



**MINISTRY OF
TRANSPORT & REGULATORY AFFAIRS**

MINISTERIAL STATEMENT

**SUBJECT: Energy Summit and Integrated
Resource Planning**

8 December 2017

Mr. Speaker, I take this opportunity to state with clarity and certainty that this Government supports clean energy, diversification in generation, more competition where appropriate. We desire a more open discussion, which the Integrated Resource Planning process will provide, with sensitivity and understanding for the legacy issues of aging plant. Noting BELCO's challenges, we also want to assure BELCO that their role is neither underestimated nor unappreciated as we move forward with the transformation of the energy sector.

Mr. Speaker, the Integrated Resource Plan, or IRP, is a transparent regulatory process, run by the Regulatory Authority, or RA, which places the ownership for Bermuda's energy future in the hands of the public. The process is interactive and will involve several drafts, and though we cannot know the exact time by which it will be complete, we can note some statutory time frames. The RA is tasked with triggering the process with a request to BELCO, the Transmission, Distribution and Retail licensee, to submit a draft of the IRP within 90 days of that request. After the RA has reviewed that draft and it has verified that the

draft meets their requirements and complies with set Government policy, the public then has at least 60 days to review and provide response and challenge if desired to that IRP. At that point there may be several iterations of revision and consultation. In recognition that the RA was keen to commence the IRP process after having issued licenses on October 28th of this year, the Department of Energy made that the focal point of the 2017 Energy Summit. The Department's goal through hosting this event was to provide key industry participants and prospective market entrants with the tools they will need to participate in the public consultation that is required around that IRP process.

Mr. Speaker, I am pleased to inform this Honourable House of the success of the Bermuda Energy Summit of 2017, held on November 16th at the Hamilton Princess Hotel. There were over 150 attendees, both local and from overseas. Keynote speaker, Dr. Devon Gardner, Programme Manager for Energy at the CARICOM Secretariat, started the day with a passionate and inspiring address imploring the community to be more active and engaged in the future of energy in

Bermuda. He brought awareness to the resiliency needed in response to the increasing frequency of natural disasters as our climate changes.

Mr. Speaker, on that note, hurricane season is now officially over, but our preparations cannot cease. As a side note, the Department of Energy also participated in the BELCO Incident Command System Desktop Exercise that was conducted on Wednesday, November 29th, as my colleague, Minister Wayne Caines, discussed last week in his statement to this House. We remain committed to ensuring that Bermuda's energy supply remains secure.

Mr. Speaker, continuing on with a synopsis of the Energy Summit, the first presentation of the day was given by BELCO, on the state of affairs at the plant. Their presentation highlighted the challenges we all face with an aging plant and infrastructure. **Mr. Speaker**, the morning moved on with a discussion about IRPs and how they are conducted in other jurisdictions, with speakers from the Clinton Institute's Small

Islands Energy Programme, Worldwatch International, and the Brattle Group. Rounding out the morning, was a panel discussion about the regulatory environment and role of the regulator in the electricity sector. It examined examples of more progressive rate making in other jurisdictions, with a focus on performance-based regulation.

Mr. Speaker, the Energy Summit also included a panel on energy efficiency, specifically as it relates to the hospitality sector, with some outstanding local examples from Rosedon and Rosewood Resorts. The Regional Manager of the Caribbean Hotel Energy Efficiency Action gave some insight to how small and mid-size guest houses and hotels were able to make small improvements that amounted to substantial savings in energy costs. Mr. Speaker, it is plain that energy conservation and efficiency must play a far more prominent role in the IRP process. After all, the lower the overall energy demand, the fewer the resources needed to meet demand. Simply put, we can no longer afford to be less

competitive as a jurisdiction in which to do business due to high energy costs. We can, should, and will do better.

Mr. Speaker, the Summit continued with a panel discussion on those things that were within Bermuda's reach, namely storage technologies and electric vehicles, which are no longer concept cars and bleeding-edge batteries. These are now a combination of energy management systems, utility-scale batteries, and even commercial vehicles that might well transform the transportation sector as we know it. It concluded with a panel tying together all the points of discussion.

The main take-away from this year's Energy Summit was that we, as citizens, need to be involved, engaged, and a part of every step of the IRP process. This plan will be owned not by the utility nor the regulator, but by the people of Bermuda. **Mr. Speaker**, it is worth noting that shortly after the Summit, as a matter of fact the day after, on November 17th, the RA issued a notice requesting an Integrated

Resource Plan draft from BELCO in accordance with Section 40 of the Electricity Act 2016. BELCO has up to ninety (90) days to submit the IRP proposal to the RA. This means that the RA should expect to see that draft no later than mid-February. All things running smoothly, and in recognition of the iterations and revisions of an interactive process, we may see a final IRP by the end of August 2018.

Mr. Speaker, the Government is acutely aware of the need for reliable energy. As such, we understand BELCO's challenges, which are in essence, Bermuda's challenges. We believe in an equitable way forward, where we recognise that fossil fuel generation still has a prominent role to play. What must happen, though, and what our regulator is empowered to allow, is for the regulatory compact to be honored with the utility, where used and useful assets are approved to be purchased by the utility which, in turn, is allowed to recover the costs and make a reasonable profit. What this means is that any licensed entity in the electricity sector is effectively in the public service, and it

has to purchase equipment and pay for personnel to operate that equipment or manage the grid. There would be no reason for any utility to ensure that its equipment was modern, efficient, safe, and reliable if it could not make a reasonable profit from it. This is the essence of the regulatory compact. The regulator examines the costs of providing service to the public, and determines what the utility may expect to be compensated for. This concept underpins all of regulation in Bermuda. There is a duty to be fair to the rate payer, but also fair to those providing energy to the grid- both large and small energy producers, and to those providing the infrastructure to get that energy to the customers. This noted, we must simultaneously make certain that Bermudians have their say and have their preferences honored, while ensuring there is healthy and sensible competition.

Mr. Speaker, a great deal of consultation goes into every policy we create. At this point, we simply need to move forward with those policies in the foreground, guiding all that we do. We will base our

actions on the firm foundation of the 2011 Energy White Paper. Its broad principles still stand, though we do need to adjust some of the sub-goals. The broad principles of achieving more energy independence through indigenous renewable resources frame what we have done and will continue to do. As we re-examine the Energy White Paper, we will ensure that those broad goals are reinforced, and that they underpin policy and practice moving forward.

With that in mind, **Mr. Speaker**, the Government expects to finalise the National Fuels later this month to be published within the first six weeks of the New Year, if not sooner. The Department of Energy published the Fuels Policy discussion paper in June 2017, after which the public's comments were reviewed and responses provided and published in August 2017. The government has taken this thoughtful input into consideration and is making final adjustments to the Policy now. The purpose of the policy is to direct the island's fuel sector towards a future that is affordable, sustainable, safe and secure, helping inform the IRP

and Bermudians' involvement with the IRP process. All sectors of our economy are dependent on imported fuels, and Bermudians' concerns over the monetary cost, as well as the environmental and health costs, point to a need to chart a more sustainable course for the energy sector. This involves making a key distinction between conventional fossil fuels and low-carbon fuels, and endorsing actions that shift our use from the first to the second. (However, I should point out we have not lost sight of the significance of displacing fuels – whether low carbon or conventional fossil fuels – with clean renewable sources of energy.)

Mr. Speaker, as we progress to a 'greener' energy economy, we look forward to job creation and sustainable, sensible competition in the electricity sector. We look forward, also, to seeing the public have more interaction with the Regulatory Authority.

Mr. Speaker, this Government is committed to the transformation of the regulatory environment to one that is nimble and responsive. The RA is in the process of building capacity, ensuring that it is fit for purpose, streamlined and efficient, with the expertise it needs to be an effective and responsive multi-sector regulator. We will require a management review of the RA to ensure that this capacity gets built up in a responsible and affordable way, ensuring that the needs of the utility sectors are met. **Mr. Speaker**, the regulator is only as good as its legislation. Toward this end, we will be examining the Regulatory Authority Act 2011, along with the Electricity Act 2016, in order to ensure the legislation allows for the agility that a dynamic energy sector requires, and that it promotes the goals of cleaner, sustainable electricity with price stability. The RA must implement policy through prudent regulation that considers the public's needs, listens and responds to all affected stakeholders, and uses progressive rate making principles to ensure that decisions made are efficient, timely, and prudent.

Mr. Speaker, we look forward to a regulator that renders decisions that implement policy, for a properly regulated and vibrant energy industry. We will also examine accountability measures, and how they are framed in legislation, to ensure that the regulator is held to the high standard of operation and decision-making that Bermuda deserves.

Mr. Speaker, one may ask why we feel green energy is so important. One could go so far as to say that Bermuda did not create the challenges of climate change, and so we should not make ourselves responsible for attempts to halt that change over time. However, we know that a greener economy has more than moral imperative behind it.

Mr. Speaker, the benefits of keeping more currency in Bermuda, circulating in our economy, as opposed to purchasing foreign oil, are numerous and cannot be ignored. Greener energy will contribute to the health and well-being of all of Bermuda, not just for those who directly participate in the energy sector. Air quality improves, just a little both

locally and globally, with every solar panel on a roof. A little extra money stays in the local economy with every conservation measure. There is a job for an installer with every PV system purchased. The renewable energy sector will provide jobs for electricians, technicians, computer and software specialists, repair and maintenance specialists, salespersons, marketers, engineers, and design professionals. It all adds up, and these benefits should no longer be considered as vague externalities because there are real and tangible benefits for Bermuda. We look forward to a regulatory environment where these benefits are considered with every decision.

Mr Speaker, we will all be participants in Bermuda's energy future, whether as active investors or thought leaders or as more passive consumers. Whatever your role, this energy future is yours. Our position going forward is simple and clear: Bermuda's energy future must be owned by Bermuda, for the benefit of Bermuda- for the benefit of our economy, our environment, and our people.

Thank you, **Mr. Speaker**.