subsequent measurement are dependent on the Authority's business model for managing the asset and the cashflow characteristics of the asset. On this basis, the Authority may classify its financial instruments at amortised cost, fair value through profit or loss and at fair value through other comprehensive income.

All the Authority's financial assets as at 31 December 2019 satisfy the conditions for classification at amortised cost under IFRS 9.

The Authority's financial assets include account receivables and cash and bank balances as they are held with the objective to collect contractual cash flows. They are included in current assets, except for maturities greater than 12 months after the reporting date.

Interest income from these assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in finance income/cost.

Financial liabilities:

Financial liabilities of the Authority are classified and measured at fair value on initial recognition and subsequently at amortised cost net of directly attributable transaction costs.

The Authority's financial liabilities include accounts payable and long-term debt. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

Impairment of financial assets:

Recognition of impairment provisions under IFRS 9 is based on the expected credit loss (ECL) model. The ECL model is applicable to financial assets classified at amortised cost and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2019

(Expressed in Bahamian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial Instruments (continued)

The Authority applies the simplified approach or the three-stage general approach to determine impairment of receivables depending on their respective nature. The simplified approach is applied for trade receivables while the general approach is applied to cash and bank balances.

The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operated and an assessment of both the current as well as forecast conditions at the reporting date. This is then applied to the gross carrying amount of the receivable to arrive at the loss allowance for the period.

The three-stage approach assesses impairment based on changes in credit risk since initial recognition using the past due criterion and other qualitative or macroeconomic factors that may impair future financial performance. Financial assets classified as stage 1 have their ECL measured as a proportion of their lifetime ECL that results from possible default events that can occur within one year, while assets in stage 2 or 3 have their ECL measured on a lifetime basis.

Under the three-stage approach, the ECL is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each ageing bucket and for each individual exposure. The PD is based on default rates determined by external rating agencies for the counterparties. The LGD is determined based on management's estimate of expected cash recoveries after considering the historical pattern of the receivable, and it assesses the portion of the outstanding receivable that is deemed to be irrecoverable at the reporting period. The EAD is the total amount of outstanding receivable at the reporting period. These three components are multiplied together and adjusted for forward looking information to arrive at an ECL which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the related financial assets and the amount of the loss is recognised in profit or loss

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 (Expressed in Bahamian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost of the item can be measured reliably. Repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Building		20 years
Leasehold improvements	Lesser of lease term and	10 years
Information systems		3 - 5 years
Vehicles		5 years
Furniture and office equipment		5 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date or when an event has occurred that indicates a need to re-evaluate useful lives. Assets subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the statement of income over expenditure.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 (Expressed in Bahamian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Income and expense recognition

Revenue is measured based on the consideration that the Authority expects to be entitled to in a contract with a licensee.

Licence fees

Revenue from licensing activities is recognised over the period of the applicable licence and is assessed based on licensee revenue recognition criteria which includes consideration of whether the licensee has the intent or ability to pay the bill when it becomes due. In instances where the Authority has commenced determination procedures against licensees but revocation has not been completed, the amounts billed during the year have not been recognised in the statement of financial position.

Certain licence fees are fixed and others are based on the revenues of the licensees. For licence fees based on licensee revenue, the Authority makes an estimate of the fee based on the latest available financial information of the licensee and recognises any increase or decrease in that estimate upon receipt of the final revenue amounts of the licensee for the applicable licence period. The applicable revenues for fee purposes are those earned in the licensee's fiscal year ending within the licence period.

All other income and expenses are recognised on the accrual basis of accounting.

(f) Pension benefits

The Authority operates both defined contribution and defined benefit pension plans. Effective 2016, all new hires' participation in the defined contribution pension plan is mandatory. The defined contribution plan requires that contributions by URCA equals a stipulated percentage of each participant's salary. The defined benefit plan requires contributions, determined by periodic actuarial calculations, to be made to a separately administered fund.

A defined contribution plan is a pension plan that defines the amount of the contributions to be made by the plan sponsor (URCA) and participant (employee). These contributions are placed in individual accounts maintained at a financial institution to the credit of the participant. The participant determines how the funds are invested and any amount that the participant receives on exiting the plan is not guaranteed but is determined by the quantum of contributions made by both sponsor and participant, vesting rules of the plan and how well the credited funds have been invested and the return of the investment.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Pension benefits (continued)

The asset/liability recognised in the statement of financial position in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the date of the statement of financial position less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related pension liability.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in salaries and benefit expense in the statement of profit or loss.

The costs of providing benefits for the defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Past-service costs are recognised immediately in salaries and benefits expense, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Payments to the defined contribution plan are recognized as an expense when employees have rendered service entitling them to the contributions.

(g) Taxation

The Authority is established under the laws of the Commonwealth of The Bahamas and therefore, is not subject to income, capital gains or other corporate taxes.

(h) Fiduciary activities

The Authority collects certain fees from licensees on behalf of the Government. The assets associated with these activities are excluded from these financial statements, as they do not belong to the Authority. Under the Communications Act, the Authority is responsible for the granting of class spectrum licences requiring registration; enforcing conditions attached to such licences; billing and collecting fees consequential thereto and remitting all spectrum licence fees to the Consolidated Fund. The Authority and the Bahamas Maritime Authority (BMA) signed a memorandum of agreement effective 30 August 2010 in which there was a delegation of authority from the Authority to BMA to

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 (Expressed in Bahamian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Fiduciary activities (continued)

issue spectrum licences to maritime vessels registered under the Bahamian flag on behalf of the Authority.

Under the terms of the memorandum, BMA will bill, collect and remit spectrum fees on behalf of the Authority for the Government. Additionally, under the terms of this memorandum neither party will be compensated for the services performed regarding the billing, collection and remittance of spectrum fees on behalf of the Government

4. ACCOUNTS RECEIVABLE

	2019	2018
<i>Accounts receivable:</i>		
Electronic Communications	\$ 675,427	\$ 631,444
Energy	<u>229,535</u>	<u>4,193</u>
Subtotal	904,962	635,637
<i>Loss Allowance:</i>		
Electronic Communications	<u>(623,040)</u>	<u>(469,335)</u>
	<u>\$ 281,922</u>	<u>\$ 166,302</u>
Movements in lifetime Expected Credit Losses are as follows:		
	2019	2018
As at 1 January	\$ 469,335	\$ 325,939
Increase in allowance for Expected Credit Losses	<u>153,705</u>	<u>143,396</u>
As at 31 December	<u>\$ 623,040</u>	<u>\$ 469,335</u>

The Authority has recognized a loss allowance for licensees in a particular geographical area based on historical loss rate coupled with the forecast assessment at the reporting

Included in accounts receivable is \$448,245 due from Cable Bahamas Limited for fees billed for the years 2009, 2010, 2011 and 2012. These fees have been calculated on revenue generated for Cable Bahamas' operations in Freeport. Cable Bahamas has maintained that based on provision of the Hawksbill Creek Agreement, the Authority does not have legal basis to license its operations in the Freeport area. The Authority however believes that Cable Bahamas is in breach of Parts IV and XVI of the Communications Act and as such has pursued regulatory measures against Cable Bahamas Limited with the view to resolve this matter.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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(Expressed in Bahamian dollars)

5. PENSION BENEFITS

The Authority has established and funds two pension plans, one of which is a non-contributory defined benefit pension plan (the Plan) established for the provision of pension benefits to the members of the Plan. During 2016, the Plan was amended to allow active participants the option to transfer to the newly created defined contribution plan (DC Plan) and to be closed to new participants. Sixteen (16) active participants voluntarily transferred from the Plan to the DC Plan. The amount transferred for each member (Settlement) was the estimate of what would have accumulated to their credit had a defined contribution plan been in place from their start of employment with the Authority. As of 31 December, 2019, there are 2 (2018: 3) members and 3 retired members participating in the Plan. All assets of the Plan are invested in a fund managed and administered by an independent investment manager. An actuarial valuation was performed by an independent actuary as of 31 December, 2019.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

	2019	2018
Discount rate	5.00%	5.50%
Future salary increases	2.50%	3.00%

Mortality rates have been taken from the 1994 Group Annuity Mortality Table.

The following tables summarise the components of net pension benefit expense and the funded status and amounts recognised in the statement of financial position for the Plan as determined as of the date of the last actuarial review.

Pension benefit expense (income) comprises:

	2019	2018
Current service cost	\$ 25,729	\$ 24,640
Administrative costs	5,456	6,487
Net interest income	<u>(9,797)</u>	<u>(4,470)</u>
Total included in salaries and benefits	<u>\$ 21,388</u>	<u>\$ 26,657</u>

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

5. PENSION BENEFITS (Continued)

The pension plan asset is analysed as follows:

	2019	2018
Fair value of plan assets	\$ 1,119,481	\$ 1,094,363
Present value of benefit obligations	<u>(959,051)</u>	<u>(899,144)</u>
Asset in the statement of financial position	<u>\$ 160,430</u>	<u>\$ 195,219</u>

Movements in the asset in the statement of financial position comprise:

	2019	2018
Asset as of beginning of year	\$ 195,219	\$ 101,806
Pension benefit expense	(21,388)	(26,657)
Amount recognized in other comprehensive (loss) income	(36,143)	95,990
Contributions	<u>22,742</u>	<u>24,080</u>
Asset as of end of year	<u>\$ 160,430</u>	<u>\$ 195,219</u>

Movements in the present value of the benefit obligations comprise:

	2019	2018
Present value of benefit obligations as of beginning of year	\$ 899,144	\$ 957,259
Interest cost	49,741	50,624
Current service cost	25,729	24,640
Actuarial loss/(gain) on benefit obligations	25,409	(116,648)
Benefits paid	<u>(40,972)</u>	<u>(16,731)</u>
Present value of benefit obligations as of end of year	<u>\$ 959,051</u>	<u>\$ 899,144</u>

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER, 2019
(Expressed in Bahamian dollars)

5. PENSION BENEFITS (Continued)

Movements in the fair value of plan assets comprise:

	2019	2018
Fair value of plan assets as of beginning of year	\$ 1,094,363	\$ 1,059,065
Expected return on plan assets	59,538	55,094
Contributions	22,742	24,080
Administrative costs	(5,456)	(6,487)
Actuarial loss on plan assets	(10,734)	(20,658)
Benefits paid	<u>(40,972)</u>	<u>(16,731)</u>
Fair value of plan assets as of end of year	<u>\$ 1,119,481</u>	<u>\$ 1,094,363</u>

The major categories of plan assets are as follows:

	2019	2018
Cash	\$ 6,213	\$ 21,364
Fixed Deposit	101,970	80,689
Bahamas Government Bonds	919,400	862,100
Other Fixed Income Securities	38,463	42,484
Preferred Shares	<u>79,400</u>	<u>108,400</u>
Total Cash and Investments	<u>1,145,446</u>	<u>1,115,037</u>

Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonable possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
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5. PENSION BENEFITS (Continued)

Benefit obligations as at 31 December, 2019 due to 1% change in the discount rate and future salary increases are shown below:

	31 December, 2019		31 December, 2018	
	1% p.a.	1% p.a.	1% p.a.	1% p.a.
	Increase	Decrease	Increase	Decrease
Discount rate	\$ (116,949)	\$ 141,240	\$ (116,571)	\$ 141,947
Future salary increases	\$ 64,630	\$ (59,630)	\$ 64,659	\$ (59,159)

- \$140,503 (2018: \$162,740) of the benefit obligation is due to salary increases.
- If all members lived one year longer, the benefit obligation would be \$983,120 (2018: \$920,207).
- The duration of the benefit obligation is 13.3 (2018:14.2) years.

Maturity table:

Time period	PV of Expected payments	
	2019	2018
1 to 5 years	\$102,876	\$122,536
After 5 years	\$856,175	\$776,608

The Plan is responsible for making full pension payments to public officers transferred to the Authority for their period of employment in the Public Service and the PUC (that is, the pension will be based on combined employment with the Public Service, the PUC and the Authority). The Plan has the right to claim reimbursement from the Government for pension payments made to these persons in relation to the period of employment in the Public Service. Currently, no pension payments are being made to these persons.

Defined Contribution Plan

The Authority established a defined contribution plan during 2016. Employees are required to contribute a minimum of 5% and the Authority contributes 10%. The Authority's contributions totaled \$77,533 (2018: \$101,976) and there were 16 (2018:15) participants in the Plan at 31 December, 2019.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS
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(Expressed in Bahamian dollars)

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Building</u>	<u>Information Systems</u>	<u>Vehicles</u>	<u>Furniture and Office Equipment</u>	<u>Total</u>
COST:						
Balance at 1 January, 2018	\$ 1,313,500	\$ 3,835,873	\$ 2,312,815	\$ 187,085	\$ 586,080	\$ 8,235,353
Additions	-	193,263	42,894	-	2,628	238,785
Balance at 31 December, 2018	1,313,500	4,029,136	2,355,709	187,085	588,708	8,474,138
Additions	-	80,742	7,473	49,995	59,641	197,850
Disposals	-	-	(147,785)	-	-	(147,785)
Balance at 31 December, 2019	\$ 1,313,500	\$ 4,109,878	\$ 2,215,397	\$ 237,080	\$ 648,349	\$ 8,524,204
ACCUMULATED DEPRECIATION:						
Balance at 1 January, 2017	\$ -	\$ 411,927	\$ 2,240,197	\$ 93,506	\$ 226,771	\$ 2,972,401
Depreciation expense	-	222,923	42,144	35,447	116,300	416,814
Balance at 31 December, 2018	-	634,850	2,282,341	128,953	343,071	3,389,215
Depreciation expense	-	232,862	38,889	33,932	122,449	428,132
Disposals	-	-	(147,785)	-	-	(147,785)
Balance at 31 December, 2019	\$ -	\$ 867,712	\$ 2,173,445	\$ 162,885	\$ 465,520	\$ 3,669,562
CARRYING VALUE:						
As at 31 December, 2019	\$ 1,313,500	\$ 3,242,166	\$ 41,951	\$ 74,196	\$ 182,829	\$ 4,854,641
As at 31 December, 2018	\$ 1,313,500	\$ 3,394,286	\$ 73,368	\$ 58,132	\$ 245,637	\$ 5,084,923

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER, 2019

(Expressed in Bahamian dollars)

7. LONG TERM DEBT

The Authority entered into a long term financing agreement with First Caribbean International Bank in 2017 for \$1,000,000 to assist with the purchase of URCA's current premises, Frederick House. The term of the debt is 5 years with a 10 year amortization at an interest rate of Bahamian Dollar Prime (currently 4.25%) and is secured by Frederick House. Interest charges of \$35,524 (2018: \$39,155) were recognized on this loan in 2019. Principal payments made in 2019 were \$87,420 (2018: \$83,788). Principal payments due in 2020 is \$91,115 and due in years 2021-2022 is \$697,155.

	2019	2018
As at 1 January	\$ 875,690	\$ 959,478
Repayment of debt	<u>(87,420)</u>	<u>(83,788)</u>
As at 31 December	<u>\$ 788,270</u>	<u>\$ 875,690</u>
Current portion of long term debt	\$ 91,115	\$ 87,420
Non-current portion of long term debt	<u>\$ 697,155</u>	<u>\$ 788,270</u>
	<u>\$ 788,270</u>	<u>\$ 875,690</u>

8. FUND BALANCES

Contributed capital

The net assets transferred to the Authority were designated as contributed capital based on legislation enacted at the time; and revenue earned from transferred deferred revenue relating to regulatory activities no longer performed or from which fees are no longer earned by the Authority, net of any expenses associated with the net assets transferred from the PUC, are allocated to contributed capital.

Utilities Regulations and Competition Authority Fund (URCA Fund)

Under the Communications and Electricity Acts, charges and fees levied by the Authority are to be determined in order to: cover the annual budgeted costs of its functions under the Communications and Electricity Acts; recover any deficit from previous years; and take into account any surpluses. As disclosed in Note 1, the Amendment Act (2013) repealed and replaced section 37 of the principal Act with the following conditions relative to the Electronic Communications Fund (EC Fund): monies paid into the EC Fund that are not immediately required by the Authority are to be considered surplus funds; the Minister of Finance at the end of the financial year may authorize the Authority to reserve from the surplus funds such sums as the Minister may determine; subject to the aforementioned, at the end of each financial year the Authority shall pay into the Consolidated Fund all surplus funds standing to the credit of the Authority.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 (Expressed in Bahamian dollars)

8. FUND BALANCES (Continued)

Utilities Regulations and Competition Authority Fund (URCA Fund) (continued)

The Amendment Act (2013) also repealed section 40 of the principal Act, which provided for the Authority to impose sufficient fees and charges to carry out its duties including anticipated costs for the forthcoming financial year and allowed it to retain surplus funds to be applied for subsequent years.

The results of the current year operations of the Electronic communications and Energy Sectors are as follows:

DESCRIPTION	Electronic Communications	Energy (Electricity)
Revenue	\$ 4,204,201	\$ 1,651,485
Other income	<u>70,677</u>	<u>235,835</u>
Total income	<u>\$ 4,274,878</u>	<u>\$ 1,887,320</u>
Expenses:		
Staff costs	\$ 1,595,439	\$ 1,233,425
Professional services	671,561	272,559
Conference, training and travel	333,373	69,062
Depreciation	330,067	98,064
General and administrative services	302,867	55,554
Premises occupancy fees	280,655	82,892
Office services	165,182	55,316
Loss allowance	153,705	-
Consumer education and public relations	142,138	50,773
Information technology	111,511	27,880
Conference hosting	<u>21,648</u>	<u>14,927</u>
Total expenses	<u>4,108,146</u>	<u>1,960,452</u>
Excess of income over expenditure	166,732	(73,132)
Other comprehensive loss	(36,143)	-
Opening Fund Balance - 1 January, 2019	<u>4,461,346</u>	<u>429,442</u>
Closing Fund Balance - 31 December, 2019	<u>\$ 4,591,935</u>	<u>\$ 356,310</u>

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NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

8. FUND BALANCES (Continued)

Utilities Regulations and Competition Authority Fund (URCA Fund) (continued)

Prior to 1 January, 2017, the URCA Fund consisted of surplus funds that have been accumulated since the commencement of operations of the Authority. These surplus funds at 31 December, 2016 totaled \$3,175,638 are assigned to the Electronic Communications Sector and until 1 January, 2017 was included in the financial statements as the Electronic Communications Fund.

The Authority will determine, at the end of each financial year, whether any fund balances include amounts that are required in respect of existing contracts, planned projects and other commitments which are anticipated to arise and become payable during the first quarter of the following year. Such amounts will be designated as funds immediately required by the Authority. As at 31 December, 2019 \$1,984,510 (2018: \$1,850,900) has been designated as funds immediately required. Additionally under section 40 of the Communications Act, the Authority was to retain any excess sums collected for application to the following financial year(s). In previous years, 2009-2012 (prior to the repeal of section 40), the Authority utilized surpluses in the fund to amend charges and fees in subsequent years levied on the licensees by the Authority.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

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(Expressed in Bahamian dollars)

9. RELATED PARTY BALANCES AND TRANSACTIONS

Related parties comprise: i) Government ministries and departments; ii) Government corporations and agencies; iii) entities controlled by the Government; iv) entities in which the Government has a significant ownership interest; and v) key management personnel. Balances and transactions with related parties, not otherwise disclosed in the financial statements, are as follows:

	2019	2018
<i>Assets</i>		
Cash at banks	\$ 691,669	\$ 131,612
Accounts receivable	<u>5,082</u>	<u>10,627</u>
	<u>\$ 696,751</u>	<u>\$ 142,239</u>
<i>Liabilities</i>		
Accounts payable and accrued expenses	<u>\$ 889</u>	<u>\$ 889</u>
<i>Revenue</i>		
Electronic communications operating licence fees	\$ 2,639,202	\$ 2,968,614
Energy sector licence fees	1,634,556	1,700,323
Telecommunications, radio communications, energy application and other fees	-	15,243
Fines	<u>229,535</u>	<u>126,573</u>
	<u>\$ 4,503,293</u>	<u>\$ 4,810,753</u>
<i>Expenses</i>		
Salaries and benefits	\$ 56,419	\$ 53,832
Communications	60,250	49,412
Premises occupancy costs	<u>86,040</u>	<u>126,735</u>
	<u>\$ 202,709</u>	<u>\$ 229,979</u>
<i>Other expenses</i>		
Donations	<u>\$ -</u>	<u>\$ 20,000</u>

Key Management Compensation - Key management personnel comprise the members of the Board, the chairman of the Audit Committee and members of the Executive Committee. The executive members of the Board and three other members of the Authority's management constitute the Executive Committee. Compensation of key management personnel for the year for salaries and other short term benefits amounted to \$1,198,506 (2018: \$1,053,292).

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

10. COMMITMENTS AND CONTINGENCIES

Contingencies

The Authority is party to several legal cases involving its major licensees in the electronic communications sector, including a related party. In most instances, the cases involve breaches of the Telecommunications Act and Telecommunications Sector Policy, or challenges against the rulings by the Authority brought by licensees. Costs associated with these legal cases are uncertain, and will depend on whether or not the Authority is successful; which is not possible to predict. Accordingly, no provisions have been made in these financial statements relative to the legal proceedings.

11. FINANCIAL RISK MANAGEMENT

The Authority engages in transactions that expose it to credit risk, liquidity risk and interest rate risk in the normal course of business. The Authority's financial performance is affected by its capacity to understand and effectively manage these risks.

(a) Credit risk

Credit risk arises from the potential failure of a counterparty to perform according to the terms of the contract. The Authority's exposure to credit risk is concentrated in its financial instruments. The Authority mitigates the risk associated with cash at banks by placing its deposits with financial institutions in good standing with the Central Bank of The Bahamas. The monitoring of payment history before continuing to extend credit to licensees mitigates the risks associated with accounts receivable from non-related parties. Receivables from related parties are considered to have minimal credit risk, as this risk is with the Government.

The Authority in its effort to minimise credit risk exposure monitors the receivable balances ensuring that all efforts are expended in order to reduce accounts with long overdue balances.

Based on its experience, the Authority considers balances less than 180 days to have acceptable credit quality. Licensees that are subject to enforcement measures or legal action are considered to in default and have a significant increase in credit risk.

Trade receivables primarily comprise of balances due from Cable Freeport, a subsidiary of Cable Bahamas Ltd, a major licensee that are currently being disputed by the licensee. The Authority is of the opinion that it has sufficient legal bases to support its claims and has several courses of action to pursue payment, some of which have been initiated.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

11. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

The objective of liquidity management is to ensure the availability of sufficient funds to honour all of the Authority's financial commitments as they become due. The Authority maintains a level of liquid assets that mature in the short term or could be redeemed immediately to meet cash requirements for normal operating purposes. The Authority has the ability, under the Act, to charge supplemental fees to licensees in order to cover operating expenses.

As of 31 December, 2019, with the exception of long term debt, all of the Authority's liabilities are due within one year.

(c) Interest rate risk

Interest rate risk is the risk that future cash flows or fair value of a financial instrument will fluctuate because of changes in market interest rates. The Authority's exposure to cash flow interest rate risk is concentrated in its term deposits and long term debts. The Authority has elected not to hedge this risk as it is not considered significant. The Authority does not have any significant fair value interest rate risk.

The interest rate on the long term debt is floating. The interest charge would change by \$8,729 (2018: \$9,410) due to a 1% increase in the Bahamian dollar prime rate.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments utilised by the Authority include the recorded financial assets and liabilities, and their estimated fair values approximate their carrying value due to the relatively short term nature of these instruments.

13. CAPITAL MANAGEMENT

The Authority's objectives when managing capital are to: i) safeguard its ability to continue as a going concern; and ii) maintain a capital base sufficient to support the expected expansion of its regulatory powers and associated operations.

THE UTILITIES REGULATION AND COMPETITION AUTHORITY

NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER, 2019 *(Expressed in Bahamian dollars)*

14. SUBSEQUENT EVENT

Since the outbreak of COVID-19 in the first quarter of 2020, global financial markets have experienced, and may continue to experience significant volatility and there are significant consequences for the global and local economies from travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The extent and duration of the impact of COVID-19 on the global and local economies and the sectors in which the Authority and its licensees and suppliers operate is uncertain at this time, but it has the potential to adversely affect our business. As of 30 April 2020 management was not aware of any significant adverse effects on the financial statements for the year ended 31 December 2019 as a result of COVID-19. Management will continue to monitor the situation and the impact on the Company.

2020 Annual Plan

Strategic Outlook

URCA commemorated its 10th Anniversary in 2019, and at the end of 2019 URCA carefully reviewed its current positioning in the markets we regulate, noting the different stages of URCA's regulatory maturity in each of those sectors. Additionally, projects undertaken from an organisational perspective during 2019 included URCA's OPI development, Culture Renewal process, and initial development of our Learning and Development curriculum. URCA is also cognisant of possible increases in regulatory mandate over the next few years, which will require us to expand and adapt again.

Strategically therefore, URCA's team recognises that in order to continue to be able to meet the coming challenges, URCA must be an agile organisation which is able to adapt and grow, leveraging expertise across different regulatory areas, and increasing capacity at short notice.

During 2020 URCA's focus in each area of operation will be as follows:

- The ES continues to operate without adequate regulatory oversight due to a need for URCA to more rapidly increase its capacity, to proactively address anticipated issues, to more effectively gather and analyse relevant information from all stakeholders, and to react quickly to failures detected within the sector. URCA will strengthen its monitoring and enforcement capacity within the ES team during 2020 by reallocating internal resources, targeted recruitment and use of external consultancies, to ensure that the Utilities and Energy Department is fully equipped to meet the needs of the sector. Areas noted for particular attention by URCA include:
 - Ensuring the provision of safe reliable least cost power by Public Electricity Suppliers across all of The Bahamas;
 - Aggressive expansion of renewable energy integration into the generation mix in The Bahamas; and,
 - Provision of an effective consumer protection ecosystem in The Bahamas which will give consumers the confidence that their interests are being protected.
- The ECS has experienced a decade of URCA's regulatory oversight and competition has been introduced into all parts of the market with high effectiveness in some markets but less impact

in others. URCA will during 2020 seek to collect the necessary information, through surveys, review of information submitted periodically by licensees, and enhanced monitoring, to determine the current extent to which the ECS is delivering on the objectives of the Communications Act, and to identify the areas where further regulatory intervention is needed to enhance URCA's effectiveness.

- URCA's consumer education and complaints handling processes provide the critical interfaces between the public and URCA which enable URCA to identify failures in its regulated sectors, address those failures, and use those failures to identify areas where better regulatory intervention is needed. URCA must and will in 2020 drastically enhance its public education and awareness program to ensure that all stakeholders in The Bahamas are aware of the work URCA has done and the ways in which stakeholders can take advantage of URCA's work. URCA is confident that this will drive more interactions with URCA's complaint handling processes as well as those of URCA's licensees, enabling and incentivising licensees and URCA to provide better services to the public. This will be underpinned by surveys which will help provide additional information regarding consumer needs.
- In 2020 URCA will also seek to engage in a marketing program which is intended to ensure that URCA's brand is strong across The Bahamas, with focus on social media and other digital channels, including the development of an URCA app.
- Organisationally, URCA will begin the implementation of its OPIs which will provide a robust framework for enhanced focus on URCA's performance within the organisation, and for the measurement of achievements. In 2020 the organisation will implement the Regulatory features of the OPI, ensuring a more accountable framework within which regulatory projects are identified, designed, developed and implemented. This will ensure that projects conducted by URCA deliver optimal results moving forward. Alongside the regulatory OPI framework URCA will also migrate its organisational KPIs into the OPI framework starting with the 2020 KPIs.
- Also within the organisational sphere is the continuation of initiatives designed to ensure that URCA, as a people centred organisation, optimises the effectiveness and engagement of its staff. To that end, we will continue the Culture Renewal process commenced in 2019, and begin implementation of our new Learning and Development curriculum.

Key Projects for 2020

This section identifies the Tier I, Tier II and Tier III projects URCA proposes to work on during 2020 and 2021 and includes projects brought over from 2019.

2019 Projects Carried Over

The following Tier I projects, scheduled for completion in 2019, have been delayed beyond the anticipated completion date, or were scheduled as multi-year projects, and will be carried over from 2019 into the 2020 Annual Plan:

- Review of Consumer Protection Regulations
- ICTs for Disaster Preparedness and Management
- Review of Wholesale Internet Access
- Review of Broadcasting Content Code
- Market Review - Mobile Services
- Framework for the Procurement of Power Generation Resources
- Renewable Energy Self Generation Guidelines
- Establishment of ADR Schemes for the ES
- Review of BPL Fuel Charge 2018

The following further Tier I projects were scheduled as multi-year projects, and will also be carried over from 2019 into the 2020 Annual Plan:

- SSRG Advancement Program
- Promotion of Energy Efficiency and Conservation

Tier I Projects

During 2020, URCA expects to work on and complete the projects listed in Table 3:

Table 3 – 2020 Tier I Projects

Project	Start Period	End Period
General Projects		
Draft Annual Plan 2021	T3, 2020	T3, 2020
Review of Consumer Protection Regulations	T1, 2019	T3, 2020
Implementation of OPI – Phase 1	T3, 2019	T3, 2020
Electronic Communications Sector Projects		
USF Review – [Project 1]	T1, 2020	T[], 2020
USF Review – [Project 2]	T1, 2020	T[], 2020
Framework for Public Service Broadcasting	T1, 2020	T3, 2020
ECS Market Surveys – Pay TV and FM Broadcasting	T1, 2020	T2, 2020
ECS Market Surveys – Consumer Assessment	T1, 2020	T3, 2020
Electricity Sector Projects		
Framework for the Procurement of Power Generation Resources	T2, 2019	T2, 2020
Renewable Energy Self Generation Guidelines	T3, 2019	T1, 2020
Establishment of ADR Schemes for the ES	T2, 2019	T1, 2020
Fuel Charge Cost Recovery Regulation	T2, 2020	T3, 2020
Licensee Data Reporting and Performance Monitoring	T3, 2019	T1, 2020

Description for the Tier I projects that URCA will commence in 2020 are set out below. Where a project was commenced in 2019 or earlier, the descriptions are available in the 2019 Annual Plan.

General Projects

Draft Annual Plan 2021

During October through November 2020, URCA will commence work on its draft Annual Plan for 2021, to ensure publication for consultation before the end of 2020 as required by the URCA Act.

Electronic Communications Sector Projects

Review of Universal Service Framework

This review is to give effect to the revised Universal Service Obligations (USOs) as per the sector policy. The revisions to USO include broadband Internet access to all locations and specified institutions that serve members of the public, and public access pay terminals at easily accessible locations. URCA will also seek to vigorously enforce those USOs that are not subject to revisions – multi-channel television services, public pay phones, and voice telephony access. URCA proposes to commence this review in 2020 and to complete the entire exercise over a three-year period.

Framework for Public Service Broadcasting

Countries such as the United Kingdom and Canada have enjoyed the benefits of Public Service Broadcasting (PSB) for many years through the BBC and CBC, respectively. On 7 July 2011, URCA published its Statements of Results in relation to PSB in The Bahamas and published a report with recommendations to the Minister responsible for Broadcasting about:

- the role of Public Service Broadcasting (PSB);
- the remit and corporate governance rules of the Broadcasting Corporation of The Bahamas;
- the preferred method of funding any PSB obligations that are recommended; and
- necessary amendments to the Broadcasting Act.

URCA proposes to engage with the Government and consult with other key stakeholders in relation to the implementation of a Public Service Broadcasting (PSB) framework for The Bahamas. This work will be furthered in 2020 as a Tier I project, with completion anticipated in T3 2020.

ECS Comprehensive Market Survey

In 2009, URCA was established as the regulator of the Electronic Communications Sector in The Bahamas. The sector which comprises telecommunications and broadcasting has expanded during the last 10 years to facilitate a more liberalized competitive environment with a view to stimulating economic expansion. The objective was to increase and diversify product offerings to consumers, while introducing new quality of service standards. After a decade of establishing and implementing measures to effectively regulate the sector intended to improve access to services and the quality of life, URCA will embark on a comprehensive sector wide survey to gauge the impact of its regulatory work.

Electricity Sector Projects

Fuel Charge Cost Recovery Regulations

As noted above, URCA considers it necessary to ensure that there is clear regulatory oversight of the fuel charge approach wherever it is employed in The Bahamas. URCA therefore proposes during 2020 to develop a comprehensive methodology for the derivation and application of Fuel Charges within the sector. This Fuel Cost Recovery Regulation project is being proposed as a Tier 1 project for 2020.

Carryover Projects

The following projects which were Tier II projects for 2019 have been reprioritized and added to URCA's ES Tier 1 deliverables for 2020:

- Renewable Energy Self Generation Guidelines: Guidelines to facilitate the Government and small commercial or business enterprises to self-generate using renewable energy technologies.
- ES Licensee Data Reporting and Performance Monitoring: Framework to facilitate the collection of pertinent financial, technical and other data germane to monitoring the performance of public electricity suppliers.

Tier II Projects

The projects set out in this section are those which URCA intends to work on during 2020. URCA considers these projects to be of significant importance to the organisation or the regulated sectors directly. Hence, URCA will endeavour to complete these projects in the shortest possible timeframe.

Table 4 – 2020 Tier II Projects

Project	Start Period	End Period
General Projects		
Market Surveys	T1, 2020	2021
Electronic Communications Sector Projects		
Review of Spectrum Management	T1, 2020	2021
Review of Monitoring and Compliance	T1, 2020	T3, 2020
Market Review – Fixed Services	T2, 2020	2021
Mobile Market Assessment – The Feasibility of a 3 rd Operator	T1, 2020	T1, 2021
Electricity Sector Projects		
Framework for Public Electricity Supplier Inspections	T2, 2020	2021
Efficiency Audit (BPL) & Tool Development	T2, 2020	2021
Tariff Studies & Setting Procedures	T2, 2020	2021
SSRG Advancement Program	T1, 2019	Ongoing
Promotion of Energy Efficiency and Conservation	T1, 2019	Ongoing

General Projects

Market and Consumer Protection Surveys

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. 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 regulate these sectors in the interests of the public more effectively. It should be noted that the survey results will also be used as an input to URCA's Performance Indices.

Electronic Communications Sector Projects

Review of Spectrum Management

Spectrum Management is a primary obligation of an electronic communications regulator. The Planning, Allocation/Assignment, Monitoring and Inspection functions are extremely important to the overall objective of optimizing the use of Radio Frequency (RF) spectrum. URCA will conduct a comprehensive review of its spectrum management functions to determine the appropriate measures and resources required to facilitate consistent and sustainable execution.

Monitoring and Compliance Review

URCA licensees are obligated to comply with license conditions, statutory and regulatory obligations. Monitoring licensees to ensure compliance is achieved, for the most part, through ex-ante and ex-post regulatory approaches. URCA will conduct a comprehensive review of both the monitoring and compliance processes to determine and, where necessary, identify measures to strengthen these regulatory functions.

Market Review Fixed Services

It has been five years since the last market review of Fixed Services (incl. Pay TV). URCA will conduct a review of the retail markets for fixed voice telephony and Pay TV services to determine whether operators possess significant market power and if so, which appropriate remedies should be applied.

Mobile Market Assessment – The feasibility of a 3rd Operator

As set out in the draft electronic communications sector policy, the Government of The Bahamas will consider whether further liberalisation of the mobile telephone market should be undertaken in the form of a third mobile operator. The policy requires that URCA provide advice and recommendations to the Government on this matter, including a feasibility and market analysis to support any recommendations made.

Electricity Sector Projects

Tariff Studies & Setting Procedures

URCA proposes to conduct a Tariff Study and to develop Tariff Setting Procedures to address its immediate obligation as it pertains to the sector's licensees including BPL, which was granted a rate holiday upon the enactment and subsequent amendment of the EA that is set to expire in 2022. Section 38(a) of the Electricity Act, 2015 stipulates that URCA's functions and powers include an obligation to-

“review and determine that the rates and scale of charges comprising the tariff rate for electricity supply services proposed by a public electricity supplier are reasonable, reflect efficiently incurred costs and are not inconsistent with, or in contravention of, this Act or any other law and allow an opportunity for public input.”

Tier III Projects

URCA Green Project

IN 2018 URCA launched an organization wide Green Initiative with the overarching goal of reducing the organization's impact on the environment, demonstrating first-hand its commitment to the goals of the EA, ES Policy and the NEP, sustainability principles and practices via the development of in-house energy efficiency, recycling, and water management programs. Building on the initiatives completed in 2019, proposed 2020 activities will include:

- *URCA Solar Generation Initiative* – URCA’s solar generation facilities will be installed in a solar canopy in URCA’s car park. This project was commenced in 2019, and URCA expects to complete the installation of approximately 52 kW by T2, 2020.
- In 2020, following implementation of the solar canopy in URCA’s car park (which will feature vehicle charging stations) URCA will begin the phased replacement of its vehicles with electric vehicles. The full replacement is expected to take place over a period of three to four years based on the lifecycle of URCA’s existing fleet.

URCA Grand Bahama and Family Island Offices

URCA hosted a number of Pop-up offices throughout The Bahamas in 2019. Each time it was clear that URCA should be more accessible across the entire country. In 2020, URCA will continue its programme of reaching out to stakeholders in Grand Bahama and other Family Islands. Grand Bahama has the second largest population within The Bahamas, and therefore, URCA will analyse the data collected during its visits to the island to determine the value of establishing a permanent presence on that Island. URCA will also plan to host a visit each quarter to other selected Family Islands.

Public Awareness Activities

As noted elsewhere in this document, URCA’s mandate to regulate both sectors is via the Communications Act, 2009 and the Electricity Act, 2015. Both pieces of legislation direct URCA to protect and educate consumers and the public in general. As URCA enters its second decade, it does so with a renewed and laser-like-focus on educating and informing the public about its work, and demonstrating through its work, URCA’s commitment to its mission, *“Improving lives through effective utilities regulation”*. URCA, recognizing that The Bahamas is more than just New Providence, is committing a representative portion of its resources to reach consumers throughout the length and breadth of the archipelago. The objective is to ensure that consumers are better educated about what URCA does; why URCA does what it does; and, how what URCA does impacts and improves the quality of their lives through effective regulation.

As a result of the OPI project, URCA will implement a more strategic approach to educational activities, aligning such initiatives with the development and implementation of regulatory measures in both sectors. Simultaneously we will provide opportunities for increased feedback and contribution which would assist in the overall development of policy and regulatory measures. URCA firmly believes that its work cannot and is not done in a vacuum. In fact, regulations are the organic result of an engaged community providing constructive feedback with the desired result of improving the quality of service provided by licensees in the regulated sectors.

Reaching and listening to more consumers throughout The Bahamas, will result in a more enlightened public, one that understands their rights and obligations vis a vis the service providers in the regulated sectors. This in turn should lead to an appreciable increase in the number of contacts with facilitating more positive engagement with stakeholders. The more the interactions with URCA, including receiving of complaints from consumers, the better URCA's ability to assess the needs of both the service providers and the users of those services. These engagements also provide opportunities to work with service providers to improve the overall quality of service and products thereby enhancing the overall development of regulations.

URCA will continue its face to face series such as URCA Unplugged and URCA Connects. URCA intends to augment these activities with attractive print collaterals and several short videos, which will complement the more technical regulatory documents and will be circulated via URCA's social media platforms and other avenues conducive to digital content.

URCA recognizes that its outreach activities can play a critical role in furthering the promotion of the public's interest and protecting those who use the services in the regulated sectors. Therefore, URCA will continue its observation of the ITU's initiative 'International Girls in ICT Day' and will also add additional sector related international observations while seeking innovative and creative ways to engage members of the community in its public awareness campaigns.

Building Capacity

Over the next few years and beyond, URCA will need to ensure that its presence is felt throughout the entire Bahamas and not just limited to New Providence. URCA will move forward with its plan to have a greater presence in the Northern Bahamas, specifically in Grand Bahama which has the second largest population in The Bahamas. URCA proposes to investigate and increase contact opportunities in other Family Islands throughout the year.

2020 will also focus on reviewing the organization's current physical footprint in Nassau, and URCA's organizational structure, to ensure that URCA is prepared for growth and expansion in the future. With this in mind, URCA will require additional human resources. In 2020 the organization plans to increase its staff count by approximately ten employees. These positions will be for the Electronic Communications, Utilities and Energy, Corporate and Consumer Relations and Finance departments.

URCA will continue building upon the strategic initiatives from 2019, specifically the full implementation of URCA's Learning and Development strategy which includes an URCA specific curriculum designed to ensure learning is strategically targeted to specific audiences within the organization. Another key benefit from this approach is that it will leverage URCA's investment in learning over the past ten years, through the knowledge and expertise found within our staff and reduce URCA's dependence on international training which has a significant financial impact.

URCA's efforts towards implementing and maintaining a comprehensive Records Management system was a focus in 2019 and will continue into 2020. By the end of next year, URCA's Records Management policy will be fully implemented, which will include improvements to the organization's electronic and paper filing processes to ensure that records are maintained in the most secure and efficient manner.

URCA's Culture Renewal initiative will also be carried into 2020, with a campaign to implement URCA's Culture Deck.

Other On-going Activities

In addition to the projects and initiatives 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 Communications 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; and,
- Handling consumer complaints regarding regulated services as they arise.

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. Consequently, work objectives are kept under review to anticipate impact, and to address any need to reschedule projects to accommodate unforeseen work and/or unforeseen circumstances.

2020 Consultation Timelines

Consultation Timelines

This section of the Annual Plan is intended to set out the schedule for URCA's major public consultation activities for 2020. Although the schedule is intended as a guide, we have already experienced in preparation of this plan during the first quarter of 2020 that URCA's activities have been significantly impacted by the global pandemic, Coronavirus 2019 (Covid-19). Subsequent

to the consultation on the draft work plan, the country and the sectors we regulate have all been impacted by and continue to experience major changes in the way business is conducted. The measures taken to arrest the spread of the virus, has made it difficult to conduct the mandated public consultations with URCA's multiple stakeholder groups so as to complete this year's projects as previously planned. URCA therefore cautions, that this year's schedule is subject to the vagaries of the COVID-19 pandemic and the Government Emergency Curfew and Shutdown Orders. Against the COVID-19 pandemic realities, URCA's 2020 Annual Plan schedule could only serve as a tentative guide as opposed to a fixed schedule.

In this regard, URCA has opted to present below, this year's consultation timelines in a flexible or sliding scale format, which will be adjusted subject to evolving timelines in the ongoing Covid-19 pandemic response efforts. The projects are prioritized based on sectoral needs, available resources, and foreseeable circumstances and knowledge at the time of publication:

Consultation Timelines

Projects	Initial Period	Projected Start Period in Best Case Scenario	Completion Date in Best Case Scenario ⁴	Projected Start Period if Current Reality Continues Scenario	Completion Date if Current Reality Continues Scenario ⁵	Projected Start Period in Worst Case Scenario	Completion Date in Worst Case Scenario ⁶
General Projects							
Draft Annual Plan 2021	T3, 2020	No Change	T3, 2020	No Change		No Change	
Review of Consumer Protection Regulations	T1, 2019	No Change	T2, 2020	No Change		No Change	
Implementation of OPI – Phase 1	T3, 2019		T3, 2020				
Electronic Communications Sector Projects							
Mobile Market Assessment – The Feasibility of a 3 rd Operator	T1, 2020		2021		2021		2021
Review of Universal Service Framework	T1, 2020		2022		Beyond 2022		Beyond 2022
Framework for Public Service Broadcasting	T1, 2020		T3, 2021		2022		2022

⁴ In-country conditions improve within the next 30 days and operations return to normal

⁵ The curfew continues to extend incrementally to 30 days but not longer than 60 days

⁶ The in-country health conditions worsen and the curfew extends beyond 60-days with no definitive termination date/period

ECS Comprehensive Market Surveys	T1, 2020		T3, 2020		T2, 2021		T3, 2021
Review of Wholesale Internet Access	T1, 2019		T2, 2020		T3, 2020		2021
Review of Interconnection Rates	T2, 2019		T2, 2020		T2, 2020		
Review of Consumer Protection Regulations		No Change	T2, 2020	No Change	T2, 2020	No Change	
ICTs for Disaster Preparedness and Management		No Change	T1, 2020	No Change	T1, 2020	No Change	
Review of Broadcasting Content Code			T1, 2020		T1, 2020		
Electricity Sector Projects							
Establishment of ADR Schemes for the ES	T2, 2019	T2, 2020	T3, 2020	T2, 2020	T3, 2020	T2, 2021	T3, 2021
Framework for the Procurement of Power Generation Resources	T2, 2019	T2, 2019	T2, 2020	T2, 2019			
Fuel Charge Cost Recovery Regulation	T2, 2020	T2, 2020	T1, 2021	T2, 2020	T1, 2021	T2, 2021	T1, 2022
Renewable Energy Self Generation Guidelines	T3, 2019	T3, 2019	T1, 2020	T3, 2019	T1, 2020	T3, 2019	T1, 2020

Licensee Data Reporting and Performance Monitoring	T3, 2019	T3, 2019	T2, 2020	T3, 2019	T2, 2020	T3, 2019	T1, 2021
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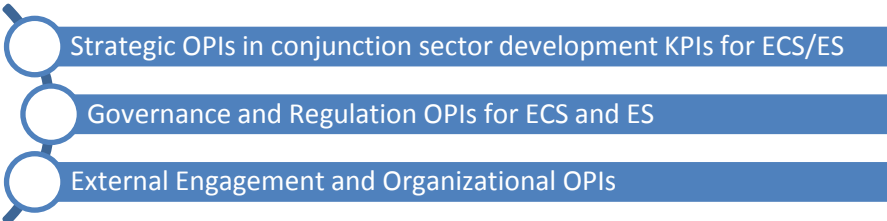
Evaluating Our Effectiveness

Transition to URCA’s Organisational Performance Indicators (OPI)

Having completed the design of its new OPIs during 2019, in 2020, URCA will begin implementation of the OPIs in its reporting framework, a two year process which will culminate in the publication in early 2023 of URCA’s 2022 OPI results. The OPIs will provide a simple, high-level and easy way of measuring the effectiveness of URCA’s activities as an organization, and the reputation of URCA to its external and internal stakeholders. The OPIs will also help with the implementation of prioritisation processes and post-project evaluation reviews, along with measuring the practicability of work being done.

The OPIs will be implemented and rolled out in a three-year approach: Phase 1-*Inception*, Phase 2-*OPI Development*, and Phase 3-*Implementation*. To monitor its progress, the OPIs will need to be recorded and reported periodically by URCA. The key aim of these OPIs is to achieve regulatory excellence which fully deploys its mission of *‘improving lives through effective regulation’*.

Below is the proposed OPI framework:



The Strategic OPI seeks to measure URCA’s performance in aligning its strategic objectives with its mandate and policy objectives outlined in the governing legislation and policy, and executing on those objectives. In order to implement the Strategic OPIs, URCA will need to perform a more comprehensive assessment of the regulated sector. With the use of 20 KPIs, ECS will be assessed by looking at coverage, taking up, speed, pricing affordability and quality of service across fixed, mobile and broadcasting. For the ES, there will be 12 KPIs outside of those from the National Energy Policy, which will look at the economic source, diversification, renewable electricity,

pricing environmental and consumer aspects of the market. Further assessments will be made on measuring consumer and stakeholder feedback, gathering information on sectoral trends (global benchmarks) and having meetings between senior URCA staff and senior stakeholders, including government licensees.

The Governance and Regulation OPIs for ECS and ES are designed to measure and review each stage of the regulatory cycle and ensure that URCA completes the necessary processes to achieve effective regulatory measures. These OPIs use a simple 7-step approach starting with an Identification OPI, Diagnosis OPI, Regulatory decision OPI, Internal decision review OPI, Compliance OPI and lastly an Ex-post evaluation OPI. These assessments will look at important reactions such as recommendations, risks, milestones, consumer interest, and industry outcomes.

Lastly, the External Engagement and Organizational OPIs will consider and measure the effectiveness of URCA regarding reporting, consulting and consumer and stakeholder perception. To do this, URCA will consider OPIs for stakeholder views, consumer interest, transparency, and value-for-money.

To ensure that these OPIs become integrated, URCA has set milestones at the end of each year for the next three years. URCA will as an ongoing cycle, use OPIs to support its work during annual planning, ad-hoc projects, before commencing regulatory intervention, after a regulatory project, and during the annual reporting activity. It is the intent to publish a full set of OPIs in the Annual Report for 2022, due for completion in T1, 2023.

URCA is preparing a fact sheet on the OPIs, and the implementation process, which URCA will publish on its website to ensure that stakeholders are aware of the ongoing internal and external processes involved in this significant initiative.

URCA's Key Performance Indicators (KPIs) for 2020

Pending completion of the OPI implementation process, in 2020 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 2020 will be tabulated and included in URCA's 2019 Annual Report, which will be published by the end of April 2021. URCA provides below in Table 5 the indicators which will be adopted for 2020.

Table 5 - 2020 Performance Indicators

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 four 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	Ratio of employees (full time equivalent) to HR staff	Percentage who are able to access the network and system remotely
Percentage of public consultations started	Cost of Licensee invoicing	Average days for full time employee per year	

within period stated in Annual Plan		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	
<u>Consumer Complaints</u> Number of complaints received Percentage of total complaints resolved Average time taken to resolve complaints	Number and Value of Creditor Notes and Adjustments	Cost of advisors as a percentage of the total payroll	
Licenses issued within: 30 days - individual licences 45 days - class licences Volume of licences processed in the year	Long outstanding debt (>90 days) as a percentage of total debt	Percentage of roles filled by permanent and contract staff	
		Average lapse time (working days) from vacancy/advertisement occurring to the acceptance of an offer for the same post	
		Percentage of people in role after 12 months of service	
		The percentage of employees who left the organization during the year	

URCA's Budget 2020

Overview

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 a full accounting of its activities as required by Section 41(1)(b) of the URCA Act.

URCA's draft 2020 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 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 **Error! Reference source not found.** below, as compared with budgeted expenditure for the two preceding years.

Table 6 - URCA draft Budget 2020

Category	2018	2019	2020
Staff Costs	2,405,714	2,139,810	2,395,531
Non-Executive Compensation	229,000	226,400	218,020
Executive Compensation	478,652	514,128	528,543
Professional Services	1,536,000	1,077,000	857,000
Conferences, Training, and Travel	553,400	513,130	569,248
Premises Costs and Utilities	304,900	483,840	478,485
Consumer Education and Public Relations	202,000	214,600	320,250
Office Services	322,600	308,591	323,505
Information Technology	103,300	155,500	173,325
General and Administrative Expenses	370,830	482,495	349,250
Total Operations Expenditure (OPEX)	6,506,396	6,115,493	6,213,157

Depreciation	472,342	538,981	304,814
Total Operating Budget Recovered through URCA fees	6,978,738	6,654,477	6,517,971
Capital Expenditure	491,300	758,000	679,600

Overall, URCA proposes a modest increase to its operating budget (excluding depreciation) for 2020 by approximately 2% compared to 2019. Some of the key changes are explained in the following:

- In 2019 URCA’s staff grew by one to 29 at the end of the year. As discussed in section 3.2.6, in 2020, URCA is seeking to achieve a further 34% increase in its staff complement, growing from 29 to 39 staff. As a result, URCA’s Staff Costs are projected to increase by 12%, reflecting continued efforts to adequately staff the organization in order to ensure that the sectors are properly regulated.
- Budgeted spending on Professional Services in 2020 will decrease slightly by 3% to 13% of total operating expenses. These expenses will be driven predominantly by regulatory projects, including scheduled surveys and market reviews, and litigation expected to be before the court for trial during 2020.
- Spending on Conferences, Training and Travel will increase by 11% due to an increase in regulatory monitoring across The Bahamas, and the implementation of regular Pop Up Offices in the Family Islands.
- Consumer Education and Public Relations expenditure will increase significantly by 49% due to increase efforts to educate the consumer through increased town hall activities and new marketing and media tools.
- Information technology expenditure is expected to increase due to enhanced reliance on and upgrade of technology including LAN maintenance, cloud backup monitoring and a gradual shift to software/cloud based productivity software.

- General and administrative expenses which decreased from 7% to 5% of total operating expenses are expected to decrease significantly over last year by 28% due to 2019 budget allocation for a special project to celebrate the 10th anniversary of regulatory oversight by URCA planned for that year which did not materialize.
- URCA’s Capital Expenditure budget is proposed to decrease by approximately 10% as major capital projects planned in 2019 that included URCA’s Green Project (solar car park installation and other energy efficiency measures at URCA’s offices), the development of an URCA App and installation of a fire suppression system at Frederick House continue into 2020. Other noteworthy capital projects include the commencement of renovations for the upper floors of URCA’s premises at Frederick House.

Electronic Communications Sector Budget 2020

Error! Reference source not found. contains a summary of URCA’s draft 2020 budget for its regulatory activities in the ECS, as compared with its budget for the preceding two years.

Table 7 - ECS draft Budget 2020

Category	2018	2019	2020
Staff Costs	1,495,484	1,395,371	1,394,537
Non-Executive Compensation	141,855	181,120	174,416
Executive Compensation	230,800	229,333	258,258
Professional Services	1,256,000	688,250	746,750
Conferences, Training, and Travel	400,350	414,080	384,948
Premises Costs and Utilities	204,134	372,065	311,016
Consumer Education and Public Relations	148,470	189,680	160,125
Office Services	209,111	221,643	249,629
Information Technology	82,640	124,400	121,328
General and Administrative Expenses	343,194	419,049	288,088
Total Operations Expenditure (OPEX)	4,512,038	4,234,991	4,089,093
Depreciation	367,566	448,928	250,595

Total Operating Budget Recovered through URCA fees	4,879,604	4,683,919	4,339,688
Capital Expenditure	393,040	487,200	577,660

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

- Total operating expenditure (OPEX) exclusive of depreciation is anticipated to decrease in 2020 by 3% when compared to the previous year. This reflects continued efforts in expenditure containment for the adjustment of reallocation proportions of some indirect expenses between the Electronic Communication and Electricity sectors, explained in more detail under the relevant categories.
- Overall staff costs for the ECS have remained flat notwithstanding the addition of new staff hires made necessary based on the volume of work expected in the ECS during 2020, and ensuring sustainable human resources through effective succession planning and continued efforts being made to cross-train professional staff in both sectors.
- Professional services expenditure is anticipated to increase by 9% due to work performed on regulatory projects extending into 2020, including scheduled market reviews, and litigation related to the ECS.
- Conferences, training and travel costs are budgeted to decrease by 7% notwithstanding continued commitment to develop and upskill our staff through structured training and providing opportunities to participate in regional regulatory workshops and conferences.
- Consumer Education and Public Relations is anticipated to decrease by 16%; there will be a concerted emphasis on educating and informing consumers on the regulatory regime in the ECS, continued hosting of public relations initiatives (Girls in ICT Day) and increased

public consultations on sector issues, community outreach, and the utilizing of other advertising media.

- Information technology expenditure decreases by 3% in spite of reliance on and upgrade of technology including LAN maintenance, cloud backup monitoring and a gradual shift to software/cloud based productivity software due to changes in allocation between the sectors with the Electricity sector allocation being increased.

Electricity Sector Budget 2020

Error! Reference source not found. contains a summary of URCA’s draft 2020 budget for its regulatory activities in the ES, as compared with its budget for the preceding two years.

Table 8 - ES draft Budget 2020

Category	2018	2019	2020
Staff Costs	910,230	744,438	1,000,994
Non-Executive Compensation	87,145	45,280	43,604
Executive Compensation	247,852	284,795	270,285
Professional Services	280,000	388,750	110,250
Conferences, Training, and Travel	153,050	99,050	184,300
Premises Costs and Utilities	100,766	111,775	167,471
Consumer Education and Public Relations	53,530	24,920	160,125
Office Services	113,489	86,948	73,876
Information Technology	20,660	31,100	51,998
General and Administrative Expenses	27,636	63,446	61,163
Total Operations Expenditure (OPEX)	1,994,358	1,880,502	2,124,064
Depreciation	104,776	90,056	54,219
Total Operating Budget Recovered through URCA fees	2,099,134	1,970,557	2,178,283
Capital Expenditure	98,260	270,800	101,940

Explanations of changes in the major expense categories are as follows:

- Total operating expenditure (OPEX) exclusive of depreciation is anticipated to increase in 2020 by 13% when compared to the prior year. This reflects the general increase in URCA's expenditure on work pertaining to the ES, as adjusted by reallocation of staff and other related expenses from the ECS to the ES based on work scheduled for 2020.
- Staff Costs are anticipated to significantly increase (by 35%) as the human resources in the Utilities and Energy Department are increased to enhance URCA's oversight of the ES.
- Professional services expenditure is anticipated to decrease significantly by 72% due to the carryover of the 2019 budget allocations resulting from a focus on ensuring completion of projects scheduled and budgeted for 2019.
- Conferences, training and travel costs are budgeted to increase by 86% due to continued commitment to develop and upskill our staff through structured training and providing opportunities to participate in regional regulatory workshops and conferences.
- Information technology expenditure is expected to increase by 67% due to ongoing enhancements in the use of technology by URCA.
- Consumer Education and Public Relations are anticipated to increase by 543% due to renewed emphasis on educating and informing consumers on the regulatory regime in the ES, increased public consultations on sector issues in particular Renewable Energy and Energy Conservation, community outreach, and the utilizing of other advertising media.