



The Commonwealth of The Bahamas Announcement of New and Comprehensive Energy Reforms across the Commonwealth of The Bahamas

Remarks on Reforms

**Presented by
Hon. JoBeth Coleby-Davis, M.P
Minister of Energy and Transport
Monday, 9th June 2024**

Good morning once again.

It is now my pleasure to share our reforms.

However, before I do I wish to acknowledge the role of the Prime Minister, Members of the Cabinet, officials at the Ministry of Energy and Transport, officials at Bahamas Power and Light and the hard work of the Energy Committee in getting us to this juncture.

I wish to especially acknowledge the contributions of the Attorney General and the Director of Energy and Sustainability Initiatives, Christina Alston.

Without their work, we would not be here today.

Our specific reforms include:

- Building of utility-scale solar power in the Family Islands,
- Expansion of solar projects on New Providence,
- Modernization of the Electricity Grid and Transmission and Distribution Network for New Providence, through a partnership between BPL and Island Grid,

- Transforming Energy Generation through LNG Implementation in New Providence, and
- Equity Rate Adjustment.

Reform 1: *Building of utility-scale solar power in the Family Islands*

In December 2023, the Government of The Bahamas and BPL launched a Request for Proposals (RFP) Family Island New Energy Generation via Micro- Grids, Clean Fuel & Renewables.

The goal of the RFPs is to create more independence in energy generation on all our islands, utilizing clean fuel and renewables.

We invited bids from respondents interested in offering renewable energy based Independent Power Producer projects for multiple systems in Abaco, Andros, Bimini, Eleuthera, Exuma, Long Island, San Salvador, and The Berry Islands.

The projects aim to regulate resource management, improve energy storage capacity, facilitate new generation capabilities, and enhance sustainability efforts. The development of microgrids on these

various islands will ensure consistent and reliable power output for its inhabitants, 24 hours a day.

Each project will be managed locally to minimize wastage, reduce generation costs, and will ultimately drive each island involved toward the goal of self-sustainability.

All proposals were thoroughly reviewed and scored by an Evaluation Committee, with broad experience in the public service, energy, and legal fields.

I am pleased to share that the recommended IPP for Abaco is Verdant and Consus, Andros is Providence Advisors, Eleuthera is Verdant and

Consus, Exuma is INTI Corporation and Osprey Construction, and Long Island, San Salvador, and The Berry Islands is Wilkem Technologies and Roswall Incorporation.

Currently, we are negotiating the power purchase agreements.

Each island has unique energy requirements and geographical constraints, necessitating a customized energy solution. To ensure the most suitable approach, each island's technical specifications were thoroughly reviewed for applicability. We have finalized the design criteria in terms of agreement and selected both the

microgrid controller and the communication profile. Long lead time supply chain equipment has been identified and their specifications have been submitted to the respective manufacturers. We anticipate that ground-breaking will begin by the end of 2024.

To ensure operational efficiency, every Independent Power Producer was required to submit a rigorous training programme for BPL staff. This included operating and maintaining gas engines, utility-scale solar, battery energy storage systems, microturbines and biomass to electricity. These leading-edge technologies will put BPL at the forefront of the global energy transformation.

Reform 2: Expansion of Solar Projects on New Providence

The New Providence RFP invited independent power producers to interconnect more renewable energy options to the national grid.

This initiative provides a green energy solution for the existing battery energy storage while adding renewable energy to the overall energy mix.

Approximately 70 MW of solar power and 35 MW of battery energy storage systems will be integrated into the existing grid. 25MW of the solar energy will

be paired with the 25MWH of battery energy storage system at the Blue Hills Power Station.

I am pleased to share that the recommended independent power producer for New Providence are Eco Energy, INTI, and Compass.

The power purchase agreements are currently being negotiated.

Reform 3: Modernization of the Electricity Grid and Transmission and Distribution Network for New Providence, through a partnership between BPL and Island Grid

To understand reform 3, permit me to share a few irrefutable facts:

- BPL operates 29 power stations on 17 islands.
- In less than a decade, BPL/ BEC amassed almost \$500M in debt.
- BPL has loan interest payments of more than \$28M annually and a \$122M pension liability.
- BPL has about 90MW of aged/obsolete generation assets teetering on the edge in New Providence and another 30MW in the family islands.
- To augment its generation needs in New Providence and the Family Islands, BPL relies on 145MW rental generation between New

Providence and the Family Island costing about \$42M annually.

- BPL's T&D infrastructure is in desperate need of upgrades as much of it dates to the 1980s and early 1990s with few enhancements to reduce significant system losses.
- BPL's present infrastructure is crippled by the effects of climate change with soaring temperatures and natural disasters having a detrimental effect on the company's assets.
- Finally, BPL is not well positioned to complement the country's growth projections for the next 5-10 years as generation projections call 340MW of power needed for

New Providence and 100MW for the Family Islands.

The partnership with Island Grid will extend the infrastructure capabilities beyond BPL alone can do by bringing in a generation and T&D expert to pursue much-needed upgrades.

It is important to share that Island Grid has over 60 years' experience in delivering best in class energy infrastructure. The company's projects included work on Walkers Cay, Grand Cayman, Grand Bahama, and Puerto Rico.

The partnership with Island Grid, will lower the fuel cost, and improve operating efficiency.

The benefit of this arrangement will be felt through affordable energy prices and fewer power interruptions.

Energy costs will be lowered through several mechanisms.

First is the shift towards generation options with lower-cost fuels or no-cost fuels in the case of renewable generation. Second is the upgrade of the grid, which will bring about a more efficient

delivery of power, so less energy is wasted getting the power from the generation plant to your home. Third, a well-built and well-sized system will allow for lower ongoing maintenance costs than what we currently have today. All these savings will be passed along to customers.

The T&D agreement will improve reliability on New Providence.

The T&D work is designed to improve reliability along several dimensions: the addition of a new switching station and a new transmission line and proper looping of the system, reconductoring work, substation protection upgrades and targeted

distribution protection schemes and voltage regulation. These are foundational to the reliable operation of any T&D system and are currently in urgent need of attention.

To maintain international standards and engineering oversight, ECF Consulting has been engaged as the Owner's Engineer. ECF, on behalf of the Bahamian people, will independently oversee all projects to completion, coordinating between various stakeholders, including contractors, suppliers, and regulatory authorities.

To the workers of BPL, I wish to categorically state that there will be no layoffs because of the

partnership. There is no intention to offer a voluntary separation programme and current industrial agreements will not be impacted.

It is our expectation that exciting new roles and training opportunities will emerge that BPL employees will have early access to.

Meetings will be held with all employees of BPL to ensure that all questions and concerns will be answered.

Reform 4: *Transforming Energy Generation through LNG Implementation in New Providence*

Liquefied Natural Gas (LNG) is set to revolutionise energy generation in New Providence, significantly benefiting consumers and the environment.

By integrating LNG, we aim to reduce overall energy costs, enhance the efficiency of our generation assets, and minimise environmental impacts. This initiative introduces LNG as a cleaner alternative to Heavy Fuel Oil and Automotive Diesel Oil.

LNG is being implemented for efficient generation in New Providence. To reduce the overall energy cost to the consumer, improve the efficiency of the generation assets, and reduce environmental

impacts, LNG is being brought to The Bahamas as HFO and ADO.

The bulk purchase of LNG will be sourced from Shell. Other partners in the LNG implementation will include Bahamas Utility Company (BUC), as the independent power producer under a purchase power agreement.

By 2026, we will construct a state-of-the-art 177 MW Combined Cycle LNG plant at the Blue Hills Power Station. This innovative facility will feature four natural gas units paired with two steam turbines, maximising efficiency by utilising excess steam from the gas units.

This combined cycle configuration will be the most cost-effective generation solution in the BPL fleet. It will replace the 107 MW of rented generation capacity and address the 63 MW generation shortfall under contingency conditions, enhancing redundancy and resilience.

In addition to the new units, BPL will convert two of its original generators at the Blue Hills Power Station, completing the transition to a more efficient and resilient system. BPL and its consumers are projected to save approximately \$125.6 million annually through fuel switching and improved engine efficiency.

Reform 5: *Equity Rate Adjustment*

Beginning in July 2024, a new Equity Rate Adjustment will make bills more affordable for many Bahamian families now as we transition to a new era in energy.

With the existing tariff structure, residential customers and SMEs are presently subsidizing general service customers (high energy users).

The Equity Rate Adjustment is a reduction in the base tariff rate for residential consumers. The adjustment creates a more equitable balance to the

current tariff structure and encourages energy conservation.

All residential consumers with low and moderate electricity usage will benefit, as the base rate tariff for the first 0 to 200 kWh will be reduced to zero. The upper bands will stay the same, but even if you are a resident with a bill of around 600kWh you will still benefit from the rate of your first 200kWh being reduced to zero. Note that everyone will still have to pay for the fuel charge for every unit they consume.

The Commercial base tariff will drop slightly from 15 cents to 14.5 cents and the Temporary Supply

base tariff, which particularly affects the Family Islands, will drop from 16.38 cents to 15 cents. Again, they will both continue to also pay for their fuel charge.

We are also amending the fuel charge by reducing the charge for the first 800kWh by 2.5cents and increasing the charge above 800kWh by 1.5cents. Consumers who use less energy will enjoy a lower fuel charge. This is important as the more electricity used on the grid, the more BPL must utilize generators which are more expensive to run.

The new rates will be in effect until a comprehensive tariff review is completed, and new rates are approved by the government and URCA.

The General Service base tariff will rise from 8.7 to 10 cents for the first 900,000 units and from 6.2 to 9 cents for units above 900,000 units. Currently General Service customers receive a subsidy of about \$20 million from other BPL customers every year, but they will still be paying less than all other energy classes and will still benefit from a more modest subsidy.

The cost of energy should fall over time because of the efficiency upgrades at BPL includes:

- The installation of a new HFO Boiler at Clifton Pier to save \$36 million dollars per year in fuel costs,
- Installation of two new 30MW LNG burning units, which will save \$30 million dollars per year in fuel costs, and
- Conversion of BPL's USD debt to BSD.

I am so excited that we are all here to take part in the transformative energy journey – to be able to say that we did it.

I am very proud that with our solar solutions for New Providence and the Family Islands that all the

successful bidders had at least 50 percent Bahamian ownership and many were in fact 100 percent Bahamian owned.

We are also delighted that opportunities for young Bahamians will be created through a partnership with The Bahamas Technical and Vocational Institute (BTVI).

The positive effect of what we are kicking off now will not only be felt by our children and our children's children generation, but it will be noticed around the world.

Thank you.

