



FAIR TRADING COMMISSION

TERMS OF REFERENCE

CONSULTANCY SERVICES FOR TECHNICAL ASSISTANCE TO PROVIDE INSTITUTIONAL STRENGTHENING FOR FEED-IN-TARIFF SETTING

Document No. FTC/URD/

Date: February 26, 2019

I. BACKGROUND

- 1.1 Barbados is an island state of 166 square miles - 21 miles long by 14 miles wide - with a population of approximately 284,000 people, located in the Caribbean. Historically, the Barbados Light & Power Company Limited (BL&P), the sole electricity provider on the island, has been a vertical integrated utility. The current installed capacity is comprised of 239 MW traditional fossil fuel generation technologies and a 10 MW solar photovoltaic (PV) farm. Additionally, there are 18 MW of distributed, customer owned, solar PV connected to the grid. The cost of electricity is US\$0.26 per kWh. Amid Barbados' very high dependency on fossil fuels due to a 95% electricity generation from fuel oil, the Government of Barbados (GoB) is committed to introducing clean energy technologies coupled with energy efficiency and conservation as a means to reduce this dependency.
- 1.2 Barbados' high dependence on fossil fuels risks jeopardising the sustainability of its economic and social development, as well as the competitiveness of its economy. Power generation represents the main use of fuel in the country (50%), followed by transport (33%).
- 1.3 Given the aforementioned economic challenges, the GoB, through the Ministry of Energy and Water Resources ('the Ministry') and the Fair Trading Commission (the Commission), is committed to promoting sustainable energy practices both on the supply side, mainly using renewable energy sources, and on the demand side, by encouraging energy efficiency and energy conservation as a means to reduce the country's dependency on fossil fuels, enhance security and stability in energy supply, improve the economy's competitiveness, and achieve greater environmental sustainability.

The Barbados National Energy Policy

- 1.4 The Barbados National Energy Policy (BNEP) has been developed with the aim of providing a clear direction to the government, its partners and investors in the short, medium and long term, for various areas of development both in the renewable and non-renewable aspects of energy. The BNEP guides decision making in the various sub-sectors and agencies that come under the umbrella of energy development. It defines the current vision of 100 percent renewable energy utilisation by the year 2030 and outlines the broad mission goals and objectives up to 2030. Specific objectives under the various sub-sectors are defined and activities recommended that contribute to the realisation of the goals identified.

- 1.5 Energy conservation, energy efficiency and energy from renewable sources are pivotal to our energy independence. Barbados, in order to fulfill its international obligations to reduce greenhouse gas emissions, must move towards renewable energy production and consumption. The challenge for Barbados is therefore to move in this direction while minimising the costs (financial and economic) to consumers. As a consequence, the Commission will have to ensure its capacity to implement the necessary tariffs and programmes required to advance the energy sector within the context of the BNEP. In this regard, it is anticipated that a holistic approach to capacity building and institutional strengthening of the Commission is a necessary prerequisite to advancing the country to sustainable energy production and consumption.

- 1.6 Therefore, as Barbados advances towards a more sustainable energy future where renewable energy, energy conservation and energy efficiency play a more significant role, it will be guided within the context of a multi-criteria approach. This approach includes criteria that will fall under the following categories:
 - Financial;
 - Economic;
 - Environmental;
 - Technological; and
 - Social

The Fair Trading Commission

The Fair Trading Commission is the entity responsible for utility regulation in Barbados. The Commission is headed by a Chairman and 10 commissioners, while the CEO, an ex-officio member of the Commission, is supported by 34 members of staff.

The Commission's three divisions - **Utility Regulation**, **Consumer Protection** and **Fair Competition** - are responsible for ensuring efficient regulated utility services, safeguarding the interests of consumers and promoting and encouraging fair competition, respectively. In the area of utility regulation, the Commission regulates the supply and distribution of electricity service (BL&P); domestic and international telecommunications services (Cable & Wireless (Barbados) Ltd.); and water and sewerage services (Barbados Water Authority).

The Commission is responsible for the enforcement of the:

- Fair Trading Commission Act, CAP.326B
- Utilities Regulation Act, CAP.282
- Consumer Protection Act, CAP.326D
- Fair Competition Act, CAP.326C
- Certain provisions of the Telecommunications Act, CAP.282B, the Barbados Water Authority Act, CAP. 274A and the Electric Light and Power Act, 2013-21.

Utility Regulation Division (URD)

The URD regulates the three aforementioned utility companies by setting and overseeing rates and service standards. The Division also responds to customer queries, investigates and assists in resolving complaints, promotes the efficiency of utility service providers and keeps abreast of regulatory development in the sectors. The specific functions include:

- Establishing principles for determining the rates charged by regulated utilities;
- Setting rates, which are both, fair to consumers and allow an efficient service provider to finance its operations;
- Setting minimum standards of service that service providers should offer to the public, and monitoring utilities to ensure that they are maintaining or exceeding these standards;

- Ensuring that service providers supply service that is safe, adequate and reasonable;
- Assessing regulatory reports and conducting periodic audits of regulated utilities; and
- Establishing interconnection guidelines, approving interconnection agreements and resolving disputes between providers of telecommunications services.

It is against this background that a consultant will be contracted to render technical support to the Commission in the development and design of feed-in-tariffs for the domestic distributed scale to independent power producer scale renewable energy systems.

II. OBJECTIVES OF THE CONSULTANCY

2.1 The specific objectives are to provide Institutional Strengthening support to the Commission to:

- Develop and design feed-in-tariffs for the various sizes of renewable energy technologies that have been identified under the BNEP;
- Effectively and efficiently transfer knowledge from the consultant/s to the Officers of the Commission on the development and design of feed-in-tariffs for the renewable energy sector; and
- Simulate the potential impacts of the proposed tariffs on the economy, independent power producers, distributed generators and end users.

III. SCOPE OF SERVICES

3.1 The Consultant, under the direct supervision of the Director of Utility Regulation, shall:

- Provide technical support to the Commission with respect to the development and design of feed-in-tariffs for the renewable energy sector;
- Facilitate an understanding of the potential impacts of the tariff recommendations on the economy, independent power producers, distributed generators and end users through the use of simulations;

- Consider the recommendations for possible feed-in-tariffs as given in the Study for the Establishment of a Stable Price for Electricity from Renewable Sources of Energy (September 2017);
- Facilitate effective and efficient knowledge transfer to the Officers of the Commission in the development and design of feed-in-tariffs for the renewable energy sector;
- Offer in-house guidance to the Officers of the Commission in the rudiments of setting feed-in-tariffs for Roof Mounted Solar PV, Ground Mounted Solar PV, Wind, Biomass from Manure, Biomass Gasification, Solid Biomass Combustion, and Solid Waste Combustion at various size ranges;
- Manipulate the data, onsite, to the greatest extent possible;
- Recommend feed-in-tariffs based on the levelised cost of electricity (LCOE) that provide for:
 - the minimisation of investor and financing risks to allow for low risk debt financing and low risk returns on investment;
 - a degression schedule to reflect the declining cost of production over time and to incentivise innovation;
 - inflation adjustments;
 - front end loaded tariffs to enable positive cash flow from the early years of operation;
 - a time of delivery differentiator;
 - bonus payments for community ownership;
 - guaranteed 20-year feed-in-tariffs;
 - ownership by impact;
 - temporary capacity caps regulations for grid sub-sections to ensure grid stability and reliability; and
 - the broadest possible eligibility of all appropriate renewable energy technologies of all sizes and of all domestic investors to encourage democratisation of the energy landscape.
- Deliver a presentation to the Officers and Commissioners of the Commission on the outcomes of the consultancy.

IV. CHARACTERISTICS OF THE CONSULTANCY

4.1 The characteristics of this consultancy are as follows:

- i. **Starting Date and Duration:** The Consultancy is expected to be undertaken over forty-five (45) days spanning a 2-month period, commencing March 18, 2019 and shall be completed no later than May 2, 2019.
- ii. **Consultancy Category & Modality:** National/International Individual Firm Consultancy. The contract will be awarded on technical merit.
- iii. **Contract Type:** The Terms will be agreed under an incremental payment contract.
- iv. **Payments:** Payments shall be made as established in Section VI of the Terms of Reference.
- v. **Place of Work:** The work is to be undertaken in Barbados.

V. QUALIFICATIONS

5.1 The qualifications for this consultancy are as follows:

- i. **Academic Degree/level and years of professional experience:** A minimum of a Master's Degree in Economics or Finance, Electrical or Renewable Energy Engineering, Renewable Energy Management or a related discipline with at least 10 years' experience in renewable energy tariff setting.
- ii. **Language:** English.
- iii. **Areas of Expertise:** (i) Renewable energy technologies; (ii) Large scale renewable energy adoption; (iii) Renewable energy support mechanisms (iv) The Barbados Electric Light & Power Act 2013; and (v) Knowledge of the economic policies and practices for the regulation of island grid systems.
- iv. **Skills :** (i) Demonstrated ability to plan, initiate and control projects and the ability to work under time pressure; (ii) Knowledge of energy systems and services; (iii) Demonstrated ability to manage contracts of high value and high risk.

REPORTS / DELIVERABLES

- 5.2 The consultant is required to provide the Commission with the following deliverables and outputs:
- i. **Performance Reports** – Inception, Interim, Draft Final and Final Reports. To be submitted as stated in the schedule of payment table at VI. These performance reports will review all aspects of the work underway and completed, and provide an assessment of level of completion. *Reports must be submitted in hard and soft copies and should include cover, main document, and all annexes, where applicable.*
 - ii. A final report which includes all the recommendations agreed to with Officers of the Commission; and
 - iii. Outputs of the consultancy, to be presented to the Officers and the Board of the Commission.

VI. SCHEDULE OF PAYMENT

- 6.1** Payment of fees will be made subject to the Commission's acceptance of the Performance Reports/work. Should the Commission not accept the deliverable, it will bring to the attention of the Consultant the area(s) which it assesses to be deficient and the Consultant shall remedy the deficiency within fourteen (14) calendar days of being requested to do so.

Payments for the consulting services will be specified in the Contract, using the concept of incremental payment, and will be made as follows:

Deliverable (incl. of deliverable requirements)	Due Date	Percentage of Contract amt.
Inception Report - To detail initial findings, data requirements and a work plan for the execution of the assignment	Mar. 22, 2019	10%
Interim Report - To detail progress to date, preliminary recommendations, challenges, etc.	Apr. 8, 2019	20%
Draft Final Report - assumptions and proposed recommendations based on the scope of services	Apr. 15, 2019	30%
Final Report - assumptions and final recommendations having consulted with Commission staff	Apr. 29, 2019	35%
Presentation of Report	May 2, 2019	5%

VII. EVALUATION

7.1 Proposals will be evaluated based on Consultants' experience, qualifications, and the quality of the proposals. The Ministry and Commission are not bound to accept the lowest or any offer. Proposals and/or queries should be submitted by 4:00 p.m. on Wednesday, March 6, 2019 to:

**Chief Executive Officer
Fair Trading Commission
Good Hope
Green Hill
St. Michael
Barbados**

An electronic copy should also be submitted to the Fair Trading Commission at: info@ftc.gov.bb.

The Commission will evaluate the proposals and will advise parties of its decision by Tuesday, March 12, 2019.

VIII. COORDINATION

8.1 The Consultant shall report directly to the Director of Utility Regulation of the Commission.

IX. PROVISION OF FACILITIES

9.1 The Commission will provide physical office accommodation.