

Bulk Generation Sole Use Installation Licence Feed-in Tariff (FiT) Methodology Preliminary Report

Preliminary Report

Preliminary Decision and Order

Matter Number: 20250501

Date: 07 November 2025

Responses Due: 14 January 2026

TABLE OF CONTENTS

I.	INTRODUCTION	3
II.	CONSULTATION PROCEDURE	5
III.	LEGISLATIVE CONTEXT	7
IV.	CONSULTATION RESPONSES	10
	APPENDIX A: PROPOSED DECISION & ORDER.....	11
	APPENDIX B: PROPOSED GENERAL DETERMINATION AND SCHEDULE	12
A.	METHODOLOGY	22
B.	DEFINING COSTS AND REVENUES CONSIDERED IN THE DETERMINATION OF THE FIT	23
C.	EVALUATING COSTS AND REVENUES CONSIDERED IN THE DETERMINATION OF THE FIT	25
D.	OTHER CONSIDERATIONS.....	26

I. INTRODUCTION

1. The purpose of this Preliminary Report, Preliminary Decision and Order (**Preliminary Report**) is for the Regulatory Authority of Bermuda (the **RA**) to: (i) present the RA's assessment of the responses to the Consultation Document published by the RA on 1 May 2025; (ii) present updates to the proposed methodology to calculate the Feed-in Tariff (**FiT**) for Bulk Generation Sole Use Installation (**BGSUI**) Licensees; and (iii) invite comments from the public on the methodology. At the end of the consultation process, the RA will issue a General Determination (**GD**) which will set out the methodology used to calculate the FiT for BGSUI Licensees. The draft GD with the preliminary decisions and proposed methodology is attached to this Preliminary Report in Appendix B.
2. The RA is responsible for the regulation of the electricity sector in Bermuda and its overarching responsibilities are to:
 - regulate tariffs and the quality-of-service provision to end-users;
 - ensure that access to electricity infrastructure by current and prospective generators in Bermuda is transparent, fair, reasonable, and non-discriminatory;
 - investigate and respond to complaints from end-users as regards the provision of electricity.
3. The Electricity Amendment Act 2024 introduced a new type of Licence to Bermuda known as the BGSUI Licence, which according to the Electricity Act (**EA**) section 32(C)(3) "authorizes the Licence holder to generate electricity above the licence threshold from a renewable energy system, provided that the Licence holder uses or stores the electricity generated at its principal location."
4. The Electricity Amendment Act 2024 amended provisions in the EA to empower the RA to determine FiTs that would be applicable to BGSUI Licensees. Therefore, BGSUI Licensees are eligible to receive a FiT for their exports to the grid, up to a permitted level as set by the RA (where the permitted level is a cap on exports).
5. Currently, there is a methodology that is used to calculate the FiT for distributed generators, however, the RA deems it appropriate to create a separate methodology for BGSUI Licensees due to the nature and size of the potential projects.
6. Therefore, on 1 May 2025, the RA published the BGSUI FiT Methodology Consultation where the RA presented the principles that the RA proposes to use to estimate the FiTs for BGSUI Licensees and the proposed methodology for public comment.
7. The Consultation Document was open for public comment until 30 June 2025.

8. Now, this Preliminary Report presents a draft GD with the preliminary recommendations and methodology to set the FiTs for BGSUI Licensees.
9. The Preliminary Report is structured as follows:
 - a. Chapter II outlines the consultation procedure;
 - b. Chapter 19 sets out the legislative context;
 - c. Chapter IV provides the consultation responses;
 - d. Appendix A provides the proposed decision and order;
 - e. Appendix B provides the proposed General Determination and Schedule.

II. CONSULTATION PROCEDURE

10. This consultation is being undertaken in accordance with sections 69-73 of the Regulatory Authority Act 2011 (the **RAA**). The procedure and accompanying timelines (as set out in section 70 of the RAA), under which this consultation is taking place are set out in the paragraphs below.
11. Written comments should be submitted by 11:59 PM (Bermuda time) on 14 January 2026.
12. The RA invites comments from members of the public, electricity sectoral participants and providers, and other interested parties. The RA requests that commenting parties, in their responses, reference the number of the relevant question or paragraph number, as set forth in this Preliminary Report, to which they are responding.
13. Responses to this Preliminary Report should be filed electronically in MS Word or Adobe Acrobat format. Parties wishing to file comments should go to the RA's website <https://www.ra.bm/consultations/consultations-directory> and click on the "Open Consultation Form" button on the respective Public Consultation Page:

Public Consultation Form

First name*	Last name*
<input type="text"/>	<input type="text"/>
Organization / Business (if applicable)	
<input type="text"/>	
Email*	
<input type="text"/>	
Phone number*	
<input type="text"/>	
The current Public Consultation is automatically shown below	
Review of the Electricity Sector Consultation 2023	
Submit details of your response below*	
Type your message...	
<input type="text"/>	
Please upload any relevant file(s)	
<input type="button" value="Upload File"/> Max file size 10MB.	
<input type="checkbox"/> I understand that this submission falls under the PATI Act .	

14. All comments should be clearly marked "Response to Preliminary Report, Preliminary Decision and Order: Comments on BGSUI Licence FiT Methodology" and should otherwise comply with Rules 18 and 30 of the RA's Interim Administrative Rules, which are posted on the RA's website.
15. The RA intends to make responses to this Preliminary Report available on its website. If a commenting party's response contains any information that is confidential in nature, a clearly

marked "Non-Confidential Version", redacted to delete the confidential information, should be provided together with a complete version that is clearly marked as the "Confidential Version." Redactions should be strictly limited to "confidential information," meaning a trade secret, information whose commercial value would be diminished or destroyed by public disclosure, information whose disclosure would have an adverse effect on the commercial interests of the commenting party, or information that is legally subject to confidential treatment. The "Confidential Version" should highlight the information that has been redacted. Any person claiming confidentiality in respect of the information submitted must provide a full justification for the claim. Requests for confidentiality will be treated in the manner provided for in Rule 30 of the RA's Interim Administrative Rules.

16. In accordance with section 73 of the RAA, any interested person may make an *ex parte* communication during this consultation process, subject to the requirements set forth in this section. An *ex parte* communication is defined as any communication to a Commissioner or member of staff of the RA regarding the matter being consulted on in this Consultation Document, other than a written submission made pursuant to this chapter II. Within two business days after making an *ex parte* communication, the person who made the *ex parte* communication shall submit the following to the RA: (i) a written description of the issues discussed, and positions espoused; and (ii) a copy of any written materials provided. This will be posted on the RA's website, along with a notice of the *ex parte* communication.
17. The principal point of contact at the RA for this Consultation Document is Shonette Harrison, who may be contacted by email, referencing "Comments on BGSUI FiT Methodology Preliminary Report" at consultation@ra.bm or by mail at:

Shonette Harrison
Regulatory Authority
1st Floor, Craig Appin House
8 Wesley Street
Hamilton, Bermuda

18. In this Preliminary Report, except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them by the EA, the RAA and the Interpretation Act 1951.
19. This Preliminary Report is not a binding legal document and does not contain legal, commercial, financial, technical or other advice. The RA is not bound by this Preliminary Report, nor does it necessarily set out the RA's final or definitive position on particular matters. To the extent that there might be any inconsistency between the contents of this Consultation Document and the due exercise by the RA of its functions and powers, and the carrying out of its duties and the achievement of relevant objectives under law, such contents are without prejudice to the legal position of the RA.

III. LEGISLATIVE CONTEXT

20. The RAA established a cross-sectoral, independent and accountable regulatory body “to protect the rights of consumers, encourage the deployment of innovative and affordable services, promote sustainable competition, foster investment, promote Bermudian ownership and employment and enhance Bermuda’s position in the global market”¹.
21. In June 2015, the Ministry of Economic Development of Bermuda published the National Electricity Sector Policy (the **Policy Document**)². The Policy Document set out the groundwork for the institution of the subsequent EA and the desired structure of the electricity sector of Bermuda³.
22. The EA established an electricity sector regulatory framework within the meaning of the RAA. The EA received Royal Assent on 27 February 2016 and came into operation on 28 October 2016 pursuant to the Electricity Act 2016 Commencement Day Notice 2016 (BR 101/2016). The EA repealed the Energy Act 2009.
23. The Minister responsible for electricity is currently the Minister of Home Affairs (the **Minister**). The Minister can issue Ministerial declarations that establish policies for the electricity sector⁴ and can also issue Ministerial directions to the RA regarding any matter within his authority with regard to the electricity sector.⁵ In formulating Ministerial directions, the Minister shall set priorities and resolve trade-offs or conflicts that arise from the purposes of the EA in a way that he thinks best serves the public interest.⁶
24. The RA has the powers to supervise, monitor and regulate the electricity sector in Bermuda in accordance with the purposes of the EA. Such purposes, as set forth in section 6 of the EA, and include:
 - (a) “to ensure the adequacy, safety, sustainability and reliability of electricity supply in Bermuda so that Bermuda continues to be well positioned to compete in the international business and global tourism markets;
 - (b) to encourage electricity conservation and the efficient use of electricity;
 - (c) to promote the use of cleaner energy sources and technologies, including alternative energy sources and renewable energy sources;

¹ Regulatory Authority Act 2011, p. 5.

² Ministry of Economic Development (2015), ‘The National Electricity Sector Policy of Bermuda’, Bermuda.

³ Ministry of Economic Development (2015), ‘The National Electricity Sector Policy of Bermuda’, Bermuda, p. 4.

⁴ Electricity Act 2016, section 7(2).

⁵ Electricity Act 2016, section 8(1).

⁶ Electricity Act 2016, section 9.

- (d) to provide sectoral participants and end-users with non-discriminatory interconnection to transmission and distribution systems;
 - (e) to protect the interests of end-users with respect to prices and affordability, and the adequacy, reliability and quality of electricity service;
 - (f) to promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity.”⁷
25. The principal functions of the RA, in relation to any regulated industry sector, are described in section 12 of the RAA as follows:
- (a) “to promote and preserve competition;
 - (b) to promote the interests of the residents and consumers of Bermuda;
 - (c) to promote the development of the Bermudian economy, Bermudian employment and Bermudian ownership;
 - (d) to promote innovation; and
 - (e) to fulfil any additional functions specified by sectoral legislation.”
26. Section 14 of the EA gives the RA the function “generally to monitor and regulate the electricity sector” together with the detailed functions described in the RAA and elsewhere in the EA. Hence, the RA regulates the electricity sector in Bermuda.⁸
27. The Electricity Amendment Act 2024 introduced a new type of Licence to Bermuda known as the BGSUI Licence, which according to the Electricity Act (**EA**) section 32(C)(3) “authorizes the Licence holder to generate electricity above the licence threshold from a renewable energy system, provided that the Licence holder uses or stores the electricity generated at its principal location.”
28. The Electricity Amendment Act 2024 amended provisions in the EA to empower the RA to determine FiTs that would be applicable to BGSUI Licensees. Therefore, BGSUI Licensees are eligible to receive a FiT for their exports to the grid, up to a permitted level as set by the RA (where the permitted level is a cap on exports).

⁷ Electricity Act 2016, section 6

⁸ Defined in the RAA as including a General Determination, order, direction, decision or other written determination by which the RA establishes the legal rights and obligations of one or more Sectoral Participants but does not include an advisory guideline (or an adjudicative decision and order. General Determination is defined as a statutory instrument made pursuant to section 62 of the RAA that is applicable to all Sectoral Participants or categories of Sectoral Participants as fall within the scope of the Statutory Instrument.

29. According to the section 36 of the EA, the RA “shall determine the feed-in tariff in accordance with the methodology set by generation determination” and in accordance with the principles laid out in section 36 which include:
 - (a) “the rate shall seek to allow compensation for, at most –
 - (I) The actual cost of generation that the TD&R Licensee avoids by purchasing power” and
 - (II) “an estimate of any economic benefits”
30. Furthermore, according to section 37, the RA needs to conduct FiT reviews every five years or less as determined by the RA.
31. The Electricity Amendment Act also introduced an export cap under section 32(C). BGSUI Licence holders can distribute excess electricity to the TD&R Licensee up to a maximum “permitted amount”, where the “permitted amount” is 30% of electricity generated each month, or a lesser value as specified by the RA.
32. This Preliminary Report provides the proposed methodology to calculate FiTs for BGSUI Licence holders and invites comments from the public.

IV. CONSULTATION RESPONSES

33. The RA published a Consultation Document on 1 May 2025 to collate public feedback on the proposed methodology to calculate the FiTs for BGSUI Licensees.
34. The RA provided a proposed methodology in the Consultation Document and then laid out a series of six (6) questions. The questions asked in the Consultation Document, for public feedback, are listed in Box 1, below.

Box 1: Questions asked in the Consultation Document pertaining to the FIT Methodology for BGSUI Licence Holders

- ❖ *Q1: Do you agree with the approach that aims to solve for a FiT that balances the costs and revenues incurred due to the BGSUI Licensee (under constraints stipulated by the EA)? If not, please provide your reasoning, and an alternative approach with justification.*
- ❖ *Q2: Do you agree with the list of costs that the RA proposes are considered in the determination of the FiT? Please provide justification in your response.*
- ❖ *Q3: Do you agree with the list of revenues that the RA proposes are considered in the determination of the FiT? Please provide justification in your response.*
- ❖ *Q4: Do you agree with the RA's proposal of conducting quarterly reviews and comparisons of the avoided costs of generation and the BGSUIs' FiTs and adjusting when required? Please provide justification in your response.*
- ❖ *Q5: Do you agree that FiTs should be reviewed after a retail tariff review has been conducted to ensure that the estimated FiT continues to reflect the current level of costs incurred and saved by BGSUI Licensees? Please provide justification in your response.*
- ❖ *Q6: Do you have any other general comments on the methodology proposed? Please provide justification in your response.*

35. The consultation closed on 30 June 2025 and the RA did not receive any responses, neither answering the questions, nor providing comments on the proposed methodology.
36. In light of the above, and due to no clear objections from the public, the RA is proposing the same methodology as presented in the Consultation Document, presented in Appendix B of this Preliminary Report.

APPENDIX A: PROPOSED DECISION & ORDER

WHEREAS the Regulatory Authority of Bermuda (**RA**) has commenced a Consultation entitled “Bulk Generation Sole Use Installation Licence Feed-in Tariff (FiT) Methodology Consultation” dated 1 May 2025 and has decided to make this order for the reasons set out in the Final Report of the Consultation dated [];

The RA, pursuant to section 62 of the Regulatory Authority Act 2011(**RAA**), and sections 6, 14, 15, 17, 36, and 37 of the Electricity Act 2016 (**EA**) hereby:

(a) Adopts the General Determination attached hereto, setting forth the Feed-in Tariffs for Bulk Generation Sole Use Installation Licensees;

(b) Directs the Chief Executive of the RA to forward the General Determination to the Cabinet Secretary; and

(c) Authorises the General Determination to be effected on the date of its publication in the Royal Gazette.

Ordered this [] day of [] 2025

APPENDIX B: PROPOSED GENERAL DETERMINATION AND SCHEDULE

[DRAFT]

BERMUDA

REGULATORY AUTHORITY (Feed-in Tariff Methodology for Bulk Generation Sole Use Installation Licensees) GENERAL DETERMINATION 2025

BR /2025

The Regulatory Authority, in the exercise of the power conferred by section 62 of the Regulatory Authority Act 2011, and sections 6, 14, 15, 17, 36, and 37 of the Electricity Act 2016, makes the following General Determination:

Citation

1. This General Determination (**GD**) may be cited as the Regulatory Authority (Feed-in Tariff Methodology for Bulk Generation Sole Use Installation Licensees) General Determination 2025.

General Purpose

2. This GD establishes the methodology to set the Feed-in Tariffs for Bulk Generation Sole Use Installation Licensees.

Interpretation

3. In this GD, unless the context otherwise requires, terms shall have the meaning given in the Regulatory Authority Act 2011, the Electricity Act 2016, and the Schedule to this GD.

Determination

4. (1) This GD is made pursuant to the Consultation entitled “Bulk Generation Sole Use Installation Licence Feed-in Tariff (FiT) Methodology Consultation” dated 1 May 2025 and the Authority’s Decision on it.

(2) The Authority determines that the methodology set forth in the Schedule is consistent with the purposes of the Electricity Act 2016.

Terms and conditions of GD

5. (1) The Schedule to this GD has effect.

(2) The Schedule is also published on the Authority's website (<http://www.ra.bm/>) and is also available for inspection at the offices of the Authority (1st Floor, Craig Appin House, 8 Wesley Street, Hamilton HM 11) during ordinary business hours.

Effective Date of GD

6. This GD takes effect on the day it is published in the Official Gazette.

Ordered this [] day of [] 2025

Chairman, Regulatory Authority of Bermuda



Schedule to Regulatory Authority (Feed-in Tariff Methodology for Bulk Generation Sole Use Installation Licensees) General Determination 2025

Draft General Determination

Date: TBD

Table of Contents

- 1 Definitions
- 2 Interpretation
- 3 Legislative and Procedural Background
4. Preliminary Final Determination
5. Annex 1 – BGSUI FiT Methodology

I. DEFINITIONS

1. In this Schedule:

Allowed revenue: means the amount of money an entity is allowed to earn in undertaking its regulated business activities, typically on an annual basis.

Asset life assumption: an accounting estimate of the number of years it is likely to remain in service for the purpose of cost-effective revenue generation.

Authority: means the Regulatory Authority of Bermuda established under the Regulatory Authority Act 2011 (as defined by the Electricity Act 2016).

BELCO: means Bermuda Electric Light Company Limited

Bulk generation: means generation using a system with an installed capacity at or above the licence threshold (as defined by the Electricity Act 2016).

Bulk generation licence: means a licence granted under section 25 of the Electricity Act 2016.

Bulk generation licensee: a party that has been granted a bulk generation licence under section 25 of the Electricity Act 2016.

Bulk Generation Sole Use Installation Licence: authorizes the Licence holder to generate electricity above the licence threshold from a renewable energy system, provided that the Licence holder uses or stores the electricity generated at its principal location.

Bulk Generation Sole Use Installation Licensee: a party that has been granted a Bulk Generation Sole Use Installation Licence.

Bulk Supply Tariff: means the electricity price of bulk supply when the cost of generation and transmission is recovered.

Distributed generation: means generation using a system with an installed capacity below the licence threshold (as defined by the Electricity Act 2016).

Distributed generator: means a person that has a Standard Contract (as defined by the Electricity Act 2016).

EA: means the Electricity Act 2016.

Economic lifetime: means the estimated lifespan over which an asset is expected to be able to serve its intended purpose.

Electricity sector: means the regulated industry sector involving the supply, transmission, distribution and consumption of electricity (as defined by the Electricity Act 2016).

Evaluation Period: The period that will be used in the calculation to balance the costs and revenues to solve for the FiT and export cap for BGSUI Licensees. The standard period shall cover 12 months from the date the FiT is intended to be effective from unless deemed otherwise by the RA. Initially, this will be the same date as the effective date of the BGSUI Licence, as appropriate.

FAR mechanism: means the fuel adjustment rate mechanism designed to recover the cost of fuel used to produce electricity.

Feed-in tariff: means the pre-determined rate at which renewable energy is purchased by the TD&R licensee from a distributed generator or a BGSUI Licence holder, for a pre-determined period, and under pre-determined conditions in accordance with Part 6 of the Electricity Act 2016

GD: stands for general determination.

Generation: means the process of producing electric power. This includes generation of renewable energy (as defined by the Electricity Act 2016).

Generation capacity: means the maximum electrical output that an electricity plant can produce (typically measured in megawatts).

GWh: means gigawatt hours, a standard unit of electrical power equal to 1 billion watt hours.

Intermediate Contract: The contract between a BGSUI Licence holder and the TD&R Licensee that authorizes a BGSUI Licence holder to distribute to the TD&R Licensee electricity generated, up to a maximum of the permitted amount.

kW: means kilowatt, a standard unit of electrical power equal to 1,000 watts.

kWh: means kilowatt-hour, a unit of electrical energy equal to one kilowatt of power expended for one hour; the standard unit of measure used for electrical billing.

Licence: means a valid licence granted by the RA under the Electricity Act 2016.

Licensee: means a person that holds a valid licence in accordance with the Electricity Act 2016.

MWh: means megawatt hour, a standard unit of electrical power equal to one million watts, or one thousand kilowatts hour.

Permitted amount means 30% of electricity generated each month, or such lesser amount as specified by the Authority in the BGSUI Licence.

RAA: means the Regulatory Authority Act (2011).

Re-opener: means a mechanism which facilitates a change in allowed revenues before the next

Review period: means a period for which retail tariffs are determined by the RA.

TD&R: means transmission, distribution and retail.

TD&R licence: means a licence granted under section 25 of the Electricity Act 2016.

Watt: means the unit of electrical power equal to one ampere under a pressure of one volt. A Watt is equal to 1/746 horse power.⁹

⁹ U.S. Energy Information Administration Glossary

II. INTERPRETATION

2. For purposes of interpreting this General Determination:
 - a. unless the context otherwise requires, words or expressions shall have the meaning assigned to them by the RAA and the EA;
 - b. where there is any conflict between the provisions of this General Determination and the EA or RAA, the provisions of the EA or RAA, as the case may be (and subject to sections 3(2) and 3(3) of the EA), shall prevail;
 - c. terms defined herein and in the EA and RAA have been capitalised;
 - d. headings and titles used herein are for reference only and shall not affect the interpretation or construction of this General Determination;
 - e. references to any law or statutory instrument include any modification, re-enactment or legislative provisions substituted for the same;
 - f. a document referred to herein shall be incorporated into and form part of this General Determination and a reference is to the document as modified from time to time;
 - g. expressions cognate with those used herein shall be construed accordingly;
 - h. use of the word "include" or "including" is to be construed as being without limitation; and
 - i. words importing the singular shall include the plural and vice versa, and words importing the whole shall be treated as including a reference to any part unless explicitly limited.

III. LEGISLATIVE AND PROCEDURAL BACKGROUND

3. This General Determination has been undertaken in accordance with section 62 of the RAA and the exercise by the Authority of its powers under sections 6, 14, 17 and 36 of the EA.
4. The Authority initiated a consultation by publishing a Consultation Document on 1 May 2025 that invited responses from members of the public, including electricity sectoral participants and sectoral providers, as well as other interested parties. The purpose of the Authority's Consultation Document was to consult on the proposed Feed-In Tariff Methodology for Bulk Generation Sole Use Installation Licensees.
5. Responses to the Consultation Document were solicited from the public electronically through the Authority's website.
6. The response period commenced on 1 May 2025 and concluded on 30 June 2025. The Authority did not receive any responses to the Consultation Document.

IV. PRELIMINARY FINAL DETERMINATION

7. Pursuant to section 62 of the RAA and in accordance with sections 6, 14, 17 and 36 of the EA using the general powers granted to the Authority under section 13 of the RAA and in accordance with the procedures established for this purpose in section 62 of the RAA, the Authority hereby determines that:
8. The adoption and implementation of the Feed-in Tariff Methodology for Bulk Generation Sole Use Installation Licensees as set forth in Annex 1 of this Schedule below is consistent with the purposes of the Electricity Act 2016, including to seek to:
 - a. ensure the adequacy, safety, sustainability and reliability of electricity supply in Bermuda;
 - b. encourage electricity conservation and the efficient use of electricity;
 - c. promote the use of cleaner energy solutions and technologies;
 - d. provide sectoral participants and end-users with non-discriminatory interconnection to transmission and distribution systems;
 - e. protect the interests of end-users with respect to prices and affordability, and the adequacy, reliability and quality of electricity service; and
 - f. promote economic efficiency and sustainability in the generation, transmission, distribution and sale of electricity.

ANNEX 1 – FEED-IN TARIFF METHODOLOGY FOR BULK GENERATION SOLE USE INSTALLATION LICENSEES

A. METHODOLOGY

1. This section outlines the methodology that the RA has developed to assess the FiT for BGSUI Licensees, considering that the FiT can vary across individual BGSUI licence holders.
2. The methodology focuses on estimating a FiT for any individual BGSUI Licence holder that aims to balance the costs incurred – net of any benefits such as avoided costs of generation- and revenues from electricity sales collected from the BGSUI licensee – net of FiT payments over the Evaluation Period. The Evaluation Period shall cover a period of 12 months from the date the FiT is intended to be effective from unless deemed otherwise by the RA¹⁰.
3. The methodology is illustrated through the following equation:

$$R_{BaseRates}(\$) - FiT_{BGSUI}(\$) = C_{Exports}(\$) + C_{Imports}(\$) - C_{Avoided}(\$) \pm Other(\$)$$

Where:

- (a) $R_{BaseRates}$: Revenue collected by the TD&R Licensee from the BGSUI Licensee paying the base rates over the Evaluation Period.
- (b) $FiT_{BGSUI}(\$)$: Payments made by the TD&R Licensee to the BGSUI Licensee for their exports to the grid over the Evaluation Period. The payments are a function of the FiT, the BGSUI Licensee's generation, exports, and the export cap defined by the RA.
- (c) $C_{Exports}$: The costs associated with the BGSUI Licensee exporting excess electricity to the grid over the Evaluation Period.
- (d) $C_{Imports}$: The costs associated with the BGSUI Licensee importing electricity from the grid over the Evaluation Period.
- (e) $C_{Avoided}$: The costs of generation that the TD&R Licensee avoids by using the BGSUI Licensee's exported electricity instead of operating its own generation assets over the Evaluation Period.

¹⁰ Initially, this will be the same date as the effective date of the BGSUI Licence, as appropriate.

- (f) *Other*(\$): Other indirect costs or benefits which the RA finds appropriate to include in the calculation.
- 4. The Fuel Adjustment Rate (**FAR**) and Regulatory Authority Fee (**RAF**) are not considered in the calculation; neither in costs nor benefits as they are cost-reflective by design. Therefore, in practice, revenues from either charge are equal to the costs incurred.
- 5. This approach to calculate the FiT aims to minimise disruptions to other customers: it aims to ensure that the FiT is calculated in such a way that any given BGSUI licensee is self-sufficient – i.e. that the costs incurred net of any benefit provided to the wider customer base are fully compensated through its own electricity bills.
- 6. In line with the EA, the methodology also considers two constraints to calculate the FiT_{Rate} :
 - (a) BGSUI Licensees can export and receive payment for excess electricity to the TD&R Licensee up to a permitted amount defined by the RA but can be no more than 30% of monthly generation.
 - (b) The FiT shall seek to compensate for, at most, the actual cost of generation that the TD&R Licensee avoids by purchasing power from the BGSUI Licence holder and an estimate of any economic benefits.

B. DEFINING COSTS AND REVENUES CONSIDERED IN THE DETERMINATION OF THE FIT

B.1 DIRECT COSTS

B.1.1 COSTS ASSOCIATED WITH EXPORTS ($C_{Exports}$)

- 7. The export demand costs are the share of total demand costs set to be directly imputable to bulk generation, BGSUI licensees and distributed generation users exporting power into the network.
- 8. The costs associated with exports are typically proportionate to the customer's power system usage in kVA.
- 9. Although system usage at peak time is generally the principal cost driver, it is relevant to consider the contributions to total system demand and constraints throughout the day.

B.1.2 COSTS ASSOCIATED WITH IMPORTS ($C_{Imports}$)

10. The costs that the TD&R Licensee incurs from the BGSUI Licensee importing electricity from the grid which include:

- (a) **Non-fuel energy-driven costs:** the variable costs of providing electricity to the customer. They are directly proportional to the amount of electricity imported from the network in kWh.
- (b) **Demand-driven costs:** Fixed costs that are directly imputable to consumers importing power from the network and typically proportional to the customer's power system usage in KVA – for example, plant and network capital costs. Although system usage at peak time is generally the principal cost driver, it is relevant to consider the contributions to total system demand and constraints throughout the day.
- (c) **Customer-driven costs:** the remaining fixed costs of providing electricity to the customer – for example, operational expenditure related to the metering infrastructure.

B.2 BENEFITS

B.2.1 AVOIDED COSTS OF GENERATION ($C_{Avoided}$)

11. As the BGSUI Licensee is exporting its excess electricity to the grid, the TD&R Licensee is able to displace some of its fuel costs to supply electricity to its customers.

B.3 OTHER INDIRECT COSTS AND BENEFITS

B.3.1 OTHER INDIRECT COSTS AND BENEFITS ($Other(\$)$)

- 12. Other indirect costs or benefits associated with the BGSUI Licensee which the RA finds appropriate to include in the calculation.
- 13. An example of a potential indirect cost is the TD&R Licensee's revenue deprival as it would no longer be able to collect revenues from a portion of the electricity consumption that is self-generated and consumed by the BGSUI Licensee.

B.4 REVENUES

B.4.1 REVENUE FROM BASE RATES ($R_{BaseRates}$)

14. The revenue collected by the TD&R Licensee associated with sales to the BGSUI Licensee at prevailing electricity rates.

B.4.2 COSTS ASSOCIATED WITH FIT PAYMENTS TO THE BGSUI LICENSEE (FiT_{BGSUI})

15. The TD&R Licensee incurs costs due to the BGSUI Licensee for the FiT payments made for the electricity exported to the grid, which in the FiT determination methodology are shown as netted from the revenues collected by the TD&R Licensee.
16. These costs are a function of the FiT rate set by the RA, the BGSUI Licensee's generation, the exports, and the export cap determined by the RA for the Licensee.
17. In line with the EA, the FiT shall seek to compensate for, at most, the actual cost of generation that the TD&R Licensee avoids by purchasing power from the BGSUI Licence holder and an estimate of any economic benefits.

C. EVALUATING COSTS AND REVENUES CONSIDERED IN THE DETERMINATION OF THE FIT

C.1.1 DIRECT COSTS: EXPORTS AND IMPORTS

18. In order to estimate the import and export costs, the RA shall use the following:
 - (a) The TD&R Licensee's revenue allowance(s) approved or estimated for the Evaluation Period.
 - (b) Estimates of the proportion of costs broken down by cost driver (i.e. customer-driven, energy-driven, demand-driven) and customer class. Those may be derived from an Embedded Cost of Service Study.
 - (c) The estimated billing determinants for the Evaluation Period.
19. Using 18(a), (b), and (c), the RA shall calculate the relevant costs per unit for energy-driven and customer costs.
20. In order to derive the export and import demand costs, the RA shall use 18(a), (b), and (c) in addition to the following:
 - (a) An allocation factor for network costs which distributes the network costs between generators and load customers. The factor shall be set by the RA at a level deemed appropriate.
 - (b) The capacity (kW) and load factors of every generator on the system.
21. Afterwards, the RA shall use the BGSUI Licensee's electricity imports, import capacity, and export capacity to calculate the costs, in dollars, for the Evaluation Period.

C.1.2 BENEFITS: AVOIDED COSTS OF GENERATION

22. The benefit from the avoided costs of generation will be derived using similar principles as those detailed in the FiT Methodology General Determination for distributed generation.

C.1.3 OTHER INDIRECT COSTS AND BENEFITS

23. The evaluation of other indirect costs and benefits will depend on the nature of the specific cost or benefit.
24. As an example, one of the indirect costs that the RA could find appropriate to include could be the TD&R Licensee's revenue deprival, which could be calculated from the share of electricity that is self-consumed and prevailing electricity rates, then annuitised.

C.1.4 REVENUES FROM BASE RATES

25. The RA shall calculate the revenue from base rate by using the estimated electricity imports of the BGSUI Licensee over the Evaluation Period and the prevailing electricity base rates.

C.1.5 COSTS ASSOCIATED WITH FIT PAYMENTS TO THE BGSUI LICENSEE

26. As previously mentioned, the costs associated with the FiT payments will be a function of the BGSUI Licensee's generation, exports, export cap, and the FiT rate.
27. The RA will use the FiT determination formula to calculate and set a FiT. The RA will do so by solving the formula in paragraph 3 after calculating all of the other costs, benefits, and revenues as detailed in previous sections.
28. In line with the EA, the FiT shall seek to compensate for, at most, the actual cost of generation that the TD&R Licensee avoids by purchasing power from the BGSUI Licence holder and an estimate of any economic benefits. Therefore, the RA will need to check that the calculated FiT does not breach the cap.
29. Furthermore, even though the EA caps the export cap at 30% of monthly generation, the RA may set a different cap if deemed appropriate, for example, to consider any other social, technical, policy, or economic factors deemed relevant at the time.

D. OTHER CONSIDERATIONS

30. The level of the FiT may vary for different BGSUI Licensees due to the nature of their load and generation projects.

31. To ensure that the FiT is in line with section 36 of the EA, the RA shall conduct quarterly reviews and compare the updated avoided costs of generation (\$/kWh) and FiTs across the BGSUI Licensees.
32. Once the FiT for a BGSUI Licensee is set, the RA takes the view that the FiT should only be reviewed and updated in two occasions:
 - (a) If during any of the quarterly reviews, the RA observes that the FiT is higher than the avoided costs of generation, the RA shall adjust the FiT for the relevant BGSUI Licensee(s) until the pattern reverses.
 - (b) The RA may update the FiTs for BGSUI Licensees after concluding a retail tariff review to ensure that the costs and revenues in the FiT determination formula, and therefore, the FiT, continue to reflect the current level of costs incurred and saved by BGSUI Licensees.