

## *Instituting a New Electricity Regime in The Bahamas*

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The Electricity Rate Reduction Bond Act 2015 (“ERRBA”) and the Electricity Act 2015 (“EA 2015”) (together “the Acts”) came into force on 30th December, 2015 as part of the reform of the electricity sector in accordance with the National Energy Policy. The overall objective of the Acts is the institution of a new electricity regime to provide affordable energy and long term energy security in The Bahamas.

### **New Structure**

Bahamas Power & Light Company Limited (“BPL”), a wholly owned subsidiary of Bahamas Electricity Corporation (“BEC”), was incorporated pursuant to the EA 2015 to perform the functions of BEC, reduce the cost of electricity and provide a more reliable service. In February 2016, the Bahamas government signed a five-year management services agreement with PowerSecure International Inc., a US company, to manage BPL’s electricity generation, transmission and distribution services.

### **Purpose of ERRBA 2015**

ERRBA provides for the incorporation of a non-profit company named Bahamas Rate Reduction Bond Limited (“BRRBL”) to issue rate reduction bonds (the “Bonds”). Proceeds of the Bonds are to be used to satisfy the significant debts and liabilities of BEC and provide additional capital for the restructuring of BEC and the initial operations of BPL.

The Bonds are to be secured by a rate reduction fee derived from BPL revenue streams and will be included in customer

billings. The rate reduction fee will apply to all customers of BPL, and will be calculated on the basis of kilowatt per hour usage. The Bond proceeds are to be placed in a trust account and are without recourse to the credit or assets of the Government, BEC, BPL or BRRBL except for (a) assets comprising the rate reduction bond property; and (b) assets and revenues of BRRBL which are specified in the Rate Reduction Bond Financing Order.

### **Overall Objective**

The ultimate objective of the long term revenue bond structure is to reduce electricity charges/tariff rates to the consumer and promote the welfare, utility and benefit of the public through facilitation of a safe, cost effective, efficient and modern electricity supply system in The Bahamas. However, BRRBL is yet to be incorporated and customer billings do not yet reflect a rate reduction fee. With the announced pending termination of PowerSecure’s management agreement by December 2017, it remains to be seen whether, and if so when, the Government will incorporate BRRBL and issue the Bonds pursuant to ERRBA and the National Energy Policy. It also remains to be seen whether the Bonds will achieve the stated objectives or will be one more cost for the consumer to bear.

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