



**UTILITIES REGULATION & COMPETITION AUTHORITY**

**ANNUAL REPORT 2021 &  
2022 ANNUAL PLAN**

**URCA 03/2022  
30 APRIL 2022**

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## INTRODUCTION

The Utilities Regulation and Competition Authority (“URCA”) presents the 2021 Annual Report and 2022 Annual Plan in compliance with section 41 of the URCA Act 2009. The Report which must be published by 30<sup>th</sup> April each year, provides a detailed accounting of the work of the Authority including its audited financial reports for the preceding year, and, following consultation with critical stakeholders, a work plan for the current year. This 2021 Annual Report provides the following information:

- A report on the performance of URCA’s regulated sectors during 2021;
- Highlights of the objectives that URCA accomplished during 2021;
- A report on URCA’s fiscal performance for 2021, accompanied by URCA’s Audited Financial Statements for the year; and
- URCA’s performance against Key Performance Indicators (KPIs) for 2021.

Further, and in compliance with the requirements of the URCA Act, URCA’s Annual Plan for 2022 was first published in December 2021 for public consultation. Following consideration of the feedback from stakeholders during the consultation period, the final plan is included in this document. The Plan provides an overarching strategic focus which considers 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 2022, including its consultation schedule;
- The KPIs that URCA will use to measure its performance during 2022; and
- URCA’s budget for the 2022 financial year.

The URCA Act also mandates that URCA arrange at least one oral hearing where the annual report and annual plan are presented, and questions answered. The hearing is scheduled for Thursday, 19 May 2022 and is open to all stakeholders.

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 reflective of its core values, i.e., fairness, integrity, accountability, transparency, one-team, people-centred and professionalism, and that its activities are focused on *“Improving lives through effective utility regulation.”*

## CHAIRMAN’S MESSAGE

### **Randol Dorsett - Chairman**

For a little over two years, the entire world has continued to grapple with the extraordinary challenges emerging from the COVID-19 pandemic. Like countries and entities both local and international, URCA has evolved to ensure continuity of service in a climate where the dependence on the sectors we regulate - Energy and Electronic Communications- are intrinsic to our survival.

In January 2022, following the General Election in September 2021, the Government of The Bahamas named a new non-executive Board of Directors tasked with overseeing URCA's work. I am pleased to return to URCA as its Chairman and to welcome Ms. Paula Adderley and Mr. Brian Seymour to URCA's Board. I would be remiss if I did not thank the former Board of Directors for their commitment and contribution to URCA during their term. Nonetheless, our new Board is confident that, together with URCA'S Executive Management team and employees, we will continue our mission of *improving lives through effective utilities regulation*.

While this present Board of Directors has sat for less than six months, we are fully apprised of the Regulator's work in the past fiscal year and are pleased that despite a spate of national and/or island specific shutdowns and curfews and several variant covid-19 outbreaks, the URCA team has tailored its operations and responded effectively in carrying out its regulatory mandate.

URCA's Electronic Communications Sector (ECS) team was able to commence and/or complete several key projects in the year. These include, inter alia, URCA's final decision on Cable Bahamas Limited (CBL)'s cable TV repackaging request, a market review of mobile services, the completion of an ECS Market Survey for Pay TV and FM Broadcasting and a comprehensive review of monitoring and compliance processes for FM Broadcasting that also birthed new internal compliance guidelines. While these projects are all discussed in greater detail in this report, they are reflective of URCA's commitment to providing the correct blend of regulatory oversight needed within the industry. It also highlights the importance of URCA's effectiveness as the sector and the entire country evolves to embrace a digitally driven society with considerable socio-economic impact across our archipelago.

In the Electricity Sector (ES), the work was equally as robust. While key projects including the review of BPL's Rate Reduction Bond and Fuel Hedging schemes were halted due to external factors, the ES team met several substantial deliverables within the year. The team was able to update "*The Utilities Regulation and Competition Authority's Standard Consultation Procedures*" that now incorporates the ES.

The ES team also oversaw the successful completion of a study on the cost-effectiveness of the tariff policy for Renewable Energy Self-Generation Projects and released the tariff review framework, guidelines and -procedures for Public Electricity Suppliers, setting out the methodology for tariff adjustments and reviews for Public Electricity Supplier (PES) licensees. We consider both bodies of work critical in an environment where there is an impetus to reduce our reliance on fossil fuels for economic and environmental reasons. As a regulator, URCA must also be responsive to the dynamism of utility operations in the country, ensuring that PES remain viable while operating within the confines of providing safe, reliable and affordable energy to consumers.

As we continue into 2022, we are hopeful that a return to, albeit a new normal, will help drive results for the year. As a regulator, we are cognisant that coming out of a pandemic there is an overarching need to regain pre-pandemic momentum in our regulated sectors. As an organisation, we are committed to building our regulatory capacity to regain the confidence of licensees that we can effectively regulate both sectors. To accomplish this, we are keenly focused on developing a more engaging, collaborative regulatory approach with our key stakeholders.

Equally as important is ensuring that we work expeditiously to complete the development of the Electricity Sector's Regulatory Framework, inclusive of a review of the National Energy Policy. It is our commitment to prioritize the revision of ECS policy to respond to emerging technologies like 5G. This work

is of significant national importance and URCA will work closely with the Government of The Bahamas to ensure that both policies are reflective of and responsive to the rapid advancements taking place in both regulatory ecosystems.

Underpinning this is the need for a more informed populous. Late last year, URCA initiated a public education campaign to heighten awareness of the Regulator and its impact on our society. It is our plan to continue building on this momentum in 2022 with a significant focus on those communities outside of our population centres. URCA intends to dedicate its resources to creating meaningful opportunities to engage with the public, get feedback on regulatory proposals, where appropriate and provide easy access to information and content for the public's benefit.

Accomplishing these strategic objectives require that we entrust the right people to lead this important work. It is in this vein that I am pleased to welcome a new Director of Electronic Communications. Mr. Rupert Pinder, an accomplished Economist with considerable industry knowledge joined URCA in April 2022 and now completes URCA's Executive Management team. We are confident that his expertise and leadership will aid the continued advancement of the ECS and URCA.

I would like to thank URCA's Executive Management and its employees for their service and commitment to performance in what has truly been a difficult period. Undoubtedly, the team has navigated well, sharpened their capabilities, and on boarded new talent to lead us through the uncertainty of a post-COVID era. URCA'S Board of Directors expresses every confidence in the team and is committed to providing the overarching support necessary to meet our objectives, deliver expert regulatory oversight and fulfil our national mandate for the advancement of our nation.

## ABOUT URCA

URCA is an independent multi-sector regulator with responsibilities for the ECS and ES. Established through the passage of the Utilities Regulation and Competition Authority Act 2009 (the URCA Act), and the Communications Act, 2009 (Comms Act), URCA assumed responsibility for the regulation of the ECS on 1 September 2009. The ECS comprises fixed and mobile telecommunications services, internet, pay TV, 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 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 organisation. 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:

**Randol Dorsett – Chairman**

**Paula Adderley- Non-executive Member**

**Brian Seymour- Non-executive Member**

Carlton Smith-Chief Executive Officer

Shevonn Cambridge- Director of Utilities and Energy

Rupert Pinder- Director of Electronic Communications

The CEO has overall executive responsibility for URCA's day-to-day activities, including overall strategy 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; and
- 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).

#### The Audit Committee

An additional key component of the organisation's governance structure is the Audit Committee, currently chaired by Jacqueline Hunt-Farrington. 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; and
- 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.

## CHIEF EXECUTIVE OFFICER'S MESSAGE

### **Carlton Smith**

The year 2021 juxtaposed to 2020, for URCA was about effectively managing a crisis that had crippled world economies, decimated businesses and wreaked unprecedented havoc on the human race. By 2021, the initial shock of COVID had worn off and its replacement was a tacit acceptance that adaptability is necessary not only for survival but to continue creating opportunities for national growth and development.

At URCA, 2021 was a year of adaptation and developing the capacity to emerge as a leading regulator in a world with rapidly advancing technologies in both the electricity and electronic communications sectors, perhaps spawned, rather than prohibited by Covid-19. Cognisant of this trend, URCA's 2021 performance and 2022 proposed strategic approach crystallized the Regulator's commitment to ensuring the advancement and sustainability of both sectors within the national interest.

With my appointment to CEO and the departure of the Director of Electronic Communications (Acting), a balancing act at the Executive level was required to ensure that deliverables, some of which already prolonged by the onset of Covid, were met. During the year, the ECS and ES teams were tasked with handling key projects impacting their respective industries. For ECS, Pay TV, Mobile, Broadband Internet and Broadcasting services were among the high priority projects that required significant regulatory attention. Given the substantial requirements and complexity of some projects, the work continued into this fiscal year, while several others were re-scheduled for 2022. Nonetheless, we are pleased that URCA was able to successfully complete the majority of its priority projects for 2021.

In the Electricity Sector, much of the work was in the form of ongoing projects. Similar to the ECS, the need for external expertise and/or collaboration with stakeholders including government resulted in the delays in starting or completing several projects. Nonetheless, the team made great strides in completing quality work on other projects that underpin the ES regulatory framework going forward. This work is necessary to ensuring that URCA fulfils its statutory mandate to effectively regulate the country's Electricity Sector. We are especially pleased with the work done by the ES in the Renewable Energy space as the Renewable Energy Self-Generation programme remains a major thrust in our effort to sure-up the country's energy supply into the future and progress toward the policy commitment of 30 percent renewables by 2030.

At URCA, our regulatory work is the public output of our organisation and in 2021, we began the phased implementation of our Organisational Performance Indexes (OPI) as an initial step toward the achievement of URCA's strategic objective of establishing a more appropriate and meaningful methods of measuring its performance. Work toward full implementation of the OPIs will continue this year.

Our performance is also driven by our operations which is the backbone to ensuring we can fully deliver our objectives. In 2021, URCA's internal operations were impacted by necessary infrastructural improvement works as well as human capital developments that I am confident is leading toward a more robust and responsive regulator.



In the summer of 2021, URCA had two major infrastructural projects occurring simultaneously. The first, a solar car park array and the second the structural remediation of URCA's Frederick House office complex. Both projects are discussed in greater detail in other sections of this report; however, we are confident that both projects are of significant value and we are optimistic they will result in substantial cost savings to the Regulator over time.

URCA, like many entities, struggled with the departure of key personnel. In 2021, The Director of Electronic Communications (Acting) resigned his post as well as URCA's International Relations Officer. At the same time, URCA sought to address certain organisational needs and created a new International/Government Relations Advisor role dedicated to overseeing key relationships with international bodies, especially those where URCA represents the Government of The Bahamas.

The Bahamas is a council member of the International Telecommunications Union (ITU) and an Executive Committee member of Inter-American Telecommunications Commission (CITEL), the telecommunication arm of the Organization of American States (OAS). URCA and The Government of The Bahamas are firmly committed to these strategic alliances. While The Bahamas' membership on the ITU Council expires in 2022, The Government has expressed its commitment and intent to lobby for re-election for the 2022-2026 administration period.

Given the focus required, URCA's then Corporate and Consumer Relations Manager was appointed to the International/ Government Relations Manager role and a new Corporate and Consumer Relations Manager joined the team in August 2021. The new CCR Manager is tasked with building URCA's brand within our communities and with formulating strategies to manage stakeholder engagement, particularly with consumers across The Bahamas.

URCA prides itself on continuous community engagement. In 2021, URCA hosted its 7<sup>th</sup> Annual Girls in ICT Day. The virtual event attracted more than 200 young women across The Bahamas, introducing them to potential careers in the areas of Information Communication Technologies and STEM. URCA is strongly committed to its engagement with young people, and beyond Girls in ICT Day, URCA has provided financial support to both BTVI and Junior Achievement Bahamas to help create meaningful opportunities in key disciplines of nation building.

Indeed, we are quite proud of our efforts and our ability to embrace the opportunities that arose in a pandemic driven era. All our accomplishments would be for naught if it weren't for the competent personnel that we have leading our regulatory, legal, and business operations. In a year when URCA saw the exodus of top talent, a concerted effort was made to not only attract new talent, but looking strategically at how to retain our team members to ensure the continued execution of our regulatory mandate. During the year, URCA hired key young Regulatory Officers for both sectors intended to address critical gaps in our regulatory areas. Moreover, it complements URCA's capacity building strategy to maintain a competent workforce of experienced regulators capable of managing URCA into the future.

We are cognisant that an integral component of retaining our talent is ensuring that the resources exist to maximize their potential. In 2021, URCA created and began the roll-out of a learning and development framework to support a culture of continuing education and retooling in an industry that requires constant change to keep pace with sector-driven developments. Additionally, URCA is nearing the completion of a compensation study, started in 2021. This review serves as a reference point to assessing our existing

salary scales and allowing us to maintain our employer competitiveness in a local and international context.

As we forge ahead with our 2022 goals and objectives, we are hopeful that our commitment to regulatory excellence will manifest itself in our complete body of work. Our stakeholders, (licensees, the Government, consumers and the public at large) hold us accountable for creating a regulatory regime to support the economic and social development of our nation. As we are charged with this responsibility, we remain steadfast in our commitment to, *'improve lives through effective utilities regulation.'*

## URCA'S ACHIEVEMENTS IN 2021

The final version of URCA's 2021 Annual Plan was published on 30 April 2021, together with URCA's Annual Report for 2020, in compliance with the statutory timeline. In the 2021 Annual Plan, URCA set out several projects that it intended to undertake within the proposed timelines. Having the benefit of the 2020 COVID-19 pandemic experience, URCA embraced 2021 with a degree of confidence in its ability to navigate and manage the uncertainties of the pandemic mitigation measures and their impact on regulatory affairs and the telecommunications and energy ecosystems.

In the ECS, URCA continued its efforts toward the achievement of the ECS policy objectives while promoting the transition to a more digitally inclusive society. The sector's response to digital transformation was evident through the ubiquitous deployment and use of Information Communications Technologies (ICTs). Government and private sector organisations across the economic spectrum embraced ICTs to sustain operations. Virtual platforms became the default solution for meetings, workshops, seminars and conferences. E-commerce emerged as the standard operating procedure of many businesses, with innovative ideas evolving into new business opportunities. ICTs are an essential tool in the national and global societal transformation and URCA remains focused and committed to ensuring its regulatory measures advance the continued growth and expansion of the sector. In 2021, URCA applied its resources in the ECS to the execution of priority Tier 1 projects, while monitoring the performance of the industry.

The pandemic influence extended beyond emerging technologies and its impact on national development. It required a re-think of the approach to addressing regulatory reform that transcends any single sector or industry. The global digital revolution requires a paradigm shift in the regulator's approach to its oversight of the sector. URCA, recognising the change, initiated steps toward a more collaborative approach to the regulatory process. URCA embarked on what the International Telecommunications Union ("ITU") identified as the fifth generation (G5) regulatory approach, through its engagement with key telecoms stakeholders as part of its 2022 annual planning process. This will extend to other key stakeholders and cross-sector regulators in 2022 as an intentional effort to advance the national digital transformation initiative.

In the ES, URCA remained actively involved in managing and monitoring the performance of the suite of URCA approved Renewable Energy programmes and the growing register of Public Electricity Suppliers. The development of the sector's regulatory framework remained a priority for the department in 2022. As the ES continues to build out the framework, it is envisioned that stakeholder engagement will continue to grow and add value at all levels of the energy sector.

Notwithstanding the ongoing realities of the pandemic, URCA remained committed to the execution of its Tier I regulatory projects across the spectrum, with both sectors making significant progress in 2021.

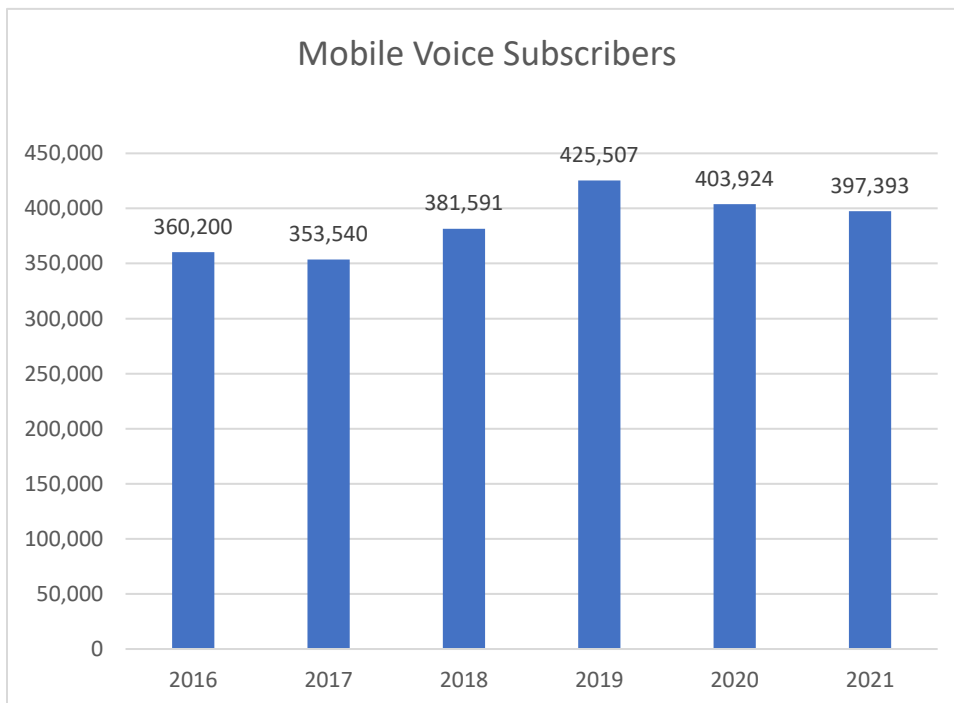
URCA also advanced its initiative to strengthen its regulatory capacity in both sectors. The employment of two attorneys in the ES, an attorney in the ECS, a Regulatory Manager to improve URCA's broadcasting regulatory obligation and restructuring the Corporate and Consumer Relations Team with a new manager and digital marketing expert are expressions of URCA's commitment to organisational performance enhancement.

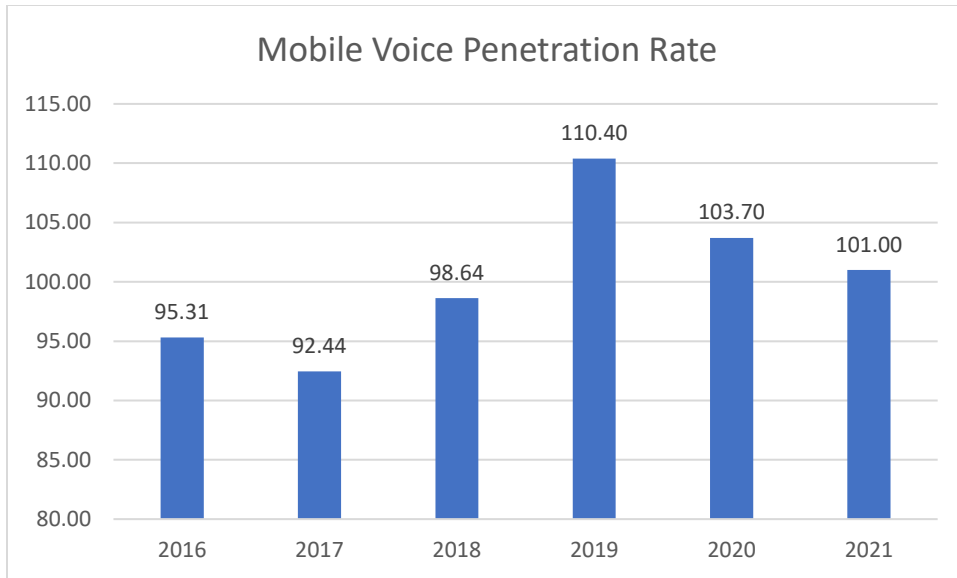
### *Electronic Communications Sector Market Review*

#### **Mobile Services**

##### **Mobile Voice**

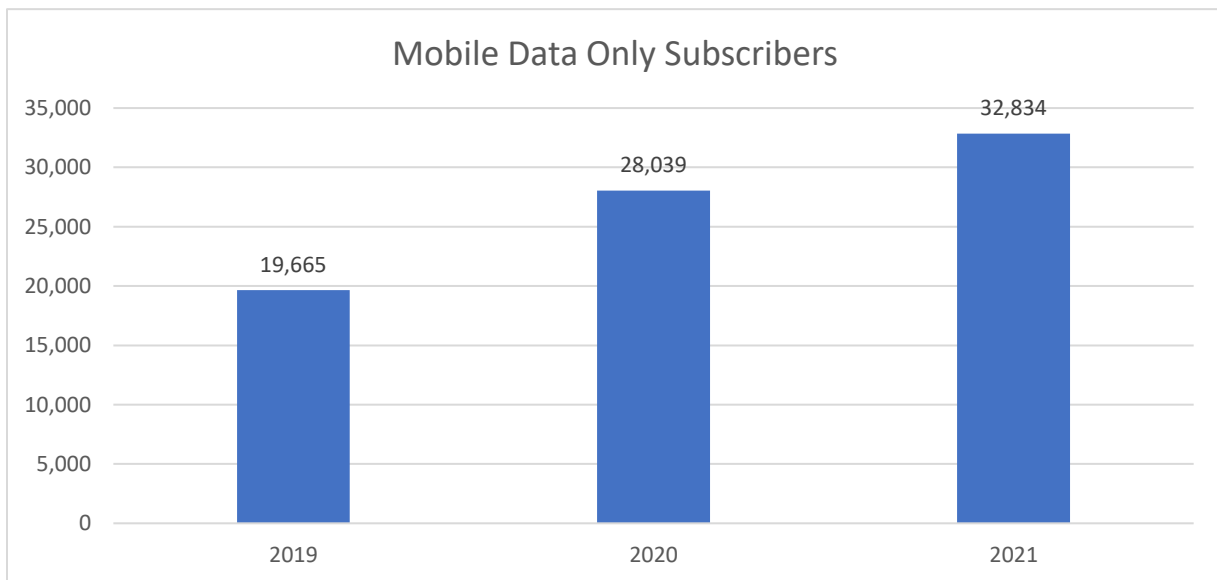
Cellular/mobile voice and data services in The Bahamas are provided by Aliv and BTC. BTC is the initiator of mobile services and is designated by URCA as having SMP within the domestic mobile telephone market. As seen in figure four below, mobile voice subscribers showed an increase from 2017-2019 followed by a notable decrease in 2020 from 425,507 subscribers to 403,924 subscribers, which may be attributable to the COVID-19 pandemic, followed by smaller decrease in 2021 to land at 397,393 subscribers. Simultaneously, mobile voice penetration for 2021 vs 2020 fell by 2.7% from 103.7 to 101 mobile voice subscriptions for every 100 persons.





#### **Mobile Data**

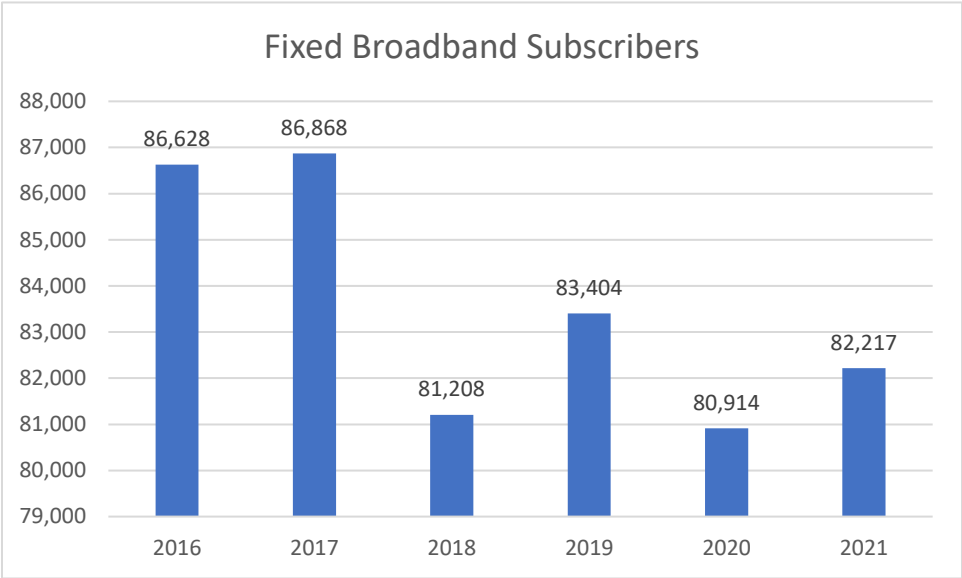
Mobile data only services is another growing market and relates to the total number of active subscribers to mobile broadband services with no mobile voice or SMS messaging services included. This is done via dedicated SIM card with a smartphone, tablet with 3G/4G connectivity or a USB dongle. Mobile data only subscribers is a useful indicator to monitor as the service can be a potential substitute for fixed broadband Internet. From 2019-2021, mobile data only (as seen in the figure below) is showing a steady increase in the number of subscribers. The year-over-year increase for 2020/2021 was smaller than that of 2019/2020 however the larger 2019/2020 number could be attributed to the pandemic and the associated shift to remote working and online education.



#### **Fixed Services**

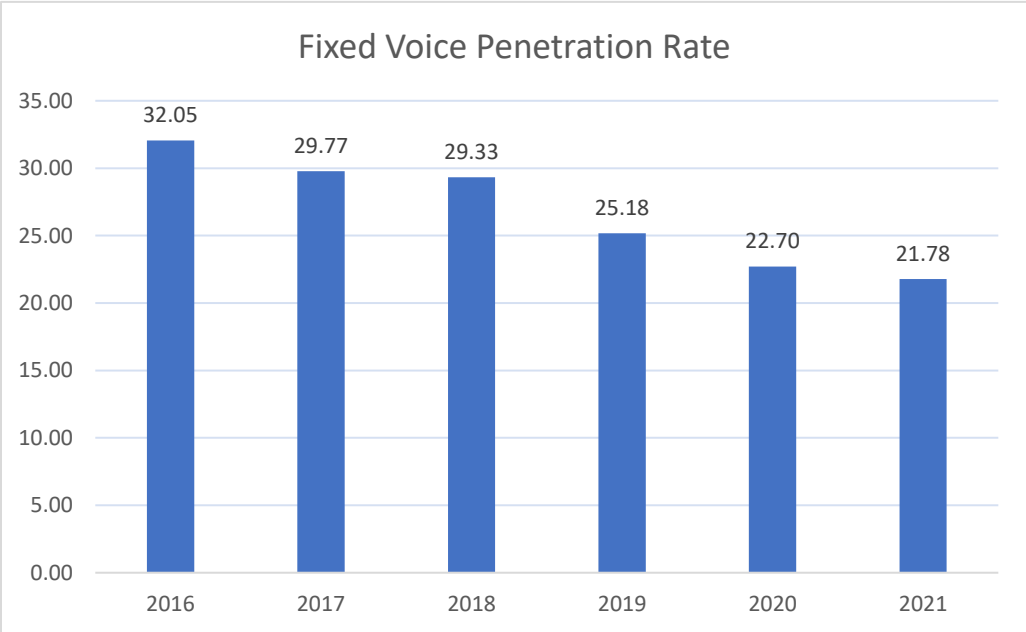
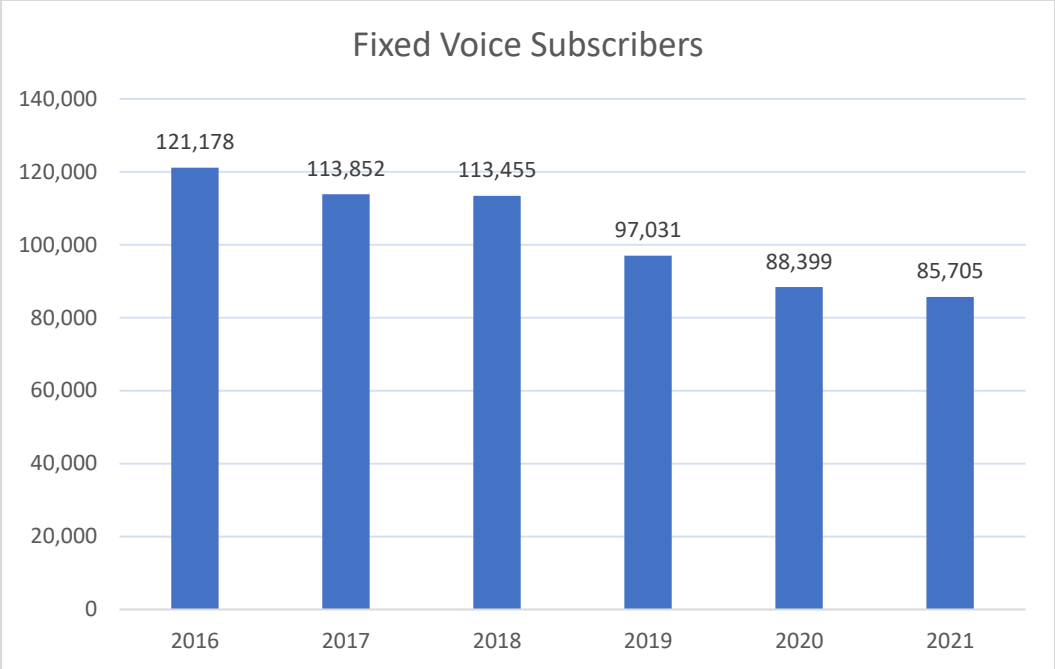
#### **Fixed Broadband Services**

BTC, CBL and several smaller independent Internet Service Providers (ISPs) offer fixed Internet services through a broadband infrastructure in The Bahamas. CBL holds SMP for their provision of high-speed Internet and connectivity services in New Providence, Grand Bahama, Eleuthera and Abaco. In the islands that CBL does not provide broadband Internet services, BTC has been designated by URCA as having SMP. URCA examines these services from standalone broadband connections and multi-broadband connections. Overall, fixed Broadband services showed a slight increase to the tune of 82,217 (2021) from 80,914 (2020), representing a 1.6% increase. Conversely, the penetration rate went from 20.7% (2020) to 20.9% (2021).



**Fixed Voice Telephone Services**

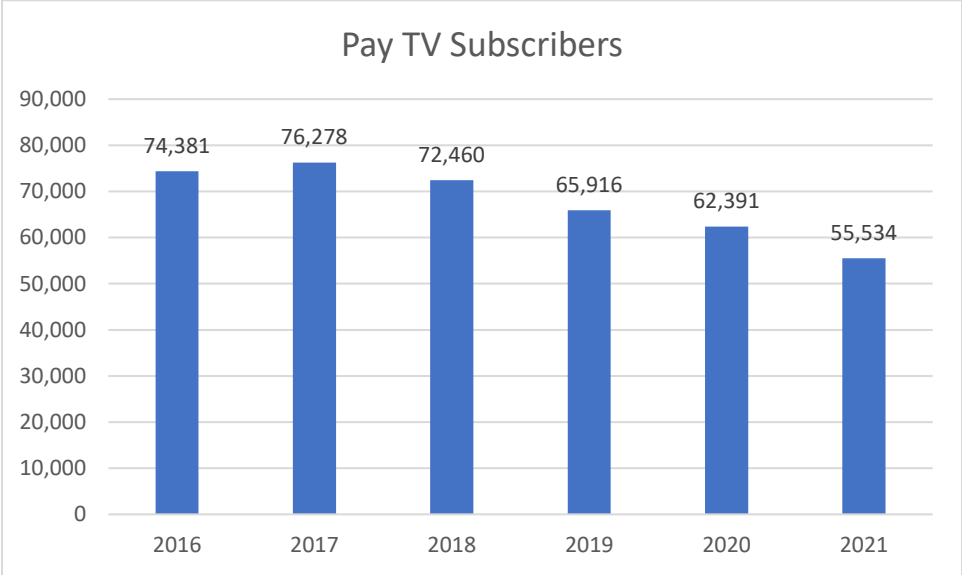
For this service, operators recorded a 3% decline in subscribers when compared to past year. This decline is consistent with data for the past five years which show a continuous downward trend. This trend is reflective of global trends as consumers move to more modern voice communication technologies.



**PAY TV Services**

CBL retains the position as the leading provider for Pay TV services in The Bahamas, notwithstanding BTC’s challenge commenced in 2016 with its provision of FLOW TV services to selected islands. CBL continues

to offer Pay TV nationwide. But despite competition entering the market for this service, the data shows that subscriptions continue to decline for the past five years. The trend seen below in figure 13 indicates that this service has been on a downward trend prior to Covid-19. However, the largest decrease has been in the last year with the subscription rate showing an almost 11% decrease from 2020 to 2021.



*Electricity Sector Market Review*

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.

Below is a brief synopsis of the ES market in terms of existing licensees for the year under review and the progress of our Renewable Energy initiatives:

Name of Licensee	Address of Licensee	Service Territory	License Type	Duration	License Commencement Date	License Expiration Date	License Number
<b>Bahamas Power and Light</b>	Blue Hill and Tucker Roads, Nassau, Bahamas	The Commonwealth of The Bahamas, except for the Port Area of Grand Bahama	Public Electricity Supplier	25	1 May 2018	1 May 2043	PESL-18-0001
<b>Grand Bahama Power Company</b>	The Mall Drive, Freeport, Bahamas	Grand Bahama	Public Electricity Supplier	25	1 May 2016	1 May 2041	PESL-18-0002

<b>St. George's Cay Power Company Ltd.</b>	101 Power House Road, Russell Island, Eleuthera, Bahamas	St. George's Cay, Russell Island; West End Cay; Charles Cay; and Royal Island	Authorized Public Electricity Supplier	20	1 Dec 2018	1 Dec 2038	APESL-18-0003
<b>RAV Bahamas Ltd.</b>	4 George St., Mareva House, Nassau, Bahamas	Bimini Bay Subdivision, North Bimini	Authorized Public Electricity Supplier	2	4 Nov 2019	28 Feb 2022	APESL-19-0001
<b>Gekabi Chub Cay Utilities (2013) Ltd.</b>	1425 Lake Front Circle, The Woodlands, Texas, United States	Chub Cay, The Berry Islands	Authorized Public Electricity Supplier	25	17 Feb 2020	17 Feb 2045	APESL-20-0001
<b>Shell Bahamas Power Company Inc.</b>	St. Andrew's Court, Frederick Street Steps, Nassau Bahamas	Bahamas Power and Light transmission grid.	Independent Power Producer	15	5 Oct 2020	5 Oct 2035	IPPL-20-0001
<b>Baker's Bay Ltd.</b>	Front Street, Marsh Harbour, Abaco, Bahamas	Baker's Bay Golf and Ocean Club, Great Guana Cay, Abaco	Authorized Public Electricity Supplier	25	21 Dec 2020	21 Dec 2045	APESL-20-0002

In addition to the vertically integrated electricity supplier licensees listed above, the ES' generation component is supplemented by the Renewable Energy Generation (RESG) programme. The programme expanded to include large commercial entities and the government and increased the allowable capacity for systems from 100kW to 1MW. As of 31 December 2021, the renewable energy statistics were as follows:

	<b>Number Online</b>	<b>Combined System Capacity, kW</b>
<b>Residential</b>	196	1464
<b>Commercial</b>	50	3503
<b>Total</b>	<b>246</b>	<b>4967</b>
	<b>Number Online</b>	<b>Combined System Capacity, kW</b>
<b>New Providence</b>	234	4059
<b>Abaco</b>	0	0
<b>Eleuthera</b>	10	142



<b>Exuma</b>	1	750
<b>Crooked Island</b>	1	16
<b>Total</b>	<b>246</b>	<b>4967</b>

In 2021, a number of Public Electricity Supplier (PES) licensees have commissioned utility scale renewable energy projects of their own. As an example, BPL has projects in both Chub Cay and Ragged Island. These projects have resulted in significant gains in the overall penetration of renewable energy nationally. URCA also notes, with interest, that these PESs are also creating plans for the further integration of renewables into their generation mix. URCA sees these plans as forward thinking and indicative of the commitment to reduce the reliance on fossil fuels.

## PERFORMANCE AGAINST URCA’S 2021 ANNUAL PLAN

In the 2021 Annual Plan, URCA adjusted its approach to the prioritisation of projects and reducing the structure to two tiers (Tier I, Tier II). URCA is committed to developing a work plan that allows stakeholders to assess its performance effectively, based on output and impact. 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; therefore, URCA sought to ensure that it directs all available resources to achieve completion in accordance with scheduled dates during the current year.
- Tier II projects are also of significant importance to the organisation or the regulated sectors directly, and URCA endeavored to complete these projects in the shortest possible timeframe, though with lower priority than the Tier I projects. URCA did not commit to a scheduled date or specific trimester for the completion of Tier II projects for one or more of the following reasons:
  - There is heavy dependence on external stakeholder input or approval;
  - Uncertainty of the availability of adequate resources to complete the project in a specific timeline; and/or
  - URCA has limited control over the completion date (e.g., approval is external to URCA).

### *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 that have “General” applicability across sectors. URCA’s organisational initiatives, including its Annual Report and Annual Plan, also fall into this “General” category. During 2021, URCA worked on the following General projects:

#### ***Solar Car Park Array***

After a protracted installation period, due to pandemic related supply and construction disruptions, URCA's car park solar array was commissioned in December 2021. By all accounts, the structure provides a bonus of eight covered parking spaces, well worth the wait and investment. This in-house solar generation initiative involved the integration of a 25-kW solar array into the electrical supply system for the URCA's Frederick House office. In addition to serving as a symbol of URCA's commitment to the promotion of green energy concepts, it is envisioned that the system will also serve as a live research and development environment for the organisation's team members.

The 25 kW array is forecasted to provide some 43,000 kWh of energy per annum to URCA, culminating in a savings of approximately \$11,100/year, given the current fuel charge. Based on the same, it is anticipated that the breakeven period will be 16 years.

### ***Frederick House Remediation***

While the renovation of Frederick House was not listed as a General Project in URCA's 2021 Annual Plan, URCA was forced to address the structural defects that presented major challenges to URCA's in-office operations. Recognising the magnitude and impact of the defects on URCA's ability to utilise its offices, the Board approved the comprehensive refurbishment works. URCA established it as a priority project in 2021.

URCA's 2017 decision to purchase the Frederick House building contemplated two key factors:

1. Ownership of its office premises, and
2. Rental of the additional unoccupied space.

The refurbishment of the building should assist with realizing the second objective, to lease the two upper floors while providing a more comfortable work environment for the URCA team. The generated revenue from the upper floor rentals could assist URCA in reducing the annual fees required from the industry to fund its annual operations. The renovations were substantially complete in December 2021 and URCA is exploring the potential rental of the available space.

### ***URCA Organisational Performance Indexes – Phase 1***

In 2020, URCA committed to initiating the phased implementation of its Organisational Performance Indexes (OPI) as an initial step toward the achievement of URCA's strategic objective to establish more appropriate and meaningful methods of measuring its performance. On 9 July 2021, URCA published its Statement of Results and Final Decision on the Addendum to the Market Information Reporting Requirements for Specified Licensees in the Electronic Communications Sector "ECS 28/2017" which can be found under document references ECS 05/2021 and ECS 06/2021. The addendum requires additional information from specified licensees, which will help to inform URCA's OPIs. URCA has initiated a phased implementation in 2021 with full implementation scheduled for 2022.

### ***Market and Consumer Satisfaction Surveys***

In 2021, URCA concentrated primarily on the execution of Market Surveys in the Electronic Communications Sector, which were significant contributors to several key ECS regulatory projects. URCA considers the views and opinions of consumers essential to the assessment of its obligation to achieve the policy objectives of the Electronic Communications and Electricity sectors. In 2022, URCA will embark on comprehensive consumer satisfaction surveys in the ECS and ES. The surveys will address the need for additional information about stakeholder sentiments and behaviours within the regulated sectors.

## *Electronic Communications Sector Projects*

In 2021, URCA made gradual progress in executing its identified ECS priorities, advancing both Tier I and Tier II projects identified in the Annual Plan. A brief discussion of URCA's achievements against 2021 Projects is set out below:

### **Tier I & II Projects**

#### ***Cable Repackaging/Rev TV Offers***

In November 2020, CBL submitted an application to URCA requesting approval for the repackaging of its REVTV service. Due to the impact the changes would have on pay TV subscribers, URCA conducted a public consultation to allow consumers a reasonable opportunity to comment on the repackaging. URCA published its Statement of Results and Final Decision (ECS 09/2021) on 8 July 2021 in which URCA approved the repackaging. Following the publication of the decision, URCA launched an investigation into the quality of CBL's pay television due to numerous complaints received during the repackaging consultation. The investigation is ongoing.

#### ***Wholesale Dedicated Internet Access Offers***

The Final Decision on the Wholesale Direct Internet Access ('WDIA') Reference Offer Review (ECS 10/2021) was published on 30 July 2021. This document contained summaries of the consultation responses and URCA's determinations on the non-price terms and conditions of the reference offers from BTC and CBL for their provision of WDIA services to Other Licensed Operators (OLOs). The price-related terms and conditions are being developed separately to allow for the development of cost-based approaches for BTC's and CBL's WDIA services. Once the costing is completed, BTC and CBL will be required to amend their offers to reflect the URCA-approved prices along with the non-price terms and conditions set out in ECS 10/2021. This is the implementation stage stemming from the obligations set out in URCA's Review of Wholesale Internet Access Final Determination (ECS 13/2020) published in September 2020 in which URCA set out the need for the regulation of WDIA which is used by OLOs to offer retail broadband services.

#### ***Market Review of Mobile Services***

In 2020, URCA began work on its first market review of mobile services since the liberalisation of the market in 2016. However, the review required market information that could only be sourced through survey reports that could not be executed during 2020 as a result of the pandemic. URCA is pleased to have completed the extensive survey portion of the project in 2021 to help inform its preliminary findings. URCA published the preliminary determination on 25 March 2022.

#### ***ECS Market Survey (Pay TV and FM Broadcasting)***

URCA embarked on a project to obtain empirical data on consumer usage and opinions on the quality of available services and programming provided by way of Pay TV and FM Radio in The Bahamas. This Tier 1 project required the engagement of an external consultant to, inter alia, conduct online surveys and focus groups. URCA completed its survey of the Pay TV and FM Broadcasting markets in The Bahamas in the final trimester of 2021.

Consequential to a comprehensive review and critical analysis of the results, URCA will publish the results of the market surveys in 2022. The published results will be in aggregate format and in accordance with the Communications Act, 2009, which requires that the publication of the same does not divulge any

commercially confidential information that may provide a competitive advantage or disadvantage to URCA's licensees.

### ***Monitoring and Compliance (FM Broadcasting)***

As part of URCA's Monitoring and Compliance project for 2021, URCA conducted a comprehensive review of the monitoring and compliance processes for the FM radio broadcast market to determine and identify measures to strengthen its related regulatory functions. Further to this review, URCA has made significant advancements to establish a Compliance and Technical Standards Monitoring System (CTSMS) for FM Radio Broadcast licensees in New Providence, Bahamas, which will be fully implemented in early 2022. The CTSMS is an IP-based system that will provide centralized, real-time Quality of Service (QoS) monitoring and reporting of the technical performance of all FM radio broadcast licensees' networks in New Providence. The system will also independently identify, monitor, record and archive the broadcast content of all New Providence based FM radio stations. The current and historic technical performance data, as well as the archived content, will be directly available to URCA's ECS monitoring, compliance and enforcement officers. It will significantly strengthen URCA's capabilities in monitoring and ensuring compliance by FM Broadcast licensees with the relevant regulatory measures issued by URCA including, but not limited to, the 2020 Revised Content Code and the Technical Standards for FM Radio Broadcasting in The Bahamas.

### ***Monitoring and Compliance Guidelines***

After more than a decade of regulating the Electronic Communications Sector, URCA conducted a comprehensive review of its internal processes for monitoring and compliance of licensees. The review considered, inter alia, the relevant provisions of the Communications Act 2009, the licence conditions, existing regulatory measures, and URCA's established licensing process map. Consequently, URCA developed and implemented the Regulatory Compliance Monitoring, Investigation and Enforcement Guidelines. These internal guidelines provide a structured framework that should strengthen the execution of the regulatory functions at various stages of the compliance monitoring process.

### ***ICTs for Persons with Disabilities***

Information Communication Technologies (ICTs) are considered essential to the integrated participation of all demographic groups in the emerging global digital ecosystem. In 2018, URCA initiated this project to identify policies and regulatory measures within URCA's mandate which would optimise the use of ICTs for persons with disabilities. In 2021, URCA continued the work, taking a phased approach to its execution. The initial phase focuses on research to secure the data required to determine the way forward. In September 2021, URCA engaged external consultants to conduct online surveys and focus group sessions on awareness, availability, accessibility and affordability of ICTs to persons with disabilities. To ensure the integrity of the survey and protect the vulnerable group which comprise this demographic group, consultants obtained approval from the National Ethics Committee prior to administering the survey. URCA intends to publish a position paper in 2022, which will form the basis for next steps.

### ***Review of Framework for Public Service Broadcasting***

URCA has completed Phase 1 of the Framework for Public Service Broadcasting (PSB) project by conducting a comprehensive internal review of the existing compendium of PSB related regulatory measures that were published by URCA on 7 July 2011. Having considered the existing PSB framework to be dated, URCA identified the need to revise the framework consequential to a full stakeholder engagement and consultation process.

In 2021, URCA also commenced preliminary work on Phase 2 of the PSB project with high level discussions with key stakeholders. However, due to the recent change in Government and the appointment of a new Board at the Broadcasting Corporation of The Bahamas, the designated public service broadcaster and a key stakeholder on this project, URCA deferred Phase 2 of this project to the first trimester of 2022 as a Tier I project. URCA will also have regard to any potential changes in the Electronic Communications Sector (ECS) Policy that may impact the PSB project. URCA anticipates that it will complete this project in late 2022.

### *Electricity Sector Projects*

In 2021 URCA's progress in executing its identified ES priorities, was in both Tier I and Tier II projects identified in the Annual Plan.

#### **Tier I & II Projects**

##### ***Consultation Procedures (w/ consideration of the ES)***

On 20 October 2021, URCA issued "*The Utilities Regulation and Competition Authority's Standard Consultation Procedures*" (URCA 05/2021). Prior to the 2021 revision of URCA's Consultation Procedures, the existing procedures were in place since 2017. While the 2017 Consultation Procedures were designed to be broad enough to accommodate the anticipated expansion of URCA's remit, the same was put forward for stakeholders' consideration prior to the regulation of the Electricity Sector commencing in earnest in 2017. Therefore, it was deemed prudent to review and, if necessary, revise the procedures to ensure that the current needs of both sectors are being properly and adequately addressed. Further, it is noted that consultation needs, in general, have changed significantly in recent times due to the increased demand for remote and electronic communication as social distancing, curfews and other pandemic protocols have impacted the ways we engage with stakeholders. URCA continues to adapt and innovate regarding stakeholder engagement as we strive to progress the development of the governing framework for the nascent ES in a dynamic period of emerging technologies and business models.

##### ***Rate Reduction Bond***

In late 2019, BPL and the Government of The Bahamas proposed a bond offering to provide the funding required to address legacy debt and capitalisation for the government-owned power utility. In January 2020, URCA was asked to expeditiously review a compendium of Rate Reduction Bond (RRB) documents in order to facilitate the imminent issuance of the bond. However, after URCA's initial assessment, in March 2020 the world was sieged by the Covid-19 pandemic which wreaked havoc economically and diminished the financial markets' appetite for bonds such as the RRB.

In the first half of 2021, worldwide markets began to settle as economies adjusted for what appeared to be a long haul with the ongoing pandemic. Consequently, the Government sought to amend the legislation governing the RRB to accommodate the changing economic and financial environment. Notably, while investors are now prepared to entertain the idea of bonds such as the proposed RRB, the interest rates associated with the same have adjusted upwards to compensate for the anticipated risks in the Covid-19 and post-Covid-19 eras.

Over the course of the year, URCA participated in several stakeholder forums concerning potential amendments to the Electricity Rate Reduction Bond Act, 2019; and URCA remains ready to assist with the regulatory assessment of innovative solutions to address the financial needs of BPL as the need arises.

### ***Fuel Hedge Review***

In July 2020, BPL commenced its fuel hedging programme which has resulted in the application of a Fuel Charge of 10.5 cents/kWh from commencement to date. The actual fuel charge amendment was gazetted on 26 June 2020. It is URCA's understanding that the current hedged fuel price will remain in place until June 2022, when it is subject to adjustment in accordance with current fuel prices and an agreed adjustment mechanism. It is noted that the goals of the hedge were not solely financial, but also economic as it was viewed as a means of stabilizing the fuel charge component of electricity bills during a period of economic uncertainty and heightened reliance on electricity supply services.

While URCA has monitored the variance between hedged fuel price and an extrapolated fuel price utilizing pre-hedge indicators, *and prima facie it appears that the hedge has been beneficial thus far*, URCA will request a comprehensive report from BPL in accordance with its licence obligation, Condition 24. It is within URCA's remit to ensure transparency and accountability to the regulator, customers and stakeholders concerning the effectiveness of the hedge and the fuel consumption efficiencies of BPL's operations.

### ***Cost Based Tariff Policy for Renewable Energy Self Generation Projects***

This project was a follow up to the *Renewable Energy Levelized Cost of Electricity* (LCOE) study done in 2020 with technical assistance provided by the Inter-America Development Bank (IDB). The project involved proposing a policy for the determination of Renewable Energy Self Generation (RESG) projects feed-in tariffs based on the results produced by the tool developed in the LCOE study. The consultation document, *"Cost-Effectiveness Tariff Policy for Renewable Energy Self-Generation Projects"* (ES 11/2021), was released for public consultation on 20 October 2021. URCA will consider revision of the tariff based on stakeholder comments and feedback, update the input assumptions and re-run the rate-setting model as well as the cost-effectiveness model.

Additionally, URCA will prepare a final draft of the cost-effectiveness tariff updated with revised assumptions as necessary for written comments from stakeholders. It will also incorporate final feedback and publish the final decision on the RESG and Small-Scale Renewable Generation (SSRG) programmes. This is expected to be completed in 2022.

URCA holds that the results of its economic simulation model enable it to update the pricing methodology and other aspects of its regulations for the (SSRG) and (RESG) programmes to secure net positive benefits for the sector and its stakeholders at large.

### ***Tariff Review Framework & Tariff Setting Procedures***

On 5 July 2021, URCA issued the *"Tariff Review Framework, Guidelines and Procedures for Public Electricity Suppliers"* (ES 07/2021), which sets out the methodology for tariff adjustments and reviews for Public Electricity Supplier (PES) licensees. Overall, the methodology provides for the assessment of a PES' revenue requirements; determination of its cost of service; and the equitable apportionment of those costs across the various rate categories. URCA holds that the issued guidelines serve and protect the tariff interests of the government, the utility and consumers fairly and transparently; and, that it has met the objective to build a methodology for negotiating and establishing tariffs that both accords with PES licences and meets standards for good regulatory practice.

### ***Establishment of ADR Scheme(s)***

On 4 October 2021, URCA issued the *"Alternative Dispute Resolution (ADR) Scheme for Disputes between Licensees and Independent Power Producers for the Electricity Sector in The Bahamas"* ES10/2021. The

ADR scheme for disputes between licensees and independent power producers (IPP) was established in accordance with s.40(10) of the Electricity Act. The scheme was established via a consultative process with all stakeholders and is designed to provide a process for the resolution of disputes between licensees and IPPs in contentious situations. The primary objective, which is deemed to have been met, was to provide a mechanism where all parties are held accountable; and the rules are clear, fair and readily accessible. It is noted that efforts were made to ensure that the established scheme is aligned with the relevant statutory provisions, namely the Arbitration Act of The Bahamas, and best practices in international arbitration.

### ***Guidance on the Assessment of Fines for Breaches***

In November 2021, URCA completed the consultation document “Guidelines on the Assessment of Fines for Breaches.” For efficiency purposes the release of the consultation document was deferred to T1 2022. The document is intended to provide guidance concerning sections 63 and 72 of the Electricity Act, which stipulates that a licensee that contravenes a provision of the Electricity Act or a licence condition, is liable to a regulatory fine or other penalty determined by URCA. In exercising its power to impose such fines, URCA enjoys a wide degree of discretion. To ensure transparency, impartiality and consistency in its decision making, the URCA proposed Guidelines will establish and specify the methodology that will be used in the exercise of URCA’s discretion to set a fine.

URCA considers that the guidelines will expand the regulatory framework to eliminate any ambiguity that may exist; and, that it will satisfy the objective to establish a methodology for setting fines that are in keeping with the Electricity Act and standards for good regulatory practice.

### *International Participation and Engagement*

Since 2018, URCA, as the representative of The Bahamas and through election to the Executive Council of the International Telecommunications Union (ITU) and the Executive Committee Inter-American Telecommunications Commission (CITEL), assumed prominent leadership roles in both organisations. While the achievements are laudable, the change in organisational leadership and the resignation of two key support personnel created a challenge for URCA’s effective execution of its responsibility. Notwithstanding the human resource issues, URCA remains committed, with regulatory team support, to fulfilling its obligations as the country’s delegated representative. The Bahamas’ tenure on both committees ends in 2022. URCA will engage with the Government, early in 2022, to determine how the government wishes to proceed with The Bahamas’ executive level representation at the ITU and CITEL.

URCA recognizes that, as the national telecommunications regulator, there is significant value to URCA’s continued participation in the ITU, CITEL, the Caribbean Telecommunications Union (CTU), the Organization of Caribbean Utilities Regulators (OOCUR) and other international telecommunications and energy regulatory organisations. In 2022, as URCA initiates public discussion on 5G and its potential implications for The Bahamas, the benefit of the knowledge and experience of its international regulatory associates could prove valuable to informing The Bahamas’ strategy for the way forward. URCA will continue to build and reinforce alliances with its regional and international regulatory organisations and leverage those relationships to URCA’s national regulatory benefit.

### *Building Regulatory Capacity and Human Capital*

An organisation’s commitment to learning and growth is one of the most critical areas of capacity building. In 2021, URCA continued with its effort to create an intentional approach to the development of its human

resource capital. It resulted in the establishment of a new Learning and Development Framework, designed to ensure targeted instruction, strategically aligned with the organisational performance goals. Among the key benefits of this targeted approach is URCA's ability to leverage the investment in training during the past 12 years through an assessment of employee knowledge and expertise.

The full implementation of this Learning & Development Framework and accompanying initiatives are strategic priorities in 2022. Among the key initiatives is a review of the efficacy of the revised Performance Management tool, which aims to align performance with strategic objectives and an assessment of the impact of learning on URCA's overall performance.

Additionally, in November 2021, URCA introduced a Leadership Development Programme, with full implementation scheduled for early 2022. This initiative is intended to address the declining pool of internal leadership resources at the departmental, regulatory and executive levels. The current and future impact of the organisation depends largely on the extent to which URCA's internal environment lends to the cultivation of the next generation of regulatory leaders and subject matter experts. One primary objective of the *Emerging Leaders and Next Generation Regulatory Experts Programme* is the preservation and elevation of URCA's reputation as a credible, effective national utilities regulator.

URCA remains committed to addressing the high turnover of employees, particularly in the regulatory departments. URCA's ongoing Cultural Renewal initiative and the 2021 Compensation Review project are potential mitigation strategies. Notwithstanding the high level of employee turnover during the last decade, URCA remains an attractive employer for young professionals and accomplished experts, seeking new, challenging and rewarding opportunities, as evidenced by the diversity of skills employed in 2021. URCA's Core Values, i.e., People Centred and One Team, highlight the significance URCA places on developing and sustaining a high performing, reputable team of regulators, supported by competent and highly effective operations personnel.

### *Educating and Supporting our Stakeholders*

One of the major responsibilities of URCA'S Corporate and Consumer Relations Department is to drive consumer education and to lead meaningful public discourse on the Regulator's impact within our communities. Like many entities across the globe grappling with the COVID-19 pandemic, URCA embraced the use of digital technology to ensure continuity in communications with its national stakeholders.

Redirecting the department's communications strategy also meant retooling its traditional stakeholder engagement forums to a digital space. The Regulator hosted a series of webinars focused on sharing its 2021 Annual Plan, presenting its 2020 Annual Report and providing opportunities for national discussion on the regulatory work in both the Electricity and Electronic Communications sectors. With each webinar in 2021, URCA saw increasing public participation as stakeholders gradually embraced the digital space as an opportunity to engage with the Regulator. As an added benefit, recorded webinars allowed URCA to expand its engagement by making live sessions available from its social media platforms and website for future viewing.

Celebrating the 7<sup>th</sup> anniversary of its flagship outreach programme, Girls in ICT Day, URCA and its major licensees hosted a virtual event on April 22, 2021. Hundreds of young women from high schools and tertiary institutions across The Bahamas were able to participate in engaging and motivational sessions meant to foster greater interest in Information Communication Technology (ICT) for academic and career



pursuits. URCA is hopeful that future expansion into a virtual event will allow the Regulator to further boost participation in New Providence and the Family Islands.

Beyond the use of webinars, URCA saw digital expansion as critical to maintaining ongoing stakeholder engagement. Throughout the year, URCA gradually increased its engagement on social media by providing a series of consumer tips related to protection, energy savings and use of electronic communications. The intent was to capitalize on the cost effective, far reaching, and efficient use of its digital communications platforms, especially in the COVID-19 era.

By the end of 2021, URCA's Corporate and Consumer Relations team launched a brand awareness campaign, "Fair Play or No Play" was already in development and the team used the final months of the year to launch the campaign publicly. An aggressive approach was taken with widespread marketing in the digital media space as well as traditional media outlets. The main driver of the campaign was a 30-second video promotion appearing on digital media platforms and local television programming. Branched off from the video, print ads were generated for Newspaper and spin-off digital (still) advertisements helped to reinforce the concept and keep URCA top of mind among stakeholders.

The Regulator realises that its evolution in digital marketing leaves a segment of the population untapped. Another major tenant of the "Fair Play or No Play" campaign was the need to, even on a limited basis, create printed communications for consumers in New Providence, Grand Bahama and the Family Islands. URCA partnered with local grocers on the various islands to distribute 3,000 "Fair Play or No Play" brochures via URCA branded reusable grocery bags. On an introductory level, the brochure highlights the role of URCA in the community with the hope to continue building on that knowledge to create a more informed and engaged public.

The plan for 2022 is to capitalise on its communications successes in 2021. Through its "Fair Play or No Play" campaign, the Regulator has been able to reach more than 100,000 individuals in the digital space alone. While it cannot quantify the reach via the other communications channels, one of the early goals of 2022 is to measure the initial success of this campaign, adjust as necessary and broaden the national communications strategy.

### *Legal Matters*

In accordance with its mandate, URCA's Legal Department advised on various matters of legal significance during 2021 and assisted with URCA's compliance in the discharge of its statutory obligations and regulatory functions relative to the ECS and the ES. The Legal Department continues its oversight of URCA's litigation, engaging with and managing external counsel. The Legal Department also lends salient support in building and fostering an effective and efficient regulatory business environment.

#### ***Oversight of Litigation***

The continuing Covid-19 pandemic in 2021 had no less effect on litigation matters than it did on other areas of operations within URCA. Highlighted below are three matters of significance during the 2021 period:

#### ***Grand Bahama Power Company Ltd. v URCA***

The focus during 2021 was primarily on progressing the Grand Bahama Power Company Ltd. v URCA Supreme Court litigation. It was anticipated that the trial of the matter would take place during the year, but a recusal application filed by the Plaintiff (GBPC) and supported by the intervenor (Grand Bahama Port

Authority) resulted in another trial delay. The current status is that the recusal hearing is still active before the court and the trial cannot commence until the recusal hearing has concluded.

### ***CBL v URCA – UAT Appeal***

ECS licensee Cable Bahamas Ltd. filed an appeal at the Utility Appeal Tribunal on 28 July 2021 against URCA's Interim Order dated 22 July 2021 and the ECS investigations regarding an alleged breach by CBL of the Code of Conduct for Content Regulations. CBL seeks (1) that the Interim Order be set aside; (2) damages and/or compensation as a result of the Interim Order; (3) costs of appeal; and (4) other relief as the Tribunal may deem just.

### ***CBL v URCA - Supreme Court Application for Judicial Review Hearing***

On 4 August 2021, a few days following the filing of CBL's UAT Notice of Appeal (highlighted above), CBL also filed two Ex Parte Summons for applications to the Supreme Court for Judicial Review.

Due to the UAT not being properly constituted at the time the Appeal was filed, the Court granted CBL's request for an expedited Supreme Court judicial review hearing, which was held on 13 September 2021. On 6 December 2021 the Honourable Court ruled in favour of URCA.

### ***UAT Appeals***

The two Utility Appeal Tribunal (UAT) matters reported in 2020, which stem from Electricity Sector regulatory decisions involving Bahamas Power and Light (BPL), remain pending to be heard by the UAT.

### ***Advisory and Facilitative Functions***

URCA's Legal Department carried out its advisory and facilitative role in matters related to the ECS and ES sectors, together with other documents produced by URCA, and advised on legal issues generally pertaining to the operational areas.

### ***Risk Management***

URCA remains committed to its Risk Management strategy and demonstrates this commitment through management's regular reviews of existing and mitigation plans agreed, incorporating recommendations of resulting internal audits and year-end reviews. Particularly, the year-end reviews create opportunity to determine areas for improvement and highlight workable strategies.

## **SUMMARY OF 2021 OUTCOMES**

URCA performance in respect of Tier I and Tier II projects in the 2021 Annual Plan is set out in Table 1 and Table 2 below. The project completion timelines are expressed in trimesters (T1, T2 and T3).

Table 1 - Performance, 2021 Tier I Projects

Project	Start Period	End Period (2021 Annual Plan)	Status as of 21 December 2021
<b>General Projects</b>			
<b>Implementation of URCA Organisational Performance Indexes</b>	T2, 2020	T3, 2022	Ongoing
<b>Market and Consumer Satisfaction Surveys</b>	T2, 2020	T, 2022	Ongoing
<b>Draft Annual Plan 2022</b>	T3, 2021	T3, 2021	Completed 21 December 2021
<b>Electronic Communications Sector Projects</b>			
<b>Review of Direct Internet Access Offers</b>	T1, 2021	T3, 2022	Completed T2, 2021
<b>Review of CBL Repackaging Application</b>	T1, 2021	T2, 2021	Completed T2, 2021
<b>Market Review of Mobile Services</b>	T1, 2019	T3, 2021	Completed T3, 2021
<b>Monitoring &amp; Compliance Guidelines</b>	T1, 2020	T3, 2021	Completed T3, 2021
<b>Review of Universal Service Framework</b>	T2, 2018	T2, 2020	Carryover to T3, 2022
<b>Market Assessment of the Feasibility of a Third Mobile Operator</b>	T1, 2019	T3, 2021	Carryover to T3, 2022
<b>ECS Comprehensive Market Surveys</b>	T1, 2021	T2, 2021	Carryover to T3, 2022
<b>Electricity Sector Projects</b>			
<b>Promotion of Energy Efficiency and Conservation</b>	T2, 2019		Project ongoing. Assigned to CCR as

Project	Start Period	End Period (2021 Annual Plan)	Status as of 21 December 2021
			a Public Education campaign.
Framework for Public Electricity Supplier Inspection	T2, 2019	T3, 2019	Carryover to 2022
Cost Based Tariff Policy for Renewable Energy Self Generation Project	T1, 2021	T2, 2022	Ongoing
Establishment of ADR Scheme(s) for the ES	T1, 2019	T2, 2019	Completed T3, 2021.
Electricity Sector Framework Development			
Technical Standards for Electricity Sector	T1, 2021	T2, 2021	Scope expanded. Carryover to T3, 2022 as Tier 1
Consultation Procedures (w/consideration of the ES)	T1, 2021	T2, 2021	Completed T3, 2021
Competition Guidelines for the ES	T2, 2021	T3, 2021	Carryover to T3, 2022
Guidelines for the Assessment of Breaches and Fines	T2, 2021	T3, 2021	Carryover to T1, 2022
Licensees Annual Plant and Operations Inspections	T2, 2021	T3, 2021	Carryover to T3, 2022 as Tier 1
Renewable Energy Progression/Advancement Programme			
Utility Scale Development Regulations	T1, 2021	T3, 2021	BPL's Renewable Energy Plan (REP) 2021, Approved APESL (REPs) Ongoing
Battery Storage Integration	T3, 2021	T1, 2022	Carryover to T3, 2022
Guidelines for Regulatory Accounting	T2, 2021	T1, 2022	Carryover to T3, 2022

Project	Start Period	End Period (2021 Annual Plan)	Status as of 21 December 2021
Rate Reduction Bond	T1, 2019	T2, 2021	Completed

Table 1 - Performance, 2021 Tier II Projects

Project	Start Period	End Period	Status as of 21 December 2020
<b>Electronic Communications Sector Projects</b>			
Market Survey – FM Broadcasting and Pay TV	T3, 2018	T3, 2021	Completed T3 2021. Survey results will be published in T1 2022.
Review of Public Service Broadcasting Framework	T1, 2018	2022	Phase 1 Completed. Phase 2 scheduled as Tier 1 in 2022.
ICTs for Persons with Disabilities	T2, 2018	T1, 2022	Ongoing
Market Review – Fixed Services (Incl. Pay TV)	T3, 2019	2022	Carryover to 2022 as Tier I.
<b>Electricity Sector Projects</b>			
Tariff Review Framework & Tariff Setting Procedures	T1, 2020	T3, 2020	Completed T2, 2021
Fuel Hedge Review	T2, 2021	T2, 2022	Ongoing

Table 3 below presents URCA’s actual expenditure against its budgeted expenditure for 2021.

Table 3 - Actual vs. Budgeted Expenditure

<b>CONSOLIDATED</b>			
Category	Actual FY-2021	Budget FY-2021	Inc/(Dec)
Revenue	5,711,136	6,217,597	(506,461)
Other income	32,140	-	32,140
Total Income	5,743,276	6,217,597	(474,321)
Expenses:			

<b>Staff Costs</b>	2,833,920	2,550,297	-283,623
<b>Non-Executive Compensation</b>	194,996	184,000	-10,996
<b>Executive Compensation</b>	434,333	444,684	10,351
<b>Professional Services</b>	876,421	882,000	5,579
<b>Conference, training and travel</b>	90,260	68,679	-21,581
<b>Premises Costs and Utilities</b>	258,730	372,500	113,770
<b>Conference hosting</b>	-	-	0
<b>Consumer education and Public Relations</b>	173,637	273,000	99,363
<b>Office Services</b>	156,038	167,300	11,262
<b>Information Technology</b>	206,411	224,000	17,589
<b>General and Administrative Expenses</b>	318,135	354,303	36,168
<b>Provision for doubtful accounts</b>	24,503	400,000	375,497
<b>Depreciation</b>	328,899	296,834	-32,065
<b>Total Operating Expenses</b>	5,896,283	6,217,597	321,314
<b>Gain on sale of property, plant and equipment</b>	(325)	-	-325
<b>Re-measurement of pension asset</b>	(118,311)	-	-118,311
<b>Comprehensive Income</b>	<b>(271,643)</b>	-	<b>-271,643</b>
<b>Capital Expenditure</b>	<b>273,791</b>	<b>74,507</b>	<b>-199,284</b>

<b>ELECTRONIC COMMUNICATIONS</b>			
<b>Category</b>	<b>Actual FY-2021</b>	<b>Budget FY-2021</b>	<b>Variance</b>
<b>Revenue</b>	3,553,228	3,603,219	(49,991)
<b>Other income</b>	19,970	-	19,970
<b>Total Income</b>	3,573,198	3,603,219	(30,021)
<b>Expenses:</b>			
<b>Staff Costs</b>	1,309,143	1,469,689	160,546

<b>Non-Executive Compensation</b>	116,998	110,400	-6,598
<b>Executive Compensation</b>	206,998	201,049	-5,949
<b>Professional Services</b>	725,998	503,250	-222,748
<b>Conference, training and travel</b>	42,282	36,935	-5,347
<b>Premises occupancy costs</b>	180,231	265,425	85,194
<b>Conference hosting</b>	-	-	0
<b>Consumer education and Public Relations</b>	149,249	144,000	-5,249
<b>Office Services</b>	115,606	131,975	16,369
<b>Information Technology</b>	164,821	179,200	14,379
<b>General and Administrative Expenses</b>	222,734	303,237	80,503
<b>Provision for doubtful accounts</b>	24,503	14,250	-10,253
<b>Depreciation</b>	271,064	243,809	-27,255
<b>Total Operating Expenses</b>	3,529,627	3,603,219	73,592
<b>Loss on sale of property, plant and equipment</b>	(325)	-	-325
<b>Re-measurement of pension asset</b>	(118,311)	-	-118,311
<b>Comprehensive Income</b>	<b>(75,065)</b>	-	<b>(75,065)</b>
<b>Capital Expenditure</b>	<b>186,902</b>	<b>52,155</b>	<b>-134,747</b>

<b>UTILITIES AND ENERGY</b>			
<b>Category</b>	<b>Actual FY-2021</b>	<b>Budget FY-2021</b>	<b>Variance</b>
<b>Revenue</b>	2,157,908	2,614,378	(456,470)
<b>Other income</b>	12,170	-	12,170
<b>Total Income</b>	2,170,078	2,614,378	(444,300)
<b>Expenses:</b>			
<b>Staff Costs</b>	1,524,776	1,080,608	(444,168)
<b>Non-Executive Compensation</b>	77,998	73,600	(4,398)

<b>Executive Compensation</b>	227,336	243,635	16,299
<b>Professional Services</b>	150,423	378,750	228,327
<b>Conference, training and travel</b>	47,978	31,744	(16,234)
<b>Premises occupancy costs</b>	78,499	107,075	28,576
<b>Conference hosting</b>	-	-	-
<b>Consumer education and Public Relations</b>	24,388	129,000	104,612
<b>Office Services</b>	40,432	35,325	(5,107)
<b>Information Technology</b>	41,590	44,800	3,210
<b>General and Administrative Expenses</b>	95,401	51,066	(44,335)
<b>Provision for doubtful accounts</b>	-	385,750	385,750
<b>Depreciation</b>	57,835	53,025	(4,810)
<b>Total Operating Expenses</b>	2,366,656	2,614,378	247,722
<b>Gain on sale of property, plant and equipment</b>	-	-	-
<b>Re-measurement of pension asset</b>	-	-	-
<b>Comprehensive Loss</b>	<b>(196,578)</b>	-	<b>(196,578)</b>
<b>Capital Expenditure</b>	<b>86,889</b>	<b>22,352</b>	<b>-64,537</b>

Tables 4 sets out URCA's results against its established Key Performance Indicators for 2021.

*Table 4 - Key Performance Indicators 2021*

\* Figures are cumulative to end of trimester

Ref.	Category	Description	KPI Result 2021
<b>S1</b>	Statutory	Draft Annual Plan and Strategy published before end of financial year	Draft Annual Plan 2021 published on 23 December
<b>S2</b>	Statutory	Annual Report and final Annual Plan published within four months of year end	Annual Report 2020 and Annual Plan 2021 published on 30 April 2021



<b>R1</b>	Regulatory	Final determinations to be published within one (1) month from closing date for comments on Preliminary Determination	R1 (a) 4 R1 (b) 1
<b>R2</b>	Regulatory	Percentage of public consultations started within period stated in Annual Plan	R1 (a) 33.3% R1 (b) 33.3%
<b>R3</b>	Regulatory	Time to publish results, decisions, and other regulatory measures after close of consultation: 45 – 60 days 60 – 90 days • >90 days	R1 (a)      R1 (b) 3            2 2            1 0            1
<b>R4</b>	Regulatory	Licenses issued within: • 30 days – individual licences • 45 days – class licences	R1 (a)      R1(b) 5            57
<b>R5</b>	Regulatory	Volume of licences processed in the year	R1 (a)      R1 (b) 2            6
<b>F1</b>	Finance	Cost of Finance (% of Opex)*	6.34%
<b>F2</b>	Finance	Period end Cycle time (Working days) *	14.67
<b>F3</b>	Finance	Year end Cycle time	32
<b>F4</b>	Finance	Budgeting Accuracy *	24.64%
<b>F5</b>	Finance	Cost of license invoice	\$243.41
<b>F6</b>	Finance	Debtor Days	16.9
<b>F7</b>	Finance	Number of Adjustments	-
<b>F8</b>	Finance	Value of Adjustments	\$0
<b>F9</b>	Finance	Payment made electronically (%)	97.68%
<b>F10</b>	Finance	Long outstanding Debt	100%
<b>HR1</b>	Human Resources	Cost of HR function (as a % of total operating expenses)	5.19%
<b>HR2</b>	Human Resources	Cost of HR function per employee	\$8744.41
<b>HR3</b>	Human Resources	Ratio of employee to HR staff	11.6:1

<b>HR4</b>	Human Resources	Annual average learning and development days per employee	17.3
<b>HR5</b>	Human Resources	Turnover rate	8.65%
<b>HR6</b>	Human Resources	Annual average sick days per employee	1.1
<b>HR7</b>	Human Resources	Investment in learning and development as a % of payroll	2.5%
<b>HR8</b>	Human Resources	Cost of advisors as a % of total payroll	18.4%
<b>HR9</b>	Human Resources	% of roles held by permanent employees	94%
<b>HR10</b>	Human Resources	Average length of vacancy	79
<b>HR11</b>	Human Resources	Average cost of recruitment per vacancy	\$4001.79
<b>HR12</b>	Human Resources	% of new employees still in their post after 12 months of service	87.5%
<b>HR13</b>	Human Resources	% of eligible employees receiving an annual performance appraisal	100%
<b>IT1</b>	Information Technology	Percentage of overall organizational cost spent on Information and Communication Technology support annually.	1.75%
<b>IT2</b>	Information Technology	Percentage of overall organizational cost invested in Information and Communication Technology annually ( upgrades, new equipment etc.)	0.75%
<b>IT3</b>	Information Technology	The average dollar amount Invested in Information Communication and Technology per employee/user annually.	\$2,941.19
<b>IT4</b>	Information Technology	Percentage of employees with the ability to access URCA's network remotely when out of the office.	100%

Table 5- Licensees Statistics 2021

Licence Statistics 2021													
Individual Spectrum Licence													
Month	Total Number of Application Forms Received	Total Number of Application Forms Processed within 30 days	Total Number of Application Forms Processed outside of 30 days	Total Number of Pending App.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 30 Days)	Pending	Incomplete	Rejected/ Dropped	Total Number of Licences issued
<b>Application Forms brought forward from 2020</b>										0			
Jan-21	0	0	0	0	0	0	0	0	0%	0	0	0	0
Feb-21	1	0	0	0	0	0	0	0	0%	1	0	0	0
Mar-21	0	0	0	0	0	0	0	0	0%	0	0	0	0
Apr-21	0	0	0	1	0	0	1	1	100%	0	0	0	1
May-21	0	0	0	0	0	0	0	0	0%	0	0	0	0
Jun-21	1	0	0	0	0	0	0	0	0%	1	0	0	0
Jul-21	0	0	0	0	0	0	0	0	0%	0	0	0	0
Aug-21	1	1	0	0	0	0	1	1	100%	0	0	0	1
Sep-21	1	1	0	1	0	0	5	3	100%	0	0	0	2
Oct-21	1	0	0	0	0	0	0	0	0%	1	0	0	0
Nov-21	0	0	0	0	0	0	0	0	0%	0	0	0	0
Dec-21	0	0	0	1	0	0	4	0	100%	0	0	0	1
<b>TOTAL</b>	<b>5</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>11</b>	<b>2</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>

Class Spectrum Licence Requiring Registration													
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 <b>Pending</b> Application Forms Processed from previous month (s)	Total Number of <b>Incomplete</b> 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
<b>Application Forms brought forward from 2020</b>										7			
<b>Jan-21</b>	5	0	0	5	0	0	152	30	100%	5	0	0	5
<b>Feb-21</b>	7	0	0	7	0	0	283	40	100%	7	0	0	7
<b>Mar-21</b>	8	1	0	7	0	0	172	22	100%	7	0	0	8
<b>Apr-21</b>	8	0	0	7	0	0	149	21	100%	8	0	0	7
<b>May-21</b>	2	0	0	8	0	0	182	23	100%	2	0	0	8
<b>Jun-21</b>	5	0	0	2	0	0	45	23	100%	5	0	0	2
<b>Jul-21</b>	3	0	0	5	0	0	88	18	100%	3	0	0	5
<b>Aug-21</b>	1	1	0	3	0	0	123	31	100%	0	0	0	4
<b>Sep-21</b>	3	1	0	0	0	0	23	23	100%	2	0	0	1
<b>Oct-21</b>	4	1	0	2	0	0	64	21	100%	3	0	0	3
<b>Nov-21</b>	4	2	0	3	0	0	106	21	100%	2	0	0	5
<b>Dec-21</b>	4	0	0	2	0	0	58	29	100%	4	0	0	2
<b>TOTAL</b>	<b>54</b>	<b>6</b>	<b>0</b>	<b>51</b>	<b>0</b>	<b>0</b>	<b>1445</b>	<b>25</b>	<b>100%</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>57</b>



## Class Operating Licence Requiring Registration

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
<b>Application Forms brought forward from 2020</b>													
Jan-21	0	0	0	0	0	0	0	0	0	0	0	0	0
Feb-21	0	0	0	0	0	0	0	0	0	0	0	0	0
Mar-21	0	0	0	0	0	0	0	0	0	0	0	0	0
Apr-21	0	0	0	0	0	0	0	0	0	0	0	0	0
May-21	1	0	0	0	0	0	0	0	0	1	0	0	0
Jun-21	1	0	0	0	0	0	0	0	0	1	0	0	0
Jul-21	0	0	0	1	0	0	18	18	100%	0	0	0	1
Aug-21	0	0	0	0	0	0	0	0	0	0	0	0	0
Sep-21	0	0	0	1	0	0	4	4	100%	0	0	0	1
Oct-21	0	0	0	0	0	0	0	0	0	0	0	0	0
Nov-21	0	0	0	0	0	0	0	0	0	0	0	0	0
Dec-21	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>22</b>	<b>11</b>	<b>100%</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>

# AUDITED FINANCIAL REPORT

**THE UTILITIES REGULATION  
AND COMPETITION AUTHORITY**

**Financial Statements For The  
Year Ended 31 December 2021**



# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

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## Independent auditors' 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 2021, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs).

### *What we have audited*

The Authority's financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the statement of income over expenditure and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### 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 *Auditors' 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRS for SMEs, 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 Company's financial reporting process.

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### **Auditors' 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 auditors' 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 auditors' 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 auditors' 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.



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**Other matter**

This report, including the opinion, has been prepared for and only for the Board of Directors of 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.

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*PricewaterhouseCoopers*  
**Chartered Accountants  
Nassau, Bahamas**

**30 April 2022**

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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	Notes	2021	2020
<b>ASSETS</b>			
NON-CURRENT ASSETS:			
Property, plant and equipment	5	\$ 4,481,226	\$ 4,536,659
Pension asset	4	<u>26,444</u>	<u>205,546</u>
Total non-current assets		<u>4,507,670</u>	<u>4,742,205</u>
CURRENT ASSETS:			
Cash on hand and at banks		2,342,508	1,884,459
Accounts receivable	3	454,094	486,149
Prepaid expenses and other assets		<u>1,099,509</u>	<u>694,377</u>
Total current assets		<u>3,896,111</u>	<u>3,064,985</u>
Total assets		<u>\$ 8,403,781</u>	<u>\$ 7,807,190</u>

*(Continued)*

The notes on pages 10 to 28 form part of these financial statements.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF FINANCIAL POSITION


AS AT 31 DECEMBER 2021

(Expressed in Bahamian dollars)

	Notes	2021	2020
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Long term debt	6	\$ 185,056	\$ 103,998
Accounts payable and accrued expenses	8	<u>1,471,875</u>	<u>295,556</u>
Total current liabilities		<u>1,656,931</u>	<u>399,554</u>
<b>NON-CURRENT LIABILITY:</b>			
Long term debt	6	<u>-</u>	<u>389,142</u>
Total liabilities		<u>1,656,931</u>	<u>788,696</u>
Net assets		<u>\$ 6,746,850</u>	<u>\$ 7,018,494</u>
<b>NET ASSETS REPRESENTED BY:</b>			
Contributed capital	7	\$ 1,537,891	\$ 1,537,891
URCA Fund:			
- Not immediately required	7	2,993,959	3,455,603
- Immediately required	7	<u>2,215,000</u>	<u>2,025,000</u>
Total equity		<u>\$ 6,746,850</u>	<u>\$ 7,018,494</u>

(Concluded)

These financial statements were approved by the Board of Directors on 21 April 2022 and signed on its behalf by:



Chairperson



Chief Executive Officer

The notes on pages 10 to 28 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 2021

*(Expressed in Bahamian dollars)*

	Notes	2021	2020
REVENUE:			
Electronic communications operating licence fees	7, 8	\$ 3,553,228	\$ 3,934,386
Energy sector licence fees	7, 8	2,157,908	1,828,843
Telecommunications, radio communications, energy and other fees	7, 8	<u>32,140</u>	<u>69,193</u>
Total revenue		<u>5,743,276</u>	<u>5,832,423</u>
EXPENSES:			
Salaries and Benefits	4, 8	3,463,249	3,111,128
Legal, professional and consultancy fees		876,421	702,451
Depreciation	5	328,899	392,267
Information technology		206,411	137,449
Premises occupancy costs	8	177,412	226,090
Professional membership		176,797	174,564
Office services		172,313	167,262
Advertising and public relations		138,557	86,419
Communications	8	93,119	68,430
Training		83,099	46,570
Premises repairs and maintenance		81,317	183,370
Donations	8	35,080	33,423
Provision for doubtful accts		24,503	231,911
Automotive maintenance		17,086	12,473
Interest charges	6	14,859	27,813
Travel		7,160	121,717
Conference hosting		<u>-</u>	<u>25,542</u>
Total expenses		<u>5,896,283</u>	<u>5,748,879</u>

*(Continued)*

The notes on pages 10 to 28 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 2021

*(Expressed in Bahamian dollars)*

	Notes	2021	2020
OPERATING (LOSS) INCOME		\$ (153,007)	\$ 83,544
OTHER INCOME AND EXPENSES:			
Fines		-	380,706
(Loss) Gain on disposal of assets		(325)	18,776
Other income		<u>-</u>	<u>1,647</u>
Total other income		<u>(325)</u>	<u>401,129</u>
EXPENDITURE OVER INCOME		(153,332)	484,673
OTHER COMPREHENSIVE (EXPENSES) INCOME:			
Item that will not be reclassified subsequently to profit or loss:			
Remeasurement of pension asset	4	<u>(118,311)</u>	<u>47,683</u>
COMPREHENSIVE (LOSS) INCOME FOR THE YEAR		<u>\$ (271,643)</u>	<u>\$ 532,356</u>

*(Concluded)*

The notes on pages 10 to 28 form part of these financial statements.



# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

(Expressed in Bahamian dollars)

	<u>Notes</u>	URCA Fund		<u>Total</u>	
		<u>Contributed Capital</u>	(Not immediately required)		(Immediately required)
<b>Balance as of 1 January, 2020</b>		\$ 1,537,891	\$ 2,963,735	\$ 1,984,510	\$ 6,486,136
Excess of income over expenditure-ECS		-	720,807	-	720,807
Excess of expenditure over income-ES		-	(236,132)	-	(236,132)
Funds not required for immediate use		-	(40,490)	40,490	-
Other comprehensive income		-	47,683	-	47,683
<b>Balance at 31 December, 2020</b>		1,537,891	3,455,603	2,025,000	7,018,494
Excess of income over expenditure - ECS		-	43,246	-	43,246
Excess of expenditure over income - ES		-	(196,579)	-	(196,579)
Funds not required for immediate use		-	(190,000)	190,000	-
Other comprehensive expenses	4	-	(118,311)	-	(118,311)
<b>Balance at 31 December, 2021</b>		<u>\$ 1,537,891</u>	<u>\$ 2,993,959</u>	<u>\$ 2,215,000</u>	<u>\$ 6,746,850</u>

The notes on pages 10 to 28 form part of these financial statements.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## STATEMENT OF CASH FLOWS YEAR ENDED 31 DECEMBER 2021 (Expressed in Bahamian dollars)

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Excess of expenditure over income		\$ (153,332)	\$ 484,673
Adjustments for:			
Depreciation	5	328,899	392,267
Provision for doubtful accounts	3	24,503	231,911
Interest expense		14,859	27,813
Loss (Gain) on sale of property, plant and equipment		325	(18,776)
(Increase) decrease in operating assets:			
Accounts receivable		7,552	(436,137)
Prepaid expenses and other assets		(405,132)	(179,628)
Pension asset		60,791	2,567
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		<u>1,176,319</u>	<u>(227,268)</u>
Net cash from operating activities		<u>1,054,784</u>	<u>277,421</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property, plant and equipment	5	(273,792)	(74,507)
Proceeds from the sale of property, plant and equipment		<u>-</u>	<u>19,000</u>
Net cash used in investing activities		<u>(273,792)</u>	<u>(55,507)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Long term debt principal repayments	6	(308,084)	(295,130)
Interest paid	6	<u>(14,859)</u>	<u>(27,813)</u>
Net cash from financing activities		<u>(322,943)</u>	<u>(322,943)</u>
DECREASE IN CASH AND CASH EQUIVALENTS		458,049	(101,029)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		<u>1,884,459</u>	<u>1,985,488</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR		<u>\$ 2,342,508</u>	<u>\$ 1,884,459</u>

The notes on pages 10 to 28 form part of these financial statements.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### 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 2021

*(Expressed in Bahamian dollars)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards for Small and Medium sized Entities (*IFRS for SMEs*). They have been prepared under the historical cost convention. The preparation of financial statements in conformity with the IFRS for SMEs requires management to exercise its judgment in the process of applying its accordance 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 2(d), 2(e) and 2(f).

#### (b) Cash and cash equivalents

For the purposes of statement of cash flows, Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less.

#### (c) 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.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (d) 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.

##### *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.

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.

Account receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables.

The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of income over expenditure and comprehensive income.

If in a subsequent period, the amount of the provision decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the provision account. When an account receivable is uncollectible, it is written off against the provision for doubtful accounts. Subsequent recoveries of amounts previously written off are credited to the statement of income over expenditure and other comprehensive income.

##### *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).

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) 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:

Buildings	20 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 2021

*(Expressed in Bahamian dollars)*

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### 2, SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) 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.

#### (g) 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.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Pension benefits (continued)

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 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.

#### (h) 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.

#### (i) Fiduciary activities

The Authority collects certain fees from licensees on behalf of the Government. The assets associated with these activities includes cash held by URCA and receivables owed by the licensees to the Government and are excluded from the Authority's statement of financial position, as they do not belong to the Authority.



# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**(i) Fiduciary activities (continued)**

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 through the Ministry of Finance. Based on the Government directives, the Authority enforces collection of amounts owed by licensees to the Government. Funds held in bank accounts resulting from the billing and collection activities of government fees at 31 December 2021 were \$1,879,856 (2020: \$665,645).

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 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.

**(j) Segment reporting**

The Authority uses as its basis for segmentation and reporting, the results of operations and the financial position of its separately managed business components for which management review the financial results.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

(Expressed in Bahamian dollars)

### 3. ACCOUNTS RECEIVABLE

	2021	2020
<i>Accounts receivable:</i>		
Electronic Communications	\$ 723,304	\$ 730,856
Energy	<u>610,243</u>	<u>610,243</u>
Subtotal	1,333,547	1,341,099
<i>Provision for doubtful accounts:</i>		
Electronic Communications	(696,380)	(671,877)
Energy	<u>(183,073)</u>	<u>(183,073)</u>
	<u>\$ 454,094</u>	<u>\$ 486,149</u>

Movements in Provision for Doubtful Accounts are as follows:

	2021	2020
As at 1 January	\$ 854,950	\$ 623,040
Increase in Provision for doubtful accounts		
Electronic Communications	24,503	48,837
Energy	<u>-</u>	<u>183,073</u>
As at 31 December	<u>\$ 879,453</u>	<u>\$ 854,950</u>

### 4. 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. During 2021, the Plan was amended to allow active members to transfer to the DC Plan and pensioners to each receive a single lump sum as settlement for future pensions from the Plan. One of the two active members transferred to the DC Plan and all three pensioners opted for the lump sum settlement. The amount transferred for the active member was the estimate of what would have accumulated to the member's credit had a defined contribution plan been in place from the commencement of employment; for pensioners, the lump sum paid to each was the present value of lifetime future payments using a discount rate of 3.5%. The Authority considers that the elimination of all further obligations for one of the two active members and all inactive members with a lump sum payment is considered a settlement. As of 31 December 2021, there is 1 (2020: 2) member and no (2020:3) pensioners 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 2021.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### 4. PENSION BENEFITS (Continued)

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

	<b>2021</b>	<b>2020</b>
Discount rate	5.50%	5.50%
Future salary increases	2.50%	2.50%

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.

	<b>2021</b>	<b>2020</b>
Current service cost	\$ 23,496	\$ 27,734
Loss due to Settlement	\$ 60,849	\$ -
Administrative costs	\$ 6,919	\$ 4,409
Net interest income	<u>(11,015)</u>	<u>(7,087)</u>
Total included in salaries and benefits	<u>\$ 80,249</u>	<u>\$ 25,056</u>

The pension plan asset is analysed as follows:

	<b>2021</b>	<b>2020</b>
Fair value of plan assets	\$ 653,201	\$ 1,163,656
Present value of benefit obligations	<u>(626,757)</u>	<u>(958,110)</u>
Asset in the statement of financial position	<u>\$ 26,444</u>	<u>\$ 205,546</u>

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

	<b>2021</b>	<b>2020</b>
Asset as of beginning of year	\$ 205,546	\$ 160,430
Pension benefit expense	(80,249)	(25,056)
Amount recognized in other comprehensive (loss) income	(118,311)	47,683
Contributions	<u>19,458</u>	<u>22,489</u>
Asset as of end of year	<u>\$ 26,444</u>	<u>\$ 205,546</u>

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

(Expressed in Bahamian dollars)

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### 4. PENSION BENEFITS (Continued)

Movements in the present value of the benefit obligations comprise:

	<b>2021</b>	<b>2020</b>
Present value of benefit obligations as of beginning of year	\$ 958,110	\$ 959,051
Interest cost	48,347	48,743
Current service cost	23,496	27,734
Actuarial loss/(gain) on benefit obligations	99,464	(53,563)
Actuarial loss due to settlement	60,849	-
Benefits paid	<u>(563,509)</u>	<u>(23,855)</u>
Present value of benefit obligations as of end of year	<u>\$ 626,757</u>	<u>\$ 958,110</u>

Movements in the fair value of plan assets comprise:

	<b>2021</b>	<b>2020</b>
Fair value of plan assets as of beginning of year	\$ 1,163,656	\$ 1,119,481
Expected return on plan assets	59,362	55,830
Contributions	19,458	22,489
Administrative costs	(6,918)	(4,409)
Actuarial loss on plan assets	(18,848)	(5,880)
Benefits paid	<u>(563,509)</u>	<u>(23,855)</u>
Fair value of plan assets as of end of year	<u>\$ 653,201</u>	<u>\$ 1,163,656</u>

The major categories of plan assets are as follows:

	<b>2021</b>	<b>2020</b>
Cash	\$ 25,364	\$ 37,776
Fixed Deposit	20,000	20,000
Bahamas Government Bonds	600,529	1,022,595
Other Fixed Income Securities	20,357	24,856
Preferred Shares	<u>25,000</u>	<u>88,400</u>
Total Cash and Investments	<u>\$ 691,250</u>	<u>\$ 1,193,627</u>

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### 4. PENSION BENEFITS (Continued)

#### Sensitivity Analysis

Significant actuarial assumptions for the determination of the defined obligation are the discount rate and expected salary increase. The sensitivity analysis below has 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.

Benefit obligations as at 31 December 2021 due to 1% change in the discount rate and future salary increases are shown below:

	31 December, 2021		31 December, 2020	
	1% p.a.	1% p.a.	1% p.a.	1% p.a.
	Increase	Decrease	Increase	Decrease
Discount rate	\$ (68,506)	\$ 81,438	\$ (109,323)	\$ 130,728
Future salary increases	\$ 29,359	\$ (28,463)	\$ 57,580	\$ (53,580)

- \$69,523 (2020: \$127,023) of the benefit obligation is due to salary increases.
- If all members lived one year longer, the benefit obligation would be \$641,055 (2020: \$981,076).
- The duration of the benefit obligation is 11.9 (2020:12.4) years.

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 \$97,132 (2020: \$84,997) and there were 22 (2020:17) participants in the Plan at 31 December 2021.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2021 (Expressed in Bahamian dollars)

### 5. 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>
<b>COST:</b>						
Balance at 1 January 2020	\$ 1,313,500	\$ 4,109,878	\$ 2,215,397	\$ 237,080	\$ 648,349	\$ 8,524,204
Additions	-	21,948	40,210	-	12,350	74,508
Disposals	-	-	(8,823)	(50,000)	-	(58,823)
Balance at 31 December 2020	1,313,500	4,131,826	2,246,784	187,080	660,699	8,539,889
Additions	-	224,761	44,261	-	4,769	273,791
Disposals	-	-	(168,977)	-	(10,348)	(179,325)
Balance at 31 December 2021	<u>\$ 1,313,500</u>	<u>\$ 4,356,587</u>	<u>\$ 2,122,068</u>	<u>\$ 187,080</u>	<u>\$ 655,120</u>	<u>\$ 8,634,355</u>
<b>ACCUMULATED DEPRECIATION:</b>						
Balance at 1 January 2020	\$ -	\$ 867,712	\$ 2,173,445	\$ 162,885	\$ 465,520	\$ 3,669,562
Depreciation expense	-	233,869	33,499	30,032	94,868	392,268
Disposals	-	-	(8,599)	(50,000)	-	(58,599)
Balance at 31 December 2020	-	1,101,581	2,198,345	142,917	560,388	4,003,231
Depreciation expense	-	234,597	27,755	19,999	46,548	328,899
Disposals	-	-	(168,653)	-	(10,348)	(179,001)
Balance at 31 December 2021	<u>\$ -</u>	<u>\$ 1,336,178</u>	<u>\$ 2,057,448</u>	<u>\$ 162,916</u>	<u>\$ 596,588</u>	<u>\$ 4,153,129</u>
<b>CARRYING VALUE:</b>						
As at 31 December 2021	<u>\$ 1,313,500</u>	<u>\$ 3,020,409</u>	<u>\$ 64,620</u>	<u>\$ 24,164</u>	<u>\$ 58,532</u>	<u>\$ 4,481,226</u>
As at 31 December 2020	<u>\$ 1,313,500</u>	<u>\$ 3,030,245</u>	<u>\$ 48,439</u>	<u>\$ 44,163</u>	<u>\$ 100,311</u>	<u>\$ 4,536,657</u>

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

(Expressed in Bahamian dollars)

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### 6. 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 \$14,859 (2020: \$27,813) were recognized on this loan in 2021. Principal payments made in 2021 were \$308,084 (2020: \$295,130). Principal payments due in 2022 is \$185,056.

	<b>2021</b>	<b>2020</b>
As at 1 January	\$ 493,140	\$ 788,270
Repayment of debt	<u>(308,084)</u>	<u>(295,130)</u>
As at 31 December	<u>\$ 185,056</u>	<u>\$ 493,140</u>
Current portion of long term debt	\$ 185,056	\$ 103,998
Non-current portion of long term debt	<u>\$ -</u>	<u>\$ 389,142</u>
	<u>\$ 185,056</u>	<u>\$ 493,140</u>

### 7. OPERATING SEGMENTS - 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 2021

*(Expressed in Bahamian dollars)*

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### 7. OPERATING SEGMENTS - 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 CEO assesses the performance of the operating segments of the Authority. Management has determined the operating segments based on the reports reviewed by the CEO in making strategic decisions. The CEO considers the business based on the following operating segments.

- Electronic communications sector;
- Energy (Electricity) sector.

The operating segments derive their revenue primarily from licence fees issued to sector participants. All of the Authority's business activities and operating segments are reported within the above segments. The segment information provided to the CEO for the operating segments, (which also represent the reportable segments) is as follows:



# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

(Expressed in Bahamian dollars)

### 7. OPERATING SEGMENTS - FUND BALANCES (Continued)

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

DESCRIPTION	Electronic Communications	Energy (Electricity)
Revenue	\$ 3,553,228	\$ 2,157,908
Other income	<u>19,970</u>	<u>12,170</u>
Total income	<u>\$ 3,573,198</u>	<u>\$ 2,170,078</u>
<b>Expenses:</b>		
Staff costs	\$ 1,633,139	\$ 1,830,110
Professional services	725,998	150,423
Depreciation	271,064	57,835
General and administrative services	222,734	95,401
Premises occupancy costs	180,231	78,499
Information technology	164,821	41,590
Consumer education and public relations	149,249	24,388
Office services	115,606	40,432
Conference, training and travel	42,282	47,978
Provision for doubtful accounts	<u>24,503</u>	<u>-</u>
Total expenses	<u>3,529,627</u>	<u>2,366,656</u>
Excess of income over expenditure	43,571	(196,579)
Loss on disposal of property, plant and equipment	(325)	-
Other comprehensive loss	(118,311)	-
Opening Fund Balance - 1 January, 2021	<u>5,346,120</u>	<u>134,482</u>
<b>Closing Fund Balance - 31 December, 2021</b>	<u>\$ 5,271,055</u>	<u>\$ (62,096)</u>

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

(Expressed in Bahamian dollars)

### 7. OPERATING SEGMENTS - FUND BALANCES (Continued)

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

DESCRIPTION	Electronic Communications	Energy (Electricity)
Revenue	\$ 3,934,387	\$ 1,828,843
Other income	<u>55,841</u>	<u>395,706</u>
Total income	<u>\$ 3,990,228</u>	<u>\$ 2,224,549</u>
<b>Expenses:</b>		
Staff costs	\$ 1,617,155	\$ 1,493,971
Professional services	350,595	351,856
Depreciation	324,927	67,340
Premises occupancy costs	286,388	118,215
General and administrative services	253,274	51,651
Office services	112,823	37,608
Information technology	109,892	27,557
Conference, training and travel	104,106	64,226
Consumer education and public relations	52,524	57,394
Conference hosting	24,826	10,640
Provision for doubtful accounts	<u>48,837</u>	<u>183,073</u>
Total expenses	<u>3,285,347</u>	<u>2,463,531</u>
Excess of income over expenditure	704,881	(238,982)
Gain on sale of property, plant and equipment	15,926	2,850
Other comprehensive gain	33,378	14,305
Opening Fund Balance - 1 January, 2020	<u>4,591,935</u>	<u>356,310</u>
<b>Closing Fund Balance - 31 December, 2020</b>	<u>\$ 5,346,120</u>	<u>\$ 134,482</u>

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 2021 \$2,215,000 (2020: \$2,025,000) 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

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

(Expressed in Bahamian dollars)

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### 7. OPERATING SEGMENTS - FUND BALANCES (Continued)

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

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.

### 8. 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:

	2021	2020
<i>Assets</i>		
Cash at banks	\$ 1,891,643	\$ 164,894
Accounts receivable	<u>388,230</u>	<u>317,123</u>
	<u>\$ 2,279,873</u>	<u>\$ 482,017</u>
<i>Liabilities</i>		
Accounts payable and accrued expenses	<u>\$ 1,028,491</u>	<u>\$ 8,070</u>
<i>Revenue</i>		
Electronic communications operating licence fees	\$ 1,622,900	\$ 2,140,937
Energy sector licence fees	2,114,825	1,797,396
Telecommunications, radio communications, energy application and other fees	600	1,000
Fines	<u>-</u>	<u>380,706</u>
	<u>\$ 3,738,325</u>	<u>\$ 4,320,039</u>
<i>Expenses</i>		
Salaries and benefits	\$ 69,982	\$ 58,925
Communications	41,764	36,721
Premises occupancy costs	<u>97,525</u>	<u>120,226</u>
	<u>\$ 209,271</u>	<u>\$ 215,872</u>
<i>Other expenses</i>		
Donations	<u>\$ 10,000</u>	<u>\$ 26,510</u>

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### **8. RELATED PARTY BALANCES AND TRANSACTIONS (Continued)**

At 31 December 2021, included in Assets (Cash at banks) and Liabilities (Accounts Payable) is \$1,022,821 deposited by a licensee for payment of Communication fees which was transferred to the Government of The Bahamas after year-end.

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 five 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 \$1,221,898 (2020: \$1,381,815).

### **9. 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.

### **10. 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.

### **11. 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.

### **12. IMPACT OF COVID-19**

The effects of novel coronavirus ("COVID-19") pandemic has continued for a second year causing some disruptions to business and economic activities.

# THE UTILITIES REGULATION AND COMPETITION AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

*(Expressed in Bahamian dollars)*

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### **12. IMPACT OF COVID-19 (Continued)**

The Authority continues to closely monitor the situation and take certain measures to ensure the safety and security of the Authority's staff and uninterrupted service to consumers. The Authority is taking these measures with the objective to maintain services levels, address consumer complaints as they may arise, and continue to regulate licensees as they would do in normal scenario.

To mitigate possible adverse effects of restrictions in working capital of licensees, the Authority continued in 2021 and 2022 to extend to licensees an opportunity to participate in an URCA fee installment payment plan. Licensees electing to participate in this plan are allowed to settle the fee in monthly installments without incurring interest charges so long as the payments are made as agreed. In the event the licensee does not abide by the agreement, the unpaid fees become payable and interest charges are assessed on outstanding balances.

Even with the existence of vaccines, there remain significant uncertainties in assessing the duration of the COVID-19 pandemic its economic impact. At the statement of financial position date, the Authority has not experienced a significant impact to its financial performance or operations, however, the Authority continues to monitor the situation closely given the prolonged nature of the pandemic and is ready to take additional mitigating actions that may be required.

### **13. SUBSEQUENT EVENTS**

Management has evaluated the possibility of subsequent events existing in the financial statements through 30 April 2022, the date financial statements were made available to be issued. Management has determined that there are no material events that would require adjustment in the financial statements.

## 2022 ANNUAL PLAN

### STRATEGIC OUTLOOK

The rapid evolution of the telecommunications and electricity sectors and the corresponding capacity to provide regulatory leadership are the catalysts for URCA's strategic approach to 2022. As the government develops and employs its economic recovery plan amid the uncertainty and challenges of the COVID-19 pandemic, URCA's leadership of the regulated sectors must be visionary, engaging and responsive to inspire stakeholder confidence that URCA's 2022 project commitments are relevant and appropriate to the growth of these critical sectors that underpin the social and economic development of The Bahamas.

URCA's 2022 projects and initiatives have been identified to achieve the following objectives:

- re-affirm URCA's commitment to the key elements of its 2017 strategic plan, with intentional focus on performance measurement;
- prioritise the development of URCA's regulatory capacity to re-establish licensee confidence in URCA's ability to effectively regulate the sectors;
- complete the development of the Electricity Sector's Regulatory Framework, inclusive of a review of the National Energy Policy;
- revise the Electronic Communications Sector Policy to address the government's position on emerging technologies, more specifically 5G;
- introduce a more engaging, collaborative regulatory approach with key stakeholders in both sectors;
- complete the regulatory work commenced in previous years in both the ECS and ES to continue strengthening measures to ensure full implementation of new and existing regulations; and
- develop and implement new strategies to address public education, consumer protection and public engagement.

### KEY PROJECTS FOR 2022

This section identifies the Tier I and Tier II projects URCA proposes to work on during 2022 and includes projects brought over from 2021.

#### *2021 Projects Carried Over*

The following Tier I projects, scheduled for completion in 2021, were delayed beyond the anticipated completion date or were scheduled as multi-year projects and will be carried over from 2021 into the 2022 Annual Plan:

#### **ECS**

- Review of Public Service Broadcasting
- ICTs for Persons with Disabilities
- Review of Universal Service Framework
- ECS Comprehensive Market Surveys
- Mobile Assessment – Feasibility of a 3<sup>rd</sup> Operator
- Review of Fixed services including Pay TV

#### **ES**

- Competition Guidelines for ES

- Licensee Annual Plant & Operations Inspections
- Utility Scale Development Regulations
- Battery Storage Integration
- Guidelines for Regulatory Accounting

### *Tier I Projects*

During 2022, URCA expects to work on and complete the projects listed in Table 6:

**Table 6 – 2022 Tier I Projects**

Project	Start Period	End Period
<b>General Projects</b>		
Implementation of URCA OPIs	T1, 2020	T3, 2023
Market and Consumer Protection Surveys	T3, 2020	T3, 2022
URCA 2023 Annual Plan	T3, 2022	T3, 2022
<b>Electronic Communications Sector Projects</b>		
Public Consultation on 5G	T1, 2022	T3, 2022
Market Assessment – Feasibility of a 3 <sup>rd</sup> Mobile Operator	T1, 2021	T2, 2022
Review of Public Service Broadcasting Framework	T1, 2022	T3, 2022
Review of Spectrum Management	T1, 2020	T3, 2022
Review of Universal Service Framework	T1, 2020	T3, 2022
Review of Fixed Services incl. Pay TV	T3, 2019	T3, 2022
Review of URCA’s Position on OTT Services	T2, 2018	T2, 2022
<b>Electricity Sector Projects</b>		
Electricity Market Study to inform National Energy Policy	T1, 2022	T3, 2022
Efficiency Study Audit	T1, 2019	T3, 2022
Technical Standards for the Electricity Sector	T1, 2021	T2, 2022

Project	Start Period	End Period
Licensees Annual Plant & Operations Inspections	T1, 2021	T2, 2022
Generation Licence	T2, 2021	T3, 2022

A description of Tier I projects that URCA will commence in 2022 is set out below. Where a project commenced in 2021 or earlier, the descriptions are available in the 2021 Annual Plan.

#### *General Projects*

##### **Implementation of URCA OPIs**

In 2020, URCA committed to initiating the phased implementation of its Organisational Performance Indexes (OPI) as an initial step toward the achievement of URCA's strategic objective to establish more appropriate and meaningful methods of measuring its performance. Work on the implementation of the OPIs began with the development of the OPI Implementation Plan and the publication of the consultation document on the proposed Addendum to the *Market Information Reporting Requirements for Specified Licensees in the Electronic Communications Sector* (ECS 16/2020). URCA anticipates initiating a phased implementation in 2022, with full implementation scheduled for 2023.

##### **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. URCA is confident that this will significantly enhance its ability to more effectively regulate these sectors in the interests of the public. It should be noted that the survey results will also be used as an input to URCA's Performance Indices.

##### **Draft Annual Plan 2022**

During October through November 2022, URCA will commence work on its draft Annual Plan for 2023 to ensure publication for consultation before the end of 2022 as required by the URCA Act.

#### *Electronic Communications Sector Projects*

##### **Public Consultation on 5G**

The promotion of investment and innovation in electronic communications networks and services and the optimal use of radio spectrum are among the main policy objectives of the Electronic Communications Sector (ECS). The global push toward digital transformation is stimulating the current wave of innovation and investment in the telecommunications industry. Fifth Generation (5G) technology is the next phase of technological revolution, motivated by Artificial Intelligence, Big Data, smart technology and the creation of smart cities. In Small Island Developing States (SIDS), like The Bahamas, this paradigm shift requires a national commitment.

In 2022, URCA will lead engagements with stakeholders on this crucial issue. The National Public Consultation will be guided by, inter alia, the specific demand for 5G services in The Bahamas and the different roles/types of 5G services in relation to the current 4G/LTE mobile services. Through this public engagement process, URCA will seek to determine:

- the potential use cases of advanced mobile services, inclusive of 5G for government, businesses and end users;



- the geographic locations within The Bahamas where these advanced mobile services are needed; and
- the investment in the infrastructure required to facilitate 5G services.

URCA will engage the government and key telecommunications stakeholders on the national broadband infrastructure, inclusive of investment options, as a supplement to the public consultation.

### ***Market Assessment – The feasibility of a 3rd Mobile Operator***

As set out in the 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. As this assessment is reliant on the information that will come out of the ongoing market review of mobile phone services, the feasibility assessment will begin once the mobile market review is completed.

### ***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 2022 as a Tier I project, with completion anticipated in T3 2022.

### ***Review of Spectrum Management***

In January 2021, URCA embarked on an infrastructure upgrade to restore the National Spectrum Monitoring System. It is the initial step in a comprehensive review of URCA's Spectrum Management functions. This project contemplates the main electronic communications policy objectives outlined in Part II, Section 4(a) of the Communications Act, 2009, but more specifically "to promote the optimal use of state assets, including radio spectrum".

In 2022, as URCA initiates discussions with its key stakeholders and the public on 5G, the effective management of radio spectrum to achieve "optimal use and promote investment, innovation and sustainable competition" will emerge as priority issues. URCA's comprehensive review of the Spectrum Management functions will be forward looking in anticipation of continued sector evolution, growth and expansion.

### ***Review of Universal Service Framework***

URCA will carry out a review of the existing universal service framework. Universal service in regulated industries refers to the provision of reasonable access to a baseline of services to all individuals regardless of income status and geographic reach. This review is to give effect to the revised universal service obligations (USO) 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 USO that are not subject to revisions – multi-channel television services, public payphones and voice telephony

access. URCA will also examine what effects, if any, the evolution of telecommunications technology, particularly 5G, will have on the delivery of Universal Service obligations. URCA proposes to commence the review in 2022 and complete the entire exercise over a three-year period.

#### ***Market Review Fixed Services Incl. Pay TV***

URCA recognises the need for a market review of Fixed Services, i.e., fixed voice, fixed broadband and pay TV. The commencement of this project was impacted by the delayed implementation of the wholesale Dedicated Internet Access (WDIA) obligations. The implementation of WDIA experienced significant delays due to the need for input from both operators. URCA anticipates commencing the market review of fixed services in early 2022.

#### ***Review of URCA's Position on OTT Services***

In December 2018, URCA published its position on Net Neutrality and OTT Services in The Bahamas (ECS 12/2018). At that time, URCA sought to align its position with the objectives of the Electronic Communications Sector Policy (ECSP). URCA acknowledges the accelerated pace of technological innovation and the rapid development of Information Communication Technologies (ICTs) as catalysts for global digital transformation. OTT services are among the ICT options used to facilitate the global technological shift. URCA is cognizant of the presence of OTT services in the national telecommunications space and the sentiments of the major telecommunications licensees. URCA is also mindful of the sector policy overarching priority, to promote ICTs as the third pillar of the Bahamian economy and the Section 4(ii) provision of the Communications Act 2009 (Comms. Act), "to promote investment and innovation in electronic communications networks and services." In 2022, URCA will conduct a comprehensive review of OTT services, which will consider the current global realities, potential harm to licensees and alignment with ECS Policy.

#### *Electricity Sector Projects*

##### ***Electricity Market Study to Inform National Energy Policy***

The first edition of the "National Energy Policy" (NEP) was released by the Government of The Bahamas in 2013 with a forward-looking agenda to the year 2033. It is noted that the 2013 release promoted some very noble goals which are still relevant today and included, inter alia, the following:

- "To enhance energy security in the nation through diversifying the energy supply mix;
- to increase energy access especially in New Providence and in the Family Islands;
- to facilitate employment creation and empowerment;
- to protect the environment and mitigate climate change; and
- promotion of best practices in efficient energy use and conservation of energy."

Key policy objectives are outlined in section 5 of the Electricity Act, which also requires the Minister to revise the policy every five years. It is URCA's view that technological advances in the electricity sector; the resultant effects of Hurricane Dorian and the Covid -19 pandemic; and changes in economic landscapes worldwide, all warrant a comprehensive review with a holistic plan as we progress to 2033.

To this end, URCA will undertake an Electricity Market Study, consistent with its remit, to inform the next revision of the NEP and in keeping with the mandate to aid in the formulation of government policy.

##### ***Efficiency Study Audit***

A management and operational audit is best viewed as a diagnostic examination of how well an organisation is being managed and operated. In recent years, BPL has faced problems across the full range of its Generation, Transmission, Distribution and Supply (GTDS) services, which have resulted in diminished quality of services, increased costs and overall value for money concerns. In this regard,

URCA proposes to conduct an Efficiency Study of BPL, and in doing so to develop a tool or procedure that would facilitate similar audits of BPL and other licensees going forward.

It is noted that this project was carried over for the past two years at the request of the licensee. However, as URCA views this project as setting the datum for several critical operational and administrative observations such as tariff reviews and integrated resource planning that are required to inform regulatory measures and decisions, we are of the view that the project should commence as a comprehensive Efficiency Study is required to delve into all aspects of the organisation.

### ***Technical Standards for the Electricity Sector***

In the investigation of several recent complaints, it became apparent that the standards set out in the legislation prior to the enactment of the Electricity Act, 2015 were not saved or expressly incorporated in the new legislation. System supply and service standards have been captured in the Bahamas Power and Light (BPL) Consumer Protection Plan, per the requirements of section 40 of the Electricity Act; however, this is not the case for the authorized public electricity suppliers (APES) in the sector. While it is held that the repealed standards can still be relied upon, based on the principles of implied terms in continuous contracts, the department intends to consult on and update, as necessary, those standards to eliminate any ambiguity that may exist as a result of a void left by the change in legislation.

### ***Licensees Annual Plant & Operations Inspections***

Inspections of power-producing assets and sites are important to ensure that plant operators and crews are working in a safe environment and serve as an instrument of accountability to ensure that licensees are maintaining assets that are providing safe, reliable, least-cost and environmentally sustainable electricity to its consumers. The Electricity Act, 2015 section 37(2)(n) stipulates that URCA shall: “engage inspectors as required, at the costs of the licensees, to conduct inspections of public electricity suppliers for compliance with the terms and conditions of their licences.”

While section 32 of the Electricity Act speaks specifically to an “annual” inspection of public electricity suppliers in the Family Islands, it goes even further to outline those aspects of the licensees’ plants and operations that should be inspected. In this regard, the need exists for the framework for such inspections to be established in order to ensure compliance with the statutory requirements, as well as certainty, clarity and fairness in the process. The department anticipates the production of a set of guidelines that will outline various aspects of such inspections including, inter alia, the following:

- rights of entry and inspection;
- verification of the use of materials for which customs duties exemption or refunds have been given;
- safety measures and safeguards compliance;
- accounting and maintenance records; and
- general housekeeping.

### ***Generation Licence***

Further to the issuance of the licensing guidelines. URCA proposes to establish a generation licence, which will address that segment of the standby generation market that falls outside of the statutory emergency exemption limits. In essence, the licence will be applicable to operators of private generation in excess of 1 MW whether for emergency or full-time service purposes. The typical licensee would be large commercial consumers such as manufacturers, hotels and private island operators. URCA notes that while the intended applicants’ generation capacity will be at utility-scale levels, the applicants may not provide transmission, distribution or supply services or operate a vertically integrated utility warranting an Authorised Public Electricity Supplier Licence.

## *Tier II Projects*

The projects set out in this section are those which URCA intends to work on during 2022. URCA considers these projects to be significant to the organisation or the regulated sectors. Hence, URCA will endeavour to complete these projects in the shortest possible timeframe.

**Table 7 – 2022 Tier II Projects**

Project	Start Period	End Period
<b>Electronic Communications Sector Projects</b>		
ECS Comprehensive Market Surveys	T3, 2019	2022
ICTs for Persons with Disabilities	T1, 2018	T2, 2022
Review of Code of Practice for Content Regulation	T1, 2022	2023
<b>Electricity Sector Projects</b>		
Competition Guidelines for the ES	T1, 2021	2023
Battery Storage Integration	T2, 2022	2023
Guidelines for Regulatory Accounting	T2, 2022	2023

### *Electronic Communications Sector Projects*

#### ***ICTs for Persons with Disabilities***

One of URCA's main objectives of the electronic communications sector policy is, "promoting affordable access to high quality networks and carriage services in all regions of The Bahamas". Information Communication Technologies (ICTs) is considered a realistic approach to ensuring indiscriminate access for all consumers to telecommunications services. In 2021, URCA took the initial steps in exploring the possibilities and made significant progress. The initial phase focused on research to compile the data necessary and determine the way forward. That phase of the project is nearing completion. URCA will engage with telecommunications providers and representatives of the disabled communities to help inform the development of a position paper for publication in 2022.

#### ***Review of Code of Practice for Content Regulation***

In 2020, URCA published its revised Code of Practice for Content Regulation (ECS 08/2020). The revised code addressed certain provisions of Part 6, Political Broadcasts and Political Advertisements but more specifically, section 6.7 dealing with Prohibitions on polling day; Part 7, Advertising and Sponsorship with focus on the Gambling provisions outlined in section 7.9 and Part 10, Complaints Handling Process.

In September 2021, Broadcasters re-ignited their complaints about the section 6.7 of the revised code. In their opinion, URCA should review the prohibitions on broadcasting content throughout the polling

day, considering the fact that URCA's Broadcast Content Regulations do not govern content delivery platforms on the internet, inclusive of the social media platforms of national media houses.

In 2022, URCA will conduct a comprehensive review of the Content Code with primary focus on the relevance of specific sections of the code in the rapidly evolving online content industry. The review will consider the unregulated internet based content delivery platforms and the competition impact on traditional broadcast entities.

#### *Electricity Sector Projects*

##### **Competition Guidelines for the ES**

While it is noted that the ES is currently comprised of monopolistic holdings, the Electricity Act, 2015, as constructed, does allow for the unbundling of the industry and inherent competition. As at least one of the major PESLs in the country is actively considering a power purchase agreement and/or possible joint venture, the department deems it necessary to establish the guidelines on the application of the competition and merger control provisions set out in Parts XI and XII of the Electricity Act at the earliest possible opportunity. The Competition Guidelines were included in the 2021 proposed schedule of works; however, preliminary research revealed that this matter was significantly more complex than initially anticipated, thereby, warranting the engagement of subject matter experts and rescheduling to 2022. In this regard, the department intends to issue a request for proposals for the necessary consultancy services in 2022 to complete the Competition Guidelines within the year.

##### **Guidelines for Regulatory Accounting**

Condition 54 of the PESL requires a licensee to maintain separate accounts for generation, transmission, distribution and supply services.

URCA has the remit to determine the specified period –

- a) by which licensees shall prepare and maintain accounting records in a form that enables the activities of any business unit specified by URCA to be separately identifiable; and
- b) the accounts shall be maintained according to internationally comparable standards and prepared according to rules approved by URCA.

The main aim of accounting separation is to ensure the information provided is in a format that is clear and useable by the regulator. URCA will be able to examine generation, transmission, distribution and supply as separate business units while allowing the PESLs to remain vertically integrated.

BPL's operating licence embodies three principles which are the basis that should form the regulatory accounting framework namely:

- BPL is obliged to purchase its inputs economically, that is, whenever possible; and
- There should be a prohibition on anti-competitive behaviour including subsidies between BPL and associated parties.

To ensure these requirements are met, BPL will be required to adopt rules for completing the regulatory accounts for submission to URCA.

#### *2022 Consultation Timelines*

While URCA will carry out several activities during 2022, as noted in the previous section, not all of these will involve public engagement and consultation throughout the process. Table 8, below,

outlines the major public consultations proposed for 2022, including anticipated publication timeframes:

Table 8 - 2022 Consultation Schedule

Consultation Document	Anticipated Publication Period	Anticipated Consultation Closing Period
<b>Guidance on the Assessment of Fines for Breaches</b>	T1	T1
<b>Technical Standards for the Electricity Sector</b>	T1	T2
<b>Licensees Annual Plant &amp; Operations Inspections</b>	T2	T3
<b>Generation License</b>	T2	T3
<b>Competition Guidelines for the ES</b>	T3	T3
<b>Market Review Mobile Services</b>	T1	T2
<b>Framework for Public Service Broadcasting</b>	T2	T3
<b>Public Consultation on 5G</b>	T2	T3
<b>Market Review Fixed Services incl. Pay TV</b>	T2	T3
<b>Review of URCA's Position on OTT Services</b>	T2	T2

## URCA's KEY PERFORMANCE INDICATORS (KPIs) FOR 2022

Pending completion of the OPI implementation process, in 2022 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.

URCA provides, below in Table 9, the indicators which will be adopted for 2022.

Table 9 - 2022 Performance Indicators

Statutory/Regulatory	Finance	HR	IT
<b>Draft Annual Plan &amp; Strategy published before the end of the financial year</b>	Cost of the Finance function as a percentage of total operating expenditure	Cost of the HR function as a percentage of expenditure	Cost of IT function as a percentage of total expenditure
<b>Annual Report and final Annual Plan published within four months of year-end</b>	Period-end cycle time (working days to close) Year-end cycle time (working days to close)	Cost of HR function per employee	Organisational ICT spend (investment in ICT infrastructure & hardware across the organisation)
<b>Final Determinations to be published within one month from the closing date for comments on Preliminary Determination</b>	Forecasting accuracy	The ratio of employees (full-time equivalent) to HR staff	Percentage who can access the network and system remotely
<b>Percentage of public consultations started within the period stated in the Annual Plan</b>	Cost of Licensee invoicing	Average days for the full-time employee per year invested in learning and development	
<b>Time to publish results, decisions, and other regulatory measures after the close of consultation: 45-60 days 60-90 days &gt;90 days</b>	Debtor Days	Cost of learning and development activity as a percentage of total payroll	
<b><u>Consumer Complaints</u> Number of complaints received Percentage of total complaints resolved Complaints unresolved for &gt;60days and the average time taken to resolve complaints</b>	Number and Value of Creditor Notes and Adjustments	Cost of advisors as a percentage of the total payroll	
<b>Licenses issued within: 30 days - individual licences 45 days - class licences The volume of licences processed in the year</b>	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 the role after 12 months of service	
		The percentage of employees who left the organisation during the year	

## URCA's BUDGET 2022

### Overview

URCA will ensure that it has sufficient finances to meet its regulatory mandate and is committed to delivering 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 2022 Budget is separated into discrete budgets for the ECS and the ES, in accordance with section 39 of the URCA Act. These budgets anticipate the level of expenditure necessary to provide regulatory supervision of both sectors, and as such, the budgets seek to recover the 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 in Table 10 below, as compared with budgeted expenditure for the two preceding years.

Table 10 - URCA Draft Budget 2022

Category	2020	2021	2022
<b>Staff Costs</b>	2,395,531	2,550,296	3,117,637
<b>Non-Executive Compensation</b>	218,020	184,000	184,000
<b>Executive Compensation</b>	528,543	444,685	473,773
<b>Professional Services</b>	857,000	882,000	640,000
<b>Conferences, Training, and Travel</b>	569,248	68,680	96,521
<b>Premises Costs and Utilities</b>	478,485	372,500	212,200
<b>Consumer Education and Public Relations</b>	320,250	273,000	276,000
<b>Office Services</b>	323,505	167,300	182,700
<b>Information Technology</b>	173,325	224,000	210,500
<b>General and Administrative Expenses</b>	349,250	754,301	857,000
<b>Total Operations Expenditure (OPEX)</b>	<b>6,213,157</b>	<b>5,920,762</b>	<b>6,250,331</b>
<b>Depreciation</b>	304,814	296,835	447,670
<b>Total Operating Budget Recovered through URCA fees</b>	<b>6,517,971</b>	<b>6,217,597</b>	<b>6,698,001</b>
<b>Capital Expenditure</b>	<b>679,600</b>	<b>675,500</b>	<b>532,400</b>



Overall, URCA’s proposes an increase to its operating budget (excluding depreciation) for 2022 by approximately 6% compared to 2021. Some of the key changes are explained below:

- In 2021, URCA’s staff count increased by four persons to 34 at the end of the year. In 2022, URCA is seeking to achieve a further 15% increase in its staff complement, growing from 34 to 39 employees. As a result, URCA’s staff costs are projected to increase by 22% reflecting continued efforts to adequately staff the organisation ensuring that the sectors are properly regulated.
- Budgeted spending on Professional Services in 2022 will decrease by 27% year over year due to significant carryover funds from 2021 for incomplete projects. Regulatory projects including various surveys, reviews, market assessments and litigation (to be tried) will continue in 2022.
- Spending on conferences, training and travel will increase by 41% due to the anticipated resumption of in person travel for regulatory meetings, staff training and renewed regulatory monitoring.
- Premises costs and utilities will decrease in 2022 due to significant carryover and expected reduction in repairs, maintenance, and cleaning of the building due to the building upgrades completed in 2021.
- General and administrative expenses will increase by 14% of total operating expenses due to 2022 budget allocation for bad debt resulting from uncollected balances and ongoing matters currently under Judicial and Tribunal reviews.
- URCA’s Capital Expenditure budget is anticipated to decrease year over year as major capital projects planned in previous years, such as URCA’s solar canopy installation and building upgrades are complete and smaller scale projects on URCA’s elevator and generator are scheduled to commence in the new budget year.

### *Electronic Communications Sector Budget 2022*

Table 11 shows a summary of URCA’s draft 2022 budget for its regulatory activities in the ECS, as compared with its budget for the preceding two years.

*Table 11 - ECS draft Budget 2022*

Category	2020	2021	2022
<b>Staff Costs</b>	1,394,537	1,469,689	1,793,176
<b>Non-Executive Compensation</b>	174,416	110,400	110,400
<b>Executive Compensation</b>	258,258	201,049	226,788
<b>Professional Services</b>	746,750	503,250	601,200
<b>Conferences, Training, and Travel</b>	384,948	36,935	40,834
<b>Premises Costs and Utilities</b>	311,016	265,425	144,330
<b>Consumer Education and Public Relations</b>	160,125	144,000	138,000
<b>Office Services</b>	249,629	131,975	137,700
<b>Information Technology</b>	121,328	179,200	168,400
<b>General and Administrative Expenses</b>	288,088	317,487	405,984

<b>Total Operations Expenditure (OPEX)</b>	<b>4,089,093</b>	<b>3,359,410</b>	<b>3,766,812</b>
<b>Depreciation</b>	250,595	243,809	380,520
<b>Total Operating Budget Recovered through URCA fees</b>	<b>4,339,688</b>	<b>3,603,219</b>	<b>4,147,332</b>
<b>Capital Expenditure</b>	<b>557,660</b>	<b>574,175</b>	<b>452,540</b>

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

- Total operating expenditure (OPEX) exclusive of depreciation is anticipated to increase in 2022 by 12% when compared to the previous year in its steadfast efforts to promote the policy objectives of the ECS.
- Overall staff costs for the ECS have increased significantly by 22% due to the proposed addition of new hires made necessary by the volume of work expected in the ECS during 2022 and ensuring sustainable human resources are available through effective succession planning and continued efforts to cross-train professional staff in both sectors.
- Professional services expenditure is anticipated to increase by 19% notwithstanding significant carryover of previous year's budget allocation due to regulatory projects extending into 2022, including scheduled market assessments, surveys, reviews and litigation related to the ECS.
- Premises costs and utilities are budgeted to decrease by 46% due to significant carryover and reduced repairs, maintenance and cleaning of the building due to the building upgrades completed in 2021.
- General and administrative expenses are anticipated to increase by 28% due to an increase in bad debt expense as it relates to outstanding ECS matters.

### *Electricity Sector Budget 2022*

Table 12 provides a summary of URCA's draft 2022 budget for its regulatory activities in the ES, as compared with its budget for the preceding two years.

Table 12 - ES draft Budget 2022

<b>Category</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Staff Costs</b>	1,000,994	1,080,608	1,324,461
<b>Non-Executive Compensation</b>	43,604	73,600	73,600
<b>Executive Compensation</b>	270,285	243,635	246,985
<b>Professional Services</b>	110,250	378,750	38,800
<b>Conferences, Training, and Travel</b>	184,300	31,744	55,687
<b>Premises Costs and Utilities</b>	167,471	107,075	67,870
<b>Consumer Education and Public Relations</b>	160,125	129,000	138,000
<b>Office Services</b>	73,876	35,325	45,000
<b>Information Technology</b>	51,998	44,800	42,100
<b>General and Administrative Expenses</b>	61,163	436,816	451,015

<b>Total Operations Expenditure (OPEX)</b>	<b>2,124,064</b>	<b>2,561,353</b>	<b>2,483,518</b>
<b>Depreciation</b>	54,219	53,025	67,151
<b>Total Operating Budget Recovered through URCA fees</b>	<b>2,178,283</b>	<b>2,614,378</b>	<b>2,550,669</b>
<b>Capital Expenditure</b>	270,800	101,325	79,860

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

- Total operating expenditure (OPEX) exclusive of depreciation is anticipated to decrease in 2022 by 3% when compared to the prior year due to continued emphasis on cost containment while ensuring the regulatory mandate of the Utilities and Energy sector is adequately addressed.
- Staff Costs is anticipated to increase by 22% as the human resource element in the Utilities and Energy Department is enhanced to ensure appropriate oversight of the ES.
- Professional services expenditures are anticipated to decrease significantly by 90% due to carryover of projects such as regulatory studies and reviews and budget allocations for litigation and appeals.
- Conferences, training and travel costs are budgeted to increase due to a resumption of in person training for staff that aligns with their designation and long-term planning strategies.
- Premises costs and utilities are budgeted to decrease by 46% due to significant carryover and reduced repairs, maintenance and cleaning of the building due to the building upgrades completed in 2021.
- General and administrative costs are budgeted to increase by 3% in 2022 due to the provisioning for matters under Judicial Review.