REGULATORY AUTHORITY OF BERMUDA

Retail Tariff Restructuring
Public Report

Date: 7 July 2026

REGULATORY AUTHORITY OF BERMUDA

TABLE OF CONTENTS

I. Acronyms

Acronym	Definition
BELCO	Bermuda Electric Light Company Ltd
BG	Bulk Generation
BMD	Bermuda Dollar
CAPEX	Capital Expenses
DG	Distributed Generation
EA	Electricity Act
EPA	Energy Purchase Adjustment
ERA	Efficiency Regime Adjustment
ESA	Energy Sales Adjustment
FAR	Fuel Adjustment Rate
GD	General Determination
IPP	Independent Power Producer
kWh	Kilowatt-hour
OPEX	Operating Expenses
PRA	Performance Regime Adjustment
RA	Regulatory Authority of Bermuda
RAB	Regulatory Asset Base
RAF	Regulatory Authority Fee
TD&R	Transmission, Distribution, and Retail
WACC	Weighted Average Cost of Capital

II. Executive Summary

Effective 1 August 2026, the Regulatory Authority of Bermuda (RA) is implementing a new rate structure that makes the way electricity costs are recovered fairer, clearer and more accurately tied to what it actually costs to serve each type of customer.

The change is only a restructuring of how bills are calculated, not a change in the overall level of rates. The average rate across all customer classes remains the same. As usual, individual bills will vary depending on how much electricity a customer uses and whether they have solar panels or other distributed generation (DG).

The key changes are:

i. Fairer fixed charges. The fixed part of the bill — which covers the cost of grid access regardless of how much electricity is used — is being incrementally increased to better reflect actual infrastructure costs.
ii. Separate tariffs for customers with solar (DG). Customers who generate some or all of their own electricity will now pay a fixed charge that more accurately reflects the grid access costs they continue to impose on the system.
iii. Transparent unbundled charges. Energy charges on bills will now be split between a generation component and a network component, so customers can see clearly what they are paying for.

The new structure also responds directly to a Ministerial Direction issued on 2 May 2025, which required the RA to introduce differentiated tariff classes for customers who are fully reliant, partially reliant, or minimally reliant on the electricity grid.

This public report explains why these changes were made, how they were developed over a four-year process, and what customers can expect to see on their bills from August 2026.

III. Introduction

The RA is the independent regulator for the electricity sector in Bermuda and among its responsibilities, the RA determines the retail tariffs that BELCO is permitted to charge its customers, in accordance with the Electricity Act 2016 (EA 2016) and the Retail Tariff Methodology General Determination 2025.

This report explains a significant change to how electricity bills in Bermuda are structured, taking effect on 1 August 2026. The rate restructuring has been in development since October 2022 and reflects a considered, methodical process, including public consultation, independent expert analysis, and engagement with the broader policy framework set by the Minister of Home Affairs.

Customers who wish to understand in depth how rates are calculated may refer to the Retail Tariff Review 2026-27 Public Report published in December 2025.

IV. Why the Rate Structure Needed to Change

Bermuda's electricity rate structure has remained broadly unchanged for many years. In that time, two important trends have shifted the way customers use electricity and created an unfairness problem that the RA was required to address.

A. Declining Energy Consumption

Since 2008, total electricity consumption in Bermuda has fallen significantly. This matters because the cost of maintaining the electricity grid — the poles, cables, substations, and infrastructure that bring power to every home and business — is largely fixed. Those costs exist whether customers use a lot of electricity or very little.

Under the old billing approach, these fixed infrastructure costs were mostly recovered through the variable (per-kWh) part of the bill. As overall consumption fell, each kWh became more expensive to recover costs — placing a higher burden on customers who use more electricity.

B. Growth in Distributed Generation (Solar)

The uptake of rooftop solar and other forms of self-generation has grown considerably. Customers with solar panels reduce how much electricity they consumer purchase from BELCO — but they remain connected to the grid and continue to rely on it as a backup and for times when their panels are not generating.

Under the old structure, DG customers paid a fixed charge based on average consumption patterns, rather than one that reflected their actual grid access costs. This meant that the infrastructure costs they impose on the system were being paid, in part, by customers without solar, which the RA acknowledges as being unfair.

C. The Mismatch Between Costs and Bills

BELCO's Embedded Cost of Service Study (ECOSS) confirmed that approximately 72% of BELCO's revenue requirement is demand-related (driven by peak capacity on the grid) and 24% is customer-related (the fixed cost of connecting each customer), with only 4% being energy-related (varying with the volume of electricity consumed). Yet under the old structure, the majority of revenue was recovered through variable energy charges.

This mismatch between how costs are structured and how bills are calculated created cross-subsidisation between customer groups. Addressing it is central to the RA's mandate to promote fairness and cost-reflectivity in electricity billing.

V. What Has Changed: The New Rate Structure

The new rate structure introduces three principal changes to how electricity bills are calculated. These apply across all customer classes.

A. Change 1: Higher Fixed Charges (Facilities Charge)

The fixed part of a customer's bill — the Graduated Facilities Charge (GFC) for residential customers, and the customer charge for commercial and demand customers — covers the cost of grid access: the infrastructure needed to connect each customer, regardless of how much electricity they use.

Under the old structure, too little of these fixed costs was recovered through fixed charges, and too much was bundled into the variable (per-kWh) charge. The new structure incrementally increases the proportion of costs recovered through fixed charges.

For residential customers, the GFC tiers increase by approximately 23%. For miscellaneous commercial customers (churches, quarries, government structures), a new fixed charge of $72.67/month is introduced. These changes are offset by a reduction in the variable energy charges.

The overall average bill does not increase as a result; this is a redistribution of how costs are recovered, not an increase in the total amount recovered.

B. Change 2: Separate Tariffs for DG Customers

Customers who generate some of their own electricity (for example, through residential solar PV) will now be charged a fixed rate that more accurately reflects the infrastructure costs they impose on the grid.

Under the old structure, residential DG customers paid a fixed charge equivalent to the average GFC Tier 3 rate regardless of how much capacity they draw from the grid at times when their panels are not generating. Under the new structure, they will be placed in GFC Tier 5 (the highest tier), reflecting the grid availability they rely on.

For commercial DG customers, a separate higher fixed charge of approximately $200/month is introduced. For demand DG customers, the new fixed charge is approximately $250/month.

C. Change 3: Unbundled Energy Charges

Under the old structure, the variable (per-kWh) energy charge on a customer's bill was a single bundled figure combining the cost of generation, transmission, and distribution. Customers could not tell from their bill how much of what they paid related to each component.

Under the new structure, the energy charge is split into two separate components:

i. **Generation charge**: the cost of producing electricity.
ii. **Network charge**: the cost of transmitting and distributing electricity across the grid.

For demand customers, the existing demand charges (Types A, B, C) are similarly unbundled into generation and network components — moving from three charges to six. This transparency helps customers understand the structure of their bills and, over time, supports more informed energy decisions.

Feature	Old Structure	New Structure (from August 2026)
Residential Fixed Charge	GFC tiers; DG customers pay average Tier 3 rate	GFC tiers unchanged; DG customers placed in Tier 5
Commercial Fixed Charge	Single charge for all commercial customers	Two charges: separate rates for DG and non-DG customers
Misc. Commercial Fixed Charge	No fixed charge	New fixed charge of $72.67/month
Energy Charges	Single bundled rate ($/kWh)	Two unbundled rates: Generation ($/kWh) + Network ($/kWh)
Demand Charges	Three bundled charges (Types A, B, C)	Six unbundled charges: Generation and Network Types A/B/C

VI. The Rate Restructuring Process

The rate restructuring has been an extensive, multi-year exercise. The key stages are set out below.

Year / Date	Step
2021	BELCO published its Embedded Cost of Service Study (ECOSS) and initial tariff design reports, providing the technical foundation for the review.
October 2022	The RA published a public consultation report — the Retail Tariff Design Restructuring Report — presenting four rate design in plain language and inviting public feedback via a formal feedback form.
November 2022	Public consultation closed. Five responses were received from stakeholders. The RA considered these responses in shaping its approach.
2022–2025	The RA engaged Ricardo, an independent energy consultancy, to provide expert analysis and recommendations on the preferred rate structure.
May 2022 – March 2026	Multiple rounds of rate impact modelling by BELCO, culminating in a final submission in March 2026.
2 May 2025	The Ministry of Home Affairs issued a Ministerial Direction requiring the RA to consider differentiated tariff classes based on grid reliance.
June 2026	The RA approved the new rate structure with new rates to take effect 1 August 2026.

The RA considered four options and selected the most conservative of the options as the appropriate first step. The selection limits disruption to customers while beginning a meaningful improvement in cost-reflectivity and transparency. More significant structural changes in the other options, remain possible future steps and will be considered in future tariff reviews.

The Ministerial Direction 2025 On 2 May 2025, the Ministry of Home Affairs issued a Ministerial Direction under the Electricity Act 2016 and the Regulatory Authority Act 2011 (RAA 2011). The Direction required the RA to:

conduct a comprehensive review of the existing Transmission, Distribution and Retail (TD&R) business model and grid investment strategies to identify efficiency opportunities; and

reasonably consider the introduction of differentiated tariff classes for consumers who are fully reliant, partially reliant, or minimally reliant on the electricity grid — in order to promote fairer and more transparent cost allocation in accordance with Section 36(2)(a) of the EA 2016.

The rate restructuring exercise, which pre-dates the Ministerial Direction by nearly three years, directly addresses the second requirement. The new structure distinguishes customers by their degree of grid reliance as follows:

Category	Who This Covers	How the New Structure Responds
Fully reliant	Customers without solar or other self-generation	Continue on existing tariff classes; fixed charges incrementally adjusted for cost-reflectivity.
Partially reliant	Customers with solar or DG who still draw from the grid	New DG sub-classes with higher fixed charges that reflect their continued grid access costs.
Minimally reliant	Customers whose DG covers most of their electricity needs	Captured within the DG sub-classes; future tariff reviews may develop this further as data improves.

The RA began this work in 2022, prior to the Direction being issued demonstrating that improving fairness in billing has always been a regulatory priority. The Direction reinforced and formalised the same objective.

VII. Bill Impacts by Customer Class

The impact of the new rate structure on all customer accounts is modelled below. The overarching conclusion is that the average rate stays the same across all customer classes; this is a restructuring of how costs are allocated, not an increase in total costs. However, individual bill impacts will vary depending on consumption patterns and DG status.

Customer Class	% Seeing Decrease or No Change	% Seeing Increase	Maximum Increase
Residential — Non-DG	25%	75%	$10/month
Residential — DG	10%	90%	$100/month
Commercial — Non-DG	30%	70%	$25/month
Commercial — DG	20%	80%	$150/month
Demand — Non-DG	60%	40%	13% (vast majority < 3%)
Demand — DG	10%	90%	7% (vast majority < 2%)
Churches	Majority	Some	Up to $125/month decrease for most
Quarries	Majority	Few	Modest decreases up to 3%
Special Govt Structures	Mixed	Mixed	No customer above $25/month increase

A. Residential Customers (Non-DG)

Most non-DG residential customers (approximately 75%) will see a modest increase to their monthly bills, driven by the incremental shift of cost recovery into the fixed charge. Around 50% of all non-DG residential customers will see an increase of no more than 3%. No non-DG residential customer is expected to pay more than $10 per month extra. Customers in lower GFC tiers will predominantly see a small increase. Those who see a decrease may reduce their bill by up to $50 per month.

B. Residential Customers (DG)

DG residential customers will see a more significant impact. Around 90% will see an increase — primarily because they will now be charged the GFC Tier 5 rate, rather than the average Tier 3 rate they currently pay. Bills could rise by up to $100 per month, with around 50% of DG residential customers seeing an increase of less than 21%. This change reflects the network costs that DG customers impose on the system despite their lower volumetric energy imports.

C. Commercial Customers (Non-DG)

Around 70% of non-DG commercial customers will see an increase, but the majority will face an increase of no more than $25 per month. Around 30% will see little change or a decrease, with some customers potentially reducing their bill by up to $200 per month.

D. Commercial Customers (DG)

Commercial DG customers will see the largest dollar impacts in the commercial class, principally due to the introduction of a separate higher fixed charge of approximately $200/month. Around 80% will see an increase, with approximately 65% of those seeing an increase in the $100–$150 per month range. This higher charge reflects the grid infrastructure costs these customers continue to impose on the system.

E. Demand Customers

Demand customers are less sensitive to the restructuring in percentage terms. Around 60% of non-DG demand customers will see a decrease or no change. Those that do see an increase are expected to see less than 1% change in the vast majority of cases, with a maximum of 13%. The impact is sensitive to each customer's load factor: customers with higher and more consistent load factors will benefit, while those with low load factors will face larger adjustments. DG demand customers will predominantly see small increases, mostly under 2%.

F. Miscellaneous Commercial Customers

Quarries are expected to see modest decreases of up to 3%. Churches will generally see decreases, with the majority experiencing reductions of up to $125 per month. Special government structures will see both modest decreases and modest increases, with no customer expected to face an increase above $25 per month. A new fixed charge of $72.67/month is introduced for this class to improve billing fairness.

VIII. The August 2026 Implementation Date

The standard rates for 2026 were approved in late 2025 and took effect on 1 January 2026, following the regular tariff review cycle. The rate restructuring exercise, which addresses the structure of how bills are calculated rather than only the level of rates was completed separately and required additional time to finalise.

Specifically, the restructuring involved:

i. A four-year process of analysis, consultation and modelling;
ii. Engagement with an independent expert to recommend the preferred rate structure;
iii. Multiple rounds of detailed bill impact modelling;
iv. Board approval of the new structure in June 2026; and

v. The requirement to respond to the Ministerial Direction issued in May 2025.

Given that the rate restructuring is a structural change separate from the annual tariff review, it was appropriate for the RA to implement the new structure as soon as it was ready, rather than waiting until 1 January 2027. Delaying implementation would have extended the period during which the existing unfairness in cost allocation continued.

The 1 August 2026 date allows BELCO sufficient lead time to update its billing systems and communicate the changes to customers before the new rates take effect.

REGULATORY AUTHORITY
OF BERMUDA

IX. The New Approved Rates

The table below sets out the approved rates effective 1 August 2026 for each customer class, together with the existing rates and the difference.

Schedule A — Residential

Charge	Unit	Existing Rate	New Rate (Aug 2026)	Change
Facilities Charge — Graduated (GFC)				
Tier 1 (0–10 kWh/day)	$/month	$ 25.44	$ 31.33	+23.2%
Tier 2 (10–15 kWh/day)	$/month	$ 38.17	$ 47.00	+23.1%
Tier 3 (15–25 kWh/day)	$/month	$ 50.83	$ 62.59	+23.1%
Tier 4 (25–50 kWh/day)	$/month	$ 79.51	$ 97.91	+23.1%
Tier 5 (50+ kWh/day)	$/month	$120.86	$148.83	+23.1%
DG Customer Charge	$/month	$ 52.48	$148.83	+183.6%
Energy Charges — Bundled				
First Block (0–250 kWh)	$/kWh	$0.17193	$0.15690	-7.5%
Second Block (251–700 kWh)	$/kWh	$0.30698	$0.27674	-9.9%
Tail Block (700+ kWh)	$/kWh	$0.48350	$0.42685	-11.7%
Energy Charges — Unbundled (new)		**New charge**		
Generation — First Block	$/kWh	—	$0.08986	New
Generation — Second Block	$/kWh	—	$0.15850	New
Generation — Tail Block	$/kWh	—	$0.24448	New
Network — First Block	$/kWh	—	$0.05534	New
Network — Second Block	$/kWh	—	$0.09761	New
Network — Tail Block	$/kWh	—	$0.15056	New

Schedule B — Small Commercial

Charge	Unit	Existing Rate	New Rate (Aug 2026)	Change
Customer Charge (Non-DG)	$/month	$ 50.43	$ 72.67	+44.1%
Customer Charge (DG)	$/month	$ 50.43	$200.00	+296.6%
Energy — First Block (0–1,000 kWh)	$/kWh	$0.32633	$0.29156	-10.7%
Energy — Second Block (1,001–5,000 kWh)	$/kWh	$0.36888	$0.32769	-11.2%
Energy — Tail Block (5,001+ kWh)	$/kWh	$0.43857	$0.39460	-10.0%

Schedule D — Miscellaneous Commercial

Charge	Unit	Existing Rate	New Rate (Aug 2026)	Change
Customer Charge (New fixed charge)	$/month	—	$ 72.67	New
Street Lighting	$/kWh	$0.24691	$0.20718	-16.1%
Special Govt (Codes 4308, 4408)	$/kWh	$0.28076	$0.25141	-10.5%
Churches (Code 4309)	$/kWh	$0.32455	$0.29062	-10.5%
Quarry (Code 4417)	$/kWh	$0.34693	$0.10108	-10.5%*

Note: FAR (Fuel Adjustment Rate) and RAF (Regulatory Authority Fee) remain unchanged at $0.14226/kWh and $0.00556/kWh respectively.

REGULATORY AUTHORITY OF BERMUDA

X. What Comes Next

The rate restructuring approved in June 2026 is the beginning of a longer journey toward fully cost-reflective, fair and transparent electricity bills in Bermuda, not the end of it.

The approach now being implemented is the most conservative of four options that were assessed. It makes a meaningful first step in correcting the mismatch between how electricity costs are structured and how they are recovered from customers.

The RA expects to consider further structural changes in future tariff reviews. These may include:

i. Demand-based fixed charges for residential customers — tying the fixed charge to peak electricity demand rather than average consumption.
ii. A single demand charge for residential customers — replacing the GFC tier system altogether.
iii. An updated Embedded Cost of Service Study (ECOSS) as Advanced Metering Infrastructure (AMI) meter installation is completed, improving the accuracy of cost allocation.

A clear customer communication strategy is expected to be implemented to ensure that customers understand the changes to their bills, why they are being made, and what the changes mean for them individually.

Customers with questions about the new rate structure are encouraged to contact the RA or BELCO.